



**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORTS
June 30, 2023**

SPRINGS UNION FREE SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

The Board of Education
Springs Union Free School District
East Hampton, New York:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Springs Union Free School District (the District), as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, 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 (GAAP).

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

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

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

Required Supplementary Information

GAAP requires that the management's discussion and analysis and additional information on pages 56 through 60 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying other supplementary information as listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering District's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 25, 2023

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

The Springs Union Free School District’s (District) discussion and analysis of the financial performance provides an overall review of the District’s financial activities for the fiscal year ended June 30, 2023 in comparison with the year ended June 30, 2022, with emphasis on the current year. This should be read in conjunction with the financial statements, notes to financial statements, and required supplementary information, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2023 are as follows:

- The District’s total net position deficit, as reflected in the district-wide financial statements, increased by \$2,677,200 (9.96%). This was due to an excess of expenses over revenues using the economic resources measurement focus and the accrual basis of accounting.
- The District’s expenses for the year, as reflected in the district-wide financial statements, totaled \$35,330,553. Of this amount, \$1,420,219 was offset by program charges for services, and operating grants and contributions. General revenues of \$31,233,134 amount to 95.65% of total revenues, and were not adequate to cover the balance of program expenses.
- The District’s general fund fund balance, as reflected in the fund financial statements was \$6,122,305 at June 30, 2023. This balance represents a \$483,589 decrease (7.32%) from the prior year due to an excess of expenditures and other financing uses over revenues and other financing sources, using the current financial resources measurement focus and the modified accrual basis of accounting, as follows:
 - Restricted fund balances decreased by \$105,848, mainly due to the use of reserves, offset by interest allocated to the reserves.
 - Assigned fund balance increased \$641,630, primarily as the District increased the fund balance appropriated to fund the 2024 budget and had more encumbrances in the current year.
 - Unassigned fund balance decreased by \$1,019,371 to \$87,372.
- The District’s 2023 property tax levy, including STAR, of \$29,096,126 reflects a 5.46% increase over the 2022 tax levy, which was equal to the 5.46% property tax cap.

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 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:



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

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 capital assets.

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 flows in future fiscal periods.

B. Fund Financial Statements

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

Governmental Funds

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period when they become measurable and available. It recognizes expenditures in the period when the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, lease liabilities, workers' compensation, compensated absences, pension costs, and other postemployment benefits (OPEB), 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.

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

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 seven individual governmental funds: general fund, special aid fund, school food service fund, debt service fund, capital projects fund, extraclassroom activity funds, and scholarships fund. Each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

The District reports its fiduciary activities in the fiduciary fund – custodial fund. This fund reports real property taxes and payments in lieu of taxes (PILOT) 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 separate statements. The fiduciary activities have been excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position (deficit) increased by \$2,677,200 between fiscal year 2023 and 2022. The deficit increase is due to expenses in excess of revenues using the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Assets				
Current and Other Assets	\$ 12,104,297	\$ 12,138,721	\$ (34,424)	(0.28)%
Capital Assets, Net	26,777,698	25,541,705	1,235,993	4.84 %
Net Pension Assets - Proportionate Share	-	9,909,868	<u>(9,909,868)</u>	(100.00)%
Total Assets	<u>38,881,995</u>	<u>47,590,294</u>	<u>(8,708,299)</u>	(18.30)%
Deferred Outflows of Resources	<u>17,495,993</u>	<u>16,189,535</u>	<u>1,306,458</u>	8.07 %

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

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Liabilities				
Current and Other Liabilities	\$ 4,093,632	\$ 2,040,376	\$ 2,053,256	100.63 %
Long-Term Liabilities	18,271,566	19,032,056	(760,490)	(4.00)%
Net Pension Liabilities -				
Proportionate Share	1,975,302	-	1,975,302	100.00 %
Total OPEB Liability	<u>42,337,103</u>	<u>40,885,964</u>	<u>1,451,139</u>	3.55 %
Total Liabilities	<u>66,677,603</u>	<u>61,958,396</u>	<u>4,719,207</u>	7.62 %
Deferred Inflows of Resources	<u>19,257,255</u>	<u>28,701,103</u>	<u>(9,443,848)</u>	(32.90)%
Net Position (Deficit)				
Net Investment in Capital Assets	10,704,352	8,460,992	2,243,360	26.51 %
Restricted	4,751,791	5,950,180	(1,198,389)	(20.14)%
Unrestricted (Deficit)	<u>(45,013,013)</u>	<u>(41,290,842)</u>	<u>(3,722,171)</u>	9.01 %
Total Net Position (Deficit)	<u>\$ (29,556,870)</u>	<u>\$ (26,879,670)</u>	<u>\$ (2,677,200)</u>	9.96 %

The decrease in current and other assets is primarily related to a decrease in amounts due from state and federal, offset by an increase in cash.

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

Net pension assets – proportionate share represents the District's share of the New York State Teacher's Retirement System's (TRS) and the New York State and Local Employees' Retirement System's (ERS) collective net pension assets, at the measurement date of the respective year. In the current year, the District's proportionate shares shifted from assets to liabilities. The accompanying Notes to Financial Statements, Note 13 "Pension Plans – New York State", provides additional information.

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

The increase in current and other liabilities is predominantly due to increases in accounts payable and collections in advance, offset by a decrease in accrued liabilities.

The decrease in long-term liabilities is the result of the repayment of the current maturity on bonds.

Net pension liabilities – proportionate share represents the District's share of the TRS' and the ERS' collective net pension liabilities, at the measurement date of the respective year. The increase is due to the shift from net pension assets in the prior year, to net pension liabilities in the current year. The accompanying Notes to Financial Statements, Note 13 "Pension Plans – New York State" provides additional information.

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

The OPEB liability increased, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 15 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years. In addition, deferred inflows of resources includes taxes received by the District before the period for which real property taxes are levied.

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

The restricted net position relates to the District's reserves, which decreased from the prior year mainly due to the use of 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.

B. Changes in Net Position

The results of operations, as a whole, are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements, school tax relief (STAR) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of these statements for the years ended June 30, 2023 and 2022 is as follows:

	2023	2022	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 119,718	\$ 28,426	\$ 91,292	321.16 %
Operating Grants & Contributions	1,300,501	2,117,220	(816,719)	(38.58)%
General Revenues				
Property Taxes & STAR	29,093,265	27,587,400	1,505,865	5.46 %
State Sources	1,588,026	1,534,529	53,497	3.49 %
Other	551,843	574,360	(22,517)	(3.92)%
Total Revenues	<u>32,653,353</u>	<u>31,841,935</u>	<u>811,418</u>	2.55 %
Expenses				
General Support	4,507,400	3,466,012	1,041,388	30.05 %
Instruction	28,939,251	27,073,682	1,865,569	6.89 %
Pupil Transportation	1,528,200	1,412,328	115,872	8.20 %
Debt Service - Interest	337,096	457,679	(120,583)	(26.35)%
Food Service Program	18,606	11,446	7,160	62.55 %
Total Expenses	<u>35,330,553</u>	<u>32,421,147</u>	<u>2,909,406</u>	8.97 %
Change in Net Position	<u>\$ (2,677,200)</u>	<u>\$ (579,212)</u>	<u>\$ (2,097,988)</u>	(362.21)%

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

The District's net position decreased by \$2,677,200 and \$579,212 for the years ended June 30, 2023 and 2022, respectively.

The District's revenues increased when compared to the prior year, primarily due to the following major changes:

- Real property taxes and STAR were increased to fund additional appropriations in the voter-approved 2022-2023 budget.
- Operating grants and contributions decreased as the District was awarded funding under Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act and American Rescue Plan (ARP) Act in the prior year, however, the District did not recognize similar revenue in the current year.

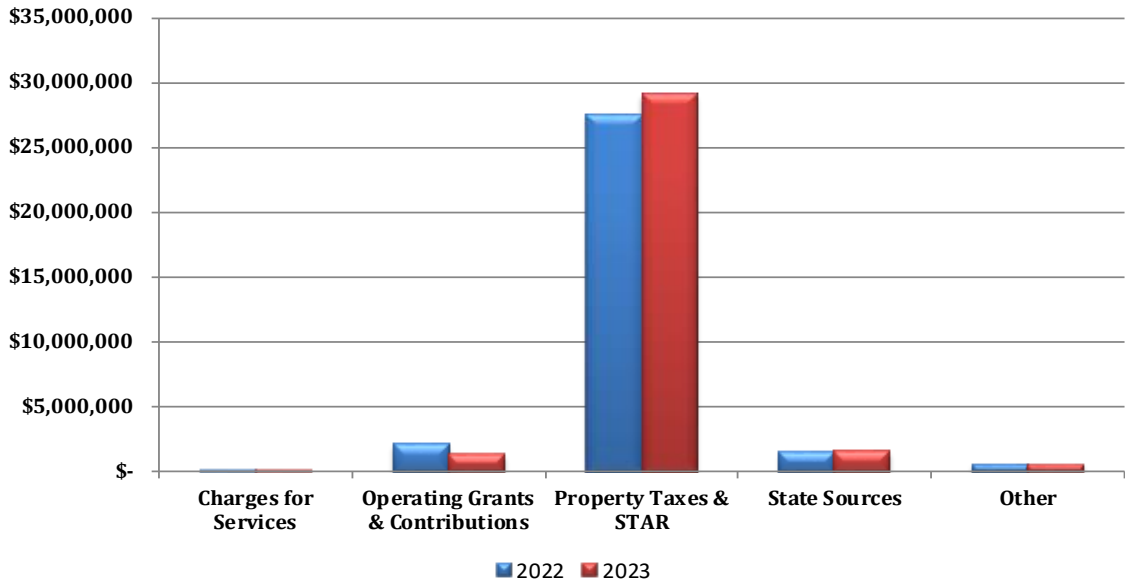
The District's expenses decreased when compared to the prior year, primarily due to the following major changes:

- General support and instruction increased based on the impact of allocations of the net change in actuarially determined expenses for TRS, ERS, and OPEB costs.
- Debt service interest decreased primarily due to less interest due on borrowings.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 89.1% and 86.6% of the total for the years 2023 and 2022, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 81.8% and 83.5% for the years 2023 and 2022, respectively).

