

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 9, 2020

NEW ISSUE

TAX ANTICIPATION NOTES

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. (See "Tax Matters" herein).*

*The District will NOT designate the Notes as "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b)(3) of the Code.*

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT  
SUFFOLK COUNTY, NEW YORK**

**\$34,500,000\* TAX ANTICIPATION NOTES FOR 2020-2021 TAXES  
(the "Notes")**

**Date of Issue: September 29, 2020**

**Maturity Date: June 25, 2021**

The Notes are general obligations of the Northport-East Northport Union Free School District, in Suffolk County, New York (the "District"), and will contain a pledge of the faith and credit of the District for the payment of the principal of and interest on the Notes and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the District, subject to certain statutory limitations. (See "*The Tax Levy Limit Law*" herein.)

The Notes will not be subject to redemption prior to maturity.

The Notes will be issued in registered form and, at the option of the purchaser(s), the Notes will be (i) registered in the name of the successful bidder(s) or (ii) registered to Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes.

If the Notes are registered in the name of the successful bidder(s), a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on such Notes will be payable in Federal Funds by the District, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidders.

If the Notes are issued in book-entry form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the District to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "*Description of Book-Entry System*" herein).

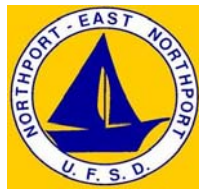
Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on September 17, 2020 at the offices of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. Munistat Services, Inc. has served as Municipal Advisor to the District in connection with the issuance of the Notes. It is expected that delivery of the Notes will be made in New York, New York or as otherwise agreed on or about September 29, 2020.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE DISTRICT FOR THE PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). FOR A DESCRIPTION OF THE DISTRICT'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE NOTES, AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

September , 2020

\*Preliminary, subject to change.



**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT  
SUFFOLK COUNTY, NEW YORK**

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Robert Banzer, Superintendent of Schools  
Robert Howard, Assistant Superintendent for Business  
Beth Nystrom, District Clerk  
Dawn Monsell, District Treasurer

**Board of Educational Counsel**

Ingerman Smith, LLP  
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\* \* \*

**BOND COUNSEL**

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New York, New York

\* \* \*

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No dealer, broker, salesman or other person has been authorized by the District to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor there any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the District from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

## TABLE OF CONTENTS

	Page
<b>THE NOTES .....</b>	<b>1</b>
DESCRIPTION .....	1
OPTIONAL REDEMPTION .....	1
DESCRIPTION OF BOOK-ENTRY SYSTEM .....	1
AUTHORIZATION FOR AND PURPOSE OF NOTES .....	3
SECURITY AND SOURCE OF PAYMENT .....	3
<b>REMEDIES UPON DEFAULT .....</b>	<b>4</b>
<b>SECTION 99-B OF THE STATE FINANCE LAW APPLICABLE TO SCHOOL DISTRICTS.....</b>	<b>5</b>
<b>NO PAST DUE DEBT.....</b>	<b>5</b>
<b>BANKRUPTCY.....</b>	<b>5</b>
<b>THE DISTRICT .....</b>	<b>6</b>
DESCRIPTION.....	6
DISTRICT ORGANIZATION.....	6
ENROLLMENT HISTORY .....	7
PROJECTED FUTURE ENROLLMENT.....	7
DISTRICT FACILITIES .....	7
EMPLOYEES .....	8
<b>ECONOMIC AND DEMOGRAPHIC INFORMATION.....</b>	<b>8</b>
POPULATION TRENDS .....	8
INCOME DATA .....	9
SELECTED LISTING OF LARGER EMPLOYERS IN THE TOWN OF HUNTINGTON .....	9
UNEMPLOYMENT RATE STATISTICS.....	10
<b>INDEBTEDNESS OF THE DISTRICT .....</b>	<b>10</b>
CONSTITUTIONAL AND STATUTORY REQUIREMENTS.....	10
STATUTORY PROCEDURE.....	11
COMPUTATION OF DEBT LIMIT AND DEBT CONTRACTING MARGIN .....	11
DETAILS OF SHORT-TERM INDEBTEDNESS OUTSTANDING.....	12
TREND OF OUTSTANDING INDEBTEDNESS.....	12
DEBT SERVICE REQUIREMENTS - OUTSTANDING BONDS.....	12
DEBT SERVICE REQUIREMENTS – 2016 ENERGY PERFORMANCE CONTRACT .....	13
TAX ANTICIPATION NOTES.....	13
AUTHORIZED AND UNISSUED DEBT.....	13
CALCULATION OF ESTIMATED OVERLAPPING AND UNDERLYING INDEBTEDNESS .....	14
DEBT RATIOS .....	14
<b>FINANCES OF THE DISTRICT .....</b>	<b>14</b>
INDEPENDENT AUDIT.....	14
INVESTMENT POLICY .....	14
FUND STRUCTURE AND ACCOUNTS .....	15
BASIS OF ACCOUNTING .....	15

## TABLE OF CONTENTS - CONTINUED

	Page
BUDGET PROCESS.....	15
REVENUES .....	15
<i>Real Property Taxes</i> .....	15
<i>State Aid</i> .....	16
RECENT EVENTS AFFECTING STATE AID TO NEW YORK SCHOOL DISTRICTS.....	18
EXPENDITURES .....	19
THE STATE COMPTROLLER’S FISCAL STRESS MONITORING SYSTEM AND OSC COMPLIANCE REVIEWS .....	19
EMPLOYEE PENSION SYSTEM .....	19
OTHER POST-EMPLOYMENT BENEFITS .....	21
<b>TAX INFORMATION.....</b>	<b>22</b>
REAL PROPERTY TAXES .....	22
TAX COLLECTION PROCEDURE.....	22
THE TAX LEVY LIMIT LAW .....	23
STAR - SCHOOL TAX EXEMPTION .....	23
VALUATIONS, RATES AND LEVIES .....	24
SELECTED LISTING OF LARGE TAXABLE PROPERTIES IN THE DISTRICT .....	24
<b>LITIGATION .....</b>	<b>25</b>
LONG ISLAND POWER AUTHORITY TAX CERTIORARI .....	25
<b>CYBERSECURITY .....</b>	<b>25</b>
<b>MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES AND SCHOOL DISTRICTS OF THE STATE.....</b>	<b>25</b>
<b>TAX MATTERS.....</b>	<b>27</b>
OPINION OF BOND COUNSEL .....	27
CERTAIN ONGOING FEDERAL TAX REQUIREMENTS AND CERTIFICATIONS .....	27
CERTAIN COLLATERAL FEDERAL TAX CONSEQUENCES .....	27
ORIGINAL ISSUE DISCOUNT .....	28
NOTE PREMIUM .....	28
INFORMATION REPORTING AND BACKUP WITHHOLDING .....	28
MISCELLANEOUS .....	29
<b>LEGAL MATTERS .....</b>	<b>29</b>
<b>DISCLOSURE UNDERTAKING.....</b>	<b>29</b>
<b>RATINGS.....</b>	<b>29</b>
<b>MUNICIPAL ADVISOR .....</b>	<b>29</b>
<b>ADDITIONAL INFORMATION .....</b>	<b>29</b>
<b>APPENDIX A: FINANCIAL INFORMATION</b>	
<b>APPENDIX B: CASH FLOWS</b>	
<b>APPENDIX C: AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019</b>	
<b>APPENDIX D: FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL</b>	
<b>APPENDIX E: FORM OF NOTICE OF EVENTS UNDERTAKING</b>	

## **OFFICIAL STATEMENT**

### **NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT SUFFOLK COUNTY, NEW YORK**

#### **Relating To**

#### **\$34,500,000\* TAX ANTICIPATION NOTES FOR 2020-2021 TAXES (the "Notes")**

This Official Statement, including the cover page and appendix hereto, presents certain information relating to the Northport-East Northport Union Free School District in the County of Suffolk, State of New York (the "District," "County" and "State," respectively) in connection with the sale of \$34,500,000\* Tax Anticipation Notes for 2020-2021 Taxes (the "Notes").

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Notes and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has created prevailing economic conditions (at the global, national, State and local levels) that are highly uncertain, generally negative, and rapidly changing, and these conditions are expected to continue for an indefinite period of time. Accordingly, the District's overall economic situation and outlook (and all of the specific District-related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this unprecedented world-wide event, the effects of which are extremely difficult to predict and quantify. See "*MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES AND SCHOOL DISTRICTS OF THE STATE*" herein.

#### **THE NOTES**

##### **Description**

The Notes will be dated and will mature, without option of prior redemption, as reflected on the cover page hereof.

The District will act as Paying Agent for any Notes issued in book-entry form and the purchaser(s) will serve as paying agent for the Notes registered in the name of the purchaser(s). Paying agent fees, if any, will be paid by the purchaser(s). The District's contact information is as follows: Robert Howard, Assistant Superintendent for Business, Northport-East Northport Union Free School District, 158 Laurel Avenue, Northport, NY 11768, Phone (631) 262-6632, Fax (631) 262-6892 and email: robert.howard@northport.k12.ny.us.

##### **Optional Redemption**

The Notes will not be subject to redemption prior to their maturity.

##### **Description of Book-Entry System**

In the event that the Notes are issued in book-entry form, DTC will act as securities depository for the Notes and the Notes will be issued as fully-registered notes registered in the name of Cede & Co., (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each Note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

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\*Preliminary, subject to change.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be

requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company

### **Authorization for and Purpose of Notes**

The Notes are issued pursuant to the Constitution and laws of the State, including Sections 24.00 and 39.00 of the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of New York, and a tax anticipation note resolution adopted by the Board of Education of the District on June 18, 2020 to finance cash flow requirements in anticipation of the collection of 2020-2021 real property taxes levied for school purposes on all taxable real property in the District. The proceeds of the Notes may be used only for the purposes for which such taxes have been or are to be levied, as specified in the 2020-2021 annual budget of the District, unless all of said purposes have been paid and satisfied, in which case the proceeds of the notes may be used for any lawful school purpose. The proceeds of the Notes will not be used for the redemption or renewal of any outstanding tax anticipation or revenue anticipation notes.

Pursuant to Section 24.00(e) of the Local Finance Law, generally, whenever the amount of the Notes and any additional tax anticipation notes issued by the District in anticipation of the receipt of 2020-2021 real property taxes equals the amount of such taxes remaining uncollected, the District is required to set aside in a special bank account all of such uncollected taxes as thereafter collected, and to use the amounts so set aside only for the purpose of paying such Notes. Interest on the Notes will be provided from budget appropriations.

### **Security and Source of Payment**

Each Note when duly issued and paid for will constitute a contract between the District and the holder thereof.

The Notes will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon. For the payment of such principal of and interest on the Notes, the District has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the District, subject to certain statutory limitations imposed by the Chapter 97 of the New York Laws of 2011, as amended.

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Notes, and the State is specifically precluded from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law, (herein referred to as the "Tax Levy Limit Law" or "Law"), imposes a limitation on the power of local governments and school districts, including the District, to increase their annual tax levy, with the amount of such year to year increase limited by the formulas set forth in the Tax Levy Limit Law. The Tax Levy Limit Law also provides the procedural method to overcome that limitation. In addition, the Tax Levy Limit Law expressly provides an exclusion from the annual tax levy limitation for any taxes levied to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures, or the refinancing or refunding of such bonds or notes. The exclusion does NOT apply to taxes to pay debt service on tax anticipation notes (such as the Notes), revenue anticipation notes, budget notes and deficiency notes, and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments. (See "*The Tax Levy Limit Law*," herein.)

## REMEDIES UPON DEFAULT

Neither the Notes, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Notes should the District default in the payment of principal of or interest on the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Notes upon the occurrence of any such default. The Notes are general obligation contracts between the District and the owners for which the faith and credit of the District are pledged and while remedies for enforcement of payment are not expressly included in the District's contract with such owners, any permanent repeal by statute or constitutional amendment of a bondholder's and/or noteholder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

Upon default in the payment of principal of or interest on the Notes at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the District. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment. A Court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such bonds or notes from funds lawfully available therefor or, in the absence thereof, to order the District to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the District and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on the Notes, the owner of such Notes could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the District to assess, levy and collect an ad valorem tax, upon all taxable property of the District subject to taxation by the District sufficient to pay the principal of and interest on the Notes as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Notes and the proceedings with respect thereto all of which are included in the contract with the owners of the Notes. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of Noteholders, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the District.

Pursuant to Article VIII, Section 2 of the State Constitution, the District is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically, this constitutional provision states: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. In *Quirk v. Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in the State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy, to pay debt service on such obligations, but that such pledge may or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.



While the courts in the State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have generally upheld and sustained the rights of bondholders and/or noteholders, such courts might hold that future events, including a financial crisis as such may occur in the State or in political subdivisions of the State, may require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

## **SECTION 99-B OF THE STATE FINANCE LAW APPLICABLE TO SCHOOL DISTRICTS**

Section 99-b of the State Finance Law (the "SFL") provides for a covenant between the State and the purchasers and the holders and owners from time to time of the bonds and notes issued by school districts in the State for school purposes that it will not repeal, revoke or rescind the provisions of Section 99-b of the SFL, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

Said section provides that in the event a holder or owner of any bond or note issued by a school district for school purposes shall file with the State Comptroller, a verified statement describing such bond or note and alleging default in the payment thereof or the interest thereon or both, it shall be the duty of the State Comptroller to immediately investigate the circumstances of the alleged default and prepare and file in his office a certificate setting forth his determinations with respect thereto and to serve a copy thereof by registered mail upon the chief fiscal officer of the school district which issued the bond or note. Such investigation by the State Comptroller shall set forth a description of all such bonds and notes of the school district found to be in default and the amount of principal and interest thereon past due.

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district's contribution to the State Teachers' Retirement System, and (b) the principal of and interest on such bonds and notes of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such State aid or assistance due such school district such amount or amounts thereof as may be required to cure such default. Allotments, apportionments and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and interest on the bonds and notes shall be forwarded promptly to the paying agent or agents for the bonds and notes in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such bonds or notes. If any such successive allotments, apportionments or payment of such State aid so deducted or withheld shall be less than the amount of all principal and interest on the bonds and notes in default with respect to which the same was so deducted or withheld, then the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such bonds and notes in default payable to such paying agent bears to the total amount of the principal and interest then in default on such bonds and notes of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of defaulted bonds or notes pursuant to said section of the SFL.

## **NO PAST DUE DEBT**

No principal or interest payment on District indebtedness is past due. The District has never defaulted in the payment of the principal of and/or interest on any indebtedness.

## **BANKRUPTCY**

The Federal Bankruptcy Code (Chapter IX) allows public bodies, such as municipalities, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Title 6-A of the Local Finance Law specifically authorizes any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not become applicable in the future. As such, the undertakings of the District should be considered with reference, specifically, to Chapter IX, and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Bankruptcy proceedings by the District if authorized by the State in the future could have adverse effects on bondholders and/or noteholders including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the District after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Notes.

The above references to said Chapter IX are not to be construed as an indication that the State will consent in the future to the right of the District to file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness or that the District is currently considering or expects to resort to the provisions of Chapter IX if authorized to do so in the future.

## **THE DISTRICT**

### **Description**

The Northport-East Northport Union Free School District is located in the northeastern section of the Town of Huntington and fronts on Long Island Sound. The District covers an area of approximately 18 square miles and includes the incorporated Villages of Northport and Asharoken and the unincorporated areas of Northport, East Northport and Eaton's Neck as well as part of Fort Salonga. The Town of Smithtown borders the District on the east while Commack and Elwood School Districts lie to the south and the Harborfields School District lies to the west.

The Incorporated Village of Northport, with an area of approximately 2.5 square miles, lies entirely within the District. The Village maintains municipal parking fields, sanitary and storm sewer systems with a modern sewerage disposal plant, municipal dock, park, beaches and modern Fire and Police Departments.

The District is basically a residential community. The area has much of its terrain broken by hills and an indented harbor having an irregular shoreline. Northport has always been noted as a haven for small boats and recreational yachting activity. A number of the District residents commute to New York City and other points by Long Island Rail Road and automobile. The Port Jefferson Branch of the Long Island Rail Road serves Northport and is electrified to Huntington, two stations west.

### **District Organization**

The District is an independent entity governed by an elected board of education comprised of seven members. District operations are subject to the provisions of the State Education Law affecting school districts; other statutes applicable to the District include the General Municipal Law, the Local Finance Law and the Real Property Tax Law.

Members of the Board of Education are elected on a staggered term basis by qualified voters at the annual election of the District (held in May of each year). The term of office for each board member is 3 years and the number of terms that may be served is unrestricted. A president is selected by the board from its members and also serves as the chief fiscal officer of the District. The Board of Education is vested with various powers and duties as set forth in the Education Law. Among these are the adoption of annual budgets (subject to voter approval), the levy of real property taxes for the support of education, the appointment of such employees as may be necessary, and other such duties reasonably required to fulfill the responsibilities provided by law.

The Board of Education appoints the Superintendent of Schools who serves at the pleasure of the Board. Such Superintendent is the chief executive officer of the District and the education system. It is the responsibility of the Superintendent to enforce all provisions of law and all rules and regulations relating to the management of the schools and other educational, social and recreational activities under the direction of the Board of Education. Also, certain of the financial functions of the District are the responsibility of the Superintendent of Schools, the Assistant Superintendent for Business and the District Treasurer.

### **Enrollment History**

The following table presents the past school enrollment for the District.

<u>School Year</u>	<u>School Enrollment</u>
2015-2016	5,583
2016-2017	5,501
2017-2018	5,339
2018-2019	5,212
2019-2020	5,035

Source: District Officials.

### **Projected Future Enrollment**

The following table presents the projected future school enrollment for the District.

<u>School Year</u>	<u>School Enrollment</u>
2020-2021	4,824
2021-2022	4,694
2022-2023	4,690
2023-2024	4,690
2024-2025	4,650

Source: District Officials.

### **District Facilities**

The District operates ten schools and offices; statistics relating to each are shown below.

<u>Name of School</u>	<u>Grades</u>	<u>Date of Construction</u>	<u>Capacity</u>
Dickinson Ave. School	K-5	1956	555
Fifth Ave. School	K-5	1958	648
Norwood Ave. School	K-5	1958	616
Ocean Ave. School	K-5	1938	578
Pulaski Rd. School	K-5	1962	469
Bellerose Ave. School	K-5	1966	563
East Northport Middle School	6-8	1958	1,106
Northport Middle School	6-8	1954	1,422
Northport High School	9-12	1966	2,788
William J. Brosnan Building	Admin.	1924	750

Note: Dates of construction reflects dates in the 2015 Building Condition Survey. Capacity reflects the results of the District Demographic Study.

## Employees

The collective bargaining agents, if any, which represent employees and the dates of expirations of the various collective bargaining agreements are as follows:

<u>Name of Union</u>	<u>Expiration Date of Contract</u>	<u>Approx. No. of Members</u>
United Teachers of Northport	06/30/2022	569
Northport Association of School Administrators	06/30/2021	26
Local 424 United Public Service Employees Union <sup>a</sup>	06/30/2020	105
Clerical	06/30/2022	75
School Lunch Personnel - Local 424 United Public Service Employees Union	06/30/2019	36
Teacher Aides	06/30/2023	132
United Teachers of Northport - Teaching Assistants	06/30/2020	60

a. Contracts are in negotiation.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

### Population Trends

The following table sets forth population statistics for the District, the Town, the County and the State.

<u>Year</u>	<u>Town of Huntington</u>	<u>Suffolk County</u>	<u>State of New York</u>
1990	191,474	1,321,864	17,990,455
2000	195,269	1,419,369	18,976,457
2010	203,264	1,493,350	19,378,102
2018	201,546	1,481,093	19,542,209

Source: U.S. Bureau of the Census.

### Income Data

The information set forth below with respect to such Town, County and State is included for information purposes only. It should not be inferred from the inclusion of such data in this Statement that the District is necessarily representative of the Town, County or State or vice versa.

	Per Capita Money Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2018</u>
Town of Huntington	\$24,810	\$36,390	\$46,862	\$60,027
County of Suffolk	18,481	26,577	35,755	43,905
State of New York	16,501	23,389	30,791	38,884

	Median Household Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2018</u>
Town of Huntington	\$60,530	\$82,528	\$101,495	\$127,668
County of Suffolk	49,128	65,288	84,506	100,468
State of New York	32,965	43,393	55,603	67,844

Source: United States Bureau of the Census

a. Based on American Community Survey 5-Year Estimate (2014-2018)

### Selected Listing of Larger Employers in the Town of Huntington (As of 2019)

Largest employers are not available for the District as such. The smallest area for which such statistics are available (which includes the District) is the Town of Huntington.

