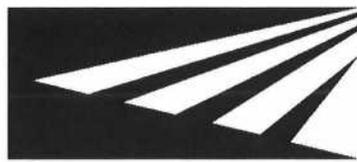


**COMMACK UNION FREE SCHOOL DISTRICT**  
**TOWNS OF HUNTINGTON AND SMITHTOWN, NEW YORK**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**IN CONNECTION WITH THE UNIFORM GUIDANCE**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

**COMMACK UNION FREE SCHOOL DISTRICT**  
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**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of the  
Commack Union Free School District  
Towns of Huntington and Smithtown, New York:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Commack Union Free School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Commack Union Free School District as of June 30, 2019, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

# NawrockiSmith

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3-13 and 50-55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information requested by the New York State Education Department and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information 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 3, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Melville, New York  
October 3, 2019



**COMMACK UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

The following is a discussion and analysis of the Commack Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2019. This section is a summary of the District's financial activities based on currently known facts, decisions or conditions. It is also based on both the District-wide and fund based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's Fund Balance Policy recognizes that the maintenance of fund balance is essential to the preservation of the financial integrity of the school district and is fiscally advantageous for both the District and the taxpayer in that it helps mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and assists in ensuring stable tax rates. The policy establishes goals and provides guidance concerning the desired level of year-end fund balance to be maintained by the District. As a result, the District seeks to maintain the amount of Unassigned Fund Balance allowable by New York State Real Property Tax Law §1318, which restricts unassigned fund balance in the General Fund to no more than 4.00% of the District's Adopted Budget for the ensuing fiscal year. For the year-ended June 30, 2019, the balance to be maintained is \$5,832,414 or 2.96%.
- As of June 30, 2019, the District's fund level financial statements report a combined ending fund balance of \$28,979,981, which is a decrease from the prior year of \$1,177,306, primarily due to the increase in real property taxes offset by the increase in instruction and employee benefit related expenses.
- On the District-wide financial statements, the liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows of resources at the close of its most recent fiscal year by \$103,408,169. The District's total net position decreased by \$3,721,858 for the year ended June 30, 2019. The unrestricted portion of net position as of June 30, 2019 was a deficit of \$159,475,908, as a result of the effect of the continued recognition of the District's total other post-employment benefits liability under the provisions of GASB Statement No. 75.
- The District continued to offer all programs, without reducing services.
- The District's residents authorized the proposed 2019-20 budget in the amount of \$197,062,213, in accordance with the New York State Tax Levy Limit.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

- *Fiduciary fund financial statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

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

	District-wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activity monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

## **District-wide Financial Statements**

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

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

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

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

## **Fund Financial Statements**

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

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

The District has two kinds of funds:

- **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the fund financial statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, reconciliations of the District-wide and fund financial statements are provided which explain the relationship (or differences) between them.
- **Fiduciary funds:** The District is the trustee or fiduciary, for assets that belong to others, such as the scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Net Position

The District's net position decreased by 3.7% from the year before to a net deficit position balance of \$103,408,169 as detailed in Tables A-2 and A-3.

The restricted net position balance of \$15,411,057 represents assets that are restricted by external sources, imposed by laws through constitutional provisions or enabling legislation.

As of June 30, 2019, the District has an unrestricted net deficit of \$159,475,908. This deficit is driven by the District's recognition of the total other post-employment benefit ("OPEB") liability of \$179,500,889 as required by GASB Statement No. 75.

	<u>6/30/19</u>	<u>6/30/18</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$ 55,496,070	\$ 52,375,743	\$ 3,120,327	6.0
Capital assets, net	<u>91,718,014</u>	<u>93,027,995</u>	<u>(1,309,981)</u>	(1.4)
Total assets	<u>147,214,084</u>	<u>145,403,738</u>	<u>1,810,346</u>	1.2
Deferred outflows of resources	<u>54,071,454</u>	<u>58,762,004</u>	<u>(4,690,550)</u>	(8.0)
Current liabilities	24,359,655	21,251,891	3,107,764	14.6
Long-term liabilities	<u>237,490,644</u>	<u>266,164,979</u>	<u>(28,674,335)</u>	(10.8)
Total liabilities	<u>261,850,299</u>	<u>287,416,870</u>	<u>(25,566,571)</u>	(8.9)
Deferred inflows of resources	<u>42,843,408</u>	<u>16,435,183</u>	<u>26,408,225</u>	160.7
Net position:				
Net investment in capital assets	40,656,682	34,366,222	6,290,460	18.3
Restricted	15,411,057	17,268,255	(1,857,198)	(10.8)
Unrestricted (deficit)	<u>(159,475,908)</u>	<u>(151,320,788)</u>	<u>(8,155,120)</u>	(5.4)
Total net position (deficit)	<u>\$ (103,408,169)</u>	<u>\$ (99,686,311)</u>	<u>\$ (3,721,858)</u>	(3.7)

As of June 30, 2019, the District had positive working capital of \$7,758,223 as compared to \$9,895,152 as of June 30, 2018. The decrease is primarily due to an increase in compensated absences due within one year.

As of June 30, 2019, the District had an investment in capital assets of \$40,656,682 as compared to \$34,366,222 as of June 30, 2018. The increase is due to the current year outlay for ongoing capital projects exceeding depreciation charges and asset disposals.

Long-term liabilities decreased \$28,674,335 primarily due to the net change in the total OPEB liability and the decrease in bonds payable, offset by the proportionate share of the net pension liabilities.

### Changes in Net Position

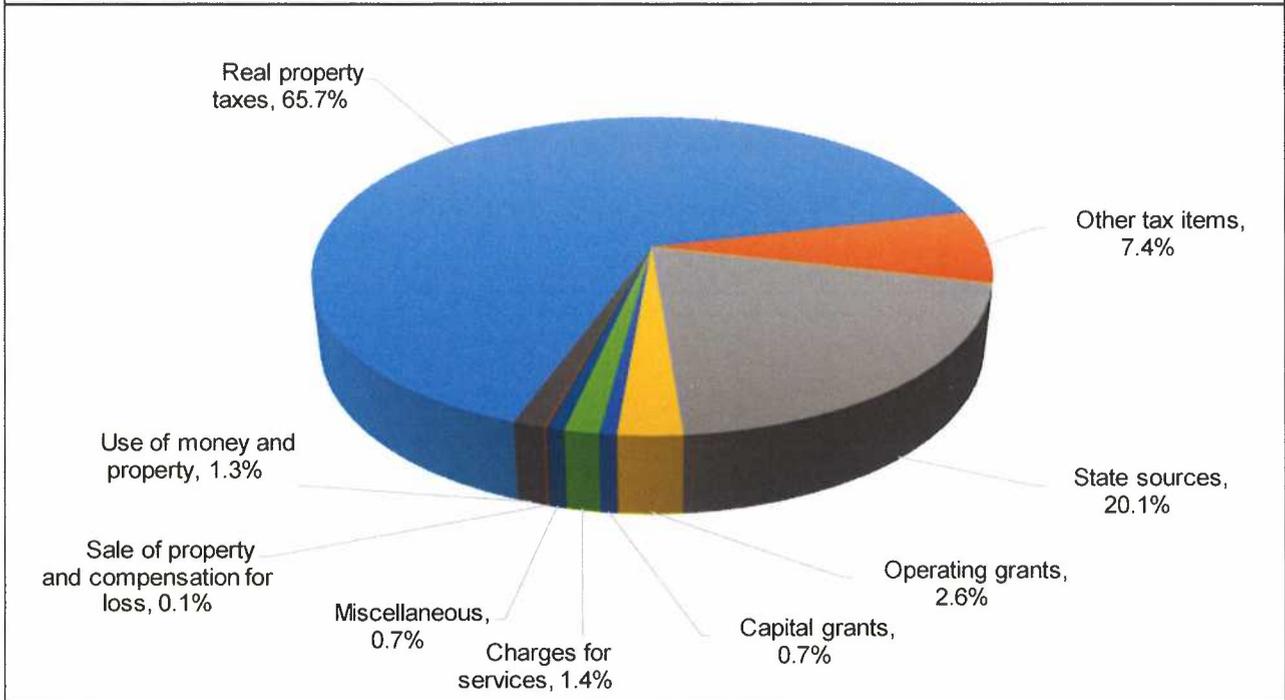
The District's fiscal year 2019 revenues totaled \$190,840,908 (See Table A-3). Property and other taxes and State sources accounted for most of the District's (93.2%) (See Table A-4). The remainder came from charges for services, operating grants, capital grants, miscellaneous, sale of property and compensation for loss, miscellaneous sources and use of money and property.

Revenues increased 2.0% or \$3,822,439, primarily as a direct result of an increase in real property taxes of \$4,240,717 (based on changes in assessed valuation of real property).