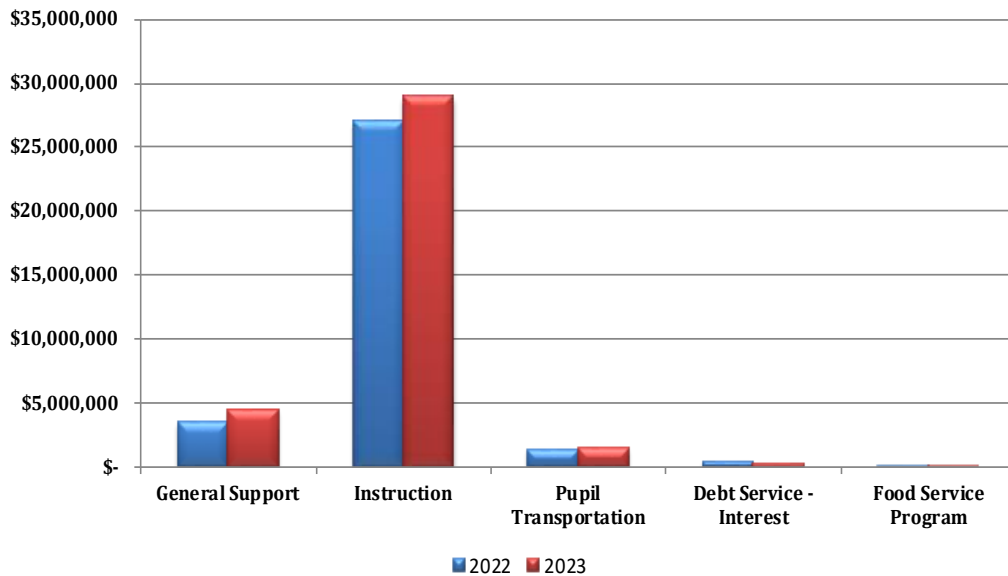
SPRINGS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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



	Charges for Services	Operating Grants & Contributions	Property Taxes & STAR	State Sources	Other
2022	0.1%	6.6%	86.6%	4.8%	1.9%
2023	0.4%	4.0%	89.1%	4.9%	1.6%

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2022	10.7%	83.5%	4.4%	1.4%	0.0%
2023	12.8%	81.8%	4.3%	1.0%	0.1%

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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2023, the District's governmental funds reported a combined fund balance of \$7,733,566, which is a decrease of \$2,205,131 from the prior year. This decrease is due to an excess of expenditures and other financing uses over revenues and other financing sources using the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2023	2022	Increase (Decrease)	Percentage Change
General Fund				
Restricted:				
Workers' compensation	\$ 165,727	\$ 165,644	\$ 83	0.05 %
Unemployment insurance	144,621	144,549	72	0.05 %
Retirement contribution				
Employees' retirement system	229,972	229,857	115	0.05 %
Teachers' retirement system	369,611	369,426	185	0.05 %
Insurance	151,659	151,583	76	0.05 %
Employee benefit accrued liability	1,143,050	1,283,409	(140,359)	(10.94)%
Capital	771,323	756,244	15,079	1.99 %
Repairs	963,163	944,262	18,901	2.00 %
Assigned:				
Appropriated fund balance	2,060,544	1,440,140	620,404	43.08 %
Unappropriated fund balance	35,263	14,037	21,226	151.21 %
Unassigned: Fund balance	87,372	1,106,743	(1,019,371)	(92.11)%
	<u>6,122,305</u>	<u>6,605,894</u>	<u>(483,589)</u>	<u>(7.32)%</u>
School Food Service Fund				
Restricted: Other	5,661	11,270	(5,609)	(49.77)%
Assigned: Unappropriated fund balance	9,410	5,552	3,858	69.49 %
	<u>15,071</u>	<u>16,822</u>	<u>(1,751)</u>	<u>(10.41)%</u>
Debt Service Fund				
Restricted: Debt	<u>337,215</u>	<u>337,215</u>	<u>-</u>	0.00 %
Capital Projects Fund				
Restricted				
Capital	464,389	1,552,071	(1,087,682)	(70.08)%
Unspent debt proceeds	755,281	1,327,946	(572,665)	(43.12)%
Assigned: Unappropriated fund balance	26,411	90,426	(64,015)	(70.79)%
	<u>1,246,081</u>	<u>2,970,443</u>	<u>(1,724,362)</u>	<u>(58.05)%</u>
Extraclassroom Activity Funds				
Assigned: Unappropriated fund balance	<u>7,494</u>	<u>3,673</u>	<u>3,821</u>	104.03 %
Scholarships Fund				
Restricted: Scholarships	<u>5,400</u>	<u>4,650</u>	<u>750</u>	16.13 %
Total Fund Balance	<u>\$ 7,733,566</u>	<u>\$ 9,938,697</u>	<u>\$ (2,205,131)</u>	<u>(22.19)%</u>

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

A. General Fund

The general fund – fund balance is a net decrease of \$483,589 compared to a net decrease of \$112,170 in fiscal 2022. This resulted from expenditures and other financing uses in excess of revenues and other financing sources.

The following is a summary of the major changes that resulted in revenues and other financing sources increasing over the prior year:

	2023	2022	Increase (Decrease)	Percentage Change
Real Property Taxes & STAR	\$ 29,093,265	\$ 27,587,400	\$ 1,505,865	5.46 %
Other Local Sources	541,428	505,515	35,913	7.10 %
State Sources	1,588,026	1,534,529	53,497	3.49 %
Medicaid Reimbursement	103,713	68,845	34,868	50.65 %
Federal Sources	-	9,968	(9,968)	(100.00)%
Other Financing Sources	-	42,353	(42,353)	(100.00)%
	<u>\$ 31,326,432</u>	<u>\$ 29,748,610</u>	<u>\$ 1,577,822</u>	5.30 %

- Property taxes and STAR were increased to fund additional appropriations in the voter-approved 2022-2023 budget.
- Operating transfers in decreased as, during the prior year, the District reimbursed the general fund for federal grant expenditures. No such transfer was made during the current year.

The following is a summary of the major changes that resulted in expenditures and other financing uses increasing over the prior year:

	2023	2022	Increase (Decrease)	Percentage Change
General Support	\$ 3,034,643	\$ 2,754,190	\$ 280,453	10.18 %
Instruction	20,537,266	19,426,995	1,110,271	5.72 %
Pupil Transportation	900,183	875,241	24,942	2.85 %
Employee Benefits	5,849,594	5,413,934	435,660	8.05 %
Debt Service	1,216,787	677,928	538,859	79.49 %
Other Financing Uses	271,548	712,492	(440,944)	(61.89)%
	<u>\$ 31,810,021</u>	<u>\$ 29,860,780</u>	<u>\$ 1,949,241</u>	6.53 %

- Instruction increased due to routine salary and STEP increases, as well as increases in tuition costs as a result of a growth in enrollment.
- Debt service increased due to higher principal payments as a result of the bond issued in the 2020-2021 fiscal year.
- Employee benefits increased due to increased health insurance premiums, and higher pension contributions to the TRS, along with additional social security expenditures due to the rise in salaries, offset by a decrease in pension contributions to the ERS.

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

- Other financing uses decreased as, in the prior year, the District transferred \$655,000 to the capital projects fund to fund capital improvements, whereas, in the current year, the District transferred \$175,000 to fund current year capital projects.

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

	Balance @ June 30, 2022	Use of Reserves	Interest	Funding	Balance @ June 30, 2023
Workers' compensation	\$ 165,644	\$	\$ 83	\$	\$ 165,727
Unemployment insurance	144,549		72		144,621
Retirement contribution					
ERS	229,857		115		229,972
TRS	369,426		185		369,611
Insurance	151,583		76		151,659
EBALR	1,283,409	(141,000)	641		1,143,050
Capital	756,244		15,079		771,323
Repairs	944,262		18,901		963,163
	<u>\$ 4,044,974</u>	<u>\$ (141,000)</u>	<u>\$ 35,152</u>	<u>\$ -</u>	<u>\$ 3,939,126</u>

Additional detail regarding capital reserves can be found in Note 19 "Restricted for Capital Reserve."

B. School Food Service Fund

The school food service fund - fund balance net decrease is the result of expenditures exceeding revenues and other financing sources.

C. Debt Service Fund

The debt service fund – fund balance, which did not change from the prior year, represents bond proceeds and debt premium that will be used to offset future debt principal payments.

D. Capital Projects Fund

The capital projects fund – fund balance net decrease is the result of expenditures related to ongoing capital improvement projects, offset by operating transfers in from the general fund.

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

	Balance @ June 30, 2022	Use of Reserves	Funding	Balance @ June 30, 2023
May 2014 Reserve	<u>\$ 1,552,071</u>	<u>\$ (1,087,682)</u>	<u>\$ -</u>	<u>\$ 464,389</u>

E. Extraclassroom Activity Funds

The extraclassroom activity funds – fund balance net increase is attributable to student clubs activities cash receipts from fundraising and collections exceeding disbursements related to those activities.

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

F. Scholarships Fund

The scholarships fund – fund balance net increase is the result of scholarship donations exceeding scholarships awarded.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2022-2023 Budget

The District's general fund adopted budget for the year ended June 30, 2023 was \$32,888,886. This amount was increased by encumbrances carried forward from the prior year in the amount of \$14,037 and a budget revision in the amount of \$141,000, for a total final budget of \$33,043,923.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$29,096,126 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 and other financing sources over expenditures and other financing uses, 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, expenditures, and other financing uses for the year, compared to budget follows:

Opening, Unassigned Fund Balance	\$ 1,106,743
Revenues Under Budget	(122,314)
Expenditures, Other Financing Uses, and Encumbrances Under Budget	1,198,639
Allocation to Reserves	(35,152)
Appropriated to Fund the June 30, 2024 Budget	<u>(2,060,544)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 87,372</u></u>

Opening, Unassigned Fund Balance

The \$1,106,743 shown in the table is the portion of the District's June 30, 2022 fund balance that was retained as unassigned fund balance.