<u>Name</u>	<u>Type</u>	<u>Estimated Number Of Employees</u>
Half Hollow Hills School District	Education	2,441
Northport Veterans Affairs Medical Center	Healthcare	2,000
Huntington Hospital	Hospital	2,000
Canon	Imaging Products	1,509
Estee Lauder, Inc.	Cosmetics	1,450
Commack School District	Education	1,439
Henry Schein, Inc.	Medical & Dental Supplies	1,400
Northport-East Northport UFSD	Education	1,300
Newsday	Newspaper	1,228
Western Suffolk BOCES	Education	1,176

Source: Town of Huntington Official Statement

## Unemployment Rate Statistics

Unemployment statistics are not available for the District as such. The smallest area for which such statistics are available (which includes the District) is the Town of Huntington. The information set forth below with respect to such Town, County and State is included for information purposes only. It should not be inferred from the inclusion of such data in this Statement that the District is necessarily representative of the Town, County or State or vice versa.

<u>Annual Averages:</u>	<u>Town of Huntington (%)</u>	<u>County of Suffolk (%)</u>	<u>New York State (%)</u>
2015	4.2	4.8	5.3
2016	3.7	4.3	4.9
2017	4.3	4.8	5.1
2018	3.5	4.0	4.2
2019	3.3	3.6	4.0
2020 (7 Month Average)	8.2	9.0	9.5

Source: Department of Labor, State of New York

## INDEBTEDNESS OF THE DISTRICT

### Constitutional and Statutory Requirements

The New York State Constitution and Local Finance Law limit the power of the District (and other municipalities and school districts of the State) to issue obligations and to contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the District and the Notes:

**Purpose and Pledge.** The District shall not give or loan any money or property to or in aid of any individual, or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The District may contract indebtedness only for a District purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

**Payment and Maturity.** Except for certain short-term indebtedness contracted in anticipation of taxes (such as the Notes) or to be paid in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the period of probable usefulness of the object or purpose determined by statute or, in the alternative, the weighted average period of probable usefulness of the several objects or purpose for which such indebtedness is to be contracted; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the District has authorized the issuance of indebtedness having substantially level or declining annual debt service. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds, bond anticipation notes and capital notes.

**General.** The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such power; however, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. There is no constitutional limitation on the amount that may be raised by the District by tax on real estate in any fiscal year to pay principal of and interest on all indebtedness. However, the Tax Levy Limit Law imposes a statutory limitation on the power of the District to increase its annual tax levy. (See “*The Tax Levy Limit Law*” herein).

## Statutory Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law, authorized the powers and procedure for the District to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Education Law.

The Board of Education, as the finance board of the District, has the power to enact tax anticipation note resolutions. Such resolutions may authorize the issuance of tax anticipation notes in an aggregate principle amount necessary to fund anticipated cash flow deficits but in no event exceeding the amount of real property taxes levied or to be levied by the District, less any tax anticipation notes previously issued and less the amount of such taxes previously received by the District.

The Board of Education, as the finance board of the District, also has the power to authorize the sale and issuance of bonds and notes, including the Notes. However, such finance board may delegate the power to sell the Notes to the President of the Board of Education, the chief fiscal officer of the District, pursuant to the Local Finance Law.

**Debt Limit.** Pursuant to the Local Finance Law, the District has the power to contract indebtedness for any school district purpose authorized by the Legislature of the State of New York provided the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District and subject to certain enumerated deductions such as State aid for building purposes. The constitutional and statutory method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Board of Real Property Services. The Legislature also is required to prescribe the manner by which such ratio shall be determined by such authority.

The following table sets forth the computation of the debt limit of the District and its debt contracting margin:

### Computation of Debt Limit and Debt Contracting Margin (As of September 9, 2020)

<u>In Town of:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate</u>	<u>Full Valuation</u>
Huntington (2019-2020) <sup>a</sup>	\$79,870,444	0.76%	\$10,509,268,947
Debt Limit - 10% of Full Valuation			\$1,050,926,895
Inclusions: <sup>b</sup>			
Outstanding Bonds			\$6,010,000
Bond Anticipation Notes			36,000,000
Total Indebtedness			<u>\$42,010,000</u>
Exclusions (Estimated Building Aid) <sup>c</sup>			<u>10,502,500</u>
Total Net Indebtedness			<u>31,507,500</u>
Net Debt Contracting Margin			<u><u>\$1,019,419,395</u></u>
Per Cent of Debt Contracting Margin Exhausted			3.00%

a. The latest completed assessment roll for which a State Equalization Rate has been established.

b. Tax Anticipation Notes, Energy Performance Lease and Revenue Anticipation Notes are not included in computation of the debt contracting margin of the District.

c. Represents estimate of moneys receivable by the District from the State as an apportionment for debt service for school building purposes, based on the most recent information received by the District from the State Department of Education. The amount shown is not necessarily the amount the District will ultimately receive. The District has not applied for a building aid exclusion certificate from the Commissioner of Education and therefore may not exclude such amount from its total indebtedness on the Debt Statement form required to be filed with the Office of the State Comptroller when bonds are to be issued.

### Details of Short-Term Indebtedness Outstanding

As of the date of this Official Statement, the District has \$36,000,000 in bond anticipation notes outstanding that mature on November 20, 2020.

### Trend of Outstanding Indebtedness

As at June 30:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Bonds	\$14,350,000	\$12,465,000	\$10,530,000	\$8,535,000	\$6,485,000
BANs	-	-	-	23,000,000	36,000,000
Other <sup>a</sup>	-	\$12,465,659	\$12,096,571	\$11,529,823	\$10,944,793
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<u>\$14,350,000</u>	<u>\$24,930,659</u>	<u>\$22,626,571</u>	<u>\$43,064,823</u>	<u>\$53,429,793</u>

a. Energy Performance Contract debt.

### Debt Service Requirements - Outstanding Bonds<sup>a</sup>

Fiscal Year Ending <u>June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$2,125,000	\$249,900	\$2,374,900
2022	2,195,000	164,600	2,359,600
2023	510,000	76,400	586,400
2024	530,000	55,600	585,600
2025	550,000	34,000	584,000
2026	<u>575,000</u>	<u>11,500</u>	<u>586,500</u>
Totals <sup>a</sup>	<u>\$6,485,000</u>	<u>\$592,000</u>	<u>\$7,077,000</u>

a. Does not include payments made to date.



## Debt Service Requirements – 2016 Energy Performance Contract

Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 603,900	\$ 345,441	\$ 949,341
2022	623,379	325,961	949,341
2023	643,487	305,853	949,341
2024	664,243	285,097	949,341
2025	685,669	263,671	949,341
2026	707,786	241,554	949,341
2027	730,617	218,724	949,341
2028	754,183	195,157	949,341
2029	778,510	170,830	949,341
2030	803,622	145,719	949,341
2031	829,544	119,797	949,341
2032	856,301	93,039	949,341
2033	883,922	65,418	949,341
2034	912,434	36,907	949,341
2035	467,195	7,475	474,670
Totals <sup>a</sup>	<u>\$10,944,793</u>	<u>\$2,820,644</u>	<u>\$13,765,438</u>

a. Does not include payments made to date.

### Tax Anticipation Notes

The District has generally found it necessary to borrow from time to time in anticipation of taxes, which borrowing is necessitated by the schedule of real property tax and State aid revenue payments.

The following is a history of such tax anticipation note borrowings for the five most recent fiscal years:

Fiscal Year Ending June 30:	<u>Amount</u>	<u>Issue</u>	<u>Maturity</u>
2016	\$32,500,000	09/10/15	06/27/16
2017	31,000,000	09/20/16	06/27/17
2018	32,500,000	09/06/17	06/27/18
2019	32,500,000	09/05/18	06/27/19
2020	33,500,000	09/20/19	06/25/20

### Authorized and Unissued Debt

On February 28, 2017, the residents of the Districts approved a \$39.8 million capital project for district-wide improvements. The District has issued \$36,000,000 in bond anticipation notes to finance such improvements.

## Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable (%)</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Suffolk	03/26/2020	4.38	\$ 86,177,085	\$58,831,650
Town of Huntington	06/25/2020	24.69	26,133,131	17,849,028
Village of Northport	02/28/2019	100.00	2,453,450	2,453,450
Village of Asharoken	05/31/2019	100.00	0	0
Eaton's Neck Fire District	12/31/2018	100.00	112,491	112,491
East Northport Fire District	12/31/2018	70.00	700,000	700,000
Totals			<u>\$115,576,157</u>	<u>\$79,946,619</u>

Sources: Annual Reports of the respective units for the most recently completed fiscal year on file with the Office of the State Comptroller or more recently published Official Statements.

### Debt Ratios (As of September 9, 2020)

	<u>Amount</u>	<u>Per Capita<sup>a</sup></u>	<u>Percentage Of Full Value (%)<sup>b</sup></u>
Total Direct Debt	\$ 42,010,000	\$1,175	0.400
Net Direct Debt	31,507,500	881	0.300
Total Direct & Applicable Total Overlapping Debt	157,586,157	4,406	1.499
Net Direct & Applicable Net Overlapping Debt	111,454,119	3,116	1.061

a. The current population of the District is 35,765.

b. The full valuation of taxable property is \$10,509,268,947.

## FINANCES OF THE DISTRICT

### Independent Audit

The financial affairs of the District are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the District has complied with the requirements of various state and federal statutes. The financial statements of the District are audited each year by an independent public accountant. The last such audit covers the fiscal year ended June 30, 2019. A copy of such report is included herein as Appendix C.

### Investment Policy

Pursuant to State law, including Sections 10 and 11 of the GML, the District is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The District may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the District, itself; (5) certificates of participation issued in connection with installment purchase agreements entered into by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the District pursuant to law, in obligations of the District.

All of the foregoing investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the District, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided by Section 10 of the GML.

The Board of Education of the District has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the District are made in accordance with such policy.

### **Fund Structure and Accounts**

The General Fund is the general operating fund for the District and is used to account for substantially all revenues and expenditures of the District. The District also maintains a special aid fund and school lunch fund. In addition, a capital projects fund is used to record capital facility projects, while a trust and agency fund accounts for assets received by the District in a fiduciary capacity.

### **Basis of Accounting**

The district-wide and fiduciary fund financial statements are reported on the accrual basis of accounting using the economic resources measurement focus. 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 transaction, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, grants and donations. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the related expenditures are incurred.

The fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. Revenues are recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, 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.

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Source: Audited Financials of the District.

### **Budget Process**

The District's fiscal year begins on July 1 and ends on June 30. Starting in the fall or winter of each year, the District's financial plan and enrollment projection are reviewed and updated and the first draft of the next year's proposed budget is developed by the central office staff. During the winter and early spring, the budget is developed and refined in conjunction with the school building principals and department supervisors. The District's budget is subject to the provisions of the Tax Levy Limit Law, which imposes a limitation on the amount of real property taxes that a school district may levy, and by law is submitted to voter referendum each year. (See "*The Levy Limit Law*" herein).

On June 16, 2020, a majority of the voters of the District approved the District's budget for the 2020-2021 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2019-2020 and 2020-2021 may be found in Appendix A, herein.

### **Revenues**

The District receives most of its revenue from a real property tax on all non-exempt real property situated within the District and State aid. A summary of such revenues for the five most recently completed fiscal years may be found in Appendix A.

### ***Real Property Taxes***

See "*Tax Information*" herein.

## State Aid

The District receives appropriations from the State of State aid for operating, building and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute. While the State has a constitutional duty to maintain and support a system of free common schools that provides a “sound basic education” to children of the State, there can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the school districts can be paid only if the State has such monies available for such payment.

The following table sets forth the percentage of the District’s General Fund revenue comprised of State aid for each of the fiscal years 2015 through 2019, and the amounts budgeted for 2020 and 2021.

Fiscal Year Ending <u>June 30:</u>	General Fund <u>Total Revenue</u>	<u>State Aid</u>	State Aid to <u>Revenues (%)</u>
2015	\$153,835,335	\$12,647,055	8.22
2016	157,178,141	13,991,457	8.90
2017	157,986,120	14,593,006	9.24
2018	160,650,264	15,247,862	9.49
2019	164,311,439	15,479,924	9.42
2020 (Budgeted) <sup>a</sup>	171,077,668	16,130,805	9.43
2021 (Budgeted) <sup>a</sup>	172,752,759	15,939,423	9.23

Source: Audited Financial Statements of the District and Adopted Budget of the District.

a. Budgeted revenues include the application of reserves and fund balance.

In addition to the amount of State Aid budgeted annually by the District, the State makes payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR Program (See “*STAR – School Tax Exemption*” herein).

The amount of State aid to school districts is dependent in part upon the financial condition of the State. Currently, due the outbreak of COVID-19 the State has declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it have and are expected to continue to negatively impact the State’s economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time; however, it is anticipated that the State will be required to take certain gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations and/or delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. If this were to occur, reductions in the payment of State aid could adversely affect the financial condition of school districts in the State, including the District.

The State’s 2020-2021 Adopted Budget authorizes the State’s Budget Director to make periodic adjustments to nearly all State spending, including State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. Specifically, the legislation provides that the State Budget Director will determine whether the State’s 2020-2021 budget is balanced during three “measurement periods”: April 1 to April 30, May 1 to June 30, and July 1 to December 31. According to the legislation, if “a General Fund imbalance has occurred during any Measurement Period,” the State’s Budget Director will be empowered to “adjust or reduce any general fund and/or state special revenue fund appropriation ... and related cash disbursement by any amount needed to maintain a balanced budget,” and “such adjustments or reductions shall be done uniformly across the board to the extent practicably or by specific appropriations as needed.” The legislation further provides that prior to making any adjustments or reductions, the State’s Budget Director must notify the Legislature in writing and the Legislature has 10 days following receipt of such notice to prepare and approve its own plan. If the Legislature fails to approve its own plan, the Budget Director’s reductions take effect automatically.

It is anticipated that the State Budget Director’s powers discussed herein will be activated and across-the-board and targeted reductions to local aid programs will be taken to close a substantial portion of the State fiscal year 2021 budget gap caused by the receipts shortfall. On April 25, 2020 the New York State Division of the Budget announced that the State fiscal year 2021 Enacted State Budget Financial Plan (the “Financial Plan”), projects a \$13.3 billion shortfall as a direct consequence of the COVID-19 pandemic. As a result, in the absence of Federal assistance, initial budget control actions are expected to significantly reduce State spending in several areas, including “aid-to-localities,” a broad spending category that includes funding for health care, K-12 schools,

and higher education as well as support for local governments, public transit systems, and not-for-profits. Reduced receipts are expected to carry through each subsequent year of the four year Financial Plan through State fiscal year 2024. Reductions or delays in the payment of State aid could adversely affect the financial condition of school districts in the State. (See “*Event Affecting New York School Districts*” herein).

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy, the general condition of the global and national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 pandemic.

The federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation adopted with the State’s 2019-2020 Enacted Budget continues authorization for a process by which the State would manage significant reductions in federal aid during Federal fiscal year 2020 should they arise. Specifically, the legislation allows the State Budget Director to prepare a plan for consideration by the State Legislature in the event that the federal government (i) reduces federal financial participation in Medicaid funding to the State or its subdivisions by \$850 million or more; or (ii) reduces federal financial participation of other federal aid funding to the State that affects the State Operating Funds financial plan by \$850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately. The plan prepared by the State Budget Director must equally and proportionately reduce appropriations and cash disbursements in the State’s General Fund and State Special Revenue Funds. Upon receipt of the plan, the State Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the State Budget Director takes effect automatically.

There can be no assurance that the State’s financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State.

Should the District fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a mid-year reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

*Litigation regarding apportionment of State aid.* In January 2001, the State Supreme Court issued a decision in *Campaign for Fiscal Equity (“CFE”) v. State of New York* mandating that the system of apportionment of State aid to school districts within the State be restructured by the Governor and the State Legislature. On June 25, 2002, the Appellate Division of the State Supreme Court reversed that decision. On June 26, 2003, the State Court of Appeals, the highest court in the State, reversed the Appellate Division, holding that the State must, by July 30, 2004, ascertain the actual cost of providing a sound basic education, enact reforms to the system of school funding and ensure a system of accountability for such reforms. The Court of Appeals further modified the decision of the Appellate Division by deciding against a Statewide remedy and instead limited its ruling solely to the New York City school system.

After further litigation in 2006, the Court of Appeals held that \$1.93 billion of additional funds for the New York City schools - as initially proposed by the Governor and presented to the State Legislature as an amount sufficient to provide a sound basic education - was reasonably determined. State legislative reforms enacted in the wake of the decision in *Campaign for Fiscal Equity (“CFE”) v. State of New York*, included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid into one classroom operating formula referred to as foundation aid. Foundation aid prioritizes funding distribution based upon student need.

Litigation is continuing however as a statewide lawsuit entitled *NYSER v. State of New York* has been filed recently on behalf of the State’s public-school students. The lawsuit asserts that the State has failed to comply with the decision of the New York State Court of Appeals in *CFE v. State of New York*. The complaint asks the court for an order requiring the State to immediately discontinue the cap on State aid increases and the supermajority requirements regarding increases in local property tax levies. The complaint also asks the court to order the State to develop a new methodology for determining the actual costs of providing all students the opportunity for a sound basic education, revise the State funding formulas to ensure that all schools receive sufficient resources, and ensure a system of accountability that measures whether every school has sufficient resources and that all students are, in fact, receiving the opportunity to obtain a sound basic education. On June 27, 2017, the Court of Appeals ruled that NYSER’s claims that students in New York City and Syracuse are being denied the opportunity for a sound basic education could go to trial and that NYSER could rely upon the CFE decision in its arguments. It is not possible to predict the outcome of this litigation.

## Recent Events Affecting State Aid to New York School Districts

Following a State budgetary crisis in 2009, State aid to school districts in the State decreased for a number of years with increases established in more recent years. However, as discussed below the COVID-19 pandemic has affected and is expected to continue to affect State aid to school district.

*School district fiscal year (2014-2015):* The State Legislature adopted the State budget on March 31, 2014. The State's 2014-2015 Budget included a \$1.1 billion or 5.3% increase in State aid to school districts for the 2014-2015 school year. High-need school districts received 70% of the State aid increase. The State's 2014-2015 Budget restored \$602 million of Gap Elimination Adjustment reductions that had been imposed on school districts from 2010-2011 to 2012-2013. The State's 2014-2015 Budget invested \$1.5 billion over five years to support the phase-in of a Statewide universal full-day pre-kindergarten program.

*School district fiscal year (2015-2016):* The State Legislature adopted the State budget on March 31, 2015. Said budget included an increase of \$1.4 billion in State aid for school districts that was tied to changes in the teacher evaluation and tenure process.

*School district fiscal year (2016-2017):* The State's 2016-2017 Budget included a school aid increase of \$991 million over 2015-2016, \$863 million of which consisted of traditional operating aid. In addition to full-funding of expense based aids (\$408 million), the State's 2016-2017 Budget included a \$266 million increase in Foundation Aid and an \$189 million restoration to the Gap Elimination Adjustment (the "GEA"). The majority of the remaining increase (\$100 million) related to Community Schools Aid, a newly adopted aid category, to support school districts that wish to create community schools. Such funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families.

*School district fiscal year (2017-2018):* The State's 2017-2018 Budget provided for school aid of approximately \$25.8 billion, an increase of \$1.1 billion in school aid spending from the 2016-2017 school year. The majority of the increases were targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State's 2017-18 Budget continued to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans.

*School district fiscal year (2018-2019):* The State's 2018-2019 Budget provided for school aid of approximately \$26.7 billion, an increase of approximately \$1.0 billion in school aid spending from the 2017-2018 school year. The majority of the increases were targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.2% and building aid increased by 4.7%. The State 2018-2019 Budget continued to link school aid increases for 2018-2019 and 2019-2020 to teacher and principal evaluation plans.

*School district fiscal year (2019-2020):* The State's 2019-2020 school year, the State's Enacted Budget included a total of \$27.9 billion for School Aid, a year-to-year funding increase of approximately \$1.2 billion. The majority of the increases were targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by approximately 4.5% and building aid increased by approximately 3.7%. The State 2019-2020 Enacted Budget continued to link school aid increases for 2019-2020 and 2020-2021 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

*School district fiscal year (2020-2021):* Due to the anticipated impact of the COVID-19 pandemic on State revenues, State aid in the State's 2020-2021 Enacted Budget is 3.7 percent lower than in the State's 2019-2020 Enacted Budget but is offset in part with increased Federal support. This reduction in State Operating Funds support will be offset by approximately \$1.1 billion in funding provided to the State through the Federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor's Emergency Education Relief Fund. With these Federal funds, State aid in the school district fiscal year 2020-2021 is expected to total \$27.9 billion, an annual increase of approximately \$100 million or 0.4 percent. The State's 2020-2021 Enacted Budget continues prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The 2020-2021 Enacted Budget also provides over \$200 million in support for competitive grant programs, including \$1 million for development of a new Civics Education curriculum and \$10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid is continued under existing aid formulas. Out-year growth in School Aid reflects current projections of the ten-year average growth in State personal income. The State's 2020-2021 Enacted Budget authorizes the State's Budget Director to make periodic adjustments to State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. See "*State Aid*" herein for a discussion of this provision set forth in the State's 2020-2021 Enacted Budget and recent releases by the State regarding the projected revenue shortfalls in such budget.