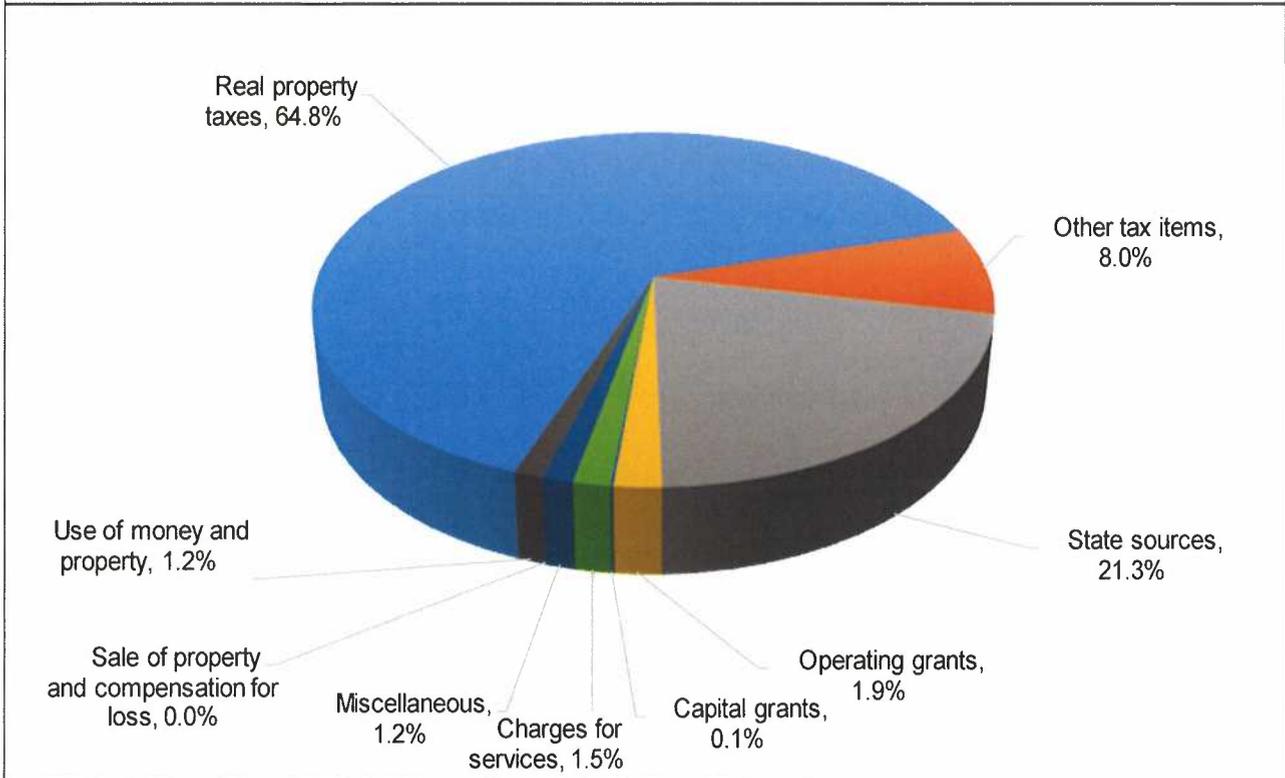
The District's fiscal year 2019 expenses totaled \$194,562,766 (See Table A-3). These expenses (91.2%) are predominantly related to instruction and general support (See Table A-6).

<b>Table A-3: Changes in Net Position from Operating Results - Governmental Activities Only</b>				
	<u>6/30/19</u>	<u>6/30/18</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Revenues</b>				
Program revenues:				
Charges for services	\$ 2,713,800	\$ 2,751,192	\$ (37,392)	(1.4)
Operating grants	4,870,663	3,542,018	1,328,645	37.5
Capital grants	1,329,432	194,872	1,134,560	582.2
General revenues:				
Real property taxes	125,384,628	121,143,911	4,240,717	3.5
Other tax items	14,152,563	14,993,262	(840,699)	(5.6)
Use of money and property	2,465,645	2,204,659	260,986	11.8
Sale of property and compensation for loss	270,741	70,331	200,410	285.0
State sources	38,380,303	39,788,677	(1,408,374)	(3.5)
Miscellaneous	1,273,133	2,329,547	(1,056,414)	(45.3)
<b>Total revenues</b>	<u>190,840,908</u>	<u>187,018,469</u>	<u>3,822,439</u>	<u>2.0</u>
<b>Expenses</b>				
General support	24,019,336	24,653,807	(634,471)	(2.6)
Instruction	153,442,317	153,492,320	(50,003)	(0.0)
Pupil transportation	13,423,472	13,297,518	125,954	0.9
Debt service - interest	2,156,783	2,249,841	(93,058)	(4.1)
School lunch program	1,520,858	1,361,780	159,078	11.7
<b>Total expenses</b>	<u>194,562,766</u>	<u>195,055,266</u>	<u>(492,500)</u>	<u>(0.3)</u>
Decrease in net position	(3,721,858)	(8,036,797)	4,314,939	53.7
Net position (deficit), beginning of year	<u>(99,686,311)</u>	<u>(91,649,514)</u>	<u>(8,036,797)</u>	<u>(8.8)</u>
Net position (deficit), end of year	<u>\$ (103,408,169)</u>	<u>\$ (99,686,311)</u>	<u>\$ (3,721,858)</u>	<u>(3.7)</u>

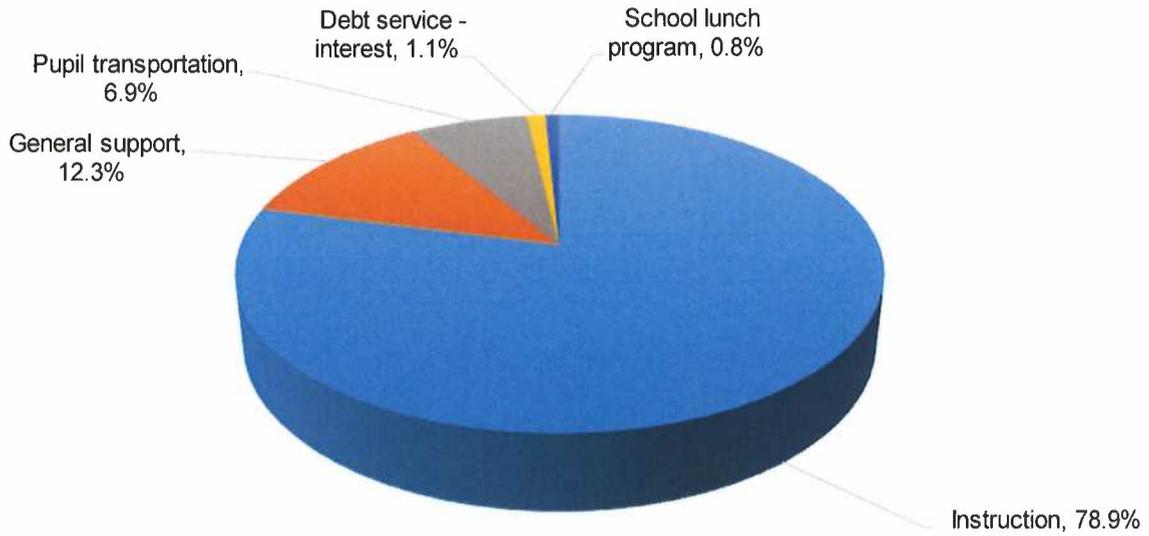
**Table A-4: Sources of Revenues for Fiscal Year 2019**



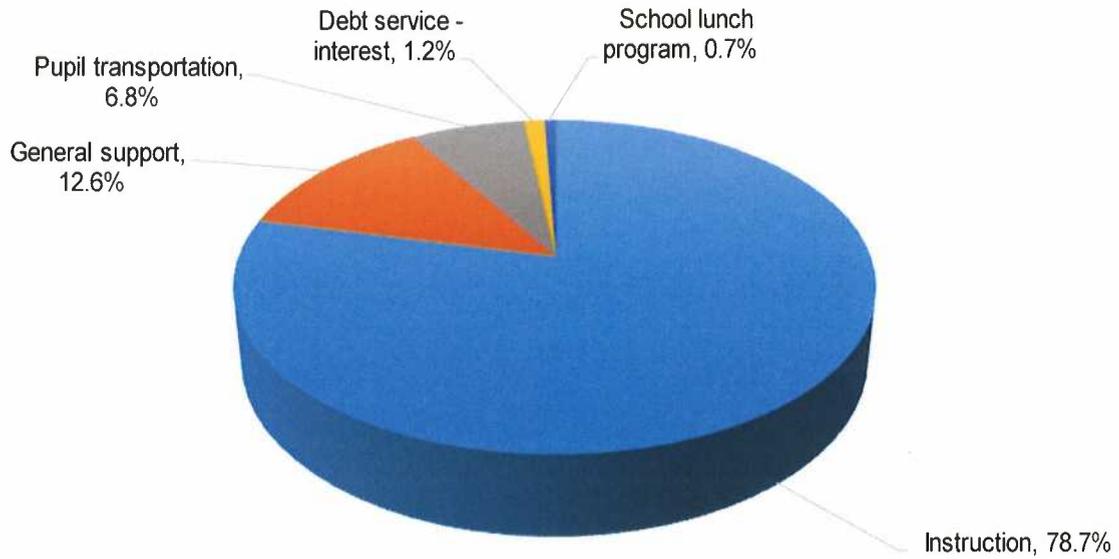
**Table A-5: Sources of Revenues for Fiscal Year 2018**



**Table A-6: Expenses for Fiscal Year 2019**



**Table A-7: Expenses for Fiscal Year 2018**



## **Governmental Activities**

Revenues for the District's governmental activities totaled \$190,840,908 while total expenses equaled \$194,562,766. The overall sound financial condition of the District, as a whole, can be credited to:

- Continued leadership of the District's Board and administration;
- Favorable debt costs due to a high Moody's Investors Service rating;
- Funding of reserves to stabilize the impact of cost increases; and
- Strategic use of services from the Western Suffolk BOCES and increased cooperative bidding.

The major changes in revenues and expenses are as follows:

### Revenues:

- Real property taxes increased by \$4,240,717. This increase was within the tax cap, reflects a modest tax increase to residents and allows for a continued strong educational program.
- Other tax items include the reimbursements received under the School Tax Reimbursement Program ("STAR"). The STAR program provides tax relief to homeowners through State reimbursement to the District. Payments in lieu of taxes ("PILOTS") are also included within this category. The revenues from the STAR program and PILOTS remained consistent with the prior year.
- Unrestricted State sources (aid) decreased by \$1,408,374, or 3.5%.

### Expenses:

- General support related expenses decreased by \$634,471, primarily due to decreases related to other post-employment benefits and pensions.

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

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

As of June 30, 2019, the District's combined governmental funds reported a total fund balance of \$28,979,981 which is a decrease of \$1,177,306 from the prior year. This decrease is due primarily to budget transfers for debt service and capital projects.