Revenues Under Budget

The 2022-2023 final budget for revenues was \$31,448,746. Actual revenues recognized for the year were \$31,326,432. The actual revenues were lower than budgeted by \$122,314, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2022 to June 30, 2023. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

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

Expenditures, Other Financing Uses, and Encumbrances Under Budget

The 2022-2023 final budget for expenditures and other financing uses was \$33,043,923. Actual expenditures and other financing uses as of June 30, 2023 were \$31,810,021 and outstanding encumbrances were \$35,263. Combined, the expenditures plus encumbrances for 2022-2023 were \$31,845,284. The final budget variance was \$1,198,639, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2022 to June 30, 2023. 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 use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers. The table in §4.A. of this MD&A details the allocation of interest earnings to the reserves.

Appropriated Fund Balance

The District has chosen to use \$2,060,544 of the available June 30, 2023 unassigned fund balance to partially fund the 2023-2024 approved operating budget. As such, the June 30, 2023 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2023 was \$87,372. This is a decrease of \$1,019,371 from the prior year unassigned fund balance. This unassigned portion is 0.25% of the 2023-2024 budget, which is less than the 4.0% permissible per New York State Real Property Tax Law §1318.

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

A. Capital Assets

At June 30, 2023, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$2,005,815, in excess of depreciation/amortization expense of \$769,822 recorded for the year ended June 30, 2023. A summary of the District's capital assets, net of accumulated depreciation/amortization at June 30, 2023 and 2022 is as follows:

	2023	2022	Increase (Decrease)
Land	\$ 9,875	\$ 9,875	\$ -
Construction in progress	640,607	21,907,266	(21,266,659)
Buildings and improvements	24,619,182	2,564,935	22,054,247
Site improvements	739,721	307,337	432,384
Furniture and equipment	486,617	495,404	(8,787)
Vehicles	266,802	231,482	35,320
Leased equipment and fixtures	14,894	25,406	(10,512)
Capital assets, net	<u>\$ 26,777,698</u>	<u>\$ 25,541,705</u>	<u>\$ 1,235,993</u>

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

The District is continuing to make significant capital expenditures resulting from a voter approved \$22,963,298 capital project for an addition and improvements to the building. As of June 30, 2023, the District has expended approximately 96.7% of the authorization and the construction is ongoing.

B. Debt Administration

At June 30, 2023, the District had combined total debt of \$16,314,040. The decreases in outstanding debt represent principal payments made throughout the year. A summary of the outstanding debt at June 30, 2023 and 2022 is as follows:

Issue/ Commencement Date	Interest Rate	2023	2022	Increase (Decrease)
Bond Anticipation Notes Payable				
2019	1.61%	\$ 54,000	\$ 81,000	\$ (27,000)
Bonds Payable				
2020	1.00-2.00%	\$ 16,245,000	\$ 16,960,000	\$ (715,000)
Installment Purchase Debt				
2018	3.28%	\$ -	\$ 51,607	\$ (51,607)
Lease Liabilities				
2021	1.25%	\$ 15,040	\$ 25,499	\$ (10,459)

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa2. The District's outstanding debt at June 30, 2023 is 2.08% of the District's debt limit.

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, which are based on employment contracts, and workers' compensation liabilities, net pension liabilities - proportionate share, and total OPEB liability, which are based on actuarial valuations. A summary of the outstanding other long-term liabilities at June 30, 2023 and 2022 is as follows:

	2023	2022	Increase (Decrease)
Compensated absences payable	\$ 1,492,817	\$ 1,475,355	\$ 17,462
Workers' compensation liabilities	188,262	184,042	4,220
Net pension liabilities - proportionate share	1,975,302	-	1,975,302
Total OPEB liability	42,337,103	40,885,964	1,451,139
	<u>\$ 45,993,484</u>	<u>\$ 42,545,361</u>	<u>\$ 3,448,123</u>

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

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 16, 2023, for the year ending June 30, 2024, is \$35,406,133. This is an increase of \$2,517,247 or 7.65% over the previous year's budget.

The District budgeted revenues other than property taxes at a \$397,560 increase over the prior year's estimate. The assigned, appropriated fund balance applied to the June 30, 2024 budget in the amount of \$2,060,544 is an increase of \$620,404 over the prior year. A property tax increase of \$1,499,283 or 5.15% over the prior year levy was needed to meet the revenue shortfall and cover the increase in appropriations.

B. Future Budgets

Dwindling state and federal support of initiatives established during the pandemic, the continued need for additional resources to close learning gaps, fluctuating rates in this inflationary environment, and increases in charges for fuel, goods, and borrowing costs may impact the District's future budgets.

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2023-2024 is 2.14%. The District's 2023-2024 property tax increase of 5.15% exceeded the tax cap and was approved by 64.6% of the voters.

8. CONTACTING THE DISTRICT

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

Mr. Steven Guarini
School Business Administrator
Springs Union Free School District
48 School Street
East Hampton, New York 11937

SPRINGS UNION FREE SCHOOL DISTRICT
Statement of Net Position
June 30, 2023

ASSETS

Cash	
Unrestricted	\$ 4,903,426
Restricted	5,507,072
Receivables	
Accounts receivable	21,759
Due from state and federal	1,290,858
Due from other governments	230,084
Other assets	151,098
Capital assets:	
Not being depreciated/amortized	650,482
Being depreciated/amortized, net of accumulated depreciation/amortization	<u>26,127,216</u>
Total Assets	<u>38,881,995</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	6,139,067
Other postemployment benefits	<u>11,356,926</u>
Total Deferred Outflows of Resources	<u>17,495,993</u>

LIABILITIES

Payables	
Accounts payable	1,871,963
Accrued liabilities	126,253
Due to fiduciary fund	750
Due to other governments	195,590
Due to teachers' retirement system	1,091,357
Due to employees' retirement system	59,261
Other liabilities	35,437
Unearned credits	
Collections in advance	407,021
Notes payable	
Bond anticipation notes	306,000
Long-term liabilities	
Due and payable within one year	
Bond anticipation notes	54,000
Bonds payable, net	748,357
Lease liabilities	10,589
Compensated absences payable	162,746
Due and payable after one year	
Bonds payable, net	15,773,090
Lease liabilities	4,451
Compensated absences payable	1,330,071
Workers' compensation liabilities	188,262
Net pension liabilities - proportionate share	1,975,302
Total other postemployment benefits liability	<u>42,337,103</u>
Total Liabilities	<u>66,677,603</u>

DEFERRED INFLOWS OF RESOURCES

Deferred property taxes	21,360
Pensions	599,435
Other postemployment benefits	<u>18,636,460</u>
Total Deferred Inflows of Resources	<u>19,257,255</u>

NET POSITION (DEFICIT)

Net investment in capital assets	<u>10,704,352</u>
Restricted	
Workers' compensation	165,727
Unemployment insurance	144,621
Retirement contribution	
Teachers' retirement system	369,611
Employees' retirement system	229,972
Insurance	151,659
Employee benefit accrued liability	1,143,050
Capital	1,235,712
Repairs	963,163
Debt	337,215
Scholarships	5,400
Other	5,661
	<u>4,751,791</u>
Unrestricted (deficit)	<u>(45,013,013)</u>
Total Net Position (Deficit)	<u>\$ (29,556,870)</u>

SPRINGS UNION FREE SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2023

	<u>Program Revenues</u>		Net (Expense)
	Charges for	Operating	Revenue and
<u>Expenses</u>	<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
		<u>Contributions</u>	<u>Net Position</u>
FUNCTIONS/PROGRAMS			
General support	\$ 4,507,400	\$	\$ (4,507,400)
Instruction	28,939,251	118,468	1,292,896
Pupil transportation	1,528,200		(27,527,887)
Debt service - interest	337,096		(1,528,200)
Food service program	18,606	1,250	(337,096)
	<u>18,606</u>	<u>1,250</u>	<u>7,605</u>
	<u>\$ 35,330,553</u>	<u>\$ 119,718</u>	<u>\$ 1,300,501</u>
Total Functions and Programs			(33,910,334)
GENERAL REVENUES			
Real property taxes			28,797,164
Other tax items			467,929
Use of money and property			72,046
Sale of property and compensation for loss			6,791
Miscellaneous			197,465
State sources			1,588,026
Medicaid reimbursement			<u>103,713</u>
Total General Revenues			<u>31,233,134</u>
Change in Net Position (Deficit)			(2,677,200)
Total Net Position (Deficit) - Beginning of Year			<u>(26,879,670)</u>
Total Net Position (Deficit) - End of Year			<u>\$ (29,556,870)</u>

SPRINGS UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2023

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Extraclassroom Activity	Scholarships	Total Governmental Funds
ASSETS								
Cash								
Unrestricted	\$ 3,619,917	\$ 383,854	\$	\$	\$ 892,196	\$ 7,459	\$	\$ 4,903,426
Restricted	4,283,314		4,088		1,219,670			5,507,072
Receivables								
Accounts receivable	19,661	2,098						21,759
Due from other funds	5,411,115		7,601	337,215		35	5,400	5,761,366
Due from state and federal	181,780	1,014,855	4,412		89,811			1,290,858
Due from other governments	230,084							230,084
Total Assets	<u>\$ 13,745,871</u>	<u>\$ 1,400,807</u>	<u>\$ 16,101</u>	<u>\$ 337,215</u>	<u>\$ 2,201,677</u>	<u>\$ 7,494</u>	<u>\$ 5,400</u>	<u>\$ 17,714,565</u>
LIABILITIES								
Payables								
Accounts payable	\$ 1,715,146	\$ 114,103	\$ 1,030	\$	\$ 41,684	\$	\$	\$ 1,871,963
Accrued liabilities	32,970							32,970
Due to other funds	4,364,332	879,683			518,101			5,762,116
Due to other governments	195,590							195,590
Due to teachers' retirement system	1,091,357							1,091,357
Due to employees' retirement system	59,261							59,261
Other liabilities	35,437							35,437
Unearned credits								
Collections in advance		407,021						407,021
Notes Payable								
Bond anticipation notes					306,000			306,000
Total Liabilities	<u>7,494,093</u>	<u>1,400,807</u>	<u>1,030</u>	<u>-</u>	<u>865,785</u>	<u>-</u>	<u>-</u>	<u>9,761,715</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenues	108,113				89,811			197,924
Deferred property taxes	21,360							21,360
Total Deferred Inflows of Resources	<u>129,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,811</u>	<u>-</u>	<u>-</u>	<u>219,284</u>
FUND BALANCES								
Restricted:								
Workers' compensation	165,727							165,727
Unemployment insurance	144,621							144,621
Retirement contribution								
Teachers' retirement system	369,611							369,611
Employees' retirement system	229,972							229,972
Insurance	151,659							151,659
Employee benefit accrued liability	1,143,050							1,143,050
Capital	771,323				464,389			1,235,712
Repairs	963,163							963,163
Debt				337,215				337,215
Unspent debt proceeds					755,281			755,281
Scholarships							5,400	5,400
Other			5,661					5,661
Assigned:								
Appropriated fund balance	2,060,544							2,060,544
Unappropriated fund balance	35,263		9,410		26,411	7,494		78,578
Unassigned: Fund balance	87,372							87,372
Total Fund Balances	<u>6,122,305</u>	<u>-</u>	<u>15,071</u>	<u>337,215</u>	<u>1,246,081</u>	<u>7,494</u>	<u>5,400</u>	<u>7,733,566</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 13,745,871</u>	<u>\$ 1,400,807</u>	<u>\$ 16,101</u>	<u>\$ 337,215</u>	<u>\$ 2,201,677</u>	<u>\$ 7,494</u>	<u>\$ 5,400</u>	<u>\$ 17,714,565</u>