The State provides annual State aid to school districts in the State, including the District, on the basis of various formulas. Due to the State's own budgetary crisis in 2009 and to assist the State in mitigating the impacts of its own revenue shortfall, the State reduced the allocation of State aid to school districts as part of a program known as the Gap Elimination Adjustment ("GEA"). The GEA was a negative number (funds that were deducted from the State aid originally due to the District under State aid formulas). The District's State aid was reduced as a result of the GEA program starting in 2009. Subsequent State budgets decreased the amount of the GEA deduction and the State's 2016-2017 Budget eliminated the remaining balance of the GEA.

The Smart Schools Bond Act was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of \$2 billion of general obligation bonds by the State to finance improved educational technology and infrastructure to enhance learning and opportunity for students throughout the State. The District's estimated allocation of funds is \$4,480,887, of which \$899,424 is left to spend.

The District cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the remainder of the current fiscal year. The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing. (See also "*Market Factors Affecting Financings of the State and School Districts of the State*").

### **Expenditures**

The major categories of expenditure for the District are General Support, Instruction, Employee Benefits, Pupil Transportation and Debt Service. A summary of the expenditures for the five most recently completed fiscal years may be found in Appendix A.

### **The State Comptroller's Fiscal Stress Monitoring System and OSC Compliance Reviews**

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school districts and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the Office of the State Comptroller (OSC). Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of OSC designates the District as "No Designation" (Fiscal Score: 0.0%; Environmental Score: 10.0%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local school district officials manage school district resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local school district statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The District has not been audited in the previous five years.

References to websites and/or website addresses presented herein are for informational purposes only and implies no warranty of accuracy of information therein. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Statement.

### **Employee Pension System**

New York State Certified employees (teachers and administrators) are members of the New York State Teachers Retirement System ("TRS"). Employer pension payments to the TRS are generally deducted from State aid payments. All non-NYS certified/civil service employees of the District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York State and Local Employee's Retirement System ("ERS"). Both the TRS and ERS are non-contributory with respect to members hired prior to July 1, 1976. Other than as discussed below, all members of the respective systems hired on or after July 1, 1976 with less than 10 year's full-time service contribute 3% of their gross annual salary toward the cost of retirement programs.

On December 10, 2009, the Governor signed in to law a new Tier 5. The law is effective for new ERS and TRS employees hired after January 1, 2010 and before March 31, 2012. ERS employees contribute 3% of their salaries and TRS employees contribute 3.5% of their salaries. There is no provision for these employee contributions to cease after a certain period of service.

On March 16, 2012, Governor Cuomo signed into law Chapter 18 of the Laws of 2012, which legislation provides for a new Tier 6 for employees hired after April 1, 2012. This new pension tier has progressive employee contribution rates between 3% and 6% and such employee contributions continue so long as the employee continues to accumulate pension credits; it increases the retirement age for new employees from 62 to 63 and includes provisions allowing early retirement with penalties. Under Tier 6, the pension multiplier is 1.75% for the first 20 years of service and 2% thereafter; vesting will occur after 10 years; the time period for calculation of final average salary is increased from three years to five years; and the amount of overtime to be used to determine an employee's pension is capped at \$15,000, indexed for inflation, for civilian and non-uniform employees and at 15% of base pay for uniformed employees outside of New York City. It also includes a voluntary, portable, defined contribution plan option for new non-union employees with salaries of \$75,000 or more.

Under current law, the employer pension payments for a given fiscal year are based on the value of the pension fund on the prior April 1 thus enabling the District to more accurately include the cost of the employer pension payment in its budget for the ensuing year. In addition, the District is required to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower payment possible. The annual employer pension payment is due on February 1 of each year.

Due to poor performance of the investment portfolio of TRS and ERS during the recent financial crisis, the employer contribution rates for required pension payments to the TRS and ERS increased substantially. To help mitigate the impact of such increases, various forms of legislation have been enacted that permitted school districts to amortize a portion of its annual employer pension payments. The District has not amortized any of its employer pension payments pursuant to such legislation and expects to continue to pay all payments in full when due.

The State's 2019-2020 Enacted Budget, which was signed into law as Chapter 59 of the Laws of 2019, includes a provision that will allow school districts in the State to establish a reserve fund for the purpose of funding the cost of TRS contributions, as a sub-fund of retirement contribution reserve funds presently authorized for amounts payable to the ERS by a school district. School districts will be permitted to pay into such reserve fund during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. The District established a TRS reserve fund in the 2018-2019 fiscal year.

The following chart represents the TRS and ERS required contributions for each of the last five completed fiscal years and the amounts budgeted for the 2021 fiscal year.

Fiscal Year Ending <u>June 30:</u>	<u>TRS</u>	<u>ERS</u>
2016	\$8,613,769	\$2,606,198
2017	7,856,255	2,462,134
2018	6,769,019	2,480,484
2019	7,350,514	2,376,369
2020	6,215,116	2,361,129
2021 (Budgeted)	6,982,941	2,554,633

Source: District Officials.



## Other Post-Employment Benefits

The District provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. School districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees. This protection from unilateral reduction of benefits had been extended annually by the New York State Legislature until recently when legislation was enacted to make permanent these health insurance benefit protections for retirees. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

GASB Statement No. 75 ("GASB 75") of the Governmental Accounting Standards Board ("GASB"), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits ("OPEB"). GASB 75 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 75 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

During the year ended June 30, 2018, the District adopted GASB 75, which supersedes and eliminates GASB 45. Under GASB 75, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures to provide more transparent reporting and useful information about the liability and cost of benefits. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. It is measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the employer's current fiscal year. The discount rate is based on 20-year, tax exempt general obligation municipal bonds. There is no amortization of prior service cost. Those that have more than 200 participants are required to have a full actuarial valuation annually. Plans with fewer than 200 participants are required to have a full valuation every two years.

The District's total OPEB liability at June 30, 2019 is as follows:

Total OPEB Liability at June 30, 2018	<u>\$212,647,895</u>
Charges for the Year:	
Service Cost	9,341,954
Interest	7,560,462
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience	0
Changes in Assumptions or Other Inputs	20,697,205
Benefit Payments	<u>(5,270,097)</u>
Net Changes	<u>\$32,329,524</u>
Total OPEB Liability at June 30, 2019	<u><u>\$244,977,419</u></u>

The OSC has recently proposed legislation to provide the State and certain local governments with the authority to establish trusts in which to accumulate assets for OPEB and to establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments. The District cannot predict at this time whether such proposed legislation will be enacted into law. At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the District has decided to continue funding the expenditure on a pay-as-you-go basis.

Should the District be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the District's finances and could force the District to reduce services, raise taxes or both.

## TAX INFORMATION

### Real Property Taxes

The District derives its power to levy an ad valorem real property tax from the State Constitution; methods and procedures to levy, collect and enforce this tax are governed by the Real Property Tax Law. Real property assessment rolls used by the District are prepared by the Town of Huntington. Assessment valuations are determined by the Town assessors and the State Board of Real Property Services which is responsible for certain utility and railroad property. In addition, the State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation or debt contracting and real property taxing limitations. The District is not subject to constitutional real property taxing limitations; however, see “*The Tax Levy Limit Law*” herein for a discussion of certain statutory limitation that have been imposed.

**For a discussion of a tax certiorari proceeding with respect to the District’s largest taxpayer, see “Long Island Power Authority Tax Certiorari” herein.**

The following table sets forth the amount of the District’s General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2015 through 2019, inclusive and for the amounts budgeted for the 2020 and 2021 fiscal years.

<u>Fiscal Year Ending June 30:</u>	<u>Total Revenue</u>	<u>Real Property Taxes<sup>b</sup></u>	<u>Real Property Taxes to Revenues (%)</u>
2015	\$153,835,335	\$129,062,837	83.90
2016	157,178,141	130,699,926	83.15
2017	157,986,120	132,307,298	83.75
2018	160,650,264	134,524,663	83.74
2019	164,311,439	138,010,216	83.99
2020 (Budgeted) <sup>a</sup>	171,077,668	141,717,642	82.84
2021 (Budgeted) <sup>a</sup>	172,752,759	142,217,642	82.32

Source: Audited Financial Statements of the District and Adopted Budgets of the District.

a. Budgeted estimates for total revenues include appropriations of fund balance. Budgeted estimates for real property taxes include STAR.

b. The Long Island Power Authority and National Grid have initiated tax certiorari proceedings challenging the property tax assessment of the Northport Power Plant, see “Long Island Power Authority Tax Certiorari” herein.

### Tax Collection Procedure

Property taxes for the Town, together with County, fire and school district taxes are collected by the Town Receiver of Taxes on a single tax bill. Such taxes are due and payable in equal installments on December 1 and May 10, but may be paid without penalty by January 10 and May 31, respectively. Penalties on unpaid taxes are 1% per month from the date such taxes are due and payable and 10% after May 31.

The Receiver of Taxes distributes the collected tax money to the Town, fire and school districts prior to distributing the balance to the County. Uncollected amounts are not segregated by the Receiver of Taxes and any deficiency in tax collection is the County’s responsibility. The Town thereby is assured to receive its tax levy.

As a result of the COVID-19 pandemic, in certain counties in the State, during the first half of the 2020 fiscal year, the deadline to pay property taxes, without interest or penalty, was extended in certain circumstances. No assurance can be given that similar extensions with respect to the deadlines to pay property taxes, without interest or penalty, may occur during the balance of the 2020 fiscal year or during the 2021 fiscal year. Any such extensions may result in a delay in the receipt of taxes collected.

## **The Tax Levy Limit Law**

Chapter 97 of the New York Laws of 2011, as amended, (herein referred to as the “Tax Levy Limit Law” or “Law”) modified previous law by imposing a limit on the amount of real property taxes that a school district may levy.

Prior to the enactment of the Law, there was no statutory limitation on the amount of real property taxes that a school district could levy if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year’s budget or one hundred twenty percent (120%) of the consumer price index (“CPI”).

Under the Tax Levy Limit Law, there is now a limitation on the amount of tax levy growth from one fiscal year to the next. Such limitation is the lesser of (i) 2% or (ii) the annual percentage increase in the consumer price index, subject to certain exclusions as mentioned below and as described in the Law. A budget with a tax levy that does not exceed such limit will require approval by at least 50% of the voters. Approval by at least 60% of the voters will be required for a budget with a tax levy in excess of the limit. In the event the voters reject the budget, the tax levy for the school district’s budget for the ensuing fiscal year may not exceed the amount of the tax levy for the prior fiscal year. School districts will be permitted to carry forward a certain portion of their unused tax levy limitation from a prior year.

The Law permits certain significant exclusions to the tax levy limit for school districts. These include taxes to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures and the refinancing or refunding of such bonds or notes, certain pension cost increases, and other items enumerated in the Law. However, such exclusion does NOT apply to taxes to pay debt service on tax anticipation notes (such as the Notes), revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments.

## **STAR - School Tax Exemption**

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities (“STAR Adjusted Gross Income”) of \$86,000 or less, increased annually according to a cost of living adjustment, are eligible for a “full value” exemption of the first \$66,800 for the 2018-19 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of \$500,000 are eligible for a \$30,000 “full value” exemption on their primary residence. School districts receive full reimbursement from the State for real property taxes exempted pursuant to the STAR program by the first business day in January of each year.

Part A of Chapter 60 of the Laws of 2016 of the State of New York (“Chapter 60”) gradually converts the STAR program from a real property tax exemption to a personal income tax credit. Chapter 60 prohibits new STAR exemptions from being granted unless at least one of the applicants held title to the property on the taxable status date of the assessment roll that was used to levy school district taxes for the 2015-2016 school year (generally, March 1, 2015), and the property was granted a STAR exemption on that assessment roll. However, a new homeowner may receive a new personal income tax credit in the form of a check. The dollar benefit to eligible taxpayers will not change. A taxpayer who is eligible for the new credit will receive a check from the State equal to the amount by which the STAR exemption would have reduced his or her school tax bill. A homeowner who owned his or her home on the taxable status date for the assessment roll used to levy taxes for the 2015-2016 school year, and who received a STAR exemption on that roll, may continue to receive a STAR exemption on that home as long as he or she still owns and primarily resides in it. No further action is required (unless the homeowner has been receiving Basic STAR and wants to apply for Enhanced STAR, which is permissible).

The State 2017-18 Enacted Budget included changes to Chapter 60. STAR checks are now expected to be mailed out prior to the date that school taxes are payable. The amount of the check will be based on the previous year’s amount adjusted by the levy growth factor used for the property tax cap. Any changes that must be made based on the final STAR credit compared to the estimate used will be factored into the subsequent year’s STAR credit check or taxpayers also may account for those changes in their State income taxes.

The 2019-20 Enacted State Budget makes several changes to the STAR program, which went into effect immediately. The changes are intended to encourage homeowners to switch from the STAR exemption to the STAR credit. The income limit for the exemption has been lowered to \$250,000, compared with a \$500,000 limit for the Credit. The amount of the STAR exemption will remain the same each year, while the amount of the STAR credit can increase up to two percent annually.

Approximately 5.3% of the District's 2019-2020 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Approximately 5.3% of the District's 2020-2021 school tax levy is expected to be exempted by the STAR program and the District expects to receive full reimbursement of such exempt taxes from the State in January 2021. (See "State Aid" herein).

### Valuations, Rates and Levies

The following table sets forth the District's assessed and full valuations, tax rates and levies for the years 2016-2020.

<u>Fiscal Year Ending June 30:</u>	<u>Assessed Valuation</u>	<u>State Equal. Rate (%)</u>	<u>Full Valuation</u>	<u>Tax Rate Per \$1,000 Assessed Valuation</u>	<u>Tax Levy</u>	<u>Amount Uncollected</u>
2016	\$80,448,338	0.86	\$ 9,354,457,907	\$1,742.39	\$140,219,860	0
2017	79,986,268	0.85	9,410,149,176	1,761.34	140,921,095	0
2018	79,865,722	0.84	9,507,824,048	1,789.61	142,972,862	0
2019	79,812,695	0.80	9,976,586,875	1,828.33	145,798,566	0
2020	79,870,444	0.76	10,509,268,947	1,873.82	149,717,837	0

### Selected Listing of Large Taxable Properties in the District 2019-2020 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
Marketspan Generation, LLC	Utility	\$30,239,550
Long Island Lighting Co.	Utility	1,281,508
Long Island Power Authority	Utility	828,096
Iroquois Gas Transmission System	Utility	406,939
Keyspan Corporation	Utility	308,669
Eatons Neck LLC	Estate	276,300
Atria Senior Living Group Inc.	Apartments	177,600
Verizon	Utility	159,178
Fort Slongo, LLC	Shopping Center	75,000
Serota Northport LLC	Commercial	66,000
Four T. Associates LLC	Marina	65,000
Connecticut Storage Fund	Commercial	58,000
Britannia Acquisition LLC	Commercial	57,500
East Northport LLC	Commercial	53,000
Guiseppe Cavagnaro	Commercial	47,800
Total		<u>\$34,100,140</u>

a. Represents 42.69% of the Assessed Valuation of the District for 2019-2020.  
Source: Town Assessment Roll.

## **LITIGATION**

In common with other school districts, the District from time to time receives notices of claim and is party to litigation. In the opinion of the District, after consultation with its attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the District has not asserted a substantial and adequate defense, nor which, if determined against the District, would have an adverse material effect on the financial condition of the District.

### **Long Island Power Authority Tax Certiorari**

The Long Island Power Authority and National Grid have initiated tax certiorari proceedings challenging the property tax assessment of the Northport Power Plant. As the assessing authority, the Town of Huntington opposed these challenges before the Suffolk County, N.Y. Supreme Court. The Northport Power Plant currently pays approximately \$56.4 million in taxes to the Northport-East Northport School District. The Power Plant's assessed valuation represents approximately 38% of the total assessed valuation of the District. An adverse result of the tax certiorari proceedings could have a considerable impact on the District's residential property taxes and future school district budgets. The District filed suit against LIPA and National Grid in May 2011 alleging a breach of contract after LIPA and National Grid filed the tax certiorari proceedings. The claim was dismissed by the Suffolk County Supreme Court. The case was appealed to the Appellate Division, Second Department. A reduction in the school taxes paid by the Power Plant results in a shift in the tax burden to the District's taxpayers and could impact future budgets. The impact would be contingent upon the amount of the Power Plant's property tax assessment reduction. Any award of back taxes payable to LIPA and/or National Grid as a result of the proceeding would not be the responsibility of the District.

On July 20, 2020 and August 12, 2020, the Board of Education voted to approve the terms of a settlement between the School District, the Town of Huntington and LIPA, which resolves the School District's breach of contract case pending before the Appellate Division, Second Department and the tax certiorari proceedings commenced by LIPA and National Grid against the Town, subject to the approval of the Huntington Town Board (the terms of the settlement are set forth in a term sheet dated July 2, 2020 (Term Sheet)). On September 3, 2020, the Huntington Town Board voted and approved the terms of the settlement. The settlement terms include a reduction of the assessed value of the Northport Power Plant over a 7-year glide path period resulting in a gradual reduction of total taxes paid to jurisdictions thereby reducing the Northport Power Plant school taxes from \$56 million to approximately \$32 million over the 7-year glidepath period rather than an immediate reduction in taxes, together with a phased-in payment of \$14.5 million directly to the School District to mitigate the loss of tax revenue from the Northport Power Plant. This settlement is subject to the execution of a formal settlement agreement by all parties incorporating the terms as set forth in the Term Sheet.

## **CYBERSECURITY**

The District, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the District faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the District invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage District digital networks and systems and the costs of remedying any such damage could be substantial. The District has invested in school cyber insurance to mitigate liability at the cost of remedy, should a cyber attack occur.

## **MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES AND SCHOOL DISTRICTS OF THE STATE**

There are certain potential risks associated with an investment in the Notes, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors:

The District's credit rating could be affected by circumstances beyond the District's control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of District property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. As a consequence, a decline in the District's credit rating could adversely affect the market value of the Notes.

If and when an owner of any of the Notes should elect to sell all or a part of the Notes prior to maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Notes. The market value of the Notes is dependent upon the ability of holder to potentially incur a capital loss if such Notes are sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Notes. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the District to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The District relies in part on State aid to fund its operations. There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. The availability of such monies and the timeliness of such payment may also be affected by a delay in the adoption of the State budget, the impact to the State's economy and financial condition due to the COVID-19 pandemic and other circumstances, including State fiscal stress. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. (See "*State Aid*" and "*Events Affecting New York School Districts*" herein). Should the District fail to receive State aid expected from the State in the amounts or at the times expected, occasioned by a delay in the payment of such monies or by a reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing on account of the uncollected State aid.

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the District's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the COVID-19 outbreak has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to continue to affect economic growth worldwide. The outbreak caused the Federal government to declare a national state of emergency, which was followed by the enactment of a variety of stimulus measures designed to address financial stability and liquidity issues caused by the outbreak. The State also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. Efforts to contain the spread of COVID-19 has reduced the spread of the virus in some areas and there have been recent efforts to relax some of the restrictions put in place following the initial outbreak. Nevertheless, the outbreak of COVID-19 and the dramatic steps taken by the Federal government and State to address it are expected to negatively impact federal and local economies, including the economy of the State. The full impact of COVID-19 on the State's operations and financial condition is not expected to be known for some time. Similarly, the degree of the impact to the District's operations and finances as a result of COVID-19 is extremely difficult to predict due to the uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions have been or may continue to be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The spread of the outbreak or resurgence later in the year could have a material adverse effect on the State and municipalities and school districts located in the State, including the District. The District is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See "*State Aid*" and "*Events Affecting New York School Districts*" herein).

Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Notes, for income taxation purposes could have an adverse effect on the market value of the Notes (see "*TAX MATTERS*" herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the District, without providing exclusion for debt service on obligations issued by municipalities and fire districts, may affect the market price and/or marketability for the Notes. (See "*The Tax Levy Limit Law*" under "*TAX INFORMATION*" herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the District could impair the financial condition of such entities, including the District and the ability of such entities, including the District to pay debt service on the Notes.

## **TAX MATTERS**

### **Opinion of Bond Counsel**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. The Tax Certificate of the District (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Notes, will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District in connection with the Notes, and Bond Counsel has assumed compliance by the District with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion as to any federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement this opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

### **Certain Ongoing Federal Tax Requirements and Certifications**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The District, in executing the Tax Certificate, will certify to the effect that the District will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral federal income tax matters with respect to the Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

## **Original Issue Discount**

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a note with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Notes. In general, the issue price for each maturity of the Notes is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Notes having OID (a “Discount Note”), OID that has accrued and is properly allocable to the owners of the Discount Notes under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Notes.