Fund balances for the District's governmental funds for the past two years were distributed as follows:

<b>Table A-8: Fund Balances - Governmental Funds</b>				
	<u>6/30/19</u>	<u>6/30/18</u>	<u>\$ Change</u>	<u>% Change</u>
<b>General Fund</b>				
Restricted:				
Retirement Contributions	\$ 628,329	\$ 766,921	\$ (138,592)	(18.1)
Workers' Compensation	1,847,669	1,820,588	27,081	1.5
Unemployment Insurance	329,004	324,181	4,823	1.5
Employee Benefit Accrued Liability	4,449,393	6,583,243	(2,133,850)	(32.4)
Insurance	194,260	191,412	2,848	1.5
Repairs	17,725	17,465	260	1.5
Assigned:				
Appropriated for subsequent year's expenditures	6,805,805	6,801,396	4,409	0.1
Encumbrances	297,162	229,799	67,363	29.3
Unassigned	<u>5,832,414</u>	<u>5,315,718</u>	<u>516,696</u>	<u>9.7</u>
Total General Fund	<u>20,401,761</u>	<u>22,050,723</u>	<u>(1,648,962)</u>	<u>(7.5)</u>
<b>School Lunch Fund</b>				
Nonspendable:				
Inventory	8,463	6,655	1,808	27.2
Assigned:				
Food Service Program	<u>625,080</u>	<u>535,464</u>	<u>89,616</u>	<u>16.7</u>
Total School Lunch Fund	<u>633,543</u>	<u>542,119</u>	<u>91,424</u>	<u>16.9</u>
<b>Debt Service Fund</b>				
Restricted:				
Debt service	<u>986,719</u>	<u>1,082,829</u>	<u>(96,110)</u>	<u>(8.9)</u>
Total Debt Service Fund	<u>986,719</u>	<u>1,082,829</u>	<u>(96,110)</u>	<u>(8.9)</u>
<b>Capital Projects Fund</b>				
Restricted:				
District improvements	<u>6,957,958</u>	<u>6,481,616</u>	<u>476,342</u>	<u>7.3</u>
Total Capital Projects Fund	<u>6,957,958</u>	<u>6,481,616</u>	<u>476,342</u>	<u>7.3</u>
Total fund balance	<u>\$ 28,979,981</u>	<u>\$ 30,157,287</u>	<u>\$ (1,177,306)</u>	<u>(3.9)</u>

### **General Fund**

The General Fund reported a decrease in fund balance of \$1,648,962 for fiscal 2019, as compared to a decrease of \$2,248,922 for fiscal 2018. Revenues increased \$5,697,917 mainly as a result of an increase in the budgeted property tax levy. Expenditures increased \$4,669,299 primarily due to increased general support, instructional, and employee benefit expenditures, all of which were budgeted for and actual results were below budget. Other financing uses increased \$128,658 due to increased transfers to the Debt Service Fund and the Capital Projects Fund. As a result of expenditures being greater than revenues, the District reported a decrease in the change in fund balance. Compared to projected performance however, the District performed better than expected.

## General Fund Budgetary Highlights

The District's General Fund original budget for the year ended June 30, 2019 was \$193,222,797. This amount was increased by encumbrances carried forward from the prior year in the amount of \$229,799 and budget revisions of \$223,635 which resulted in a final budget of \$193,676,231. The majority of the actual funding was property taxes, STAR revenue and PILOTS of \$139,537,191.

At June 30, 2019, the District's unassigned fund balance was \$5,832,414 which was within the allowable 4% of the subsequent year's original budget (\$197,062,213) as promulgated by New York State (see page 56). The following is a reconciliation of the General Fund's unassigned fund balance for the year ended June 30, 2019:

Unassigned fund balance, beginning of year	\$ 5,315,718
Add:	
Prior-year encumbrances	229,799
Prior-year appropriated fund balance	6,801,396
Board approved use of Retirement Contribution Reserve	150,000
Board approved use of Employee Benefit Accrued Liability Reserve	2,231,774
Less:	
Current-year encumbrances	(297,162)
Current-year appropriated fund balance	(6,805,805)
Interest allocated to Retirement Contribution Reserve	(11,408)
Interest allocated to Workers' Compensation Reserve	(27,081)
Interest allocated to Unemployment Insurance Reserve	(4,823)
Interest allocated to Employee Benefit Accrued Liability Reserve	(97,924)
Interest allocated to Insurance Reserve	(2,848)
Interest allocated to Repairs Reserve	(260)
Net change in fund balance	<u>(1,648,962)</u>
Unassigned fund balance, end of year	<u>\$ 5,832,414</u>

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2019, the District had invested \$91,718,014 net of depreciation, in a broad range of capital assets, including school buildings, maintenance facilities, athletic facilities, computer and audio-visual equipment, and administrative offices. The District is conducting a variety of minor capital projects through its Capital Reserve Program.

	<u>6/30/19</u>	<u>6/30/18</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 3,260,677	\$ 3,260,677	\$ -	-
Construction-in-progress	2,796,851	1,057,717	1,739,134	164.4
Buildings and building improvements	82,323,971	85,509,403	(3,185,432)	(3.7)
Furniture and equipment	1,060,950	795,546	265,404	33.4
Vehicles	286,059	239,575	46,484	19.4
Site improvements	1,989,506	2,165,077	(175,571)	(8.1)
Totals	<u>\$ 91,718,014</u>	<u>\$ 93,027,995</u>	<u>\$ (1,309,981)</u>	(1.4)

## Long-Term Liabilities

At year-end, the District had \$64,647,551 in general obligation bonds and other long-term liabilities.

	<u>6/30/19</u>	<u>6/30/18</u>	<u>\$ Change</u>	<u>% Change</u>
General obligation bonds	\$ 39,087,668	\$ 45,834,368	\$ (6,746,700)	(14.7)
Installment purchase debt payable	13,142,133	14,441,152	(1,299,019)	(9.0)
Workers' Compensation claims payable	999,317	1,015,147	(15,830)	(1.6)
Compensated absences	11,418,433	11,390,662	27,771	0.2
Totals	<u>\$ 64,647,551</u>	<u>\$ 72,681,329</u>	<u>\$ (8,033,778)</u>	(11.1)

## FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- New York State imposed a maximum tax levy increase of the lesser of 2% or the CPI for the fiscal year 2018-2019 budget, subject to certain exclusions. Based on the value of obligatory contractual increases and continued increases in the State's unfunded mandates, it is expected that reductions may be necessary. The District will continue to consolidate services to maintain its high standards. If the downward economic trend continues, and State mandates and legal requirements continue to escalate, there will be an inevitable negative impact on District programs.
- The General Fund budget for the 2019-2020 school year was approved by the voters in the amount of \$197,062,213. This is an increase of 1.99% over the previous year's budget.
- The 2019-2020 budget is impacted by certain trends affecting school districts. These include increases in health insurance costs, workers' compensation judgments, and potential unemployment insurance claims, which are beyond the District's control.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Commack Union Free School District  
Laura Newman  
Assistant Superintendent for Business & Operations  
480 Clay Pitts Road  
East Northport, New York 11731  
631-912-2000

**COMMACK UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

<b>ASSETS</b>	
Unrestricted cash	\$ 21,363,517
Receivables:	
State and federal aid	7,553,963
Due from other governments	1,453,777
Due from fiduciary funds	98,034
Other	1,640,124
Inventories	8,463
Restricted cash	14,277,550
Proportionate share of net pension asset	9,100,642
Capital assets:	
Non-depreciable	6,057,528
Depreciable, net of accumulated depreciation of \$90,728,545	85,660,486
Total assets	<u>147,214,084</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on bond refunding	1,168,469
Deferred outflows from pensions	51,752,921
Deferred outflows from OPEB	1,150,064
Total deferred outflows of resources	<u>54,071,454</u>
<b>LIABILITIES</b>	
Accounts payable	2,106,489
Accrued liabilities	1,981,122
Accrued interest payable	354,552
Due to teachers' retirement system	9,075,621
Due to employees' retirement system	616,007
Unearned revenue	212,788
Long-term liabilities, due within one year:	
Bonds payable, net	6,399,475
Energy performance contract payable	1,326,428
Workers' Compensation claims payable	700,000
Compensated absences	1,587,173
Long-term liabilities, due after one year:	
Bonds payable, net	32,688,193
Energy performance contract payable	11,815,705
Workers' Compensation claims payable	299,317
Compensated absences	9,831,260
Proportionate share of net pension liability	3,355,280
Other postemployment benefits obligation	179,500,889
Total liabilities	<u>261,850,299</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows from pensions	13,017,027
Deferred inflows from OPEB	29,826,381
Total deferred inflows of resources	<u>42,843,408</u>
<b>NET POSITION</b>	
Net investment in capital assets	40,656,682
Restricted:	
Retirement contributions	628,329
Insurance	194,260
Workers' Compensation	1,847,669
Unemployment insurance	329,004
Employee Benefit Accrued Liability	4,449,393
Repairs	17,725
Debt Service	986,719
District improvements	6,957,958
Unrestricted (deficit)	<u>(159,475,908)</u>
Total net position (deficit)	<u>\$ (103,408,169)</u>

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

**COMMACK UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
Functions and programs:					
General support	\$ 24,019,336	\$ 169,502	\$ 475,802	\$ -	\$ (23,374,032)
Instruction	153,442,317	1,401,900	3,935,237	1,329,432	(146,775,748)
Pupil transportation	13,423,472	2,767	7,768	-	(13,412,937)
Debt service - interest	2,156,783	-	-	-	(2,156,783)
School lunch program	1,520,858	1,139,631	451,856	-	70,629
Total functions and programs	<u>\$ 194,562,766</u>	<u>\$ 2,713,800</u>	<u>\$ 4,870,663</u>	<u>\$ 1,329,432</u>	<u>(185,648,871)</u>
General revenues:					
Real property taxes					125,384,628
Other tax items					14,152,563
Use of money and property					2,465,645
Sale of property and compensation for loss					270,741
State sources					38,380,303
Miscellaneous					1,273,133
Total general revenues					<u>181,927,013</u>
Change in net position					(3,721,858)
Total net position, beginning of year					<u>(99,686,311)</u>
Total net position, end of year					<u>\$ (103,408,169)</u>