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

June 30, 2023

Total Governmental Fund Balances		\$ 7,733,566
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.		151,098
The costs of building, acquiring, and the right-to-use capital assets 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	\$ 32,558,876	
Less: Accumulated depreciation/amortization	<u>(5,781,178)</u>	26,777,698
Proportionate share of long-term liabilities, as well as deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or liabilities and are not reported in the funds.		
Deferred outflows of resources	6,139,067	
Net pension liability - teachers' retirement system	(1,013,628)	
Net pension liability - employees' retirement system	(961,674)	
Deferred inflows of resources	<u>(599,435)</u>	3,564,330
Total other postemployment benefits liability, as well as 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	11,356,926	
Total other postemployment benefits liability	(42,337,103)	
Deferred inflows of resources	<u>(18,636,460)</u>	(49,616,637)
Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.		
		197,924
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Accrued interest on debt	(93,283)	
Bond anticipation notes payable	(54,000)	
Bonds payable	(16,521,447)	
Lease liabilities	(15,040)	
Compensated absences payable	(1,492,817)	
Workers' compensation liabilities	<u>(188,262)</u>	(18,364,849)
Total Net Position (Deficit)		<u>\$ (29,556,870)</u>

SPRINGS UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2023

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Extraclassroom Activity	Scholarships	Total Governmental Funds
REVENUES								
Real property taxes	\$ 28,797,164	\$	\$	\$	\$	\$	\$	\$ 28,797,164
Other tax items	467,929							467,929
Charges for services	93,298							93,298
Sale of property and compensation for loss	6,791							6,791
Use of money and property	72,046							72,046
Miscellaneous	197,465	21,378	1,250			25,170	750	246,013
State sources	1,588,026	212,513						1,800,539
Medicaid reimbursement	103,713							103,713
Federal sources		1,058,255	7,605					1,065,860
Total Revenues	31,326,432	1,292,146	8,855	-	-	25,170	750	32,653,353
EXPENDITURES								
General support	3,034,643							3,034,643
Instruction	20,537,266	1,298,911				21,349		21,857,526
Pupil transportation	900,183	23,062			179,660			1,102,905
Employee benefits	5,849,594	1,721						5,851,315
Debt service								
Principal	752,459							752,459
Interest	464,328							464,328
Food service program			18,606					18,606
Capital outlay					1,776,702			1,776,702
Total Expenditures	31,538,473	1,323,694	18,606	-	1,956,362	21,349	-	34,858,484
Excess (Deficiency) of Revenues Over Expenditures	(212,041)	(31,548)	(9,751)	-	(1,956,362)	3,821	750	(2,205,131)
OTHER FINANCING SOURCES AND (USES)								
Operating transfers in / (out)								
BANs redeemed	(57,000)				57,000			-
Operating transfers in		31,548	8,000		175,000			214,548
Operating transfers (out)	(214,548)							(214,548)
Total Other Financing Sources and (Uses)	(271,548)	31,548	8,000	-	232,000	-	-	-
Net Change in Fund Balances	(483,589)	-	(1,751)	-	(1,724,362)	3,821	750	(2,205,131)
Fund Balances								
Beginning of Year	6,605,894	-	16,822	337,215	2,970,443	3,673	4,650	9,938,697
End of Year	<u>\$ 6,122,305</u>	<u>\$ -</u>	<u>\$ 15,071</u>	<u>\$ 337,215</u>	<u>\$ 1,246,081</u>	<u>\$ 7,494</u>	<u>\$ 5,400</u>	<u>\$ 7,733,566</u>

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

For the Year Ended June 30, 2023

Net Change in Fund Balances		\$ (2,205,131)
Amounts reported for governmental activities in the Statement of Activities are different because:		
<u>Long-Term Revenue and Expense Differences</u>		
Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) are being held by a third-party administrator. This is the amount by which other assets - cash held by third-party administrator increased in the period.	\$ 19,932	
Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but expensed in the Statement of Activities.		
Increase in workers' compensation claims liability	(4,220)	
Increase in compensated absences payable	<u>(17,462)</u>	(1,750)
<u>Capital Related Differences</u>		
Capital outlays to purchase, build, or the right-to-use 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/amortization expense in the Statement of Activities. This is the amount by which capital outlays and other additions exceeded depreciation/amortization expense in the period.		
Capital outlays and other additions	2,005,815	
Depreciation/amortization expense	<u>(769,822)</u>	1,235,993
<u>Long-Term Debt Transactions Differences</u>		
The amortization of the deferred premiums on bonds decreases interest expense in the Statement of Activities.	29,713	
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
Bond anticipation notes	27,000	
Bonds payable	715,000	
Lease liabilities	10,459	
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is interest decreased from June 30, 2022 to June 30, 2023.	<u>97,519</u>	879,691
<u>Pension and Other Postemployment Benefits Differences</u>		
The change in the proportionate share of the collective pension expense of the state retirement plans and the change in other postemployment benefits expense reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds.		
Teachers' retirement system	(284,486)	
Employees' retirement system	(183,301)	
Other postemployment benefits	<u>(2,118,216)</u>	(2,586,003)
Change in Total Net Position (Deficit) of Governmental Activities		<u>\$ (2,677,200)</u>

SPRINGS UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position - Fiduciary Fund
June 30, 2023

	Custodial
ASSETS	
Due from governmental funds	\$ 750
LIABILITIES	
Due to other governments	750
NET POSITION	
Restricted for individuals, organizations, and other governments	\$ -

Statement of Changes in Fiduciary Net Position - Fiduciary Fund
For the Year Ended June 30, 2023

	Custodial
ADDITIONS	
Real property taxes and PILOT collected for the Library	\$ 395,353
DEDUCTIONS	
Disbursements of real property taxes and PILOT to the Library	395,353
Change in Net Position	-
Net Position - Beginning of Year	-
Net Position - End of Year	\$ -

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, 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 (GML). A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

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

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 and contributions include operating-specific and discretionary (either operating or capital) grants and contributions, while capital grants reflect capital-specific grants, if applicable.

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

Fund Financial Statements

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

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

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

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

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

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 the acquisition, construction, renovation, major repair of, or the right-to-use capital facilities and other capital assets.

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

Extraclassroom Activity Funds – is used to account for the funds operated by and for the students of the District. The Board exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements of the extraclassroom activity funds can be found at the District’s Business Office.

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

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 and PILOT 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

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

fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, lease liabilities, workers' compensation, compensated absences, OPEB, and pension costs, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

E. Real Property Taxes and Other Tax Items

Calendar

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

The District also levies the real property taxes for the East Hampton Public Library, which are collected by the Town and included in the amount remitted to the District. The District remits the Library's share of the tax levy in one installment. These pass through amounts are not included in the District's property taxes, but are accounted for within the custodial fund.

Enforcement

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

School Tax Relief (STAR) Aid

New York State implemented the STAR program with the enactment of Chapter 389 of the Laws of 1997 to reduce the school property tax burden on residential homeowners. A school district's annual property tax levy as adopted is reduced by the total amount of the STAR exemptions granted to homeowners. School districts are reimbursed for this loss in property tax revenues by the state with STAR aid, which is reported as other tax items revenue.

F. Payments in Lieu of Taxes (PILOT)

The District reports PILOT revenues in the general fund as part of other tax items revenue. 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.

PILOT payments collected on behalf of the Library are remitted to the Library. These pass-through amounts are not included in the District's other tax items revenue; however, the amounts are recorded within the custodial fund.

The District's PILOT revenues include payments from the Long Island Power Authority (LIPA). These LIPA PILOT payments are not the result of tax abatement agreements as defined by GASB Statement No. 77, *Tax Abatement Disclosures*, under which an entity receiving a reduction in tax revenues promises to take specific action that contributes directly to economic development or otherwise benefits the governments or residents of the governments. The District received \$171,827 in LIPA PILOT revenue during the 2022-2023 fiscal year.

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

G. Restricted Resources

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

H. Interfund Transactions

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

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

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

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

I. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including revenue availability, compensated absences, lease liabilities, pension costs, OPEB, workers' compensation liabilities, potential contingent liabilities, and useful lives of capital assets.

J. Cash and Cash Equivalents/Investments

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

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

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

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

K. Receivables

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

L. Capital Assets

The district-wide financial statements report capital and intangible assets such as the right-to-use leased assets. 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. Intangible assets are reported based on the estimated lease liability calculated in accordance with GASB standards.

All capital assets, except land and construction in progress, are depreciated/amortized 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:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 1,000	50 years
Site improvements	1,000	20 years
Furniture and equipment	1,000	5-20 years
Vehicles	1,000	5-10 years
Leased equipment and fixtures	1,000	3-5 years

M. Other Assets

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

N. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net assets that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. First is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liabilities 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 OPEB liability not included in OPEB expense.

O. Short-Term Debt

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

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

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.

BANs that are replaced with long-term financing, or renewed subsequent to the year end, are treated as long-term liabilities, as these notes will not require the use of working capital during that period.