In general, under Section 1288 of the Code, OID on a Discount Note accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Note. An owner’s adjusted basis in a Discount Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Note. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Note even though there will not be a corresponding cash payment.

Owners of Discount Notes should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Notes.

## **Note Premium**

In general, if an owner acquires a Note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Note after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “note premium” on that Note (a “tax-exempt Premium Note”). In general, under Section 171 of the Code, an owner of a tax-exempt Premium Note must amortize the note premium over the remaining term of the tax-exempt Premium Note, based on the owner’s yield over the remaining term of the tax-exempt Premium Note, determined based on constant yield principles (in certain cases involving a tax-exempt Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such note).

An owner of a tax-exempt Premium Note must amortize the note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the note premium allocable to that period. In the case of a tax-exempt Premium Note, if the note premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a tax-exempt Premium Note may realize a taxable gain upon disposition of the tax-exempt Premium Note even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any tax-exempt Premium Note should consult their own tax advisors regarding the treatment of note premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of note premium on, sale, exchange, or other disposition of tax-exempt Premium Notes.

## **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.



## **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, could adversely affect the tax-exempt status of interest on the Notes under federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) or such decisions could affect the market price or marketability of the Notes.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel, substantially as set forth in Appendix D hereto.

## **DISCLOSURE UNDERTAKING**

At the time of the delivery of the Notes, the District will execute an Undertaking to Provide Notices of Events, the form of which is attached hereto as Appendix E.

## **RATINGS**

The Notes are not rated. Moody's Investors Service ("Moody's"), 7 WTC at Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761 has assigned a rating of "Aa2" to the outstanding insured bonds of the District. Such rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from the respective rating agency. There can be no assurance that such rating will not be revised or withdrawn, if in the judgement of agency circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price and the availability of a secondary market for the outstanding bonds and notes of the District.

## **MUNICIPAL ADVISOR**

Munistat Services, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the District on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

## **ADDITIONAL INFORMATION**

Additional information may be obtained from the office of Robert Howard, Assistant Superintendent for Business, Northport-East Northport Union Free School District, 158 Laurel Avenue, Northport, NY 11768, Phone (631) 262-6632, Fax (631) 262-6892 and email: [robert.howard@northport.k12.ny.us](mailto:robert.howard@northport.k12.ny.us) or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888 and website: [www.munistat.com](http://www.munistat.com).

Statements in the Official Statement, and the documents included by specific reference, that are not historical facts are “forward-looking statements”, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the District’s management’s beliefs as well as assumptions made by, and information currently available to, the District’s management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District’s files with the repositories. When used in District’s documents or oral presentation, the words “anticipate”, “believe”, “intend”, “plan”, “foresee”, “likely”, “estimate”, “expect”, “objective”, “projection”, “forecast”, “goal”, “will”, or “should”, or similar words or phrases are intended to identify forward-looking statements.

To the extent any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Notes.

Munistat Services, Inc. may place a copy of this Official Statement on its website at [www.munistat.com](http://www.munistat.com). Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Munistat Services, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the District nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. and the District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Munistat Services, Inc. and the District also assume no liability or responsibility for any errors or omissions or unauthorized editing or for any updates to dated website information.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be, in fact, realized. This Official Statement is not to be construed as a contract or agreement between the District and the original purchasers or owners of any of the Notes.

By: s/s DAVID BADANES  
President of the Board of Education  
Northport-East Northport Union Free School District  
Northport, New York

September , 2020

## **APPENDIX A**

### **FINANCIAL INFORMATION**

**Statement of Revenues, Expenditures and Changes in Fund Equity**  
**General Fund**

	2015	2016	2017	2018	2019
<b>REVENUES</b>					
Real Property Taxes	\$ 129,062,837	\$ 130,699,926	\$ 132,307,298	\$ 134,524,663	\$ 138,010,216
Other Tax Items	9,561,797	9,517,614	8,615,019	8,449,613	7,973,874
Charges for Services	861,344	845,513	830,499	823,927	835,700
Use of Money and Property	243,890	249,961	262,827	471,160	649,864
Sale of Prop & Comp for Loss	146,006	178,549	325,501	133,772	373,179
Miscellaneous	1,275,813	1,631,070	994,718	958,459	917,494
State Sources	12,647,055	13,991,457	14,593,006	15,247,862	15,479,924
Federal Sources	36,593	64,051	57,252	40,808	71,188
Total Revenues	<u>153,835,335</u>	<u>157,178,141</u>	<u>157,986,120</u>	<u>160,650,264</u>	<u>164,311,439</u>
<b>EXPENDITURES</b>					
General Support	15,404,458	15,582,961	16,767,450	17,584,503	18,472,827
Instruction	86,267,476	88,092,564	89,670,787	90,916,852	91,948,232
Pupil Transportation	7,585,120	7,643,949	7,559,684	7,855,490	7,782,555
Community Services	426,381	372,641	397,054	426,830	396,295
Employee Benefits	38,712,084	36,150,657	36,848,674	38,269,007	38,936,996
Debt Service	3,178,251	3,412,619	2,752,492	3,860,962	4,128,105
Total Expenditures	<u>151,573,770</u>	<u>151,255,391</u>	<u>153,996,141</u>	<u>158,913,644</u>	<u>161,665,010</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,261,565</u>	<u>5,922,750</u>	<u>3,989,979</u>	<u>1,736,620</u>	<u>2,646,429</u>
<b>OTHER SOURCES AND USES</b>					
Premium Obligations				242,127	567,500
Operating Transfers In			1,048,341		
Operating Transfers (Out)	<u>(2,587,653)</u>	<u>(4,895,057)</u>	<u>(4,516,589)</u>	<u>(3,100,914)</u>	<u>(3,358,057)</u>
Total Other Sources (Uses)	<u>(2,587,653)</u>	<u>(4,895,057)</u>	<u>(3,468,248)</u>	<u>(2,858,787)</u>	<u>(2,790,557)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(326,088)	1,027,693	521,731	(1,122,167)	(144,128)
Fund Equity - Beginning of Year	23,621,147	23,295,059	24,322,752	24,844,483	23,722,316
Other Changes in Fund Equity					
Fund Equity - End of Year	\$ <u><u>23,295,059</u></u>	\$ <u><u>24,322,752</u></u>	\$ <u><u>24,844,483</u></u>	\$ <u><u>23,722,316</u></u>	\$ <u><u>23,578,188</u></u>

Source: Audited Annual Financial Reports of the School District., 2015-2019

NOTE: This schedule NOT audited

**Balance Sheet - General Fund**  
**As of June 30:**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>ASSETS:</b>				
Cash	\$ 38,314,853	\$ 38,914,530	\$ 34,298,247	\$ 31,140,142
Receivables:				
State and Federal	2,839,142	2,623,031	2,685,037	2,781,425
Due from Other Governments	242,138	161,155	218,783	417,187
Due from Other Funds	2,734,079	2,958,728	2,366,465	1,504,510
Due from Fiduciary Funds		175,481	203,371	167,574
Other Receivables	22,485	13,708	12,389	130,139
Deferred Expenditures	<u>1,606,626</u>	<u>1,829,811</u>	<u>1,965,171</u>	<u>1,997,719</u>
 Total Assets	 <u>\$ 45,759,323</u>	 <u>\$ 46,676,444</u>	 <u>\$ 41,749,463</u>	 <u>\$ 38,138,696</u>
 <b>LIABILITIES:</b>				
Payables				
Accounts Payable	\$ 2,847,935	\$ 2,527,137	\$ 2,889,544	\$ 2,714,639
Accrued Liabilities	1,137,581	1,024,625	871,433	1,078,140
Due to Other Funds	6,907,173	8,640,174	5,027,075	1,796,296
Due to Fiduciary Funds	65,328			
Due to Other Governments		338,898	221,457	
Due to Teachers' Retirement System	9,179,487	8,084,128	7,012,263	7,596,801
Due to Employees' Retirement System	733,484	750,784	750,673	759,577
Deferred Revenues	137,163	94,294	114,437	96,084
Unearned Revenues	247,655	307,685	297,867	386,242
Compensated Absence	<u>180,765</u>	<u>64,236</u>	<u>842,398</u>	<u>132,729</u>
 Total Liabilities	 <u>21,436,571</u>	 <u>21,831,961</u>	 <u>18,027,147</u>	 <u>14,560,508</u>
 <b>FUND BALANCES:</b>				
Non-spendable				
Advances				
Prepays	1,606,626	1,829,811	1,965,171	1,997,719
Restricted				
Reserved for Encumbrances				
Reserved for Capital	2,120,398	3,193,323	2,802,966	1,671,067
Reserved for Unemployment Insurance	830,027	824,190	821,008	825,922
Reserved for Insurance	49,604	49,694	49,957	50,564
Reserved for Employee Benefit Accrued Liability	3,903,400	3,860,578	3,006,311	2,992,231
Reserved for Workers' Compensation	2,430,147	2,408,599	2,695,673	2,637,332
Reserved for Retirement Contribution	3,031,216	2,611,114	2,780,992	3,523,720
Unreserved				
Designated for Subsequent Year's Expenditures	3,896,100	3,534,901	2,927,824	3,036,527
Unreserved - Undesignated	<u>6,455,234</u>	<u>6,532,273</u>	<u>6,672,414</u>	<u>6,843,106</u>
 Total Fund Equity	 <u>24,322,752</u>	 <u>24,844,483</u>	 <u>23,722,316</u>	 <u>23,578,188</u>
 Total Liabilities and Fund Equity	 <u>\$ 45,759,323</u>	 <u>\$ 46,676,444</u>	 <u>\$ 41,749,463</u>	 <u>\$ 38,138,696</u>

Source: Audited Annual Financial Reports of the School District for FY 2016-2019

NOTE: This schedule NOT audited

**Budget Summary**  
**General Fund**

	Fiscal Year Ending June 30:	
	Budget	Budget
	<u>2019-20 (1)</u>	<u>2020-21 (2)</u>
Revenues:		
Real Property Taxes (Includes Library Tax)	\$ 141,717,642	\$ 142,217,642
STAR Reimbursement	8,000,000	7,500,000
Assigned Fund Balance	2,375,000	4,391,473
Restricted Reserves	336,721	336,721
State Aid	16,130,805	15,939,423
Use of Money and Property	580,000	430,000
Charges for Services	530,000	530,000
Federal Aid	50,000	50,000
Miscellaneous	<u>1,357,500</u>	<u>1,357,500</u>
Total Revenues	\$ <u>171,077,668</u>	\$ <u>172,752,759</u>
Expenditures:		
Salaries	\$ 90,501,917	\$ 92,183,144
Employee Benefits	40,630,764	38,390,013
Equipment and Supplies	3,763,985	3,235,096
Other services	29,757,790	32,130,153
Debt Service	4,961,462	5,352,603
Interfund Transfers	<u>1,461,750</u>	<u>1,461,750</u>
Total Expenditures	\$ <u>171,077,668</u>	\$ <u>172,752,759</u>

(1) The 2019-20 Budget was approved by the voters of the District on May 21, 2019.

(2) The 2019-20 Budget was approved by the voters of the District on June 16, 2020.

## **APPENDIX B**

### **CASH FLOWS**

**CASH FLOW SUMMARY 2019-2020 (Actual) (000)**

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
Balance (beg. of month) (1)	27,943	20,503	14,065	38,821	25,854	10,908	1,260	69,469	66,378	59,318	44,722	37,280	27,943
RECEIPTS:													
School Property Taxes							77,176	9,441	1,277	1,223	3,828	50,091	143,036
Library Property Taxes							1,668	1,668	1,669	1,669	1,669	1,669	10,012
STAR Aid							6,679						6,679
State Aid	30	552	2,908	2,599	2,894	990	68	66	2,751				12,858
Other Receipts	243	447	2,032	601	197	351	178	196	145	90	271	185	4,936
Transfers	2	167	117	2,629	582	1,809	123	367	1,823	486	669	1,942	10,716
Note Proceeds - TAN			33,666										33,666
Total Receipts	275	1,166	38,723	5,829	3,673	3,150	85,892	11,738	7,665	3,468	6,437	53,887	221,903
DISBURSEMENTS:													
Salaries and Benefits	2,567	1,671	5,581	10,678	7,933	8,432	7,478	7,699	8,539	11,034	7,646	16,349	95,607
Other Expenses	4,312	4,572	6,571	7,065	7,300	3,499	8,970	5,928	4,718	4,016	5,361	6,424	68,736
Debt Service - Principal & Interest		526	473	99				62	473	1,694			3,327
TAN Repayment Principal Provision												33,500	33,500
Transfers	1	0	507	119	2,552	33	401	306	161	486	38	3,860	8,464
Public Library	835	835	835	835	834	834	834	834	834	834	834	834	10,012
Total Disbursements	7,715	7,604	13,967	18,796	18,619	12,798	17,683	14,829	14,725	18,064	13,879	60,967	219,646
Balance (end of month)	20,503	14,065	38,821	25,854	10,908	1,260	69,469	66,378	59,318	44,722	37,280	30,200	30,200
Note Payment Account (2)													
Balance (Beginning)	-	-	-	-	-	-	-	-	-	-	-	-	-
Receipts	-	-	-	-	-	-	-	-	-	-	-	33,500	33,500
Disbursements	-	-	-	-	-	-	-	-	-	-	-	33,500	33,500
Balance (Ending)	-	-	-	-	-	-	-	-	-	-	-	-	-

(1) Balance as of June 30, 2019. Opening balances includes restricted reserves and excludes capital reserves.

(2) The Note Payment Account reflects the amounts set aside by the District to pay the principal and interest of 2019-20120 Tax Anticipation Notes at their maturity.

The interest payment on such notes is not reflected in the Note Repayment Account, but is recorded as a disbursement in the schedule above.



**CASH FLOW SUMMARY 2020-2021 (Projected) (000)**

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
Balance (beg. of month) (1)	30,200	23,694	16,916	40,021	27,733	12,486	140	67,951	64,244	57,766	45,119	40,365	30,200
RECEIPTS:													
School Property Taxes							76,000	9,250	1,275	1,225	7,500	46,967	142,217
Library Property Taxes							1,692	1,692	1,692	1,691	1,692	1,692	10,151
STAR Aid							7,500						7,500
State Aid	-	580	837	2,750	2,654	1,975	65	65	3,750			850	13,526
Other Receipts	1,150	425	1,913	250	195	225	150	185	200	200	275	325	5,493
Transfers	375			750	550	1,500			1,500			1,500	6,175
Note Proceeds - TAN			34,500										34,500
Total Receipts	1,525	1,005	37,250	3,750	3,399	3,700	85,407	11,192	8,417	3,116	9,467	51,334	219,562
DISBURSEMENTS:													
Salaries and Benefits	2,750	1,750	5,750	7,500	8,250	11,500	7,650	7,800	8,700	8,700	8,700	16,750	95,800
Other Expenses	4,100	4,500	6,575	7,500	7,000	3,500	8,750	5,900	4,725	4,025	4,350	6,000	66,925
Debt Service - Principal & Interest		537	474	67				53	474	1,717			3,322
TAN Principal Repayment Provision												34,500	34,500
Transfers	335	150	500	125	2,550	200	350	300	150	475	325	1,250	6,710
Public Library	846	846	846	846	846	846	846	846	846	846	846	845	10,151
Total Disbursements	8,031	7,783	14,145	16,038	18,646	16,046	17,596	14,899	14,895	15,763	14,221	59,345	217,408
Balance (end of month)	23,694	16,916	40,021	27,733	12,486	140	67,951	64,244	57,766	45,119	40,365	32,354	32,354
Note Payment Account (2)													
Balance (Beginning)	-	-	-	-	-	-	-	-	-	-	-	-	-
Receipts	-	-	-	-	-	-	-	-	-	-	-	34,500	34,500
Disbursements	-	-	-	-	-	-	-	-	-	-	-	34,500	34,500
Balance (Ending)	-	-	-	-	-	-	-	-	-	-	-	-	-

(1) Balance as of June 30, 2020. Opening balances includes restricted reserves and excludes capital reserves.

(2) The Note Payment Account reflects the amounts set aside by the District to pay the principal and interest of 2020-2021 Tax Anticipation Notes at their maturity.

The interest payment on such notes is not reflected in the Note Repayment Account, but is recorded as a disbursement in the schedule above.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**

**APPENDIX C**

**AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND /OR UPDATED BY THE DISTRICT'S AUDITORS IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS FOR INCLUSION OF THE AUDITED FINANCIAL REPORT IN THIS OFFICIAL STATEMENT HAS NOT BEEN REQUESTED NOR OBTAINED.

# **NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**

## **TABLE OF CONTENTS**

### **I. INDEPENDENT AUDITOR'S REPORT, MANAGEMENT'S DISCUSSION AND ANALYSIS AND BASIC FINANCIAL STATEMENTS**

#### **Independent Auditor's Report**

<b>Exhibit Number</b>		<b>Page</b>
1	Management's Discussion and Analysis (Required Supplementary Information) (MD&A)	3 - 18
2	Statement of Net Position	19
3	Statement of Activities	20
4	Balance Sheet – Governmental Funds	21
5	Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	22
6	Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	23
7	Reconciliation of Governmental Fund Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	24
8	Statement of Fiduciary Net Position – Fiduciary Funds	25
9	Statement of Changes in Fiduciary Net Position – Fiduciary Funds	26
10	Notes to Financial Statements	27 - 56

### **II. REQUIRED SUPPLEMENTARY INFORMATION**

SS1	Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	57
SS2	Schedule of Changes in the District's Total for Other Post-Employment Benefits Liability and Related Ratios	58
SS3	Schedule of District's Proportionate Share of the Net Pension Liability	59
SS4	Schedule of District's Contributions	60

### **III. OTHER SUPPLEMENTARY INFORMATION**

SS5	Schedule of Change from Adopted Budget to Final Budget – General Fund and Section 1318 of Real Property Tax Law Limit Calculation	61
SS6	Schedule of Project Expenditures - Capital Projects Fund	62
SS7	Net Investment in Capital Assets	63

### **IV. 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**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Northport-East Northport Union Free School District

**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 Northport-East Northport Union Free School 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 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 Northport-East Northport Union Free School District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's total OPEB liability, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 3 through 18 and 57 through 60, 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 Northport-East Northport Union Free School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2019, on our consideration of the Northport-East Northport Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northport-East Northport Union Free School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Northport-East Northport Union Free School District's internal control over financial reporting and compliance.

*R.S. Abrams + Co., LLP*

R.S. Abrams & Co., LLP  
Islandia, NY  
October 10, 2019

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2019

The following is a discussion and analysis of the Northport-East Northport Union Free School District's (the "District") financial performance for the 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**

Key financial highlights for year ended 2019 are as follows:

- The general fund adopted budget, the only fund with a legally adopted budget, as approved by the voters on May 15, 2018, for the year ending June 30, 2019, was \$166,810,381. This is an increase of \$3,503,541 or 2.15% over the previous year's budget and an increase of \$4,795,823 or 2.96% over the previous year's actual expenditures and transfers. As illustrated in the table below, although the adjusted budget increase from 2017-2018 to 2018-2019 was 1.87%, the actual expenditures increased over the same period of time by 1.86%.
- Total actual expenditures and transfers for the 2018-2019 fiscal year increased by \$3,008,509 or 1.86% over the previous year's actual expenditures and transfers. This increase was primarily due to an increase in contractual salary obligations, debt service payments, health insurance, and programs for children with handicapping conditions.