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

**COMMACK UNION FREE SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	Major Funds					Total Governmental Funds
	Special Revenue Funds					
	General	Special Aid	School Lunch	Debt Service	Capital Projects	
<b>ASSETS</b>						
Unrestricted cash	\$ 20,625,492	\$ -	\$ 738,025	\$ -	\$ -	\$ 21,363,517
Receivables:						
State and federal aid	3,932,333	2,563,852	26,229	-	1,031,549	7,553,963
Due from other governments	1,453,777	-	-	-	-	1,453,777
Due from other funds	1,134,660	-	11,102	51,149	1,400,000	2,596,911
Due from fiduciary funds	98,034	-	-	-	-	98,034
Other	1,631,263	-	8,861	-	-	1,640,124
Inventories	-	-	8,463	-	-	8,463
Restricted cash	7,466,380	-	-	1,085,570	5,725,600	14,277,550
<b>Total assets</b>	<b>\$ 36,341,939</b>	<b>\$ 2,563,852</b>	<b>\$ 792,680</b>	<b>\$ 1,136,719</b>	<b>\$ 8,157,149</b>	<b>\$ 48,992,339</b>
<b>LIABILITIES</b>						
Payables:						
Accounts payable	\$ 1,733,243	\$ 160,704	\$ 96,049	\$ -	\$ 116,493	\$ 2,106,489
Accrued liabilities	1,977,393	3,729	-	-	-	1,981,122
Due to other funds	-	2,395,762	-	150,000	51,149	2,596,911
Due to teachers' retirement system	9,075,621	-	-	-	-	9,075,621
Due to employees' retirement system	616,007	-	-	-	-	616,007
Unearned revenues	146,043	3,657	63,088	-	-	212,788
<b>Total liabilities</b>	<b>13,548,307</b>	<b>2,563,852</b>	<b>159,137</b>	<b>150,000</b>	<b>167,642</b>	<b>16,588,938</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues	2,391,871	-	-	-	1,031,549	3,423,420
<b>Total deferred inflows of resources</b>	<b>2,391,871</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,031,549</b>	<b>3,423,420</b>
<b>FUND BALANCE</b>						
Nonspendable	-	-	8,463	-	-	8,463
Restricted	7,466,380	-	-	986,719	6,957,958	15,411,057
Assigned	7,102,967	-	625,080	-	-	7,728,047
Unassigned	5,832,414	-	-	-	-	5,832,414
<b>Total fund balance</b>	<b>20,401,761</b>	<b>-</b>	<b>633,543</b>	<b>986,719</b>	<b>6,957,958</b>	<b>28,979,981</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 36,341,939</b>	<b>\$ 2,563,852</b>	<b>\$ 792,680</b>	<b>\$ 1,136,719</b>	<b>\$ 8,157,149</b>	<b>\$ 48,992,339</b>

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

**COMMACK UNION FREE SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

Total Fund Balance - Governmental Funds \$ 28,979,981

Amounts reported for governmental activities in the Statement of Net Position are different due to the following:

Capital assets less accumulated depreciation are included in the Statement of Net Position:

Capital assets:		
Non-depreciable	\$ 6,057,528	
Depreciable	176,389,031	
Accumulated depreciation	<u>(90,728,545)</u>	91,718,014

Deferred charges on advance refunding of bonds are not reported on the Balance Sheet, but are reflected on the Statement of Net Position and amortized over the life of the related bonds. 1,168,469

Proportionate share of long-term asset and liability, and deferred outflows and inflows of resources associated with participation in the State retirement systems or OPEB are not current financial resources or obligations and are not reported in the governmental funds:

Deferred outflows of resources - pension related	51,752,921	
Deferred outflows of resources - OPEB related	1,150,064	
Proportionate share of net pension asset	9,100,642	
Proportionate share of net pension liability	(3,355,280)	
Deferred inflows of resources - pension related	(13,017,027)	
Deferred inflows of resources - OPEB related	<u>(29,826,381)</u>	15,804,939

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position:

Bonds payable, net	(39,087,668)	
Installment purchase debt payable	(13,142,133)	
Workers' Compensation claims payable	(999,317)	
Total OPEB liability	(179,500,889)	
Compensated absences payable	<u>(11,418,433)</u>	(244,148,440)

Revenue that was not accrued on the fund financial statements because it does not meet the availability criteria under the modified accrual basis of accounting is included in the Statement of Net Position. 3,423,420

Interest payable applicable to the District's activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position. (354,552)

Net Position - Governmental Activities \$ (103,408,169)

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

**COMMACK UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Major Funds					Total Governmental Funds
	General	Special Revenue Funds				
		Special Aid	School Lunch	Debt Service	Capital Projects	
<b>REVENUES</b>						
Real property taxes	\$ 125,384,628	\$ -	\$ -	\$ -	\$ -	\$ 125,384,628
Other tax items	14,152,563	-	-	-	-	14,152,563
Charges for services	1,574,169	-	-	-	-	1,574,169
Use of money and property	2,409,889	-	1,866	53,890	-	2,465,645
Sale of property and compensation for loss	270,741	-	-	-	-	270,741
State sources	39,709,719	1,693,644	23,748	-	1,329,432	42,756,543
Federal sources	133,385	2,358,935	428,108	-	-	2,920,428
Sales	-	-	1,139,631	-	-	1,139,631
Miscellaneous	3,169,436	232,843	7,827	-	-	3,410,106
Total revenues	<u>186,804,530</u>	<u>4,285,422</u>	<u>1,601,180</u>	<u>53,890</u>	<u>1,329,432</u>	<u>194,074,454</u>
<b>EXPENDITURES</b>						
Current -						
General support	19,032,819	-	-	-	-	19,032,819
Instruction	106,248,268	4,352,855	-	-	-	110,601,123
Pupil transportation	12,899,409	439,493	-	-	-	13,338,902
Employee benefits	38,705,967	-	-	-	-	38,705,967
Cost of sales	-	-	1,520,858	-	-	1,520,858
Capital outlay	-	-	-	-	2,253,090	2,253,090
Debt service -						
Principal	1,299,019	-	-	6,115,000	-	7,414,019
Interest	800,157	-	-	1,584,825	-	2,384,982
Total expenditures	<u>178,985,639</u>	<u>4,792,348</u>	<u>1,520,858</u>	<u>7,699,825</u>	<u>2,253,090</u>	<u>195,251,760</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,818,891</u>	<u>(506,926)</u>	<u>80,322</u>	<u>(7,645,935)</u>	<u>(923,658)</u>	<u>(1,177,306)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	450,000	506,926	11,102	7,699,825	1,700,000	10,367,853
Transfers out	(9,917,853)	-	-	(150,000)	(300,000)	(10,367,853)
Total other financing sources (uses)	<u>(9,467,853)</u>	<u>506,926</u>	<u>11,102</u>	<u>7,549,825</u>	<u>1,400,000</u>	<u>-</u>
Change in fund balance	(1,648,962)	-	91,424	(96,110)	476,342	(1,177,306)
Fund balance, beginning of year	22,050,723	-	542,119	1,082,829	6,481,616	30,157,287
Fund balance, end of year	<u>\$ 20,401,761</u>	<u>\$ -</u>	<u>\$ 633,543</u>	<u>\$ 986,719</u>	<u>\$ 6,957,958</u>	<u>\$ 28,979,981</u>

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

**COMMACK UNION FREE SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balance - Governmental Funds		\$ (1,177,306)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation exceeds capital outlay in the current period is:</p>		
Capital outlay, net	\$ 2,446,436	
Depreciation expense	(3,756,417)	(1,309,981)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
		(3,233,546)
<p>Amortization of bond premiums and deferred charges on bond refundings do not affect the governmental funds, but are recorded in the Statement of Activities.</p>		
Amortization of bond premiums	631,700	
Amortization of deferred charges	(445,278)	186,422
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.</p>		
Repayment of bond principal	6,115,000	
Repayment of installment purchase debt payable	1,299,019	7,414,019
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Total OPEB liability	21,567,538	
Workers' Compensation claims payable	15,830	
Compensated absences payable	(27,771)	
Accrued interest costs	41,777	21,597,374
<p>Changes in the amount of total OPEB liability deferred inflows of resources and deferred outflows of resources reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues in the governmental funds.</p>		
		(28,640,150)
<p>Changes in the proportionate share of the collective pension expense of the State retirement plans reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.</p>		
Proportionate share of net pension asset	5,198,995	
Deferred outflows of resources from pensions	(5,395,336)	
Proportionate share of net pension liability	(1,744,338)	
Deferred inflows of resources from pensions	3,381,989	1,441,310
Change in Net Position - Governmental Activities		\$ (3,721,858)

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

**COMMACK UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**JUNE 30, 2019**

	<b>Scholarship Trusts</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash:		
Unrestricted	\$ -	\$ 396,244
Restricted	9,998	383,628
Due from governmental funds	-	841
Other receivables	-	9,002
	<u>\$ 9,998</u>	<u>\$ 789,715</u>
<b>LIABILITIES</b>		
Due to governmental funds	\$ -	\$ 98,875
Extraclassroom activity balances	-	383,628
Other liabilities	-	307,212
	<u>-</u>	<u>\$ 789,715</u>
<b>NET POSITION</b>		
Restricted:		
Scholarships	<u>9,998</u>	
Total net position	<u>9,998</u>	
Total liabilities and net position	<u>\$ 9,998</u>	

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

**COMMACK UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Scholarship Trusts</u>
<b>ADDITIONS</b>	
Investment earnings:	
Interest	<u>\$        1,801</u>
Total additions	<u>                1,801</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	<u>                2,249</u>
Total deductions	<u>                2,249</u>
Change in net position	(448)
Net position, beginning of year	<u>            10,446</u>
Net position, end of year	<u><u>            \$        9,998</u></u>

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

**COMMACK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A. Reporting entity

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 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 reporting entity of the District is based upon criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on such criteria the District has determined there are no component units to be included within their reporting entity.

B. Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found elsewhere in this report. The District accounts for assets held as an agent for various student organizations in an agency fund.

C. Joint venture

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

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the

New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

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

During the year, the District was billed \$8,386,579 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$2,092,088.

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

D. Basis of presentation

1. District-wide financial statements

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

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

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

2. Fund financial statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate financial statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major governmental funds:

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

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

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

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

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

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

The District reports the following fiduciary funds:

Fiduciary Funds: Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used.

There are two classes of fiduciary funds:

Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefit annual third-party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

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

#### E. Measurement focus and basis of accounting

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

The District-wide 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 property taxes, State aid, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

F. Property taxes

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

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

G. Restricted resources

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

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 the transfer of expenditures and revenues to provide financing or other services.

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

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

all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

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

Refer to Note 11 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, useful lives of long-lived assets, the proportionate share of net pension assets and liabilities, and the total OPEB liability.

J. Cash and cash equivalents

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

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

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

K. Accounts receivable

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

L. Inventories and prepaid items

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both the District-wide and fund financial

statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

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

M. Other assets/restricted assets

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

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

N. Capital assets

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and building improvements	\$ 5,000	Straight-line	20-40 years
Site improvements	\$ 5,000	Straight-line	5-30 years
Furniture and equipment	\$ 5,000	Straight-line	5-20 years

O. Deferred outflows of resources

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

P. Deferred inflows of resources

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

Q. Unearned revenue

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

R. Vested employee benefits - compensated absences

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

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

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

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

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

S. Other benefits

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in

accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure (see Note 12 for more information).