P. Collections in Advance

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

Q. Employee Benefits - Compensated Absences

Compensated absences consist of unpaid accumulated sick leave and vacation 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.

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

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

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

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

R. Other Benefits

Eligible District employees participate in the TRS or the ERS.

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

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

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, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

S. Long-Term Debt

The District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The repayment of principal and interest will be in the general fund.

In the fund financial statements, governmental funds recognize bond premiums during the current period, with the face amount of debt issued reported as other financing sources. Premiums received on long-term debt issuances are reported as other financing sources. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

In the district-wide financial statements, premiums received on long-term debt issuances are netted with bonds payable and amortized over the life of the bonds.

T. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net assets that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue/expense credit) until that time. The District has three items that qualify for reporting in this category. First is deferred revenues, reported in the governmental fund when potential revenues do not meet the availability criterion for recognition in the current period. This includes property taxes received by the District before the period for which the real property taxes are levied, and unavailable revenues, such as state aid allocation and smart schools bond act receivables. In subsequent periods, when the District has legal claim to the resources, and when the availability criterion is met the property taxes and receivables will be recognized as revenues. In the District-wide financial statements, property taxes remain as deferred inflows and unavailable revenues are treated as revenues. The second item, reported in the Statement of Net Position, is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position and represents the change in the total OPEB liability not included in OPEB expense.

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

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/amortization) reduced by outstanding balances of related debt obligations from the acquisition, construction, and improvements of those assets, net of any unexpended proceeds.

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:

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

Workers' Compensation Reserve

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

Unemployment Insurance Reserve

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

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

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the ERS and TRS. 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. Contributions to the TRS sub-fund are limited 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 TRS sub-fund is separately administered, but must comply with all the existing provisions of GML §6-r. These reserves are accounted for in the general fund.

Insurance Reserve

Insurance Reserve is used to pay liability, casualty, and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value, and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no 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 benefits primarily based on unused and unpaid sick leave, personal leave, holiday leave, or vacation leave 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.

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

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, 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 Debt Proceeds

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

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.

Restricted for Other

Amounts restricted for other consist of donations received to provide lunches for students in need. These restricted funds are accounted for in the school food service fund.

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District’s Board. 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, positive amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year’s budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

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

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

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 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.

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

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned, or unassigned) the Board will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classification will be charged.

2. FUTURE ACCOUNTING STANDARDS

The GASB Statements are issued to set GAAP for state and local governments. The following is not an all-inclusive list of GASB statements issued, but statements that the District feels may have a future impact on these financial statements. The District will evaluate the impact of these pronouncements and implement them, as applicable, if material.

Effective for the Year Ending	Statement
June 30, 2024	GASB No. 99 – <i>Omnibus 2022</i>
June 30, 2025	GASB No. 101 – <i>Compensated Absences</i>

GASB Statement No. 99 provides additional guidance to enhance comparability in accounting and financial reporting to improve consistency of previously issued literature.

GASB Statement No. 101 was issued to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and amending previously required disclosures.

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

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

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

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

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

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 or financing of capital items in the fund statements and depreciation/amortization 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 payments 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.

OPEB 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 OPEB 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.

4. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets

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

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

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 as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriation occurred during the year:

Retirement benefit appropriations funded by the employee benefit accrued liability reserve	<u>\$ 141,000</u>
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Budgets are adopted annually on a basis consistent with GAAP.

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

B. Encumbrances

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

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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.

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

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

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

Investment Pool:

The District participates in the New York Cooperative Liquid Assets Securities System (NYCLASS), a multi-municipal cooperative investment pool agreement pursuant to GML Article 3-A and 5-G, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. All NYCLASS portfolio holdings are collateralized in accordance with GML §10.

The District's investments in NYCLASS consisted of repurchase agreements, U.S. Treasury Securities, and collateralized bank deposits, with various interest rates and due dates. The amount of \$1,941,144 is included as cash in the general fund.

Securities, other than repurchase agreements, are valued at the most recent market bid price as obtained from one or more market makers for such securities. Repurchase agreements are recorded at cost, which approximates fair value. The lead participant of NYCLASS is the Village of Potsdam. Additional information concerning NYCLASS, including the annual report, can be found on its website at www.newyorkclass.org.

6. PARTICIPATION IN BOCES

During the year ended June 30, 2023, the District was billed \$1,006,938 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$203,435. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

7. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2023 consisted of:

General Fund	
New York State - excess cost aid	\$ 181,780
Special Aid Fund	
Federal and state grants	1,014,855
School Food Service Fund	
Federal and state food service program reimbursements	4,412
Capital Projects Fund	
Smart Schools Bond Act	<u>89,811</u>
	<u>\$ 1,290,858</u>

District management expects these amounts to be fully collectible.

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

8. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2023 consisted of:

General Fund		
BOCES aid	\$	203,435
Other districts - tuition		<u>26,649</u>
	\$	<u><u>230,084</u></u>

District management expects these amounts to be fully collectible.

9. CAPITAL ASSETS

A. Changes

Capital asset balances and activity for the year ended June 30, 2023 were as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
Governmental activities				
Capital assets not being depreciated/amortized:				
Land	\$ 9,875	\$	\$	\$ 9,875
Construction in progress	21,907,266	640,607	(21,907,266)	640,607
Total capital assets not being depreciated/amortized	<u>21,917,141</u>	<u>640,607</u>	<u>(21,907,266)</u>	<u>650,482</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	5,251,002	22,568,357		27,819,359
Site improvements	678,205	475,004		1,153,209
Furniture and equipment	871,093	49,453	(42,110)	878,436
Vehicles	1,846,191	179,660		2,025,851
Leased equipment and fixtures	31,539			31,539
Total capital assets being depreciated/amortized	<u>8,678,030</u>	<u>23,272,474</u>	<u>(42,110)</u>	<u>31,908,394</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	2,686,067	514,110		3,200,177
Site improvements	370,868	42,620		413,488
Furniture and equipment	375,689	58,240	(42,110)	391,819
Vehicles	1,614,709	144,340		1,759,049
Leased equipment and fixtures	6,133	10,512		16,645
Total accumulated depreciation/ amortization	<u>5,053,466</u>	<u>769,822</u>	<u>(42,110)</u>	<u>5,781,178</u>
Total capital assets being depreciated/amortized, net	<u>3,624,564</u>	<u>22,502,652</u>	<u>-</u>	<u>26,127,216</u>
Capital assets, net	<u>\$ 25,541,705</u>	<u>\$ 23,143,259</u>	<u>\$ (21,907,266)</u>	<u>\$ 26,777,698</u>

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

Depreciation/amortization expense was charged to governmental functions as follows:

General support	\$ 588,947
Instruction	36,535
Pupil transportation	<u>144,340</u>
Total depreciation/amortization expense	<u>\$ 769,822</u>

B. Lease Assets

The District has entered into a lease arrangement that is subject to GASB Statement No. 87. The terms of the lease is 36 months with discount rates of 1.25%. This lease is included in leased equipment and fixtures included in the previous table. The District has not provided any residual value guarantees related to these leased capital assets.

C. Impairment Losses

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The District's policy is to record an impairment loss in the period when the District determines that the carrying amount of the asset will not be recoverable. At June 30, 2023, the District has not recorded any such impairment losses.

10. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2023 are as follows:

	<u>Interfund</u>			
	<u>Receivable</u>	<u>Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds				
General Fund	\$ 5,411,115	\$ 4,364,332	\$	\$ 214,548
Special Aid Fund		879,683	31,548	
School Food Service Fund	7,601		8,000	
Debt Service Fund	337,215			
Capital Projects Fund		518,101	175,000	
Extraclassroom Activity Funds	35			
Scholarships Fund	5,400			
Total Governmental Funds	<u>5,761,366</u>	<u>5,762,116</u>	<u>\$ 214,548</u>	<u>\$ 214,548</u>
Fiduciary Fund	750			
	<u>\$ 5,762,116</u>	<u>\$ 5,762,116</u>		

The District typically transfers from the general fund to the special aid fund and the school food service fund in accordance with the general fund budget. The transfer to the special aid fund from the general fund is to provide the District's 20% share of the summer program for students with disabilities and amounts to subsidize the in-house summer program. The transfer to the school food service fund from the general fund is to subsidize the program. The transfers to the capital projects fund represents a budgeted transfer to provide funding for capital improvement projects.

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

11. SHORT-TERM DEBT

Short-term activity for the year is summarized below:

	Maturity	Stated Interest Rate	Balance June 30, 2022	Issued	Redeemed	Balance June 30, 2023
TAN	6/28/2023	4.00%	\$ -	\$ 6,000,000	\$ (6,000,000)	\$ -
BAN	11/18/2022	0.39%	258,000		(258,000)	-
BAN	11/17/2023	4.50%	-	306,000		306,000
			<u>\$ 258,000</u>	<u>\$ 6,306,000</u>	<u>\$ (6,258,000)</u>	<u>\$ 306,000</u>

The TAN was issued to provide cash flow for the District until the District receives the real property taxes from the Town. The BAN was issued to provide cash for the purchase of buses and related equipment. See additional information in Note 12 "Long-Term Liabilities".

Interest on short-term debt for the year was \$180,655. The District received a premium of \$835 from the BAN issuance and \$37,740 from the TAN issuance. Both were included in miscellaneous revenue in the general fund.

12. LONG-TERM LIABILITIES

A. Changes

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

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Long-term debt:					
BAN payable	\$ 81,000	\$	\$ (27,000)	\$ 54,000	\$ 54,000
Bonds payable	16,960,000		(715,000)	16,245,000	720,000
Deferred premium	306,160		(29,713)	276,447	28,357
Lease liabilities	25,499		(10,459)	15,040	10,589
Other long-term liabilities:					
Compensated absences	1,475,355	17,462		1,492,817	162,746
Workers' compensation	184,042	21,816	(17,596)	188,262	
	<u>\$19,032,056</u>	<u>\$ 39,278</u>	<u>\$ (799,768)</u>	<u>\$18,271,566</u>	<u>\$ 975,692</u>

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

Additions and reductions to compensated absences are shown net since it is impractical to separately determine these amounts. The maturity of compensated absences is not determinable.