<u>Fiscal Year</u>	<u>Adopted Budget</u>	<u>Adjusted Budget</u>	<u>Actual Expenditures</u>
2017-2018	\$163,306,840	\$166,161,065	\$162,014,558
2018-2019	\$166,810,381	\$169,269,945	\$165,023,067
2018-2019 Increase	\$3,503,541	\$3,108,880	\$3,008,509
2018-2019 Percent Increase	2.15%	1.87%	1.86%

- The 2018-2019 adopted budget was adjusted for various items during the year. The final adjusted budget for the year ending June 30, 2019 was \$169,269,945. This difference of \$2,459,564 reflects the following adjustments: (1) roll-over of prior year (2017-2018) encumbrances of \$527,824, resulting in the original budget of \$167,338,205; (2) voter approval in May 2019 to use capital reserve funds for specific capital projects in the amount of \$1,800,000 and (3) donations from various sources in the amount of \$131,740.
- The 2018-2019 financial statements reflect actual revenues over the budgeted amount and actual expenditures and encumbrances under the budgeted amount. The budgetary savings of \$4,157,138 and how that savings was utilized is illustrated in the following table:

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2019

**FINANCIAL HIGHLIGHTS (continued)**

Key financial highlights for year ended 2019 are as follows: (continued)

Revenues over budget	\$ 571,787
Expenditures and encumbrances under budget	3,585,351
<b>Total budgetary savings (revenues + expenditures)</b>	<b>4,157,138</b>
Transfer to capital reserve (established 2018)	(636,054)
Transfer to retirement contribution reserve - TRS	(800,000)
Change in nonspendable (prepaid expenditures)	(32,548)
Transfer interest earnings to reserve funds	(142,844)
Transfer to assigned fund balance to lower the tax levy	(2,375,000)
Transfer to unassigned fund balance	(170,692)
<b>Balance of budgetary savings</b>	<b>\$ -0-</b>

- The 2018-2019 total budgetary savings was \$4,157,138. The District used \$2,375,000 or 57% of the total budgetary savings to lower the 2019-2020 tax levy. The District consistently uses budgetary savings to lower the tax levy. Last year, the District used 60% of its 2017-2018 total budgetary savings to lower the 2018-2019 tax levy.
- The 2018-2019 revenues were over budget by \$571,787. This reflects the net variance amount for all the revenue items. Significant revenue variances existed as a result of the following: (1) state aid in the amount of \$560,197 was never received due to estimates versus actuals for expenditure driven aids; (2) an additional \$208,179 was received from sale of property and compensation for loss due to insurance recoveries; (3) an additional \$383,364 in use of money and property revenue was generated due to higher than projected interest rates; and (4) an additional \$367,500 in premiums was generated due to higher than projected bond rates.
- The 2018-2019 expenditures and encumbrances were under budget by \$3,585,351, primarily due to the following items: (1) actual utility costs for fuel oil, natural gas and electricity were less than anticipated; (2) actual contract transportation costs were less than budgeted; (3) actual salary costs were less than expected (4) employer pension costs to the New York State Employees' Retirement System were less than budgeted and (5) expenditures for BOCES services were less than projected. Please see 'General Fund Budgetary Highlights – Expenditures and Encumbrances Under Budget' for further discussion on this topic.
- The general fund total fund balance, as reflected on the balance sheet in the fund financial statements, decreased by \$144,128 to \$23,578,188. This was due to the excess of expenditures and other financing uses over revenues and other financing sources.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2019

**FINANCIAL HIGHLIGHTS (continued)**

Key financial highlights for fiscal year 2019 are as follows: (continued)

- The \$144,128 decrease in the District's general fund balance from \$23,722,316 at June 30, 2018 to \$23,578,188 at June 30, 2019 is illustrated in the table below.

<b>Fund Balance as of June 30, 2018</b>	<b>\$23,722,316</b>
<u>Increases to Fund Balance -</u>	
Reserve for capital	\$668,101
Reserve for unemployment insurance	4,914
Reserve for insurance	607
Retirement contribution reserve	742,728
Nonspendable: prepaid expenditures	32,548
Assigned fund balance (roll-over prior year encumbrances)	133,703
Unassigned fund balance	<u>170,692</u>
<b>Total Increases to Fund Balance</b>	<b>\$1,753,293</b>
<u>Decreases to Fund Balance -</u>	
Transfer to capital projects fund from capital reserve	(1,800,000)
Workers' compensation reserve	(58,341)
Employee benefit accrued liability reserve	(14,080)
Assigned fund balance (reduces the tax levy)	<u>(25,000)</u>
<b>Total Decreases to Fund Balance</b>	<b>(\$1,897,421)</b>
<b>Fund Balance as of June 30, 2019</b>	<b>\$23,578,188</b>

- The amount of the general fund unassigned fund balance as of June 30, 2019 is \$6,843,106. This is 4.00% of the District's 2019-2020 approved operating budget of \$171,077,668. The District is in compliance with the New York State Real Property Tax Law §1318 limit, which restricts the unassigned fund balance to an amount not greater than 4% of the District's budget for the upcoming school year. Maintaining the maximum unassigned fund balance provides financial protection for unforeseen expenditures or revenue shortfalls and helps to ensure that adequate cash flow is available for operating expenses.
- Chapter 97 of the Laws of 2011 established a tax levy limit that affected all local governments, most school districts and independent taxing entities such as library, fire and water districts. The law has been referred to as the "2% property tax cap". Under this law, the growth in the property tax levy is capped at 2% or the rate of inflation, whichever is less, with some exceptions. School districts have the ability to override the cap by obtaining a super majority, or 60% approval by the District's budget voters. The District's 2019-2020 projected tax levy was under the 2% property tax cap for the eleventh consecutive year.



**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2019

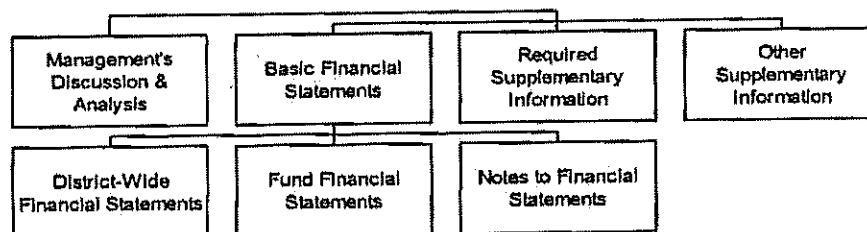
**FINANCIAL HIGHLIGHTS (continued)**

Key financial highlights for fiscal year 2019 are as follows: (continued)

- The District established and funded allowable reserves in anticipation of the 2% property tax cap and the pending LIPA tax certiorari on the Northport Power Plant. Reserve funds provide the District with a legal channel to save money for future needs. As part of the District's long range financial plan, these incremental savings have helped to alleviate the financial impact of the 2% property tax cap. There has not been a settlement with LIPA regarding its pending tax certiorari. The Northport Power Plant currently pays approximately \$55.0 million in taxes to the Northport-East Northport School District. The plant's assessed valuation represents approximately 37.7% of the total assessed valuation of the School District. A reduction in the school taxes paid by LIPA would cause a shift in the tax burden to the District's residential tax base and could impact future budgets. The impact would be contingent upon the amount of LIPA's property tax assessment reduction.
- On the district-wide financial statements, total net position decreased by \$10,692,089 or 9.7% to \$(120,435,422) for the year ended June 30, 2019, compared to \$(109,743,333) at June 30, 2018. The decrease in net position is primarily the result of the increase of the unfunded addition to the total other postemployment benefit (OPEB) liability. Note 14 for further detail.
- The District's total OPEB liability amounted to \$244,977,419 as of June 30, 2019, which is an increase of \$32,329,524 over the prior year amount. See Note 14 for further detail.
- On the district-wide financial statements, the District's expenses for the year totaled \$180,459,841. Of this amount, \$5,689,106 was offset by program charges for services, operating and capital grants. General revenues of \$164,078,646 amount to 96.65% of total revenues, and were not adequate to cover the balance of program expenses.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts - Management's Discussion and Analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of district-wide financial statements, fund financial statements, and notes to the financial statements.



**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2019

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

The chart below 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 MD&A highlights the structure and contents of each of the statements.

Major Features of the District-Wide and Fund Financial Statements			
	District-Wide	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 activities 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 balances</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 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 are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two district-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances. These

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2019

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**District-Wide Financial Statements (continued)**

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

**The Statement of Net Position**

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**The Statement of Activities**

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

**Fund Financial Statements**

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

**Governmental Funds**

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period that they become measurable, funded through available resources and payable within a current period.

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

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

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2019

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

The District maintains four individual governmental funds: general fund, special aid fund, school food service fund and capital projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

**Fiduciary Funds**

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee and utilize the accrual basis of accounting. All of the District's fiduciary activities are reported in separate statements. The fiduciary activities have been excluded from the District's district-wide financial statements because the District cannot use these assets to finance its operations.

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

**Condensed Statement of Net Position**

The District's total net position decreased by \$10,692,089 between year ended 2019 and 2018. A summary of the District's Statements of Net Position follows.

	6/30/2019	6/30/2018	Change	Percent Change
Current and other assets	\$ 49,352,312	\$ 42,538,102	\$ 6,814,210	16.0%
Capital assets, net	87,623,269	70,120,945	17,502,324	25.0%
Net pension asset - proportionate share	7,677,537	\$ 3,214,018	4,463,519	138.9%
<b>Total assets</b>	<b>144,653,118</b>	<b>115,873,065</b>	<b>28,780,053</b>	<b>24.8%</b>
Deferred outflows of resources	61,678,310	49,126,112	12,552,198	25.6%
Other liabilities	38,155,647	14,240,788	23,914,859	167.9%
Non-current liabilities	273,863,000	244,404,000	29,459,000	12.1%
Net pension liability - proportionate share	3,367,603	1,576,557	1,791,046	113.6%
<b>Total liabilities</b>	<b>315,386,250</b>	<b>260,221,345</b>	<b>55,164,905</b>	<b>21.2%</b>
Deferred inflows of resources	11,380,600	14,521,165	(3,140,565)	-21.6%
Net position:				
Net investment in capital assets	47,096,612	47,516,282	(419,670)	-0.9%
Restricted	17,690,439	17,090,286	600,153	3.5%
Unrestricted (deficit)	(185,222,473)	(174,349,901)	(10,872,572)	6.2%
<b>Total net position (deficit)</b>	<b>\$ (120,435,422)</b>	<b>\$ (109,743,333)</b>	<b>\$ (10,692,089)</b>	<b>9.7%</b>

Current and other assets increased by \$6,814,210, as compared to the prior year. The increase is primarily related to the increase in cash.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2019**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Condensed Statement of Net Position (continued)**

Capital assets, net increased by \$17,502,324, as compared to the prior year. This increase was the result of asset purchases, net of depreciation expense during the year. The accompanying Notes to Financial Statements, Note 8 "Capital Assets" provides additional information.

Net pension asset – proportionate share increased by \$4,463,519, as compared to the prior year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at the measurement date of the respective year.

Deferred outflows of resources increased by \$12,552,198 as compared to the prior year. The deferred outflows of resources represents contributions to the state retirement plan subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years, as well as actuarial adjustments relating to the other postemployment benefits plan which will be amortized in future years.

Other liabilities increased by \$23,914,859, as compared to the prior year. This increase was primarily related to the \$23,000,000 Bond Anticipation Note issued during the year for capital projects.

Noncurrent liabilities increased by \$29,459,000, as compared to the prior year. This increase was primarily in connection with the increase in the total other postemployment benefit liability accrual. The increase was offset by the payment of principal on serial bonds. See Note 11 for additional information.

Net pension liability – proportionate share increased by \$1,791,046 in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's net pension liability at the measurement date of the respective year.

Deferred inflows of resources represent actuarial adjustments at the pension plan level that will be amortized in future years. This amount decreased by \$3,140,565, as compared to the prior year due to changes in the actuarial adjustments.

The net investment in capital assets relates to the investment in capital assets at cost such as - buildings and improvements, and furniture and equipment, net of depreciation and related debt. This decreased over the prior year by \$419,670 due to bond anticipation notes issued during the year offset by current year bond principal payments and an increase in capital assets.

The restricted net position at June 30, 2019 is \$17,690,439 and is comprised of the District's restricted reserves as seen in the fund balance section on the balance sheet – governmental funds.

The unrestricted deficit amount of \$(185,222,473) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis and is not permitted to accumulate funds for the total OPEB liability. This deficit increased over the prior year by \$10,872,572, primarily as a result of the increase of the unfunded addition to the total OPEB liability.

The District's total net position decreased by \$10,692,089 or 9.7% to \$(120,435,422) for the year ended June 30, 2019, compared to \$(109,743,333) at June 30, 2018.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2019

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Changes in Net Position from Operating Results**

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the MD&A, STAR (school tax relief) revenue is included in the "Property Taxes" line. A summary of this statement for the years ended June 30, 2019 and 2018 is as follows:

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Revenues</b>				
Program revenues:				
Charges for services	\$ 2,101,492	\$ 1,975,336	\$ 126,156	6.4%
Operating grants	3,141,180	3,138,670	2,510	0.1%
Capital grants	446,434	417,378	29,056	7.0%
General revenues:				
Property taxes and STAR	145,979,349	142,972,862	3,006,487	2.1%
Other tax items	4,741	1,414	3,327	235.3%
State aid	15,479,924	15,247,862	232,062	1.5%
Federal aid - Medicaid reimbursement	71,188	40,808	30,380	74.4%
Other	2,543,444	1,832,198	711,246	38.8%
<b>Total revenues</b>	<u>169,767,752</u>	<u>165,626,528</u>	<u>4,141,224</u>	<u>2.5%</u>
<b>Expenses</b>				
General support	25,222,293	23,470,124	1,752,169	7.5%
Instruction	142,248,072	139,475,779	2,772,293	2.0%
Pupil transportation	8,640,306	8,641,545	(1,239)	0.0%
Community services	548,446	576,939	(28,493)	-4.9%
Debt service - interest	1,997,063	1,356,038	641,025	47.3%
School lunch program	1,803,661	1,650,354	153,307	9.3%
<b>Total expenses</b>	<u>180,459,841</u>	<u>175,170,779</u>	<u>5,289,062</u>	<u>3.0%</u>
<b>Decrease in net position</b>	<u>(10,692,089)</u>	<u>\$ (9,544,251)</u>	<u>\$ (1,147,838)</u>	<u>12.0%</u>
<b>Net position - beginning</b>	<u>(109,743,333)</u>			
<b>Net position - ending</b>	<u>\$ (120,435,422)</u>			

The District's net position decreased by \$10,692,089 for the year ended June 30, 2019. The District's net position decreased by \$9,544,251 for the year ended June 30, 2018.

The District's revenues increased by \$4,141,224, or 2.5% for the year ended June 30, 2019. The main area of increase was real property taxes and STAR and state aid.

The District's expenses increased by \$5,289,062 or 3.0% for the year ended June 30, 2019. The increase was primarily the result of the decrease in the District's share of the New York State

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2019

Teachers' Retirement System's collective net pension credit, an increase in the OPEB liability, and increases in salaries.

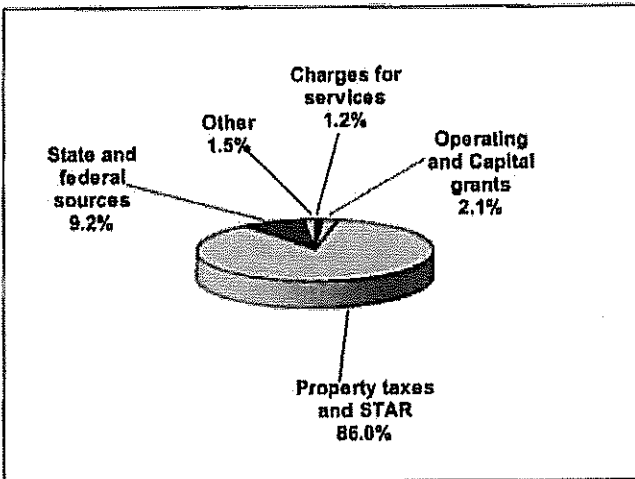
**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Changes in Net Position from Operating Results (continued)**

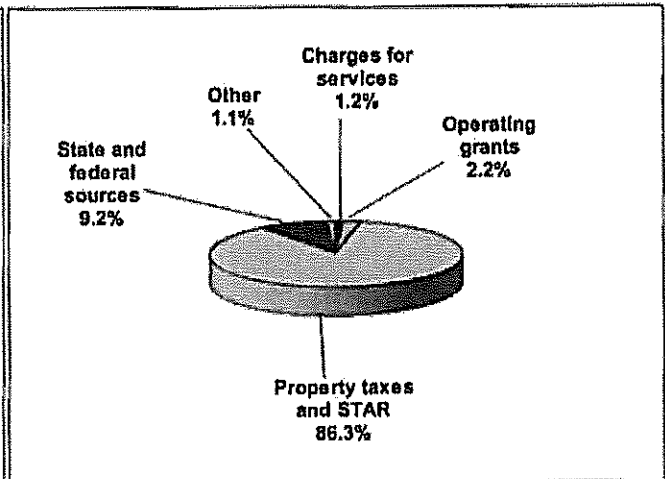
As indicated on the pie charts that follow, property taxes and STAR is the largest component of revenues recognized, representing 86.0% of the total revenues for the year ended June 30, 2019. Instruction expenses are the largest category of expenses incurred at 79.8% of the total expenses for the year ended June 30, 2019.

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

**Sources of Revenues for Fiscal Year 2019**

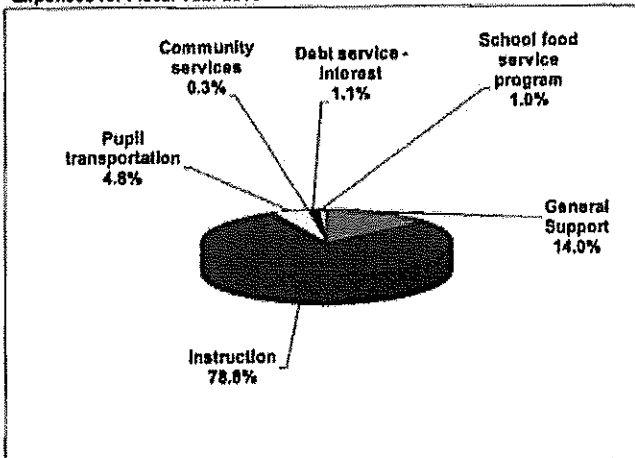


**Sources of Revenues for Fiscal Year 2018**

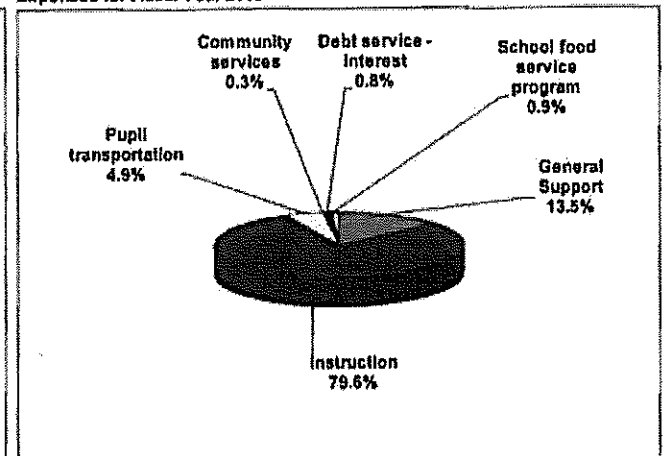


A graphic display of the distribution of expenses for the two years follows:

**Expenses for Fiscal Year 2019**



**Expenses for Fiscal Year 2018**



**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2019

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

At June 30, 2019, the District's governmental funds reported a combined fund balance of \$11,658,858, which is a decrease of \$16,290,694 under the prior year. A summary of the change in fund balance by fund is as follows:

	6/30/2019	6/30/2018	Increase (Decrease)
<b>General Fund</b>			
Nonspendable:			
Prepays	\$ 1,997,719	\$ 1,965,171	\$ 32,548
Restricted:			
Capital	1,671,067	2,802,966	(1,131,899)
Unemployment insurance	825,922	821,008	4,914
Insurance	50,564	49,957	607
Employee benefit accrued liability	2,992,231	3,006,311	(14,080)
Workers' compensation	2,637,332	2,695,673	(58,341)
Retirement contribution	3,523,720	2,780,992	742,728
Total Restricted	11,700,836	12,156,907	(456,071)
Assigned	3,036,527	2,927,824	108,703
Unassigned	6,843,106	6,672,414	170,692
	23,578,188	23,722,316	(144,128)
<b>School Food Service Fund</b>			
Nonspendable:			
Inventory	38,757	32,526	6,231
Assigned	148,664	112,344	36,320
	187,421	144,870	42,551
<b>Capital Projects Fund</b>			
Restricted:			
Capital	5,989,603	4,933,379	1,056,224
Unassigned (deficit)	(18,096,354)	(851,013)	(17,245,341)
	(12,106,751)	4,082,366	(16,189,117)
<b>Total Fund Balance</b>	<b>\$ 11,658,858</b>	<b>\$ 27,949,552</b>	<b>\$ (16,290,694)</b>

**General Fund**

The general fund fund balance decreased by \$144,128. This decrease was due to planned utilization of reserves and excess fund balance offset by budgetary savings. Budgetary savings were achieved because costs were lower than anticipated. The following budgetary items accounted for these savings: (1) actual utility costs for fuel oil, natural gas and electricity were less than anticipated; (2) actual contract transportation costs were less than budgeted; (3) actual salary costs were less than expected and (4) expenditures for BOCES services were less than projected.



**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2019

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (continued)**

**School Food Service Fund**

The school food service fund balance increased by \$42,551, as compared to the prior year due to a \$79,334 loss from operations offset by a transfer of \$121,885 from the general fund.

The general fund will continue to subsidize the school food service fund in 2019-2020 by a budgeted interfund transfer of \$200,000.