T. Short-term debt

The District may issue Revenue Anticipation Notes ("RAN") and Tax Anticipation Notes ("TAN"), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

The District may issue Bond Anticipation Notes ("BAN"), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BAN's issued for capital purposes to be converted to long-term financing within five years after the original issue date.

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

As of June 30, 2019, the District does not have any outstanding RAN's, TAN's, BAN's or deficiency notes.

U. Accrued liabilities and long-term obligations

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

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

V. Equity classifications

District-wide financial statements

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

1. Net investment in capital assets: Consists of capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.
2. Restricted net position: Reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position: Reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

Fund financial statements

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

1. Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$8,463.
2. Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Workers' Compensation

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

Unemployment Insurance

According to General Municipal Law §6-m, must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess

applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to the tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund.

#### Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

#### Insurance

According to General Municipal Law §6-n, must be 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.

#### Employee Benefit Accrued Liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit 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.

#### Repairs

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

#### Debt Service

According to General Municipal Law §6-l, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of school district property or capital improvement.

## Unspent Bond Proceeds

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

3. Committed- Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2019.
4. Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.
5. Unassigned - Includes all other General Fund fund balance that does not meet the definition of the above four classifications and is deemed to be available for general use by the District and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts have been restricted or assigned.

Fund balances for all governmental funds as of June 30, 2019 were distributed as follows:

	<u>General</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Inventory	\$ -	\$ 8,463	\$ -	\$ -	\$ 8,463
Total nonspendable	-	8,463	-	-	8,463
Restricted:					
Retirement contributions	628,329	-	-	-	628,329
Workers' Compensation	1,847,669	-	-	-	1,847,669
Unemployment insurance	329,004	-	-	-	329,004
Employee Benefit Accrued Liability	4,449,393	-	-	-	4,449,393
Insurance	194,260	-	-	-	194,260
Repairs	17,725	-	-	-	17,725
Debt service	-	-	986,719	-	986,719
District improvements	-	-	-	6,957,958	6,957,958
Total restricted	7,466,380	-	986,719	6,957,958	15,411,057
Assigned:					
Appropriated for subsequent year's expenditures	6,805,805	-	-	-	6,805,805
Encumbrances	297,162	-	-	-	297,162
Food service program	-	625,080	-	-	625,080
Total assigned	7,102,967	625,080	-	-	7,728,047
Unassigned	5,832,414	-	-	-	5,832,414
Total	<u>\$ 20,401,761</u>	<u>\$ 633,543</u>	<u>\$ 986,719</u>	<u>\$ 6,957,958</u>	<u>\$ 28,979,981</u>

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

#### Order of use of fund balance

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

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

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

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

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

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

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

#### 1. Long-term revenue/expense differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

#### 2. Capital related differences

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

financial statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-term debt transaction differences

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

4. Pension differences

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

5. OPEB differences

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

3. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets

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

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

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

The following supplemental appropriations occurred during the year:

Insurance recoveries	\$	202,780
Gifts and donations		<u>20,855</u>
	\$	<u>223,635</u>

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. The General Fund is the only fund with a legally approved budget for the year ended June 30, 2019.

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

## Encumbrances

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

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

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

Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$ 39,092,947
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Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$14,277,550 within the governmental funds and \$393,626 in the fiduciary funds.

### Investment and deposit policy

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

### Interest rate risk

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

### Credit risk

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

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

### Custodial credit risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal

Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

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

**5. RECEIVABLES**

A. State and federal aid

State and federal aid receivables at June 30, 2019 consisted of the following:

General Fund:

General aid	\$ 1,745,663
BOCES aid	2,148,511
Medicaid	38,159

Special Aid Fund:

State and federal grants	2,563,852
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School Lunch Fund:

School lunch reimbursement	26,229
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Capital Projects Fund:

State and federal grants	1,031,549
	<u>\$ 7,553,963</u>

B. Due from other governments

Due from other governments at June 30, 2019 consisted of the following:

General Fund:

Other school districts and towns	\$ 1,293,867
Foster tuition	152,206
Department of Labor	7,704
	<u>\$ 1,453,777</u>

C. Other receivables

Other receivables at June 30, 2019 consisted of the following:

General Fund:

Life insurance	\$ 1,584,552
Various	46,711

School Lunch Fund:

Various	8,861
	<u>\$ 1,640,124</u>

District management has deemed the amounts to be fully collectible.

6. **CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 3,260,677	\$ -	\$ -	\$ 3,260,677
Construction-in-progress	1,057,717	1,739,134	-	2,796,851
Total nondepreciable assets	<u>4,318,394</u>	<u>1,739,134</u>	<u>-</u>	<u>6,057,528</u>
Capital assets that are depreciated:				
Buildings and building improvements	164,818,500	244,672	-	165,063,172
Furniture and equipment	3,558,392	366,283	(56,848)	3,867,827
Vehicles	936,081	99,488	(39,462)	996,107
Site improvements	6,461,925	-	-	6,461,925
Total depreciable assets	<u>175,774,898</u>	<u>710,443</u>	<u>(96,310)</u>	<u>176,389,031</u>
Less accumulated depreciation:				
Buildings and building improvements	79,309,097	3,430,104	-	82,739,201
Furniture and equipment	2,762,846	100,879	(56,848)	2,806,877
Vehicles	696,506	49,863	(36,321)	710,048
Site improvements	4,296,848	175,571	-	4,472,419
Total accumulated depreciation	<u>87,065,297</u>	<u>3,756,417</u>	<u>(93,169)</u>	<u>90,728,545</u>
Total capital assets, net	<u>\$ 93,027,995</u>	<u>\$ (1,306,840)</u>	<u>\$ (3,141)</u>	<u>\$ 91,718,014</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 404,479
Instruction	3,345,335
Pupil transportation	6,603
	<u>\$ 3,756,417</u>

**7. SHORT-TERM DEBT**

Transactions in short-term debt for the year are summarized below:

	Beginning Balance	Issued	Redeemed	Ending Balance
TAN matured on 6/26/19 at 3.00%	\$ -	\$ 32,000,000	\$ 32,000,000	\$ -

Interest on short-term debt for the year was \$472,320.

**8. LONG-TERM LIABILITIES**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable	\$ 43,545,000	\$ -	\$ 6,115,000	\$ 37,430,000	\$ 5,865,000
Bond premium	2,289,368	-	631,700	1,657,668	534,475
Bonds payable, net	45,834,368	-	6,746,700	39,087,668	6,399,475
Energy performance contract debt payable	14,441,152	-	1,299,019	13,142,133	1,326,428
Workers' Compensation claims payable	1,015,147	680,057	695,887	999,317	700,000
Compensated absences	11,390,662	27,771	-	11,418,433	1,587,173
Total long-term liabilities	<u>\$ 72,681,329</u>	<u>\$ 707,828</u>	<u>\$ 8,741,606</u>	<u>\$ 64,647,551</u>	<u>\$ 10,013,076</u>

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

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

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 6/30/2019
Serial bonds - advanced refunding	2013	2025	2.00 - 4.00%	\$ 30,480,000
Serial bonds	2013	2029	1.00 - 4.00%	6,950,000
				<u>\$ 37,430,000</u>
Energy performance contract	8/15/2012	2/15/2028	2.14%	\$ 11,508,584
Energy performance contract	1/21/2015	2/21/2028	3.63%	1,633,549
				<u>\$ 13,142,133</u>

	Serial Bonds		Energy Performance Contracts		Total
	Principal	Interest	Principal	Interest	
<u>June 30,</u>					
2020	\$ 5,865,000	\$ 1,342,275	\$ 1,326,428	\$ 297,638	\$ 8,831,341
2021	6,105,000	1,109,625	1,360,150	266,706	8,841,481
2022	6,350,000	867,275	1,391,833	235,023	8,844,131
2023	6,590,000	615,225	1,424,287	202,569	8,832,081
2024	5,330,000	383,263	1,457,532	169,324	7,340,119
2025-2029	7,190,000	423,363	6,181,903	328,311	14,123,577
	<u>\$ 37,430,000</u>	<u>\$ 4,741,026</u>	<u>\$ 13,142,133</u>	<u>\$ 1,499,571</u>	<u>\$ 56,812,730</u>

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

Interest paid	\$1,912,662
Less interest accrued in the prior year	(396,329)
Plus amortization of deferred charges	445,278
Less amortization of bond premium	(631,700)
Plus interest accrued in the current year	354,552
Total interest expense	<u>\$ 1,684,463</u>

In the District-wide financial statements, the District is amortizing deferred charges on the advance refunding and a refunding bond premium relating to bond issuance as a component of interest expense on a weighted average basis as follows:

Fiscal Year Ending June 30,	Deferred Premium	Deferred Charge	Net Decrease in Interest Expense
2020	\$ 534,475	\$ (376,745)	\$ 157,730
2021	432,698	(305,003)	127,695
2022	326,272	(229,985)	96,287
2023	215,199	(151,691)	63,508
2024	114,140	(80,456)	33,684
2025	34,884	(24,589)	10,295
Total	<u>\$ 1,657,668</u>	<u>\$ (1,168,469)</u>	<u>\$ 489,199</u>

## 9. PENSION PLANS

### General information

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

### Provisions and administration

A 10-member Board of Trustees of the New York State Teachers' Retirement Board administers NYSTRS. NYSTRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law ("NYSRSSL"). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to

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

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

Funding policies

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

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

<u>Year</u>	<u>NYSERS</u>	<u>NYSTRS</u>
2019	\$ 2,277,195	\$ 8,033,921
2018	2,270,955	8,028,531
2017	2,238,582	9,533,321

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

At June 30, 2019, 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, 2018 for NYSTRS and March 31, 2019 for NYSERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District’s proportion of the net pension asset/(liability) was based on a projection of the District’s long-term share of contributions to the Systems relative to the projected contributions

of all participating members, actuarially determined. This information was provided by the NYSTRS and NYSERS Systems in reports provided to the District:

	<u>NYSERS</u>	<u>NYSTRS</u>
Measurement date	March 31, 2019	June 30, 2018
Net pension asset/(liability)	\$ (3,355,280)	\$ 9,100,642
District's portion of the Plan's total net pension asset/(liability)	0.04736%	0.50328%