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

B. Bond Anticipation Notes Payable

Description	Authorization		Borrowed to Date	Redeemed to Date	Outstanding at June 30, 2023
	Date	Amount			
Bus and light truck	9/16/2019	\$ 135,000	\$ 135,000	\$ 81,000	\$ 54,000

C. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2023
Building addition	9/2/2020	9/1/2041	1.00-2.00%	\$ 16,245,000

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

Year Ending June 30,	Principal	Interest	Total
2024	\$ 720,000	\$ 276,250	\$ 996,250
2025	730,000	269,000	999,000
2026	740,000	261,650	1,001,650
2027	755,000	254,175	1,009,175
2028	770,000	246,550	1,016,550
2029-2033	4,090,000	1,047,650	5,137,650
2034-2038	4,510,000	621,800	5,131,800
2039-2042	3,930,000	158,900	4,088,900
Total	\$ 16,245,000	\$ 3,135,975	\$ 19,380,975

The premiums received from the 2020 bond issuance are being amortized as a component of interest expense on the weighted average basis over the life of the bonds in the district-wide statements as follows:

Year Ending June 30,	Amortization of Premium
2024	\$ 28,357
2025	26,982
2026	25,584
2027	24,158
2028	22,699
2029-2033	90,626
2034-2038	49,634
2039-2042	8,407
	\$ 276,447

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

D. Lease Liabilities

Lease liabilities are comprised of the following:

Description	Commencement Date	Final Maturity	Interest Rate	Outstanding at June 30, 2023
Konica Networked Copiers	12/1/2021	11/1/2024	1.25%	<u>\$ 15,040</u>

The following is a summary of debt service requirements for lease liabilities:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 10,589	\$ 116	\$ 10,705
2025	<u>4,451</u>	<u>9</u>	<u>4,460</u>
Total	<u>\$ 15,040</u>	<u>\$ 125</u>	<u>\$ 15,165</u>

There were no additional lease commitments entered into by the District after June 30, 2023.

E. Interest Expense

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

Interest paid	\$ 283,673
Less interest accrued in the prior year	(190,802)
Plus interest accrued in the current year	93,283
Less amortization of deferred amounts on refunding	<u>(29,713)</u>
Total interest expense on long-term debt	<u>\$ 156,441</u>

13. PENSION PLANS – NEW YORK STATE

A. General Information

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer, defined benefit, 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

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

relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the TRS may be found on the TRS website at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

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

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer and employee contributions are deducted from state aid in the subsequent months of September, October, and November, with the balance to be paid by the District, if necessary. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 9.80% of covered payroll for the TRS' fiscal year ended June 30, 2022. The District's average contribution rate was 11.25% of covered payroll for the ERS' fiscal year ended March 31, 2023.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2023 was \$972,911 for TRS at the contribution rate of 10.29% and \$172,838 for ERS at an average contribution rate of 9.84%.

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

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

At June 30, 2023, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2022, for TRS and March 31, 2023 for ERS. The total pension liability used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS systems in reports provided to the District.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2022	March 31, 2023
District's proportionate share of the net pension liability	\$ (1,013,628)	\$ (961,674)
District's portion of the Plan's total pension liability	0.052824%	0.0044846%
Change in proportion since the prior measurement date	(0.002124)	(0.0002600)

For the year ended June 30, 2023, the District recognized a pension expense of \$1,256,952 for TRS and \$342,485 for ERS. At June 30, 2023, 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	\$ 1,062,153	\$ 102,426	\$ 20,311	\$ 27,007
Changes of assumptions	1,966,266	467,051	408,318	5,162
Net difference between projected and actual earnings on pension plan investments	1,309,703			5,650
Changes in proportion and differences between the District's contributions and proportionate share of contributions	168,303	30,993	119,240	13,747
District contributions subsequent to the measurement date	<u>972,911</u>	<u>59,261</u>	<u> </u>	<u> </u>
Total	<u>\$ 5,479,336</u>	<u>\$ 659,731</u>	<u>\$ 547,869</u>	<u>\$ 51,566</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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ending June 30,	TRS	ERS
2024	\$ 735,026	\$ 132,463
2025	394,128	(46,661)
2026	(135,560)	201,194
2027	2,592,782	261,908
2028	344,793	
Thereafter	27,387	
	<u>\$ 3,958,556</u>	<u>\$ 548,904</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, 2022	March 31, 2023
Actuarial valuation date	June 30, 2021	April 1, 2022
Inflation	2.40%	2.90%
Salary increases	1.95-5.18%	4.40%
Investment rate of return (net of investment expense, including inflation)	6.95%	5.90%
Cost of living adjustments	1.30%	1.50%

For TRS, annuitant and active mortality rates are based on plan member experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2021 for June 30, 2022 and MP-2020 for June 30, 2021, applied on a generational basis. For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2021. The previous actuarial valuation as of April 1, 2020 used the same assumptions for the measurement of total pension liability.

For TRS, the June 30, 2022 demographic actuarial assumptions and the salary scale were based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020. 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

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

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

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

	TRS		ERS	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Measurement date		June 30, 2022		March 31, 2023
Asset class				
Domestic equity	33.0%	6.50%	32.0%	4.30%
International equity	16.0%	7.20%	15.0%	6.85%
Global equity	4.0%	6.90%		
Real estate equity	11.0%	6.20%	9.0%	4.60%
Private equity	8.0%	9.90%	10.0%	7.50%
Alternative investments			10.0%	5.38-5.84%
Domestic fixed income	16.0%	1.10%		
Global bonds	2.0%	0.60%		
High-yield bonds	1.0%	3.30%		
Fixed income			23.0%	1.50%
Private debt	2.0%	5.30%		
Real estate debt	6.0%	2.40%		
Cash equivalents	1.0%	(0.30)%		
Cash			1.0%	0.00 %
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.4% for TRS and 2.5% for ERS.

Discount Rate

The discount rate used to measure the total pension liability was 6.95% for TRS and 5.90% for ERS. 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 6.95% 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 (5.95% for TRS and 4.90% for ERS) or 1 percentage point higher (7.95% for TRS and 6.90% for ERS) than the current rate:

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

TRIS	1% Decrease 5.95%	Current Assumption 6.95%	1% Increase 7.95%
District's proportionate share of the net pension asset (liability)	\$ (9,346,122)	\$ (1,013,628)	\$ 5,993,945
ERS	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
District's proportionate share of the net pension asset (liability)	\$ (2,323,953)	\$ (961,674)	\$ 176,669

Pension Plan Fiduciary Net Position

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

	TRIS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2022	March 31, 2023
Employers' total pension liability	\$ (133,883,474)	\$ (232,627,259)
Plan fiduciary net position	131,964,582	211,183,223
Employers' net pension liability	<u>\$ (1,918,892)</u>	<u>\$ (21,444,036)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	98.57%	90.78%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2023, are paid to the system in September, October, and November 2023 through a state aid intercept. Accrued retirement contributions as of June 30, 2023, represent employer and employee contributions for the fiscal year ended June 30, 2023, 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, 2023 amounted to \$972,911 of employer contributions and \$118,446 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, 2023, represent the projected employer contribution for the period of April 1, 2023 through June 30, 2023 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2023 amounted to \$59,261 of employer contributions. Employee contributions are remitted monthly.

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

14. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2023, totaled \$8,000 and \$361,694, respectively.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this plan. The amount deferred by eligible employees for the year ended June 30, 2023 totaled \$32,850.

15. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District provides OPEB for eligible retired employees of the District. The benefits provided to employees upon retirement are based on provisions in the various contracts that the District has in place with different classifications of employees. The plan is a single-employer defined benefit OPEB plan administered through the New York State Health Insurance Program – Empire Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 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 – As of the June 30, 2022 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	53
Inactive employees entitled to but not yet receiving benefits	-
Active employees	127
	180

B. Total OPEB Liability

The District’s total OPEB liability of \$42,337,103 was measured as of June 30, 2023 and was determined by an actuarial valuation as of June 30, 2022. Updated procedures were used to roll forward the total OPEB liability to the measurement date.

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

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

Inflation	2.50%	
Salary increases	Various	varies by pension retirement system membership
Discount rate	4.13%	
Healthcare cost trend rates	5.50%	decreasing to an ultimate rate of 4.04% by 2075
Retirees' share of benefit-related costs	0 - 100%	of projected health insurance premiums for retirees

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

Mortality rates were updated to Pub-2010 Teachers, General Employees, and Retirees Headcount-Weighted table projected fully generationally using MP-2021.

C. Changes in the Total OPEB Liability

Balance at June 30, 2022	<u>\$ 40,885,964</u>
Changes for the year	
Service cost	1,879,579
Interest on total OPEB liability	1,501,388
Differences between expected and actual experience	3,301,914
Changes in assumptions or other inputs	(4,518,656)
Benefit payments	<u>(713,086)</u>
	<u>1,451,139</u>
Balance at June 30, 2023	<u><u>\$ 42,337,103</u></u>

Changes in assumptions and other inputs reflects a change in the discount rate from 3.54% in 2022 to 4.13% in 2023.

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 (3.13%) or 1 percentage point higher (5.13%) than the current discount rate:

OPEB	1% Decrease 3.13%	Discount Rate 4.13%	1% Increase 5.13%
Total OPEB liability	<u>\$ 50,385,358</u>	<u>\$(42,337,103)</u>	<u>\$ 35,944,298</u>

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

Sensitivity of the Total OPEB Liability Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.50% to 3.04%) or 1 percentage point higher (6.50% to 5.04%) than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	4.50%	5.50%	6.50%
	decreasing to	decreasing to	decreasing to
OPEB	3.04%	4.04%	5.04%
Total OPEB liability	<u><u>\$(34,646,775)</u></u>	<u><u>\$(42,337,103)</u></u>	<u><u>\$(52,544,020)</u></u>

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

For the year June 30, 2023, the District recognized OPEB expense of \$2,831,302. At June 30, 2023, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 2,971,723	\$ 5,521,400
Changes of assumptions or other inputs	8,385,203	13,115,060
Total	<u>\$ 11,356,926</u>	<u>\$ 18,636,460</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
2024	\$ (549,665)
2025	(549,665)
2026	(549,665)
2027	(549,665)
2028	(549,663)
Thereafter	(4,531,211)
	<u>\$ (7,279,534)</u>

16. DEFERRED INFLOWS OF RESOURCES

In the governmental fund financial statements, deferred inflows of resources, at June 30, 2023, consists of that portion of the amount due from New York State for local aid payments, which is unavailable and excess property taxes to be applied to future levies. Deferred inflows of resources in the general fund at June 30, 2023, total \$129,473.