**Capital Projects Fund**

The capital projects fund balance decreased by \$16,189,117. There were transfers to the capital projects fund totaling \$2,725,000 and state aid revenue of \$808,356. Expenditures totaling \$19,722,473 were made for several capital projects, including the field, HVAC and lab work at Northport High School and vestibule, toilet and lab work at Northport Middle School.

**General Fund Budgetary Highlights**

2018-19 Budget

The District's general fund adopted budget for the year ended June 30, 2019 was \$166,810,381. This amount was increased by encumbrances carried forward from the prior year in the amount of \$527,824, and budget revisions resulting in additional increases of \$1,931,740 for a total final budget of \$169,269,945.

Change in General Fund's Unassigned Fund Balance (Budget to Actual)

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

Opening, Unassigned Fund Balance	\$ 6,672,414
Revenues Over Budget	571,787
Expenditures and Encumbrances Under Budget	3,585,351
Increase in Nonspendable Fund Balance	(32,548)
Transfer to Reserves (Restricted)	(1,578,898)
Assigned - Appropriated for 2019-20 Budget	(2,375,000)
Closing, Unassigned Fund Balance	<u>\$ 6,843,106</u>

Opening, Unassigned Fund Balance

The \$6,672,414 shown in the table is the portion of the District's June 30, 2018 fund balance that was reported as unassigned. This is 4.00% of the District's 2018-19 approved operating budget of \$166,810,381.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2019**

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (continued)**

**General Fund Budgetary Highlights (continued)**

**Revenues Over Budget**

The 2018-19 final budget for revenues, other financing sources and assigned and appropriated fund balance was \$169,269,945. Reflected in this budget were the following components: (1) assigned fund balance in the amount of \$2,400,000; (2) appropriated fund balance reserves in the amount of \$234,969; (3) approved capital reserve referendum in the amount of \$1,800,000; (4) encumbrances rolled forward from 2017-2018 in the amount of \$527,824 and (5) estimated revenue of \$164,107,152. Actual revenues and other sources received for the year were \$164,878,939. The excess of actual revenues and other sources over estimated or budgeted revenues amounted to \$571,787. This reflects the net variance amount for all revenue streams combined. Significant revenue variances existed as a result of the following: (1) state aid in the amount of \$560,197 was never received due to estimates versus actuals for expenditure driven aids; (2) an additional \$208,179 was received from the sale of property and compensation for loss; (3) an additional \$383,364 in use of money and property revenue was generated due to higher than projected interest rates, and (4) premium on short term obligations exceeded expectations by \$367,500.

**Expenditures and Encumbrances Under Budget**

The 2018-19 final budget for expenditures and other financing uses, including prior year open encumbrances and budget revisions amounted to \$169,269,945. Actual expenditures and transfers as of June 30, 2019 were \$165,023,067, and outstanding encumbrances were \$661,527. Combined, the expenditures plus encumbrances for 2018-19 were \$165,684,594. The final budget was under-expended by \$3,585,351. Budget categories which contributed significantly to the under-expenditure of \$3,585,351 are: (1) salaries (approximately \$1,000,000); (2) BOCES programs, including special education services (approximately \$300,000), (3) utility costs (approximately \$160,000), (4) diesel fuel for buses and gasoline for vehicles (approximately \$100,000); (5) benefits (approximately \$540,000) and (6) transportation costs (approximately \$620,000).

Expenditures and current year encumbrances under budget contribute directly to the change in the unassigned portion of the general fund - fund balance from June 30, 2018 to June 30, 2019.

**Increase in Nonspendable Fund Balance**

Nonspendable fund balance consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Increases to the nonspendable fund balance decrease the District's unassigned portion of the fund balance by the amount of the increase. The \$32,548 in the table on the previous page reflects the net increase to prepaids, specifically health, dental and ancillary insurances provided to employees and retirees.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2019

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (continued)**

**General Fund Budgetary Highlights (continued)**

Transfer to Reserves (Restricted)

Monies transferred from budget lines within the general fund operations into required reserves such as the workers' compensation reserve, the unemployment insurance reserve, capital reserve, employee benefit accrued liability reserve, and the retirement contribution reserve do not affect the combined nonspendable, restricted, assigned and unassigned fund balance unless, and until, these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned portion of the fund balance by the amount of the transfer. The \$1,578,898 in the previously presented table reflects the net interest transferred into the reserves of \$130,599, plus transfers of \$12,245 into the 2012 capital reserve, \$636,054 into the 2018 capital reserve and \$800,000 into the retirement contribution reserve.

Assigned - Appropriated Fund Balance

The District has chosen to use \$2,375,000 of its available June 30, 2019 fund balance to partially fund its 2019-20 approved operating budget. The District's long-term goal is to annually reduce the amount of the assigned fund balance. The assigned fund balance has been reduced from \$2,400,000 in 2018-2019 to \$2,375,000 in 2019-2020.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the table, the District will begin the 2019-20 fiscal year with an unassigned fund balance of \$6,843,106. This is an increase of \$170,692 as compared to the prior year. This is 4.00% of the District's 2019-20 approved operating budget of \$171,077,668. The District's unassigned fund balance was in compliance with the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2019, the District had invested in a broad range of capital assets, including land, construction in progress, buildings and improvements, site improvements, and furniture, equipment and vehicles. The net increase in capital assets is due to capital additions and a gain on reclassification, less depreciation recorded for the year ended June 30, 2019. A summary of the District's capital assets, net of depreciation, at June 30, 2019 and 2018 is as follows:

<u>Category</u>	<u>6/30/19</u>	<u>6/30/18</u>	<u>% Change</u>
Land	\$ 1,336,364	\$ 1,336,364	0.0%
Construction-in-progress	25,543,288	5,820,815	338.8%
Buildings and Improvements	56,078,350	58,784,278	-4.6%
Site improvements	1,736,567	1,913,698	-9.3%
Furniture, equipment and vehicles	2,928,700	2,265,790	29.3%
Totals	<u>\$ 87,623,269</u>	<u>\$ 70,120,945</u>	25.0%

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2019

**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Capital Assets (continued)**

Capital additions for the year ended June 30, 2019 were \$20,374,136. Depreciation expense for the year totaled \$3,268,137. The gain on reclassification was \$396,325.

**Debt Administration**

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa2. The District's total outstanding indebtedness currently does not exceed its debt limit, which is defined as 10% of the full valuation of the taxable real property within the District.

At June 30, 2019, the District had total bonds payable of \$8,535,000 and energy performance contract debt of \$11,508,941. The decrease in outstanding general obligation bonds represents scheduled principal payments.

A summary of the long-term liabilities at June 30, 2019 and 2018 is as follows:

Category	6/30/19	6/30/18	% Change
General obligation bonds	\$ 8,535,000	\$ 10,530,000	-18.9%
Energy performance contract	11,508,941	12,074,663	-4.7%
Compensated absences	6,048,959	6,246,857	-3.2%
Workers' compensation claims payable	2,792,681	2,904,585	-3.9%
Total OPEB liability	244,977,419	212,647,895	15.2%
Net pension liability - proportionate share	3,367,603	1,576,557	113.6%
Totals	<u>\$ 277,230,603</u>	<u>\$ 245,980,557</u>	12.7%

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

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 21, 2019, for the year ending June 30, 2020, is \$171,077,668. This is an increase of \$4,267,287 or 2.56% over the previous year's adopted budget.

The District's adopted budget reflects non-property tax revenues at an increase of \$450,684 from the current year's estimate. The adopted budget reflects an increase in property tax revenues of 2.56%, which is within the District's legally allowable tax levy limit. The assigned - appropriated fund balance applied to the June 30, 2020 budget to reduce taxes in the amount of \$2,375,000 is a decrease of \$25,000, as compared to the current year.

New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities and most school districts. For fiscal years beginning in 2012, no school district is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however there are permitted exceptions and adjustments. School districts can exceed the tax levy limit only by a 60% favorable vote by District's budget voters. The 2.56% increase in the property tax levy for 2019-2020 is in compliance with Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2019

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)**

The Long Island Power Authority and National Grid have initiated tax certiorari proceedings challenging the property tax assessment of the Northport Power Plant. As the assessing authority, the Town of Huntington is actively opposing these challenges before the Suffolk County, N.Y. Supreme Court. An adverse result of such a challenge could have a considerable impact on the District's residential property taxes and future school district budgets. The Northport Power Plant currently pays approximately \$55.0 million in taxes to the Northport-East Northport School District. The Power Plant's assessed valuation represents approximately 37.7% of the total assessed valuation of the District. The District filed suit against LIPA and National Grid in May 2011 alleging a breach of contract after LIPA and National Grid filed the tax certiorari proceedings. The claim was dismissed by the Suffolk County Supreme Court. The case has been appealed to the Appellate Division Second Department. A reduction in the school taxes paid by the Power Plant would cause a shift in the tax burden to the District's residential tax base and could impact future budgets. The impact would be contingent upon the amount of the Power Plant's property tax assessment reduction. Any award of back taxes payable to LIPA and/or National Grid as a result of the proceeding would not be the responsibility of the District.

On June 19, 2019, the District identified damage to the roof at the Ocean Avenue Elementary School building. The District has filed an insurance claim relating to this damage. The amount of any insurance recovery relating to this claim is not estimable at this time. The District estimates the cost to repair the damage to be approximately \$3,000,000 to \$4,000,000.

**CONTACTING THE DISTRICT**

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

Northport – East Northport Union Free School District  
ATTN: Robert Howard  
Assistant Superintendent for Business  
P.O. Box 210  
Northport, New York 11768  
(631) 262-6632

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
June 30, 2019

**ASSETS**

Cash	
Unrestricted	\$ 25,050,050
Restricted	17,690,439
Receivables	
Due from state and federal	3,848,763
Due from other governments	417,187
Due from fiduciary funds	167,574
Other	141,823
Inventories	38,757
Prepaid expenditures	1,997,719
<b>Total Current Assets</b>	<b>49,352,312</b>
Non-depreciable capital assets	28,879,652
Depreciable capital assets, net of depreciation	60,743,617
Net pension asset-proportionate share - teachers' retirement system	7,677,537
<b>Total Non-Current Assets</b>	<b>95,300,806</b>
<b>Total Assets</b>	<b>144,653,118</b>

**DEFERRED OUTFLOWS OF RESOURCES**

Pensions	44,430,639
Other postemployment benefits	17,247,671
<b>Total Deferred Outflows of Resources</b>	<b>61,678,310</b>

**LIABILITIES**

Accounts payable	4,403,427
Accrued liabilities	1,102,208
Due to other governments	1,528
Interest payable	668,790
Bond anticipation	23,000,000
Due to teachers' retirement system	7,596,801
Due to employees' retirement system	759,577
Compensated absences	132,729
Unearned revenue	490,587
Non-current liabilities	
Due and payable within one year	
General obligation bonds payable	2,050,000
Energy performance contract payable	583,970
Compensated absences payable	302,448
Workers' compensation claims payable	603,449
Due and payable after one year	
General obligation bonds payable	6,485,000
Energy performance contract payable	10,924,971
Compensated absences payable	5,746,511
Workers' compensation claims payable	2,189,232
Total other postemployment benefit liability	244,977,419
Net pension liability - proportionate share - employees' retirement system	3,367,603
<b>Total Liabilities</b>	<b>315,386,250</b>

**DEFERRED INFLOWS OF RESOURCES**

Pensions	11,380,600
<b>Total Deferred Inflows of Resources</b>	<b>11,380,600</b>

**NET POSITION**

Net investment in capital assets	47,098,612
Restricted	17,690,439
Unrestricted (deficit)	(185,222,473)
<b>Total Net Position (Deficit)</b>	<b>\$ (120,435,422)</b>

See Notes to Financial Statements.

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2019

		Program Revenues			Net (Expense)
	Expenses	Charges for	Operating	Capital	Revenue and
		Services	Grants	Grants	Changes in
					Net Position
<b>FUNCTIONS/PROGRAMS</b>					
General support	\$ 25,222,293				\$ (25,222,293)
Instruction	142,248,072	\$ 817,347	\$ 2,743,812	\$ 446,434	(138,240,479)
Pupil transportation	8,640,306				(8,640,306)
Community service	548,446				(548,446)
Debt service - interest	1,997,063				(1,997,063)
School food service program	1,803,661	1,284,145	397,368		(122,148)
<b>Total Functions and Programs</b>	<b>\$ 180,459,841</b>	<b>\$ 2,101,492</b>	<b>\$ 3,141,180</b>	<b>\$ 446,434</b>	<b>(174,770,735)</b>
<b>GENERAL REVENUES</b>					
Real property taxes					138,010,216
School tax relief reimbursement					7,969,133
Other tax items					4,741
Use of money and property					650,358
Sale of property and compensation for loss					373,179
State sources					15,479,924
Medicaid reimbursement					71,188
Miscellaneous					1,519,907
<b>Total General Revenues</b>					<b>164,078,646</b>
<b>Change in Net Position</b>					<b>(10,692,089)</b>
<b>Total Net Position (Deficit) - Beginning of year</b>					<b>(109,743,333)</b>
<b>Total Net Position (Deficit) - End of year</b>					<b>\$ (120,435,422)</b>

See Notes to Financial Statements.

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2019

Exhibit 4

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash					
Unrestricted	\$ 19,439,306	\$ 654,158	\$ 224,171	\$ 4,732,415	\$ 25,050,050
Restricted	11,700,836			5,989,603	17,690,439
Receivables					
Due from state and federal	2,781,425	955,390	1,435	110,513	3,848,763
Due from other governments	417,187				417,187
Due from other funds	1,504,510			1,796,296	3,300,806
Due from fiduciary funds	167,574				167,574
Accounts receivable	130,139		11,684		141,823
Inventories			38,757		38,757
Prepaid expenditures	1,997,719				1,997,719
<b>Total Assets</b>	<b>\$ 38,138,696</b>	<b>\$ 1,609,548</b>	<b>\$ 276,047</b>	<b>\$ 12,628,827</b>	<b>\$ 52,653,118</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 2,714,639	\$ 48,097	\$ 15,626	\$ 1,625,065	\$ 4,403,427
Accrued liabilities	1,078,140	14,110	9,958		1,102,208
Due to other funds	1,796,296	1,504,505	5		3,300,806
Due to other governments		1,369	159		1,528
Due to teachers' retirement system	7,596,801				7,596,801
Due to employees' retirement system	759,577				759,577
Compensated absences	132,729				132,729
Notes payable					
Bond anticipation				23,000,000	23,000,000
Unearned revenues	386,242	41,467	62,878		490,587
<b>Total Liabilities</b>	<b>14,464,424</b>	<b>1,609,548</b>	<b>88,626</b>	<b>24,625,065</b>	<b>40,787,663</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues	96,084			110,513	206,597
<b>Total Deferred Inflows of Resources</b>	<b>96,084</b>	<b>-0-</b>	<b>-0-</b>	<b>110,513</b>	<b>206,597</b>
<b>FUND BALANCES</b>					
Nonspendable					
Inventory			38,757		38,757
Prepaid expenditures	1,997,719				1,997,719
Restricted					
Capital	1,671,067			5,989,603	7,660,670
Unemployment Insurance	825,922				825,922
Insurance	50,564				50,564
Employee Benefit Accrued Liability	2,992,231				2,992,231
Workers' Compensation	2,637,332				2,637,332
Retirement Contribution - ERS	2,723,720				2,723,720
Retirement Contribution - TRS	800,000				800,000
Assigned					
Assigned Appropriated	2,375,000				2,375,000
Assigned Unappropriated	661,527		148,664		810,191
Unassigned	6,843,106			(18,096,354)	(11,253,248)
<b>Total Fund Balances</b>	<b>23,578,188</b>	<b>-0-</b>	<b>187,421</b>	<b>(12,106,751)</b>	<b>11,658,858</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 38,138,696</b>	<b>\$ 1,609,548</b>	<b>\$ 276,047</b>	<b>\$ 12,628,827</b>	<b>\$ 52,653,118</b>

See Notes to Financial Statements.



**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
June 30, 2019

Total Governmental Fund Balances \$ 11,658,858

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets - non-depreciable	\$ 26,879,652	
Capital assets - depreciable	116,861,677	
Accumulated depreciation	<u>(56,118,060)</u>	87,623,269

Current and long-term liabilities and certain items relating to long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Accrued interest payable	(668,790)	
General obligation bonds payable	(8,535,000)	
Energy performance contract payable	(11,508,941)	
Compensated absences payable	(6,048,959)	
Workers' compensation claims payable	(2,792,681)	
Total other postemployment benefit liability	<u>(244,977,419)</u>	(274,531,790)

Revenue that was deferred on the fund statements because it does not meet the availability criteria under the modified accrual basis of accounting is not deferred in the Statement of Net Position.

206,597

Certain amounts reported for the proportionate share of the District's pension asset and/or deferred outflows are not considered current available resources and are therefore not reported in the funds.

Net pension asset-proportionate share	7,677,537	
Other postemployment benefit - deferred outflows	17,247,671	
Pensions - deferred outflows	<u>44,430,639</u>	69,355,847

Certain amounts reported for the proportionate share of the District's pension liabilities and/or deferred inflows are not due and payable in the current period and accordingly are not reported in the funds.

Net pension liability-proportionate share	(3,367,603)	
Pensions - deferred inflows	<u>(11,380,600)</u>	(14,748,203)

Net Position (Deficit) of Governmental Activities \$ (120,435,422)

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2019

Exhibit 6

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
Real property taxes	\$ 138,010,216				\$ 138,010,216
School tax relief reimbursement	7,969,133				7,969,133
Other tax items	4,741				4,741
Charges for services	835,700				835,700
Use of money and property	649,864		\$ 494		650,358
Sale of property and compensation for loss	373,179				373,179
State aid	15,479,924	\$ 1,118,539	19,446	\$ 808,356	17,426,265
Sales			1,284,145		1,284,145
Miscellaneous	917,494	4,854	34,913		957,261
Federal aid - Medicaid reimbursement	71,188				71,188
Federal aid		1,620,419	303,661		1,924,080
Surplus food			74,261		74,261
<b>Total Revenues</b>	<b>164,311,439</b>	<b>2,743,812</b>	<b>1,716,920</b>	<b>808,356</b>	<b>169,580,527</b>
<b>EXPENDITURES</b>					
General support	18,472,827				18,472,827
Instruction	91,948,232	2,924,662			94,872,894
Pupil transportation	7,782,555	330,322			8,112,877
Community service	396,295				396,295
Employee benefits	38,936,996		288,386		39,225,382
Debt service					
Principal	2,560,722				2,560,722
Interest	1,567,383				1,567,383
Cost of sales			1,507,868		1,507,868
Other expenditures					
Capital outlay				19,722,473	19,722,473
<b>Total Expenditures</b>	<b>161,665,010</b>	<b>3,254,984</b>	<b>1,796,254</b>	<b>19,722,473</b>	<b>186,438,721</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,646,429	(511,172)	(79,334)	(18,914,117)	(16,858,194)
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Premium on short term obligations	567,500				567,500
Operating transfers in		511,172	121,885	2,725,000	3,358,057
Operating transfers (out)	(3,358,057)				(3,358,057)
<b>Total Other Sources (Uses)</b>	<b>(2,790,557)</b>	<b>511,172</b>	<b>121,885</b>	<b>2,725,000</b>	<b>567,500</b>
Net change in fund balance	(144,128)	-0-	42,551	(16,189,117)	(16,290,694)
Fund balance - Beginning of year	23,722,316	-0-	144,870	4,082,366	27,949,552
Fund balance - End of year	\$ 23,578,188	\$ -0-	\$ 187,421	\$ (12,106,751)	\$ 11,658,858

See Notes to Financial Statements.

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2019**

Exhibit 7

Net Changes In Fund Balances - Total Governmental Funds \$ (16,290,694)

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

Long-term revenue and expense differences

Long-term revenue differences arise because government funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned.

State aid	\$ (361,922)	
Charges for services	<u>(18,353)</u>	(380,275)

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

Compensated absences payable	197,898	
Workers' compensation claims payable	<u>111,904</u>	309,802

Pension differences

(Increases)/decreases in the proportionate share of net pension assets/liabilities and related deferred inflows and outflows 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.

Teachers' Retirement System	1,330,623	
Employees' Retirement System	<u>(213,058)</u>	1,117,565

Other postemployment benefit (OPEB) differences

(Increases)/decreases in the District's total OPEB liability 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.

(15,081,853)

Capital related differences

Governmental funds report capital outlays as expenditures while in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital outlay	20,374,136	
Depreciation expense	<u>(3,268,137)</u>	17,105,999

The net effect of various miscellaneous transactions involving capital assets related to sales, trade-ins and disposals is to increase net position.

396,325

Long-term debt transaction differences

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Position.