For the year ended June 30, 2019, the District recognized pension expense of \$2,484,270 for NYSERS and \$7,180,151 for NYSTRS. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources - NYSERS</u>	<u>Deferred Outflows of Resources - NYSTRS</u>	<u>Deferred Inflows of Resources - NYSERS</u>	<u>Deferred Inflows of Resources - NYSTRS</u>
Difference between expected experience and actual experience	\$ 660,725	\$ 6,800,837	\$ 225,234	\$ 1,231,897
Changes of assumptions	843,380	31,812,716	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	861,150	10,102,407
Changes in proportion and differences between the District's contributions and proportionate share of contributions	713,556	1,230,079	155,663	440,676
Employer contributions subsequent to the measurement date	616,007	9,075,621	-	-
Total	<u>\$ 2,833,668</u>	<u>\$ 48,919,253</u>	<u>\$ 1,242,047</u>	<u>\$ 11,774,980</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>NYSERS</u>	<u>NYSTRS</u>
<u>For the year ended:</u>		
2020	\$ 939,484	\$ 9,239,054
2021	(512,370)	6,310,400
2022	39,717	770,315
2023	508,783	6,288,959
2024	-	4,365,328
Thereafter	-	1,094,596

Actuarial assumptions

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

	<u>NYSERS</u>	<u>NYSTRS</u>
Measurement date	March 31, 2019	June 30, 2018
Actuarial valuation date	April 1, 2018	June 30, 2017
Interest rate	7.00%	7.25%
Salary scale	4.20%	*Rates of increase differ based on service
Decrement tables	April 1, 2010 to March 31, 2015 System's Experience	July 1, 2009 to June 30, 2014 System's Experience
Inflation rate	2.50%	2.25%

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

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

For NYSTRS, annuitant mortality rates are based on July 1, 2009 - June 30, 2014 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For NYSERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

For NYSTRS, the actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014. For NYSERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	NYSERS		NYSTRS	
	Target allocation	Long-term rate	Target allocation	Long-term rate
Measurement date	March 31, 2019	March 31, 2019	June 30, 2018	June 30, 2018
Asset type				
Absolute return strategies	2.00%	3.75%	-	-
Bonds and mortgages	17.00%	1.31%	-	-
Cash	1.00%	(0.25%)	-	-
Domestic equity	36.00%	4.55%	33.00%	5.80%
Domestic fixed income	-	-	16.00%	1.60%
Global equities	-	-	4.00%	6.70%
Global fixed income	-	-	2.00%	0.09%
High-yield fixed income	-	-	1.00%	3.50%
Inflation-indexed bonds	4.00%	1.25%	-	-
International equity	14.00%	6.35%	16.00%	7.30%
Opportunistic portfolio	3.00%	5.68%	-	-
Private debt	-	-	1.00%	6.80%
Private equity	10.00%	7.50%	8.00%	8.90%
Real assets	3.00%	5.29%	-	-
Real estate debt	-	-	7.00%	2.80%
Real estate equities	10.00%	5.55%	11.00%	2.80%
Short-term	-	-	1.00%	0.30%
	<u>100.00%</u>		<u>100.00%</u>	

#### Discount rate

The discount rate used to calculate the total pension asset/(liability) was 7.0% for NYSERS and 7.25% for NYSTRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/(liability).

#### Sensitivity of the proportionate share of the net pension asset (liability) to the discount rate assumption

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.0% for NYSERS and 7.25% for NYSTRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0% for NYSERS and 6.25% for NYSTRS) or 1 percentage point higher (8.0% for NYSERS and 8.25% for NYSTRS) than the current rate:

<u>NYSERS</u>	<u>1% Decrease (6.00%)</u>	<u>Current assumption (7.00%)</u>	<u>1% Increase (8.00%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ (14,669,821)	\$ (3,355,280)	\$ 6,149,736
<u>NYSTRS</u>	<u>1% Decrease (6.25%)</u>	<u>Current assumption (7.25%)</u>	<u>1% Increase (8.25%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ (62,522,900)	\$ 9,100,642	\$ 69,101,267

#### Pension plan fiduciary net position

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

	(Dollars in Thousands)		
	<u>NYSERS</u>	<u>NYSTRS</u>	<u>Total</u>
Measurement date	March 31, 2019	June 30, 2018	
Employers' total pension liability	\$ 189,803,429	\$ 118,107,253	\$ 307,910,682
Plan net position	<u>182,718,124</u>	<u>119,915,517</u>	<u>302,633,641</u>
Employers' net pension asset/(liability)	<u>\$ (7,085,305)</u>	<u>\$ 1,808,264</u>	<u>\$ (5,277,041)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	96.27%	101.53%	98.29%

#### Payables to the pension plan

For NYSTRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the system in September, October and November 2019 through a State aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid NYSTRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the NYSTRS System. Accrued employer retirement contributions as of June 30, 2019 amounted to \$9,075,621.

For NYSERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid NYSERS covered wages multiplied by the employer's contribution rate, by tier. Accrued employer retirement contributions as of June 30, 2019 amounted to \$616,007. Employee contributions are remitted monthly.

## 10. PENSION PLANS - OTHERS

### 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, 2019 totaled \$702,215 and \$5,211,088, 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, 2019 totaled \$793,118.

11. INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

	Interfund			
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 1,232,694	\$ -	\$ 450,000	\$ 9,917,853
Special Aid Fund	-	2,395,762	506,926	-
School Lunch Fund	11,102	-	11,102	-
Debt Service Fund	51,149	150,000	7,699,825	150,000
Capital Projects Fund	1,400,000	51,149	1,700,000	300,000
Fiduciary Funds	841	98,875	-	-
Totals	<u>\$ 2,695,786</u>	<u>\$ 2,695,786</u>	<u>\$ 10,367,853</u>	<u>\$ 10,367,853</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

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

12. OTHER POSTEMPLOYMENT BENEFITS ("OPEB")

A. General information about the OPEB plan

Plan description

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

Benefits provided

The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent 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 July 1, 2018, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	730
Active plan members	<u>886</u>
Total plan members	<u><u>1,616</u></u>

B. Total OPEB liability

The District's total OPEB liability of \$179,500,889 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018.

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, with update procedures used to roll forward the total OPEB liability to the measurement date, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%
Salary increases	2.60% average, including inflation
Discount rate	3.87%
Healthcare cost trend rates	6.1% scaling down to 4.1% over 57 years
Retirees' share of benefit-related costs	0% to 8% of projected health insurance premiums for retirees

The discount rate was based on the June 30, 2018 Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2017.

C. Changes in the total OPEB liability

Balance as of June 30, 2018	<u>\$ 201,068,427</u>
<u>Changes for the year -</u>	
Service cost	8,926,090
Interest	6,244,943
Change of demographic gains or losses	1,326,997
Differences between expected and actual experience	(34,378,815)
Benefit payments	<u>(3,686,753)</u>
Net changes	<u>(21,567,538)</u>
Balance as of June 30, 2019	<u><u>\$ 179,500,889</u></u>

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Current assumption (3.87%)	1% Increase (4.87%)
Total OPEB liability as of June 30, 2019	\$ 211,437,333	\$ 179,500,889	\$ 153,905,576

Sensitivity of the total OPEB liability to changes in healthcare cost trend rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.10%) or one percentage point higher (7.10%) than the current discount rate:

	1% Decrease (5.10% decreasing to 3.10%)	Current assumption (6.10% decreasing to 4.10%)	1% Increase (7.10% decreasing to 5.10%)
Total OPEB liability as of June 30, 2019	\$ 151,207,890	\$ 179,500,889	\$ 219,312,648

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$10,759,365. At June 30, 2019, the District reported deferred outflows of resources related to OPEB differences between expected and actual experience of \$1,150,064 and deferred inflows of resources related to OPEB from differences between expected and actual experience of \$31,408. The District reported deferred inflows of resources related to OPEB from changes in assumptions of \$29,794,973.

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

<u>For the year ended:</u>	
2020	\$ (4,411,668)
2021	(4,411,668)
2022	(4,411,668)
2023	(4,411,668)
2024	(4,411,668)
Thereafter	(6,617,977)

**13. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters and other risks. These risks are covered by a combination of self-insurance reserves and commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

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

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

Claims activity is summarized below:

Fiscal years ended June 30:	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Year
2019	\$ 1,015,147	\$ 680,057	\$ 695,887	\$ 999,317
2018	781,500	980,079	746,432	1,015,147
2017	897,143	535,439	651,082	781,500

The District has not purchased any annuity contracts.

**14. CONTINGENCIES AND COMMITMENTS**

Government grants

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

Property tax cap

In June 2011, the New York State Legislature enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions. For fiscal years through at least June 15, 2020, growth in the property tax levy (the total amount to be raised through property taxes charged on a municipality's taxable assessed value of property) will be capped at 2 percent, plus the inflation factor (but not less than 0 percent), whichever is less, with some exceptions. The New York State Comptroller set the allowable levy growth factor for local governments for fiscal years beginning July 1, 2018 at 1.02% (before exemptions). School districts can exceed the tax levy limit by a 60% vote of the governing body, subject to voter approval.

Litigation

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

**15. TAX ABATEMENTS**

The Suffolk County Industrial Development Agency enters into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was reduced by approximately \$1,500,000. The District received payment in lieu of taxes (PILOT) payments totaling \$1,072,695.

**16. FUTURE CHANGES IN ACCOUNTING STANDARDS**

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

<u>GASB Statement No.</u>	<u>GASB Accounting Standard</u>	<u>Effective Fiscal Year</u>
Statement No. 84	Fiduciary Activities	June 30, 2020
Statement No. 87	Leases	June 30, 2021
Statement No. 89	Accounting For Interest Cost Incurred Before The End Of A Construction Period	June 30, 2021

**17. SUBSEQUENT EVENTS**

The District has evaluated subsequent events occurring after the Statement of Net Position through the date of October 3, 2019 which is the date the financial statements were available to be issued, noting no matters requiring further consideration.