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

Included in the governmental fund financial statements as deferred inflows of resources, at June 30, 2023, is the amount due from New York State for improvements to educational technology and infrastructure to improve learning and opportunities for students throughout the state (Smart Schools Bond Act). Deferred revenues, in the capital projects fund at June 30, 2023, total \$89,811.

17. RISK MANAGEMENT

A. General Information

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

B. Public Entity Risk Pool

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

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

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, 2023, as processed by the EEWCC, is \$188,262. Claims activity is summarized as follows:

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

	2022	2023
Claims at beginning of year	\$ 88,710	\$ 184,042
Incurred claims and claim adjustment expenses	114,642	21,816
Claims payments and expenses	(19,310)	(17,596)
Claims liabilities at end of year	\$ 184,042	\$ 188,262

The EEWCC is holding \$151,098 of cash on account for the District to satisfy these liabilities at June 30, 2023. In addition, the District has reserved \$165,727 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, 2023. Copies of these statements can be obtained from the District's Business Office.

18. ASSIGNED APPROPRIATED FUND BALANCE

The amount of \$2,060,544 has been appropriated to reduce taxes for the year ending June 30, 2024.

19. RESTRICTED FOR CAPITAL RESERVE

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

Date Created	May 2014
Number of Years to Fund	10
Maximum Funding	\$ 10,000,000
General Fund	
Funding Provided	\$ 6,767,259
Interest Earnings	25,589
Use of Reserve	(6,021,525)
Total General Fund	771,323
Capital Fund	
Funding Provided	6,021,525
Use of Reserve	(5,557,136)
Total Capital Fund	464,389
Balance as of June 30, 2023	\$ 1,235,712

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

20. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as restricted or assigned fund balance. At June 30, 2023, the District encumbered the following amounts:

Restricted Fund Balance	
Capital Projects Fund	
Capital projects	<u>\$ 459,393</u>
Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	31,638
Instruction	<u>3,625</u>
	<u>35,263</u>
	<u><u>\$ 494,656</u></u>

B. Grants

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

C. Litigation

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

21. SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date of the auditors' 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:

Issuance of TANs

On September 21, 2023, the District issued tax anticipation notes in the amount of \$6,000,000, which are due June 26, 2024, and bear interest stated at 4.50%. The District received premiums of \$32,640 with the borrowing to yield an effective interest rate of 3.79%.

SPRINGS UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 28,781,126	\$ 28,781,126	\$ 28,797,164	\$ 16,038
Other tax items	442,086	442,086	467,929	25,843
Charges for services	98,649	98,649	93,298	(5,351)
Sale of property and compensation for loss			6,791	6,791
Use of money and property	15,000	15,000	72,046	57,046
Miscellaneous	245,000	245,000	197,465	(47,535)
Total Local Sources	29,581,861	29,581,861	29,634,693	52,832
State Sources	1,866,885	1,866,885	1,588,026	(278,859)
Medicaid Reimbursement			103,713	103,713
Total Revenues	31,448,746	31,448,746	31,326,432	\$ (122,314)
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	1,440,140	1,440,140		
Prior Year's Encumbrances	14,037	14,037		
Appropriated Reserves		141,000		
Total Appropriated Fund Balance	1,454,177	1,595,177		
Total Revenues and Appropriated Fund Balance	\$ 32,902,923	\$ 33,043,923		

Note to Required Supplementary Information

Budget Basis of Accounting

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

SPRINGS UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 55,490	\$ 57,473	\$ 54,356	\$	\$ 3,117
Central administration	249,988	300,963	299,857		1,106
Finance	503,574	518,344	455,859	7,269	55,216
Staff	105,197	142,928	131,723	3,500	7,705
Central services	1,901,187	1,988,481	1,871,239	20,869	96,373
Special items	229,902	232,600	221,609		10,991
Total General Support	3,045,338	3,240,789	3,034,643	31,638	174,508
Instruction					
Administration & improvement	644,541	714,282	695,471		18,811
Teaching - regular school	14,473,849	14,631,907	14,505,268	832	125,807
Programs for students with disabilities	5,091,887	4,221,416	4,041,594		179,822
Occupational education	29,604	14,904	1,264		13,640
Teaching - special school	2,588	16,888	12,248		4,640
Instructional media	495,048	462,897	317,437	2,793	142,667
Pupil services	939,111	1,103,986	963,984		140,002
Total Instruction	21,676,628	21,166,280	20,537,266	3,625	625,389
Pupil Transportation	1,006,325	987,182	900,183		86,999
Employee Benefits	5,752,885	6,127,885	5,849,594		278,291
Debt Service					
Principal	799,000	752,459	752,459		-
Interest	374,747	464,328	464,328		-
Total Debt Service	1,173,747	1,216,787	1,216,787	-	-
Total Expenditures	32,654,923	32,738,923	31,538,473	35,263	1,165,187
OTHER FINANCING USES					
BANs redeemed		57,000	57,000		-
Operating Transfers Out	248,000	248,000	214,548		33,452
Total Other Financing Uses	248,000	305,000	271,548	-	33,452
Total Expenditures and Other Uses	\$ 32,902,923	\$ 33,043,923	31,810,021	\$ 35,263	\$ 1,198,639
Net Change in Fund Balance			(483,589)		
Fund Balance - Beginning of Year			6,605,894		
Fund Balance - End of Year			<u>\$ 6,122,305</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

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

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

Teachers' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset/(liability)	0.052824%	0.054948%	0.053559%	0.053630%	0.055356%	0.052915%	0.051805%	0.050681%	0.047066%	0.046311%
District's proportionate share of the net pension asset/(liability)	\$ (1,013,628)	\$ 9,522,013	\$ (1,479,974)	\$ 1,393,312	\$ 1,000,986	\$ 402,208	\$ (554,858)	\$ 5,264,107	\$ 5,242,910	\$ 304,840
District's covered payroll	\$ 9,357,845	\$ 9,326,485	\$ 9,090,620	\$ 8,951,728	\$ 9,016,907	\$ 8,559,176	\$ 8,387,144	\$ 7,607,176	\$ 6,977,777	\$ 6,805,939
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	10.83 %	102.10 %	16.28 %	15.56 %	11.10 %	4.70 %	6.62 %	69.20 %	75.14 %	4.48 %
Plan fiduciary net position as a percentage of the total pension liability	98.57%	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%
Discount rate	6.95%	6.95%	7.10%	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%	8.00%

Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset/(liability)	0.0044846%	0.0047446%	0.0045454%	0.0045940%	0.0046258%	0.0046086%	0.0041419%	0.0049802%	0.0048056%	0.0048056%
District's proportionate share of the net pension asset/(liability)	\$ (961,674)	\$ 387,855	\$ (4,526)	\$ (1,216,513)	\$ (327,749)	\$ (148,741)	\$ (389,186)	\$ (799,336)	\$ (162,346)	\$ (217,160)
District's covered payroll	\$ 1,571,887	\$ 1,502,515	\$ 1,349,896	\$ 1,407,412	\$ 1,236,755	\$ 1,114,902	\$ 1,098,828	\$ 1,563,428	\$ 1,114,245	\$ 1,060,801
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	61.18 %	25.81 %	0.34 %	86.44 %	26.50 %	13.34 %	35.42 %	51.13 %	14.57 %	20.47 %
Plan fiduciary net position as a percentage of the total pension liability	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%
Discount rate	5.90%	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%	7.50%

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

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

Teachers' Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 972,911	\$ 917,069	\$ 888,814	\$ 805,429	\$ 950,674	\$ 883,657	\$ 998,853	\$ 1,061,341	\$ 1,331,946	\$ 1,120,076
Contributions in relation to the contractually required contribution	<u>972,911</u>	<u>917,069</u>	<u>888,814</u>	<u>805,429</u>	<u>950,674</u>	<u>883,657</u>	<u>998,853</u>	<u>1,061,341</u>	<u>1,331,946</u>	<u>1,120,076</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 9,454,920	\$ 9,357,845	\$ 9,326,485	\$ 9,090,620	\$ 8,951,728	\$ 9,016,907	\$ 8,559,176	\$ 8,387,144	\$ 7,607,176	\$ 6,977,777
Contributions as a percentage of covered payroll	10%	10%	10%	9%	11%	10%	12%	13%	18%	16%

Employees' Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 172,838	\$ 205,714	\$ 193,252	\$ 192,095	\$ 170,283	\$ 190,873	\$ 162,264	\$ 216,705	\$ 202,177	\$ 206,898
Contributions in relation to the contractually required contribution	<u>172,838</u>	<u>205,714</u>	<u>193,252</u>	<u>192,095</u>	<u>170,283</u>	<u>190,873</u>	<u>162,264</u>	<u>216,705</u>	<u>202,177</u>	<u>206,898</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,756,686	\$ 1,773,320	\$ 1,397,120	\$ 1,415,611	\$ 1,362,210	\$ 1,241,973	\$ 1,150,794	\$ 1,179,214	\$ 1,135,265	\$ 1,074,174
Contributions as a percentage of covered payroll	10%	12%	14%	14%	13%	15%	14%	18%	18%	19%