Repayment of bond principal	1,995,000	
Repayment of installment purchase debt	<u>565,722</u>	2,560,722

Interest on short and long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest increased from June 30, 2018 to June 30, 2019.

(429,680)

Change in Net Position of Governmental Activities

\$ (10,692,089)

See Notes to Financial Statements.

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
June 30, 2019

	<u>Private Purpose Trusts</u>	<u>Agency</u>
<b>ASSETS</b>		
Cash	\$ 81,400	\$ 1,392,936
Due from private purpose trust		<u>23,400</u>
Total Assets	<u>\$ 81,400</u>	<u>\$ 1,416,336</u>
 <b>LIABILITIES</b>		
Due to governmental funds		\$ 167,574
Due to agency	\$ 23,400	
Extraclassroom activity balances		274,890
Other liabilities		<u>973,872</u>
Total Liabilities	<u>23,400</u>	<u>\$ 1,416,336</u>
 <b>NET POSITION</b>		
Restricted for scholarships	<u>58,000</u>	
Total Net Position	<u>\$ 58,000</u>	

See Notes to Financial Statements.

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
For the Year Ended June 30, 2019

	<u>Private Purpose Trusts</u>
<b>ADDITIONS</b>	
Gifts and contributions	\$ 22,076
Investment earnings	<u>541</u>
Total Additions	<u>22,617</u>
 <b>DEDUCTIONS</b>	
Scholarships and awards	<u>23,400</u>
Total Deductions	<u>23,400</u>
Change in Net Position	(783)
Net Position - Beginning of year	<u>58,783</u>
Net Position - End of year	<u><u>\$ 58,000</u></u>

See Notes to Financial Statements.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Northport-East Northport Union Free School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental 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 as described below:

**A. Reporting Entity**

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

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

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following entity is included in the District's financial statements:

**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. The District reports these assets held by it as agent for the extraclassroom organizations in the Statement of Fiduciary Net Position - Agency Fund. Separate audited financial statements of the extraclassroom activity funds can be found at the District's business office.

**B. Joint Venture**

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

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

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

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

**C. Basis of Presentation**

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column includes 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. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis of fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The District's financial statements reflect the following major fund categories:

**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 and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

**Special Aid Fund** – This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

purposes. These legal restrictions may be imposed by either governments that provide the funds, or by outside parties.

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

**Capital Projects Fund** – This fund is used to account for and report financial resources that are restricted or assigned to expenditure for capital outlays, including the acquisition, construction, or major repair of capital facilities.

**Fiduciary Funds** – These funds are used to account for activities 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 to finance District operations. There are two classes of fiduciary funds:

**Private Purpose Trust Funds** - These funds are used to account for trust arrangements in which scholarship benefits are provided for students and in which net position-restricted-permanent principals are held in perpetuity, and income generated is used for annual third-party awards and scholarships for students. Established criteria govern the use of the funds. 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.

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

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

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

The governmental fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. 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 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, pension costs, compensated absences, and other postemployment benefits (OPEB), which are recognized as expenditures to the extent



**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**E. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported 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 depreciation, other postemployment benefits, pension costs, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

**F. Cash and Cash Equivalents/Investments**

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.

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

New York State law governs the District's investment policies. Resources must be deposited in 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 and obligations of the State and its municipalities and Districts.

**G. Real Property Taxes**

Real property taxes are levied annually by the Board of Education no later than November 1st and become a lien on December 1st. Taxes are collected by the Town of Huntington and then remitted to the District from December to June.

Uncollected real property taxes are the responsibility of the County of Suffolk. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District in June.

**H. 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.

**I. Receivables**

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

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**J. 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.

In the district-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables 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 are netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

**K. Inventories and Prepaid Expenditures**

Inventories of food in the school food service fund are recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. These inventories are accounted for on the consumption method. Nonspendable fund balance inventory has been recognized to indicate that this does not constitute available spendable resources.

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

Prepaid expenditures 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 are 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 amount is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. Nonspendable fund balance for prepaids has been recognized to indicate that this does not constitute available spendable resources.

**L. Capital Assets**

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

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

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2019

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building and improvements	\$ 15,000	Straight line	20-50 years
Site improvements	\$ 15,000	Straight line	20 years
Furniture, equipment and vehicles	\$ 1,000	Straight line	5-20 years

**M. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reported deferred outflows of resources related to pensions and the other postemployment benefits reported in the District-Wide Statement of Net Position, and are detailed further in Notes 12 and 14.

In addition to liabilities, the statement of net position 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reported deferred inflows of resources related to pensions reported in the District-Wide Statement of Net Position, and are detailed further in Note 12.

In addition to liabilities, the Governmental Funds Balance Sheet will sometimes report deferred inflows of resources when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. In subsequent periods, when the availability criterion is met, deferred inflows of resources are classified as revenues. The District-Wide Financial Statements, however, report these deferred inflows of resources as revenues in accordance with the accrual basis of accounting and economic resources measurement focus.

**N. Unearned Revenues**

Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recognized. At June 30, 2019, the District recorded unearned revenues in the general fund of \$386,242 for summer program fees, \$41,467 in the special aid fund for local grants where expenditures have not been incurred and \$62,878 in the school food service fund for prepaid lunch amounts.

**O. Vested Employee Benefits**

Compensated Absences

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

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may be eligible to receive a portion of the value of unused accumulated sick leave.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within required time periods.

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

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

In the fund financial statements 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.

**P. Other Benefits**

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

District employees may choose to participate in the District's elective deferred compensation plan established under Internal Revenue Code Section 403(b).

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employee contracts determine if District employees are 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 in the general fund, in the year paid. Other postemployment benefits costs are measured and disclosed using the accrual basis of accounting in the district-wide financial statements. See Note 14.

**Q. Short-Term Debt**

The District may issue revenue anticipation notes (RAN) and tax anticipation notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. One TAN was issued and repaid during the year ended June 30, 2019.

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The District reported bond anticipation notes payable of \$23,000,000 in the capital projects fund as of June 30, 2019.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**R. 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. Workers' compensation claims 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 have matured. 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 and payable in one year or due and payable in more than one year in the Statement of Net Position.

**S. Equity Classifications**

District-Wide Statements

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

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

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.

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 Statements

In the fund basis statements there are five classifications of fund balance as detailed below; however, in the fund financial statements there are four classifications of fund balance presented.

**Nonspendable** - Includes amounts that cannot be spent because they are either not in spendable form, not available within a year, or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the school food service fund of \$38,757 and prepaid expenditures in the general fund of \$1,997,719.

**Restricted** - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Capital

The capital reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

probable term, and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the general fund and capital projects fund under Restricted Fund Balance.

**Unemployment Insurance Reserve**

The unemployment insurance reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund under Restricted Fund Balance.

**Insurance Reserve**

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

**Employee Benefit Accrued Liability Reserve**

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

**Workers' Compensation Reserve**

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

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

next succeeding fiscal year's budget. This reserve is accounted for in the general fund under Restricted Fund Balance.

Retirement Contribution Reserve

Retirement Contribution Reserve (GML§6-r), must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. In addition, a subfund of this reserve may also be created to allow for financing retirement contributions to the New York State Teachers' Retirement System. 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. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. The Teachers' Retirement System subfund is subject to contribution limits. This reserve is accounted for in the general fund under restricted fund balance.

Restricted for Scholarships

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

**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., Board of Education). The District has no committed fund balances as of June 30, 2019.

**Assigned** - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are not restricted. Assigned fund balance includes encumbrances reported in the general fund in the amount of \$661,527 and \$2,375,000 of appropriated fund balance in the general fund applied to the June 30, 2020 budget to reduce taxes. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.

**Unassigned** - Includes all other general fund amounts that do not meet the definition of the above three classifications and are deemed to be available for general use by the District. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

Unassigned fund balance includes \$6,843,106 in the general fund, and a deficit of \$18,096,354 in the capital projects fund. The deficit in the capital projects fund is the result of the District not obtaining permanent financing on capital improvement projects.

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 and encumbrances are also excluded from the 4% limitation.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**Order of Use of Fund Balance**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

**T. Future Changes in Accounting Standards**

GASB has issued Statement No. 84, Fiduciary Activities, effective for the year ended June 30, 2020. It provides guidance for identifying fiduciary activities, primarily based on whether the government is controlling the assets, and the beneficiaries with whom the fiduciary relationship exists, and on how different fiduciary activities should be reported.

GASB has issued Statement No. 87, Leases, effective for year ended June 30, 2021. This Statement establishes a single model for lease accounting based on the idea that leases are financings of the right-to-use an underlying asset. As such, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources.

These are the statements that the District feels may have an impact on these financial statements and are not an all-inclusive list of GASB statements issued. The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

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

Due to the differences in the measurement focus and basis of accounting used in the funds statements and the District-wide 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 Statement of Activities, 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 additional long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities, including pensions.

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of five broad categories.



**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**Long-Term Revenue and Expense Differences**

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences, and workers' compensation claims.

**Pension Differences**

Pension differences occur as a result of recognizing pension costs under the modified accrual basis of accounting (whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan) versus the accrual basis of accounting (whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan).

**Other Postemployment Benefit (OPEB) Differences**

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

**Capital Related Differences**

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

**Long-Term Debt Transaction Differences**

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal payments are recorded as expenditures in the fund 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.

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

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

Appropriations established by the adoption of the budget are recorded at the program line-item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations 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 approved by the

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2019

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:

Various general and instructional expenditures funded by donations	\$ 131,740
Voter approved Proposition 2 on May 21, 2019, transfer to capital projects fund for various improvements from the capital reserve	<u>1,800,000</u>
Total	<u>\$ 1,931,740</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.

Budgets are established and used for individual capital project funds 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.

**B. Encumbrances**

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

**4. DEPOSITS WITH FINANCIAL INSTITUTIONS**

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

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

None of the Districts' bank balances that were not covered by Federal deposit insurance were exposed to custodial credit risk as described above.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2019

**5. PARTICIPATION IN BOCES**

During the year ended June 30, 2019, the District was billed \$10,344,737 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,969,482. Financial statements for BOCES are available from the BOCES administrative offices at 507 Deer Park Road, P.O. Box 8007, Huntington Station, New York 11746-9007.

**6. DUE FROM STATE AND FEDERAL AID**

Due from state and federal aid at June 30, 2019, consisted of:

General Fund	
Excess cost aid	\$ 811,943
BOCES aid	<u>1,969,482</u>
Total General Fund	<u>2,781,425</u>
Special Aid Fund	
Federal grants	308,572
State grants	<u>646,818</u>
Total Special Aid Fund	<u>955,390</u>
School Food Service Fund	
State meal reimbursements	<u>1,435</u>
Capital Projects Fund	
EXCEL Aid	55,057
SMART Schools Bond Act	<u>55,456</u>
Total Capital Projects Fund	<u>110,513</u>
Total Due from State and Federal	<u>\$ 3,848,763</u>

**7. DUE FROM OTHER GOVERNMENTS**

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

General Fund:

Tuition from other districts	\$ 388,982
BOCES	3,500
Other	<u>24,705</u>
	<u>\$ 417,187</u>

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2019

**8. CAPITAL ASSETS**

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

	Balance July 1, 2018	Additions	Retirements/ Reclassifications	Balance June 30, 2019
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 1,336,364			\$ 1,336,364
Construction in progress	5,820,815	\$ 19,722,473		25,543,288
Total nondepreciable assets	<u>7,157,179</u>	<u>19,722,473</u>	<u>-</u>	<u>26,879,652</u>
Capital assets that are depreciated:				
Buildings and Improvements	106,093,370	1,203	\$ 325	106,094,898
Site Improvements	4,095,201		(153,650)	3,941,551
Furniture, equipment and vehicles	7,551,984	650,460	(1,377,216)	6,825,228
Total depreciable assets	<u>117,740,555</u>	<u>651,663</u>	<u>(1,530,541)</u>	<u>116,861,677</u>
Less accumulated depreciation:				
Buildings and improvements	47,309,092	2,700,326	7,130	50,016,548
Site Improvements	2,181,503	178,208	(154,727)	2,204,984
Furniture, equipment and vehicles	5,286,194	389,603	(1,779,269)	3,896,528
Total accumulated depreciation	<u>54,776,789</u>	<u>3,268,137</u>	<u>(1,926,866)</u>	<u>56,118,060</u>
Total capital assets being depreciated, net	<u>62,963,766</u>	<u>(2,616,474)</u>	<u>396,325</u>	<u>60,743,617</u>
Total capital assets, net	<u>\$ 70,120,945</u>	<u>\$ 17,105,999</u>	<u>\$ 396,325</u>	<u>\$ 87,623,269</u>

As a result of a full capital asset appraisal during the year ended June 30, 2019, the District reclassified certain assets, resulting in a gain on reclassification. Depreciation expense and the gain on reclassification were charged to the governmental functions as follows:

General support	\$ 103,650
Instruction	2,612,362
Pupil Transportation	112,995
Community service	10,693
School Food Service	32,112
Total governmental activities depreciation expense and gain on reclassification	<u>\$ 2,871,812</u>

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The District's policy is to record an impairment loss in the period when the District determines that the carrying amount of the asset will not be recoverable. At June 30, 2019, the District has not recorded any such impairment losses.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2019

**9. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2019, are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 1,672,084	\$ 1,796,296		\$ 3,358,057
Special Aid Fund		1,504,505	\$ 511,172	
School Food Service Fund		5	121,885	
Capital Projects Fund	1,796,296		2,725,000	
	<u>3,468,380</u>	<u>3,300,806</u>	<u>\$ 3,358,057</u>	<u>\$ 3,358,057</u>
Agency Fund	23,400	167,574		
Private Purpose Trust		23,400		
	<u>\$ 3,491,780</u>	<u>\$ 3,491,780</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. All interfund payables are expected to be repaid within one year.

The District typically transfers from the general fund to the special aid fund, school food service fund and the capital projects fund in accordance with the general fund budget. The transfer to the special aid fund was for the District's share of the cost for the summer handicapped program and 4201 program. The transfer to the school food service fund was to fund current and prior year losses, and to eliminate negative student account balances. The transfer to the capital projects fund was for District-wide improvements.

**10. SHORT-TERM DEBT**

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

	Maturity	Effective Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	6/27/2019	1.9422%	\$ -	\$32,500,000	\$32,500,000	\$ -
BAN	11/21/2019	2.1904%	-	23,000,000	-	23,000,000
Total			<u>\$ -</u>	<u>\$55,500,000</u>	<u>\$32,500,000</u>	<u>\$23,000,000</u>

Interest paid on short-term debt for the year was \$790,833. The premiums received for the year was \$567,500, resulting in a net interest cost of \$223,333.

The tax anticipation note was issued for interim financing of the general fund operations. The bond anticipation notes were issued to provide cash flow for the capital projects fund until permanent financing is obtained.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2019

Interest on short-term debt for the year ended June 30, 2019 was composed of:

Interest paid	\$ 790,833
Plus interest accrued in the current year	<u>452,123</u>
Total interest expense on short-term debt	<u>\$ 1,242,956</u>

**11. LONG-TERM DEBT**

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

	Beginning balance	Additions	Reductions	Ending balance	Non-current liabilities due within one year
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$ 10,530,000		\$ 1,995,000	\$ 8,535,000	\$ 2,050,000
Other liabilities:					
Energy performance contract	12,074,663		565,722	11,508,941	583,970
Compensated absences	6,246,857		197,898	6,048,959	302,448
Workers' compensation	2,904,585	\$ 612,279	724,183	2,792,681	603,449
Total OPEB liability	212,647,895	37,599,621	5,270,097	244,977,419	
Net Pension Liability - proportionate share	<u>1,576,557</u>	<u>4,264,474</u>	<u>2,473,428</u>	<u>3,367,603</u>	
Total long-term liabilities	<u>\$ 245,980,557</u>	<u>\$ 42,476,374</u>	<u>\$ 11,226,328</u>	<u>\$ 277,230,603</u>	<u>\$ 3,539,867</u>

The general fund has typically been used to liquidate bonds payable, energy performance contract, compensated absences, workers' compensation, other postemployment benefits, and pension liabilities when they become due.

Existing serial bond obligations:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 6/30/19
Serial bond - refunding	February 2013	April 2022	2.00-4.00%	\$ 4,950,000
Serial bond - refunding	February 2013	August 2025	2.00-4.00%	<u>3,585,000</u>
				<u>\$ 8,535,000</u>

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2019

The following is a summary of debt service requirements:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$2,050,000	\$332,300	\$2,382,300
2021	2,125,000	249,900	2,374,900
2022	2,195,000	164,600	2,359,600
2023	510,000	76,400	586,400
2024	530,000	55,600	585,600
2025-2026	1,125,000	45,500	1,170,500
	<u>\$8,535,000</u>	<u>\$924,300</u>	<u>\$9,459,300</u>

The District entered into an agreement for an energy performance contract on October 21, 2016 for \$12,465,659. The proceeds will be used for various capital improvements and are being financed over 18 years at an interest rate of 3.20%, maturing September 2034. The assets and related obligations are accounted for in the government-wide financial statements and are included in the summary for capital assets. See Note 8.

The following is a summary of debt service requirements for the energy performance contract:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$583,970	\$363,651	\$947,621
2021	602,806	344,815	947,621
2022	622,250	325,371	947,621
2023	642,322	305,299	947,621
2024	663,040	284,581	947,621
2025-2029	3,650,143	1,087,963	4,738,106
2030-2034	4,278,061	460,045	4,738,106
2035	466,349	7,462	473,811
	<u>\$11,508,941</u>	<u>\$3,179,187</u>	<u>\$14,688,128</u>

Interest on long-term debt for the year ended June 30, 2019 was composed of:

Interest paid	\$ 776,550
Less: interest accrued in the prior year	(239,110)
Plus: interest accrued in the current year	216,667
Total interest expense on long-term debt	<u>\$ 754,107</u>

## 12. PENSION PLANS

### A. Pension Obligations

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems).

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2019

**B. Plan Descriptions and Benefits Provided**

**Teachers' Retirement System (TRS)**

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. 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 TRS. 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. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at [www.nysstrs.org](http://www.nysstrs.org).

**Employees' Retirement System (ERS)**

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System 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. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). 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. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

**C. 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 contribute 3.0 (ERS) to 3.5 (TRS) percent of their salary for their entire length of service. In addition, employee contribution rates that joined after April 1, 2012 are required to contribute between 3% and 6% depending on their salary through active membership.

For ERS, the Comptroller annually certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by



**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2019

employers to the pension accumulation fund, for the ERS' fiscal year ended March 31, 2019. The District's average contribution rate for ERS' fiscal year ended March 31, 2019 was 15.06% of covered payroll.

Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS. The District's contribution rate for the TRS' fiscal year ended June 30, 2019 was 10.62% of covered payroll.

The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years based on covered payroll for the District's year end were:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2018-2019	\$ 2,482,184	\$ 7,360,878
2017-2018	2,480,484	6,769,019
2016-2017	2,462,134	7,856,255

**D. Pension Liabilities, Assets, Pension Expense, Deferred Outflows and 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) were measured as of March 31, 2019 for ERS and June 30, 2018 for TRS. 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 ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2019	June 30, 2018
Net pension asset/(liability)	\$ (3,367,603)	\$ 7,677,537
District's portion of the Plan's total net pension asset/(liability)	0.0475294%	0.424581%
Change in proportion since prior measurement date	(0.0013191%)	0.001739%

For the year ended June 30, 2019, the District's recognized pension expense of \$2,695,392 for ERS and \$6,026,143 for TRS. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2019

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 663,152	\$ 5,737,362	\$ 226,061	\$ 1,039,260
Changes of assumptions	846,478	26,838,030		
Net difference between projected and actual earnings on pension plan investments			864,313	8,522,652
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,112,826	1,120,524	107,672	620,642
District's contributions subsequent to the measurement date	<u>759,577</u>	<u>7,352,690</u>		
Total	<u>\$ 3,382,033</u>	<u>\$ 41,048,606</u>	<u>\$ 1,198,046</u>	<u>\$ 10,182,554</u>

The District's contributions subsequent to the measurement date will be recognized as a reduction/increase of the net pension liability/asset in the year ending 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>ERS</u>	<u>TRS</u>
Plan year ended:		
2019	\$ -	\$ 7,763,087
2020	1,080,606	5,292,399
2021	(362,106)	618,640
2022	144,065	5,274,311
2023	561,845	3,706,081
Thereafter	-	858,844
	<u>\$ 1,424,410</u>	<u>\$ 23,513,362</u>

**E. Actuarial Assumptions**

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

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2019

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2019	June 30, 2018
Actuarial valuation date	April 1, 2018	June 30, 2017
Interest rate	7.0%	7.25%
Salary scale	4.20%	4.72% - 1.90%
Cost of living adjustments	1.3% annually	1.5%, annually
Decrement tables	April 1, 2010 - March 31, 2015	July 1, 2009 - June 30, 2014
	System's Experience	System's Experience
Inflation rate	2.50%	2.25%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, applied on a generational basis.