**COMMACK UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Adopted Budget	Final Budget	Actual	Year-end Encumbrances	Variance
<b>REVENUES</b>					
Local sources:					
Real property taxes	\$ 138,464,368	\$ 125,384,500	\$ 125,384,628		\$ 128
Other tax items	1,065,844	14,145,712	14,152,563		6,851
Charges for services	1,942,300	1,942,300	1,574,169		(368,131)
Use of money and property	1,920,195	1,920,195	2,409,889		489,694
Sale of property and compensation for loss	100,000	302,780	270,741		(32,039)
Miscellaneous	2,145,000	2,165,855	3,169,436		1,003,581
Total local sources	145,637,707	145,861,342	146,961,426		1,100,084
State sources	39,543,693	39,543,693	39,709,719		166,026
Federal sources	40,000	40,000	133,385		93,385
Total revenues	185,221,400	185,445,035	186,804,530		1,359,495
<b>OTHER FINANCING SOURCES</b>					
Interfund revenues	450,000	450,000	450,000		-
Total revenues and other financing sources	185,671,400	185,895,035	187,254,530		1,359,495
<b>EXPENDITURES</b>					
General support:					
Board of Education	124,544	211,578	184,515	\$ -	27,063
Central administration	428,695	437,938	431,066	-	6,872
Finance	1,471,600	1,508,262	1,362,697	47,101	98,464
Staff	1,435,914	1,415,629	1,345,305	-	70,324
Central services	14,643,676	14,818,253	13,923,790	137,418	757,045
Special items	1,877,416	1,877,417	1,785,446	-	91,971
Total general support	19,981,845	20,269,077	19,032,819	184,519	1,051,739
Instruction:					
Instruction, administration and improvement	9,194,220	9,201,893	8,997,401	-	204,492
Teaching - regular school	58,471,091	56,909,194	58,048,380	12,502	(1,151,688)
Programs for children with handicapping conditions	29,716,497	29,522,320	26,829,500	83,776	2,609,044
Occupational education	928,800	928,800	686,350	-	242,450
Teaching - special school	399,185	399,185	304,237	-	94,948
Instructional media	2,626,895	2,651,048	2,405,095	3,158	242,795
Pupil services	9,361,528	9,374,438	8,977,305	8,207	388,926
Total instruction	110,698,216	108,986,878	106,248,268	107,643	2,630,967
Pupil transportation	13,356,482	13,370,082	12,899,409	5,000	465,673
Employee benefits	37,071,871	38,706,012	38,705,967	-	45
Debt service:					
Principal	1,299,020	1,299,020	1,299,019	-	1
Interest	980,337	980,337	800,157	-	180,180
Total expenditures	183,387,771	183,611,406	178,985,639	297,162	4,328,605
<b>OTHER FINANCING USES</b>					
Interfund transfers	10,064,825	10,064,825	9,917,853	-	146,972
Total expenditures and other financing uses	193,452,596	193,676,231	188,903,492	\$ 297,162	4,475,577
Net change in fund balance	<u>\$ (7,781,196)</u>	<u>\$ (7,781,196)</u>	(1,648,962)		<u>\$ 5,835,072</u>
Fund balance, beginning of year			22,050,723		
Fund balance, end of year			<u>\$ 20,401,761</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.

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

Measurement date	June 30, 2019	June 30, 2018
Total OPEB Liability		
Service cost	\$ 8,926,090	\$ 8,503,539
Interest	6,244,943	5,912,155
Change of demographic gains or losses	1,326,997	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(34,378,815)	(40,926)
Benefit payments	<u>(3,686,753)</u>	<u>(3,721,767)</u>
Net change in total OPEB liability	(21,567,538)	10,653,001
Total OPEB liability - beginning of year	<u>201,068,427</u>	<u>190,415,426</u>
Total OPEB liability - end of year	<u>\$ 179,500,889</u>	<u>\$ 201,068,427</u>
Covered payroll	\$ 90,673,940	\$ 104,691,209
Total OPEB liability as a percentage of covered payroll	197.96%	192.06%

**Note to Required Supplementary Information**

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

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

**COMMACK UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NYSERS**  
**LAST TEN FISCAL YEARS\***  
**(Dollar amounts in thousands)**

	2019	2018	2017	(A) 2016	2015	**2014	**2013	**2012	**2011	**2010
District's proportionate share of the net pension liability	0.04736%	0.04991%	0.05125%	0.50900%	0.04869%	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability	\$ (3,355)	\$ (1,611)	\$ (4,815)	\$ (8,177)	\$ (1,645)	N/A	N/A	N/A	N/A	N/A
District's covered payroll	\$ 15,533	\$ 15,200	\$ 14,578	\$ 14,706	\$ 14,051	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability as a percentage of covered payroll	21.60%	10.60%	33.03%	55.60%	11.71%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.68%	97.95%	N/A	N/A	N/A	N/A	N/A

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

(A) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2016 measurement date.

Not Available = N/A

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

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

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

	<u>2019</u>	<u>(A) 2018</u>	<u>(B) 2017</u>	<u>2016</u>	<u>2015</u>	<u>**2014</u>	<u>**2013</u>	<u>**2012</u>	<u>**2011</u>	<u>**2010</u>
District's proportionate share of the net pension asset (liability)	0.50328%	0.51331%	0.52556%	0.51957%	0.51166%	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension asset (liability)	\$ 9,101	\$ 3,902	\$ (5,629)	\$ 53,967	\$ 56,995	N/A	N/A	N/A	N/A	N/A
District's covered payroll	\$ 81,924	\$ 81,342	\$ 81,614	\$ 78,055	\$ 75,515	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension asset (liability) as a percentage of covered payroll	11.11%	4.80%	6.90%	69.14%	75.48%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension asset (liability)	101.53%	100.66%	99.01%	110.46%	111.48%	N/A	N/A	N/A	N/A	N/A

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

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

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

Not Available = N/A

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

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

**COMMACK UNION FREE SCHOOL DISTRICT  
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS - NYSERS  
LAST TEN FISCAL YEARS  
(Dollar amounts in thousands)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 2,277	\$ 2,271	\$ 2,239	\$ 2,552	\$ 2,695	\$ 2,695	\$ 2,491	\$ 1,554	\$ 1,239	\$ 1,091
Contributions in relation to the contractually required contribution	<u>2,277</u>	<u>2,271</u>	<u>2,239</u>	<u>2,552</u>	<u>2,695</u>	<u>2,695</u>	<u>2,491</u>	<u>1,554</u>	<u>1,239</u>	<u>1,091</u>
Contribution deficiency (excess)	<u>\$ -</u>									
District's covered payroll	\$ 15,531	\$ 15,200	\$ 14,460	\$ 14,985	\$ 14,524	\$13,740	\$14,196	\$14,419	\$14,889	\$14,365
Contributions as a percentage of covered payroll	14.66%	14.94%	15.48%	17.03%	18.56%	19.61%	17.55%	10.78%	8.32%	7.59%

**COMMACK UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS - NYSTRS**  
**LAST TEN FISCAL YEARS**  
**(Dollar amounts in thousands)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 8,034	\$ 8,029	\$ 9,533	\$ 10,754	\$ 13,859	\$ 12,334	\$ 8,648	\$ 8,009	\$ 6,053	\$ 4,278
Contributions in relation to the contractually required contribution	<u>8,034</u>	<u>8,029</u>	<u>9,533</u>	<u>10,754</u>	<u>13,859</u>	<u>12,334</u>	<u>8,648</u>	<u>8,009</u>	<u>6,053</u>	<u>4,278</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	\$ 75,649	\$ 81,924	\$ 81,342	\$ 81,101	\$ 79,059	\$ 75,902	\$ 72,837	\$ 72,029	\$ 70,496	\$ 71,238
Contributions as a percentage of covered payroll	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%	11.87%	11.12%	8.59%	6.01%

**COMMACK UNION FREE SCHOOL DISTRICT  
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET  
AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

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

Original budget	\$ 193,222,797	
Add: Prior year's encumbrances	<u>229,799</u>	
Adopted budget		\$ 193,452,596
Budget revisions relating to:		
Insurance recoveries		202,780
Gifts and donations		<u>20,855</u>
Final budget		<u><u>\$ 193,676,231</u></u>

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

2019-2020 voter-approved budget		<u><u>\$ 197,062,213</u></u>
Maximum allowed (4% of 2019-2020 budget)		<u><u>\$ 7,882,489</u></u>
General Fund fund balance subject to §1318 of real property tax law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 7,102,967	
Unassigned fund balance	<u>5,832,414</u>	\$ 12,935,381
Less:		
Appropriated fund balance	6,805,805	
Encumbrances	<u>297,162</u>	<u>7,102,967</u>
General Fund fund balance subject to §1318 of real property tax law		<u><u>\$ 5,832,414</u></u>
Actual percentage		<u><u>2.96%</u></u>

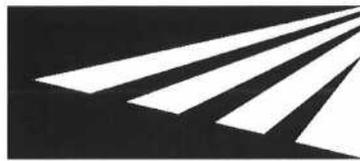


COMMACK UNION FREE SCHOOL DISTRICT  
NET INVESTMENT IN CAPITAL ASSETS  
JUNE 30, 2019

Capital assets, net		\$ 91,718,014
Add:		
Deferred charges for advance refunding		1,168,469
Deduct:		
Short-term portion of bonds payable	\$ 6,399,475	
Long-term portion of bonds payable	32,688,193	
Short-term portion of energy performance contract payable	1,326,428	
Long-term portion of energy performance contract payable	11,815,705	52,229,801
Net investment in capital assets		\$ 40,656,682

**COMMACK UNION FREE SCHOOL DISTRICT**  
**EXTRACLASROOM ACTIVITY FUNDS**  
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**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**  
**ON EXTRACLASROOM ACTIVITY FUNDS FINANCIAL STATEMENT**

To the Board of Education of the  
Commack Union Free School District  
Towns of Huntington and Smithtown, New York:

We have audited the accompanying statement of cash receipts and disbursements of the various Extraclassroom Activity Funds of the Commack Union Free School District (the "District") for the year ended June 30, 2019, and the related note to financial statement, which collectively comprise the financial statement of the District's Extraclassroom Activity Funds.

***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements is free from material misstatement.

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

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

# NawrockiSmith

## ***Opinion***

In our opinion, the statement of cash receipts and disbursements referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Extraclassroom Activity Funds of the Commack Union Free School District for the year ended June 30, 2019 in accordance with the basis of accounting described in Note 1.