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

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 1,879,579	\$ 2,822,689	\$ 2,759,019	\$ 1,666,914	\$ 1,440,964	\$ 1,567,932
Interest on total OPEB liability	1,501,388	1,157,628	1,140,404	1,383,873	1,346,889	1,189,614
Differences between expected and actual experience	3,301,914	(3,228,819)	(1,657,750)	(3,200,256)	-	-
Changes in assumptions or other inputs	(4,518,656)	(10,237,437)	311,635	12,229,741	2,416,645	(1,829,889)
Benefit payments	(713,086)	(794,358)	(806,817)	(833,153)	(781,019)	(815,861)
Net Change in Total OPEB Liability	1,451,139	(10,280,297)	1,746,491	11,247,119	4,423,479	111,796
Total OPEB liability, beginning	40,885,964	51,166,261	49,419,770	38,172,651	33,749,172	33,637,376
Total OPEB liability, ending	<u>\$ 42,337,103</u>	<u>\$ 40,885,964</u>	<u>\$ 51,166,261</u>	<u>\$ 49,419,770</u>	<u>\$ 38,172,651</u>	<u>\$ 33,749,172</u>
Covered employee payroll	\$ 10,474,224	\$ 10,004,088	\$ 11,562,507	\$ 9,991,522	\$ 9,337,076	\$ 9,468,743
Total OPEB liability as a percentage of covered employee payroll	404%	409%	443%	495%	409%	356%
Discount rate	4.13%	3.54%	2.16%	2.21%	3.51%	3.87%
Healthcare trend rates	5.50% to 4.04% by 2075	6.00% to 4.04% by 2075	4.90% to 4.04% by 2075	4.70% to 4.04% by 2075	8.0% to 5.0% by 2021	8.0% to 5.0% by 2021

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

Notes to Required Supplementary Information

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

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

SPRINGS UNION FREE SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For the Year Ended June 30, 2023

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 32,888,886
Additions:		
Prior year's encumbrances		14,037
Original Budget		32,902,923
Budget revisions		141,000
Final Budget		\$ 33,043,923

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2023-2024 voter-approved expenditure budget		\$ 35,406,133
Maximum allowed (4% of 2023-2024 budget)		\$ 1,416,245

General Fund Fund Balance Subject to §1318 of Real Property Tax Law:

Unrestricted fund balance:		
Assigned fund balance	\$ 2,095,807	
Unassigned fund balance	87,372	\$ 2,183,179
Less:		
Appropriated fund balance	2,060,544	
Encumbrances	35,263	
Total adjustments		2,095,807

General Fund Fund Balance Subject to §1318 of Real Property Tax Law:		\$ 87,372
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Actual Percentage		0.25%
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SPRINGS UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources-Capital Projects Fund
For the Year Ended June 30, 2023

PROJECT TITLE	Budget		Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2023	
	June 30, 2022	June 30, 2023	Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		Total
Vestibule Project SED Project 0001-14	\$ 168,000	\$ 168,000	\$ 161,229	\$	\$ 161,229	\$ 6,771	\$	\$ 168,000	\$ 168,000	\$ 6,771	
District-Wide Improvements 2015	165,000	165,000	70,581		70,581	94,419		165,000	165,000	94,419	
District-Wide Improvements 2016	100,000	100,000	70,526	54,874	125,400	(25,400)		100,000	100,000	(25,400)	
District-Wide Improvements 2017	50,000	50,000	41,302	7,078	48,380	1,620		50,000	50,000	1,620	
District-Wide Improvements 2018	135,000	135,000	134,860		134,860	140		135,000	135,000	140	
General Capital Projects 2020-21	175,000	175,000	108,314		108,314	66,686		175,000	175,000	66,686	
General Capital Projects 2021-22	175,000	175,000	127,155	4,652	131,807	43,193		175,000	175,000	43,193	
General Capital Projects 2022-23		175,000		49,751	49,751	125,249		175,000	175,000	125,249	
Smart Schools Bond Project	136,000	136,000	110,572		110,572	25,428		136,000	136,000	25,428	
General construction	22,963,298	22,963,298	21,635,352	572,665	22,208,017	755,281	16,960,000	6,003,298	22,963,298	755,281	
Capital Reserve:											
Roof Replacement 2020	1,100,000	1,100,000	27,929	612,678	640,607	459,393		1,100,000	1,100,000	459,393	
Playground 2022	480,000	480,000		475,004	475,004	4,996		480,000	480,000	4,996	
Bus purchase	420,000	525,000	235,796	179,660	415,456	109,544	525,000		525,000	109,544	
Totals	\$ 26,067,298	\$ 26,347,298	\$ 22,723,616	\$ 1,956,362	\$ 24,679,978	\$ 1,667,320	\$ 17,485,000	\$ 136,000	\$ 8,726,298	\$ 26,347,298	1,667,320
											Portion of Smart Schools Bond Act not yet recognized (115,239)
											Bond proceeds not yet recognized (306,000)
											\$ 1,246,081

SPRINGS UNION FREE SCHOOL DISTRICT
Schedule of Net Investment in Capital Assets
June 30, 2023

Capital assets, net	<u>\$ 26,777,698</u>
Deduct:	
Capital related accounts payable	41,684
Bond anticipation notes payable	360,000
Less: Unspent BAN proceeds	(109,544)
Short-term portion of bonds payable	720,000
Long-term portion of bonds payable	15,525,000
Premiums on bonds payable	276,447
Less: Unspent debt proceeds	(755,281)
Short-term portion of lease liability	10,589
Long-term portion of lease liability	4,451
	<u>16,073,346</u>
Net investment in capital assets	<u><u>\$ 10,704,352</u></u>

**INDEPENDENT AUDITORS' 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**

The Board of Education
Springs Union Free School District
East Hampton, New York:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springs Union Free School District (the District), as of and for the year ended June 30, 2023, 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 25, 2023.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

The District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 25, 2023

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Education
Springs Union Free School District
East Hampton, New York:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Springs Union Free School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such

that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 25, 2023

SPRINGS UNION FREE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing (CFDA) Number	Agency or Pass-through Number	Federal Expenditures
<u>United States Department of Education</u>			
Passed Through New York State, Department of Education:			
Special Education Cluster			
Special Education Grants to States	84.027X	5532-22-0901	\$ 28,760
Special Education Grants to States	84.027	0032-23-0901	128,762
			<u>157,522</u>
Special Education Preschool Grants	84.173	0033-23-0901	4,968
Total Special Education Cluster			<u>162,490</u>
Title I Grants to Local Educational Agencies	84.010	0021-23-3055	<u>371,812</u>
English Language Acquisition State Grants	84.365	0293-23-3055	<u>25,043</u>
Supporting Effective Instruction State Grants	84.367	0147-23-3055	<u>12,039</u>
Student Support and Academic Enrichment Program	84.424	0204-23-3055	<u>10,886</u>
Education Stabilization Fund (ESF)			
COVID-19: American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	5880-21-3055	128,847
COVID-19: American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	5875-23-0028	344,765
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	5891-21-3055	2,373
			<u>475,985</u>
Total Department of Education			1,058,255
<u>United States Department of Agriculture</u>			
Passed Through New York State, Department of Education:			
Child Nutrition Cluster - Cash Assistance - Special Milk Program for Children (SMP)	10.556	N/A	<u>7,605</u>
Total Federal Awards Expended			<u><u>\$ 1,065,860</u></u>

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

1. GENERAL

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Springs Union Free School District under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Springs Union Free School District, it is not intended to and does not present the financial position and changes in net position of the Springs Union Free School District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

Matching costs (the Springs Union Free School District's share of certain program costs) are not included in the reported expenditures.

Pass-through numbers are presented where available.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the Springs Union Free School District's financial reporting system.

Non-cash assistance is reported in the schedule at the fair market value of commodities received, which is provided by New York State under the National School Lunch Program.

3. INDIRECT COSTS

The Springs Union Free School District did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. SUBRECIPIENTS

No amounts were provided to subrecipients.

5. OTHER DISCLOSURES

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the Springs Union Free School District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year end.

SPRINGS UNION FREE SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2023

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued on whether the basic financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- 1. Material weakness(es) identified? _____ Yes x No
- 2. Significant deficiency(ies) identified? x Yes _____ None reported
- 3. Noncompliance material to financial statements noted? _____ Yes x No

Federal Awards:

Internal control over major programs:

- 4. Material weakness(es) identified? _____ Yes x No
- 5. Significant deficiency(ies) identified? _____ Yes x None reported

Type of auditors' report issued on compliance for major programs: Unmodified

- 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)(Uniform Guidance)? _____ Yes x No

7. The District's major programs audited were:

<u>Name of Federal Programs</u>	<u>Assistance Listing Number</u>
Title I Grants to Local Educational Agencies	84.010
Education Stabilization Funds	84.425D/84.425U

- 8. Dollar threshold used to distinguish between Type A and Type B programs. \$750,000
- 9. Auditee qualified as low-risk auditee? _____ Yes x No

Part II - FINANCIAL STATEMENT FINDINGS SECTION

See 2023-001 on page 72.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable findings and questioned costs.

SPRINGS UNION FREE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs, Continued

Part II - FINANCIAL STATEMENT FINDINGS SECTION

(2023-001) Payroll

Criteria - Management is responsible for maintaining accurate accounting records and ensuring that employees are being paid according to approved contract rates. Annually, salary notices are sent to all employees verifying their salary for the upcoming fiscal year.

Condition - Multiple employees were paid at an improper salary rate based on an error in the District's accounting software. The salary notices were not compared to the approved contracts before being sent to the individual employees.

Effect of Condition - Improper salary schedules in the District's accounting software resulted in multiple employees receiving inflated salaries. As the salary notices were not compared to the approved contracts, the inflated salaries were not detected in a timely manner by the District.

Recommendation - In order to improve internal control over payroll, we recommend that the District assign an individual in the Business Office to review all salary notices to the approved contracts before they are sent to employees each fiscal year.

Management's Response - See accompanying Corrective Action Plan provided by management on page 74.

SPRINGS UNION FREE SCHOOL DISTRICT
Status of Prior Audit Findings
Year ended June 30, 2023

There were no audit findings in the prior year financial statements (June 30, 2022).

SPRINGS UNION FREE SCHOOL DISTRICT

Corrective Action Plan

Year ended June 30, 2023

Name of Auditee: Springs Union Free School District

Name of Audit Firm: EFPR Group, CPAs, PLLC

Period Covered by the Audit: Year ended June 30, 2023

CAP Prepared by: Steven Guarini, School Business Official

Phone: 631-324-0144

(A) Current Finding on the Schedule of Findings and Responses

(1) Audit Finding 2023-001 - Payroll

- (a) Comments on the finding and recommendation: The District agrees with the finding. The District also agrees with the recommendation. See below for actions taken.
- (b) Actions Taken: Management will conduct an internal audit on the current employees salaries being paid. Management will then develop additional controls over the payroll process.
- (c) Anticipated Completion Date: Management anticipates this finding will be resolved by June 30, 2024.