## ***Basis of Accounting***

We draw attention to Note 1 of this financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Melville, New York  
October 3, 2019



**COMMACK UNION FREE SCHOOL DISTRICT**  
**EXTRACLASROOM ACTIVITY FUNDS**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Cash Balances July 1, 2018	Receipts	Disbursements	Cash Balances June 30, 2019
High School:				
Art Club	\$ 2,092.56	\$ 500.00	\$ 1,254.83	\$ 1,337.73
ASL	3,978.26	1,034.03	273.37	4,738.92
Astronomy Club	107.43	217.00	137.56	186.87
Best of Buds	471.84	1,354.44	649.32	1,176.96
Bible Club	654.90	-	40.96	613.94
Boys Leader Corp.	4,858.92	500.00	500.00	4,858.92
Brainstormers	310.39	164.92	290.84	184.47
Business	1,055.04	400.55	1,059.07	396.52
Cause of PAWS	2,067.38	368.00	1,166.52	1,268.86
Chess Club	708.83	-	-	708.83
Class of 2018	23,258.89	200.00	23,458.89	-
Class of 2019	24,238.17	61,622.04	77,206.21	8,654.00
Class of 2020	514.08	34,416.00	10,497.85	24,432.23
Class of 2021	1,975.55	1,200.00	362.00	2,813.55
Class of 2022	1,000.00	890.00	1,204.75	685.25
Class of 2023	-	1,000.00	-	1,000.00
Computer Club	1,504.64	253.00	115.84	1,641.80
Environmental Awareness	3,182.96	303.00	217.20	3,268.76
Etchings	2,370.10	142.00	108.63	2,403.47
Fashion Club	4,426.71	450.00	150.00	4,726.71
FASTA	2,857.15	385.00	660.34	2,581.81
FBLA	1,054.91	13,047.40	14,102.31	-
Field Trips	77.00	44,067.81	44,090.81	54.00
French H.S.	443.46	671.00	718.70	395.76
Future Educators	525.63	436.00	642.41	319.22
Future Eng.	4,694.57	120.00	878.27	3,936.30
Future Health Professionals	493.09	-	-	493.09
Gay/Straight Alliance	938.57	-	-	938.57
Girl's Leader Corp	5,007.88	-	500.00	4,507.88
Glamour Girls	295.59	285.00	370.17	210.42
Grandfriends	1,791.00	624.00	800.00	1,615.00
Greenhouse Club	286.96	230.25	86.88	430.33
Habitat for Humanity	701.31	472.06	-	1,173.37
Hebrew Culture club	503.10	-	-	503.10
History	13,911.18	4,161.00	3,451.01	14,621.17
Human Rights Club	99.23	286.00	123.08	262.15
ICS	3,489.35	1,857.00	1,159.28	4,187.07
International Thespian Soc.	11,606.88	4,806.18	6,774.93	9,638.13
Italian	2,521.09	1,292.25	3,011.34	802.00
Latin	870.76	605.00	799.94	675.82
LIT	5,120.94	3,050.00	5,230.86	2,940.08
Literary Club	144.65	-	-	144.65
Masque and Wig	17,432.48	11,488.99	12,321.75	16,599.72
Math H.S.	11,958.61	1,652.50	10,237.32	3,373.79
Mock Trial	171.18	772.61	817.68	126.11
Model UN	4,204.91	-	-	4,204.91
Multimedia Club	228.00	-	68.00	160.00
NAHS	1,616.99	5,890.95	5,279.19	2,228.75
National H.S.	2,666.35	8,494.00	7,871.80	3,288.55
Pathways	441.80	366.00	444.36	363.44
Pay it Forward	899.32	442.76	547.52	794.56
Peer Leadership	1,030.50	465.26	539.44	956.32
Photography/Camera Club	1,728.49	201.00	433.11	1,496.38
Plan 9 Peer Leadership Adv.	313.09	252.00	115.84	449.25
Political Activism	818.12	-	-	818.12
Radio Club	6,428.29	-	-	6,428.29
SADD	239.64	467.85	304.08	403.41
School Store	198.50	1,570.00	1,032.55	735.95
Science H.S.	8,672.66	2,406.77	7,586.54	3,492.89
Science Olympiad	1,062.58	-	577.24	485.34
Spanish H.S.	3,330.76	2,603.90	4,994.90	939.76
Student Council	157,633.87	45,851.50	40,480.96	163,004.41
Tech H.S.	1,309.00	3,552.81	2,879.72	1,982.09
Tri-M	1,865.96	1,468.00	1,610.98	1,722.98
Yearbook	17,516.21	14,362.83	21,794.66	10,084.38
	<b>\$ 377,978.26</b>	<b>\$ 283,720.66</b>	<b>\$ 322,031.81</b>	<b>\$ 339,667.11</b>

The accompanying note is an integral  
part of this financial statement.

**COMMACK UNION FREE SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Cash Balances July 1, 2018	Receipts	Disbursements	Cash Balances June 30, 2019
Middle School:				
Art Club	\$ 42.08	\$ -	\$ -	\$ 42.08
Best Buddies	39.71	-	-	39.71
Digital Media Club	169.63	-	-	169.63
Fashion Club	200.00	-	-	200.00
Field Trips	-	9,820.00	9,820.00	-
Flip It	233.51	-	-	233.51
International Cooking Club	340.42	-	-	340.42
Leaders Club	14,405.79	4,517.68	5,564.99	13,358.48
National Jr. Honor Society	8,469.96	4,206.79	1,998.09	10,678.66
Natures Exploration and Earth Protection	239.10	-	-	239.10
Pride Club	-	608.77	577.37	31.40
Rocket Club	657.96	617.00	552.47	722.49
Scarpsters	224.95	-	-	224.95
School Store	828.03	278.00	460.01	646.02
Science Olympiad	120.70	752.11	314.92	557.89
Student Council	32,918.06	61,929.58	87,056.22	7,791.42
Tri-M Society	1,494.99	1,995.00	1,939.64	1,550.35
Woodworking Club	23.72	275.00	214.75	83.97
Yearbook	4,473.34	4,364.50	1,786.91	7,050.93
	<u>\$ 64,881.95</u>	<u>\$ 89,364.43</u>	<u>\$ 110,285.37</u>	<u>\$ 43,961.01</u>

The accompanying note is an integral  
part of this financial statement.

**COMMACK UNION FREE SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
**NOTE TO FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Commack Union Free School District (the "District").

The accounts of the Extraclassroom Activity Funds of the District are maintained on a cash basis, and the Statement of Cash Receipts and Disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under accounting principles generally accepted in the United States of America, and which may be material in amount, are not recognized in the accompanying financial statement.

**COMMACK UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/ Pass - Through Grantor/ Cluster Title/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b><u>U.S. Department of Education</u></b>			
<u>Passed Through Programs From:</u>			
New York State Department of Education			
Special Education Cluster:			
IDEA, Part B, Section 611, Special Education Grants to States	84.027A	0032-19-0461	\$ 1,920,472
IDEA, Part B, Section 619, Special Education Preschool Grants	84.173A	0033-19-0461	<u>65,932</u>
Total Special Education Cluster			1,986,404
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021-19-1680	211,289
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021-18-1680	5,077
ESEA, Title II, Part A, Improving Teacher Quality State Grants	84.367A	0147-19-1680	37,829
ESEA, Title II, Part A, Improving Teacher Quality State Grants	84.367A	0147-18-1680	82,829
ESEA, Title III, Part A, Language Enhancement and Academic Achievement Act	84.365A	0293-19-1680	19,778
ESEA, Title III, Part A, Language Enhancement and Academic Achievement Act	84.365A	0293-18-1680	4,947
ESEA, Title IV, Part A, Student Support and Academic Enrichment Program	84.424A	0204-19-3100	<u>10,782</u>
<b>Total U.S. Department of Education</b>			<u>2,358,935</u>
<b><u>U.S. Department of Agriculture</u></b>			
<u>Passed Through Program From:</u>			
New York State Office of General Services			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	<u>428,108</u>
Total Child Nutrition Cluster			<u>428,108</u>
<b>Total U.S. Department of Agriculture</b>			<u>428,108</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<u>\$ 2,787,043</u>

The accompanying notes should be read  
in conjunction with this schedule.

**COMMACK UNION FREE SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Commack Union Free School District (the "District") under programs of the federal government for the year ended June 30, 2019. 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 District, it is not intended to and does not present the financial position, changes in net position or fund balance of the District.

**2. BASIS OF ACCOUNTING**

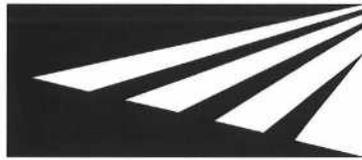
Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The amounts reported 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 District's financial reporting system. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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

Non-monetary assistance is reported in the schedule at the fair market value of commodities received, which is provided by New York State.

**3. INDIRECT COSTS**

The Commack Union Free School District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**  
**ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE**  
**AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS**  
**PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the  
Commack Union Free School District  
Towns of Huntington and Smithtown, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and fiduciary funds of the Commack Union Free School District (the "District"), as of and for the year ended June 30, 2019, 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 3, 2019.

***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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

# NawrockiSmith

## ***Compliance and Other Matters***

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

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

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

Melville, New York  
October 3, 2019





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

To the Board of Education of the  
Commack Union Free School District  
Towns of Huntington and Smithtown, New York:

***Report on Compliance for Each Major Federal Program***

We have audited the Commack Union Free School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal programs. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal programs for the year ended June 30, 2019.

# NawrockiSmith

## ***Report on Internal Control Over Compliance***

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Melville, New York  
October 3, 2019



**COMMACK UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**1. Summary Of Auditor's Results:**

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No significant deficiencies or material weaknesses were reported during the audit of the financial statements.
3. No instances of noncompliance were disclosed during the audit of the financial statements.
4. No significant deficiencies or material weaknesses were reported during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs that are required to be reported in accordance with section 2 CFR 200.516 (a) of the Uniform Guidance, were disclosed during the audit.
7. The programs tested as a major program included:

CFDA Number

Name of Federal Program

<u>CFDA Number</u>	<u>Name of Federal Program</u>
	<i><u>U.S. Department of Education -</u></i>
84.027A	IDEA Part B Section 611 Special Education Grants to States
84.173A	IDEA Part B Section 619 Special Education Preschool Grants

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Auditee was determined to be a low-risk auditee.

**2. Findings - Financial Statement Audit**

None reported.

**3. Findings And Questioned Costs - Major Federal Award Program Audit**

None reported.

**COMMACK UNION FREE SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Findings - Financial Statement Audit**

None reported.

**Findings And Questioned Costs - Major Federal Award Programs Audit**

None reported.

**COMMACK UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**CURRENT YEAR FINDINGS AND RECOMMENDATIONS:**

We noted no other areas of improvement as a result of our audit procedures for the current year.