For ERS, 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. For TRS, 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.

The long-term rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selections of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of investment expense and inflation) for each major asset class, as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of the valuation date are summarized below:

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2019

<u>Valuation Date</u>	<u>ERS</u>		<u>TRS</u>	
	<u>April 1, 2018</u>		<u>June 30, 2017</u>	
<u>Asset type</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	36%	4.55%	33%	5.8%
International equity	14%	6.35%	16%	7.3%
Global equity			4%	6.7%
Private equity	10%	7.50%	8%	8.9%
Real estate	10%	5.55%	11%	4.9%
Absolute return strategies	2%	3.75%		
Opportunistic portfolio	3%	5.68%		
Real assets	3%	5.29%		
Bonds and mortgages	17%	1.31%		
Cash	1%	-0.25%		
Inflation-indexed bonds	4%	1.25%		
Domestic fixed income securities			16%	1.3%
Global fixed income securities			2%	0.9%
High-yield fixed income securities			1%	3.5%
Private debt			1%	6.8%
Real estate debt			7%	2.8%
Short-term			1%	0.3%
	<u>100%</u>		<u>100%</u>	

The expected real rate of return is net of the long-term inflation assumptions of 2.5% for ERS, and 2.3% for TRS.

**F. Discount Rate**

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.25% for TRS. 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 liability.

**G. 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 liability calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, 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 ERS and 6.25% for TRS) or 1-percentage point higher (8.0% for ERS and 8.25% for TRS) than the current rate:

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2019

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share Of the net pension asset/(liability)	\$ (14,723,699)	\$ (3,367,603)	\$ 6,172,323
TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's proportionate share Of the net pension asset/(liability)	\$ (52,745,936)	\$ 7,677,537	\$ 58,295,617

**H. Pension Plan Fiduciary Net Position**

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

	(Dollars in Thousands)	
	<u>ERS</u>	<u>TRS</u>
Valuation date	April 1, 2018	June 30, 2017
Employers' total pension liability	\$ (189,803,429)	\$ (118,107,254)
Plan Net Position	182,718,124	119,915,518
Employers' net pension asset/(liability)	<u>\$ (7,085,305)</u>	<u>\$ 1,808,264</u>
Ratio of plan net position to the Employers' total pension asset/(liability)	96.27%	101.53%

**I. PAYABLES TO THE PENSION PLAN**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. 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 ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$759,577.

For TRS, employer and employee contributions for the 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 year ended June 30, 2019 based on paid TRS covered wages multiplied by the employer's contribution rate, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$7,352,690 of employer contributions and \$244,111 of employee contributions.

**13. OTHER PENSION PLANS**

**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 termination payments based on collectively

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2019

bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2019, totaled \$197,854 and \$4,711,823 respectively.

**14. OTHER POSTEMPLOYMENT BENEFITS THAN PENSIONS (OPEB)**

**A. Plan Description**

The District, established and administers a single-employer defined benefit OPEB plan for its employees and their spouses. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**B. Benefits Provided**

Medical coverage, including prescription drugs as part of the medical plan, is offered to retirees on a fully insured basis through a consortium known as the New York State Health Insurance Program (NYSHIP). The administration, confidential supervisors, superintendents and assistant superintendents contribute 15% toward the cost of benefits when retired. All other employees will contribute 50% toward individual coverage and 65% toward the excess premium (the difference between individual and family) coverage when retired. Some current retirees have an additional level of contribution at 25%. All employees are eligible once they have attained the age of 55 and have at least 5 years of service with the District. The District will also reimburse the full premium costs for Medicare Part B payments. This contract will be renegotiated at various times in the future. Upon death of a retiree, the District will only continue the Medicare Part B reimbursement for the surviving spouse.

**C. Employees Covered by Benefit Terms**

The number of participants as of July 1, 2017, the effective date of the OPEB valuation, is as follows:

	<u>Participants</u>
Active employees	1,013
Inactive employees or beneficiaries currently receiving benefit payments	702
Inactive employees entitled to but not yet receiving benefit payments	<u>3</u>
Total	<u>1,718</u>

There have been no significant changes in the number of participants or the type of coverage since the last published valuation.

**D. Total OPEB Liability**

The District's total OPEB liability of \$244,977,419 was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2017, with update procedures used to rollforward the OPEB liability to the measurement date.

**E. Funding Policy**

The District currently pays for other postemployment benefits on a pay-as-you-go basis.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2019

**F. Actuarial Assumptions and Other Inputs**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

The total OPEB liability in the July 1, 2017 valuation was determined using the following actuarial assumptions and other inputs:

Salary increases	2.50%
Discount rate	3.10%
Healthcare cost trend rates	
Pre-65	6.25% for January 1, 2020, decreasing per year to an ultimate rate of 5.00% in 2025
Post-65	7.75% for January 1, 2020, decreasing per year to an ultimate rate of 5.00% in 2025

The discount rate was based on the 20 Year AA Municipal GO Bond Rate Index per Fidelity Investments as of June 30, 2019 for the rate as of June 30, 2019.

Mortality rates were based on the RP 2014 projected to date of decrement using Scale MP-2014.

The decrement tables used for this valuation are based on the New York State Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS).

The actuarial assumptions used in the July 1, 2017 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable.

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

The following table shows the components of the District's other postemployment benefits liability:

	Total OPEB Liability
Balance at June 30, 2018	<u>\$ 212,647,895</u>
Changes for the year:	
Service cost	9,341,954
Interest	7,560,462
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	20,697,205
Benefit payments	<u>(5,270,097)</u>
Net changes	32,329,524
Balance at June 30, 2019	<u><u>\$ 244,977,419</u></u>

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2019

There were no significant plan changes since the last valuation. Changes of assumptions or other inputs includes a decrease in the discount rate from 3.60% at the June 30, 2018 measurement date, and 3.10% at the June 30, 2019 measurement date.

**H. Sensitivity of the Total OPEB liability to changes in the discount rate**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.1%) or 1-percentage-point higher (4.1%) than the current discount rate:

	1% Decrease (2.10%)	Discount Rate (3.10%)	1% Increase (4.10%)
Total OPEB liability	<u>\$ 295,445,706</u>	<u>\$ 244,977,419</u>	<u>\$ 206,039,936</u>

**I. Sensitivity of the Total OPEB liability to changes in the healthcare cost trend 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 healthcare cost trend rates that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	<u>\$ 197,939,264</u>	<u>\$ 244,977,419</u>	<u>\$ 308,111,968</u>

**J. OPEB Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to OPEB**

For the year ended June 30, 2019, the District recognized OPEB expense of \$20,351,950. At June 30, 2019, as required with the implementation of GASB Statement No. 75, the district reported deferred outflows of resources related to OPEB as shown below:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or other inputs	<u>17,247,671</u>	
	<u>\$ 17,247,671</u>	<u>\$ -</u>



**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2019

The amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ 3,449,534
2021	3,449,534
2022	3,449,534
2023	3,449,534
2024	3,449,535
	<u>\$ 17,247,671</u>

**15. COMPENSATED ABSENCES**

District employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave, subject to certain limitations.

Estimated vacation, sick leave and compensatory absences accumulated by governmental fund type employees have been recorded in the Statement of Net Position. Payment of vacation time and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. As of June 30, 2019, the value of the accumulated vacation time and sick leave was \$6,181,688, of which \$132,729 is recorded as compensated absences in the general fund.

**16. RISK MANAGEMENT**

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

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. Liabilities include an amount for claims that have been incurred, but not reported (IBNR).

Claim liabilities are discounted at an estimated interest rate of 3%, and are calculated considering the effect of inflation, recent claim settlement trends including frequency and amounts of payouts, and other economic and social factors. The District has not purchased any annuity contracts with regard to its workers' compensation claims. The District has a reserve for workers' compensation in the general fund of \$2,637,332 to pay related claims. Changes in the balances of claim liabilities for workers' compensation during the past two years are as follows:

	2019	2018
Unpaid claims, beginning of year	\$2,904,585	\$3,459,477
Incurred claims and claim adjustment expenses	\$612,279	764,123
Claim payments	(712,955)	(1,319,015)
Discount	(11,228)	
Unpaid claims, end of year	<u>\$2,792,681</u>	<u>\$2,904,585</u>

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**17. FUND BALANCES – ASSIGNED: APPROPRIATED FOR SUBSEQUENT YEAR'S BUDGET**

The amount of \$2,375,000 has been assigned as the amount to be appropriated to reduce taxes for the year ending June 30, 2020.

**18. FUND BALANCES – RESTRICTED: APPROPRIATED RESERVES**

The District has appropriated the following amounts from reserves, which are reported in the June 30, 2019 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2020:

Employee benefit accrued liability	\$ 50,000
Workers' compensation	140,000
Unemployment	5,000
Retirement contributions - ERS	<u>141,721</u>
	<u>\$ 336,721</u>

**19. COMMITMENTS AND CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**C. Operating Leases**

The District leases various equipment under operating leases. Total rental expenditures on such leases for the year ended June 30, 2019, were \$280,686. The minimum remaining operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 271,685
2021	271,685
2022	271,685
2023	<u>166,341</u>
	<u>\$ 981,396</u>

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2019

**D. Encumbrances**

At June 30, 2019, the District encumbered the following amounts:

Restricted and Assigned:	
Capital Projects Fund	
Capital Projects	\$ 9,930,380
Assigned:	
General Fund	
General Support	466,605
Instruction	187,743
Pupil Transportation	6,829
Community Services	350
	<u>661,527</u>
Special Aid Fund	
Grant Programs	<u>34,651</u>
School Food Service Fund	
School Food Service	<u>15,744</u>
Total Encumbrances	<u>\$ 10,642,302</u>

**E. Ocean Avenue Elementary School Roof**

On June 19, 2019, the District identified damage to the roof at the Ocean Avenue Elementary School building. The District has filed an insurance claim relating to this damage. The amount of any insurance recovery relating to this claim is not estimable at this time. The District estimates the cost to repair the damage to be approximately \$3,000,000 to \$4,000,000.

**20. SUBSEQUENT EVENTS**

- A. On September 20, 2019, the District issued tax anticipation notes in the amount of \$33,500,000, which are due June 25, 2020 and bear an effective net interest rate of 1.3494%.

## **SUPPLEMENTARY INFORMATION**

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2019**

	Original Budget	Final Budget	Actual		Variance With Final Budget
<b>REVENUES</b>					
<b>Local Sources</b>					
Real property taxes	\$ 137,927,791	\$ 137,927,791	\$ 138,010,218	\$	82,425
School tax relief reimbursement	8,050,000	8,050,000	7,989,133		(60,867)
Other tax items	-0-	-0-	4,741		4,741
Charges for services	872,500	872,500	835,700		(36,800)
Use of money and property	268,500	268,500	549,884		281,384
Sale of property and compensation for loss	185,000	185,000	373,179		188,179
Miscellaneous	603,500	735,240	917,494		281,954
<b>Total Local Sources</b>	<b>147,885,291</b>	<b>148,017,031</b>	<b>148,760,327</b>		<b>743,296</b>
State aid	16,040,121	16,040,121	15,479,824		(560,297)
Federal aid - Medicaid reimbursement	50,000	50,000	71,188		21,188
<b>Total Revenues</b>	<b>163,975,412</b>	<b>164,107,152</b>	<b>164,311,439</b>		<b>204,287</b>
<b>OTHER FINANCING SOURCES</b>					
Premium on short term obligations	200,000	200,000	567,500		367,500
<b>Total Financing Sources</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>	<b>567,500</b>		<b>367,500</b>
Assigned fund balance	2,927,824	2,927,824			
Appropriated reserves	234,959	2,034,959			
<b>Total Revenues, other financing sources and Assigned and Appropriated Fund Balance</b>	<b>\$ 167,338,205</b>	<b>\$ 169,269,945</b>	<b>164,878,939</b>	<b>\$</b>	<b>571,787</b>
<b>EXPENDITURES</b>					
<b>General Support</b>					
Board of education	\$ 312,135	\$ 376,007	321,458		\$ 54,551
Central administration	255,867	284,807	258,093		26,714
Finance	1,330,817	1,335,153	1,230,337	\$ 45,032	59,784
Staff	1,181,835	1,718,205	1,668,463		51,742
Central services	14,760,458	14,817,339	13,892,325	421,573	503,432
Special items	1,171,778	1,168,358	1,104,153		64,205
<b>Total General Support</b>	<b>19,022,890</b>	<b>19,579,860</b>	<b>18,472,827</b>	<b>466,605</b>	<b>740,428</b>
<b>Instruction</b>					
Instruction, administration and improvement	7,071,220	7,305,772	7,172,193	24,720	108,859
Teaching - regular school	50,357,497	50,199,482	49,719,195	87,119	394,158
Programs for children with handicapping conditions	21,991,413	21,892,949	21,369,858	3,943	519,348
Occupational education	489,555	489,555	482,000		7,555
Teaching - special school	538,868	538,065	437,720		98,346
Instructional media	4,517,725	4,606,021	4,477,077	55,060	73,884
Pupil services	8,539,395	8,514,084	8,291,389	16,901	205,794
<b>Total Instruction</b>	<b>93,505,673</b>	<b>93,543,828</b>	<b>91,948,232</b>	<b>187,743</b>	<b>1,407,853</b>
<b>Pupil Transportation</b>					
Community Services	8,857,990	8,408,501	7,792,555	6,829	617,117
Employee Benefits	444,834	447,327	398,295	350	50,882
Debt Service - Principal	40,030,945	39,476,056	38,938,998		539,060
Debt Service - Interest	2,569,723	2,569,723	2,560,722		9,001
	1,338,550	1,576,550	1,567,383		9,167
<b>Total Expenditures</b>	<b>165,568,205</b>	<b>165,699,945</b>	<b>161,665,010</b>	<b>661,527</b>	<b>3,373,408</b>
<b>OTHER FINANCING USES</b>					
Transfers to other funds	1,770,000	3,570,000	3,358,057		211,943
<b>Total Expenditures and Other Uses</b>	<b>\$ 167,338,205</b>	<b>\$ 169,269,945</b>	<b>165,023,067</b>	<b>\$ 661,527</b>	<b>\$ 3,585,351</b>
Net change in fund balance			(144,128)		
Fund balance - beginning			23,722,316		
Fund balance - ending			\$ 23,578,188		

**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.

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY AND RELATED RATIOS  
June 30,

Period	Total OPEB Liability - Beginning of the Period	Service cost	Interest on Total OPEB Liability	Differences between expected and actual experience	Changes in benefit terms	Changes of assumptions or other inputs	Benefit payments	Total OPEB Liability - End of the Period	Covered- employee payroll	Total OPEB Liability as a Percentage of Covered- employee Payroll
July 1, 2018 - June 30, 2019	\$ 212,647,895	\$ 9,341,954	\$ 7,560,462	\$ -0-	\$ -0-	\$ 20,697,205	\$ (5,270,097)	\$ 244,977,419	\$ 78,757,744	316.7%
July 1, 2017 - June 30, 2018	\$ 201,637,938	\$ 8,897,099	\$ 7,258,966	\$ -0-	\$ -0-	\$ -0-	\$ (5,146,108)	\$ 212,647,895	\$ 76,325,674	278.6%

**Notes to Schedule:**

No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4, to pay other postemployment benefits (OPEB).

The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

**Changes of Assumptions**

The discount rate was 3.10% as of June 30, 2019  
The discount rate was 3.60% as of June 30, 2018.

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
Last Six Fiscal Years

	NYSERS					
	2014	2015	2016	2017	2018	2019
District's proportion of the net pension liability (asset)	0.0523119%	0.0523119%	0.0500618%	0.0499429%	0.0488485%	0.0475284%
District's proportionate share of the net pension liability (asset)	\$ 2,363,901	\$ 1,767,224	\$ 8,035,059	\$ 4,692,746	\$ 1,576,557	\$ 3,367,603
District's covered payroll	15,245,954	15,983,442	16,053,707	16,535,569	16,865,436	17,386,492
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	15.51%	11.06%	50.05%	28.38%	9.35%	19.37%
Plan fiduciary net position as a percentage of the total pension liability coming from plan	97.20%	97.95%	90.70%	94.70%	98.24%	96.27%
	NYSTRS					
	2014	2015	2016	2017	2018	2019
District's proportion of the net pension liability (asset)	0.453304%	0.445478%	0.422221%	0.435189%	0.422842%	0.424581%
District's proportionate share of the net pension liability (asset)	\$ (2,983,889)	\$ (49,623,455)	\$ (43,855,268)	\$ 4,661,055	\$ (3,214,018)	\$ (7,677,537)
District's covered payroll	67,612,978	66,912,386	64,568,886	67,988,347	67,677,371	69,916,152
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	4.41%	74.16%	67.92%	6.86%	4.75%	10.98%
Plan fiduciary net position as a percentage of the total pension liability coming from plan	100.70%	111.48%	110.46%	99.01%	100.66%	101.53%

**Note to Required Supplementary Information**

Teachers' Retirement System

The discounted rate decreased from 7.5% to 7.25% as reflected in 2017 and 2018 above.

Employees' Retirement System

The discounted rate remained at 7.0% as reflected in 2017 and 2018 above.

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICTS' CONTRIBUTIONS**  
 Last Ten Fiscal Years

	NYSERS									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 1,185,887	\$ 1,841,885	\$ 2,364,775	\$ 2,808,684	\$ 3,315,720	\$ 3,014,318	\$ 2,606,198	\$ 2,482,134	\$ 2,480,484	\$ 2,482,184
Contributions in relation to the contractually required contribution	1,185,887	1,841,885	2,364,775	2,808,684	3,315,720	3,014,318	2,606,198	2,482,134	2,480,484	2,482,184
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered payroll	15,700,179	15,362,178	15,506,334	15,663,828	15,801,767	15,569,184	16,589,817	16,729,488	16,981,365	18,614,836
Contributions as a percentage of covered payroll	7.55%	11.98%	15.25%	17.93%	20.98%	19.38%	15.71%	14.72%	14.61%	13.33%

	NYSTRS									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 4,188,514	\$ 5,444,138	\$ 7,254,049	\$ 7,881,665	\$ 10,693,152	\$ 11,409,312	\$ 8,613,769	\$ 7,858,255	\$ 6,769,019	\$ 7,360,878
Contributions in relation to the contractually required contribution	4,188,514	5,444,138	7,254,049	7,881,665	10,693,152	11,409,312	8,613,769	7,858,255	6,769,019	7,360,878
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered payroll	67,734,549	84,145,738	88,214,583	67,512,978	66,512,386	64,588,886	67,988,347	57,677,371	69,918,152	70,002,329
Contributions as a percentage of covered-employee payroll	6.18%	6.48%	10.95%	11.63%	15.98%	17.67%	12.67%	11.81%	9.88%	10.52%



**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT  
OTHER SUPPLEMENTARY INFORMATION  
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**

Adopted Budget		\$ 166,810,381
Add: Prior year's encumbrances		<u>527,824</u>
Original budget		167,338,205
Budget revisions:		
Gifts and donations	\$ 131,740	
Transfer to capital projects fund	<u>1,800,000</u>	<u>1,931,740</u>
Final budget		<u>\$ 169,269,945</u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2019-20 voter-approved expenditure budget		<u>\$ 171,077,668</u>
Maximum allowed (4% of 2019-20 budget)		<u>\$ 6,843,107</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 3,036,527	
Unassigned fund balance	<u>6,843,106</u>	<u>\$ 9,879,633</u>
Less:		
Appropriated fund balance	\$ 2,375,000	
Encumbrances	<u>661,527</u>	<u>3,036,527</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		<u>\$ 6,843,106</u>
Actual Percentage		4.00%

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**OTHER SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND**  
**For the Year Ended June 30, 2019**

PROJECT TITLE	Budget June 30, 2016	Budget June 30, 2019	Expenditures		Unexpended Balance	Proceeds of Obligations		Methods of Financing		Fund Balance June 30, 2019
			Prior Years	Current Year				State Aid	Local Sources	
<b>Projects Funded by Capital Budgeting</b>										
East Northport Middle School Boilers	\$ 700,450	\$ 499,630	\$	\$	\$ 200,820			\$	\$ 700,452	\$ 200,822
WJLB Front Bldg	200,000	164,419			35,581				200,000	200,000
Elementary Buildings Fire Alarm Upgrade	650,000	564,966			85,034				650,000	65,034
NHS Paving	316,600	262,997			33,603				316,600	33,603
ENHS Auditorium Lighting	136,400	119,548		13,532	132,078				136,400	6,322
ENHS Boiler Replacement	720,000	79,520			713,401				720,000	8,599
NHS Lockers & Gym Ceiling	1,185,000	33,981			319,878				1,104,500	784,522
Fifth Avenue Gas Conversion	61,000	285,900			72,185				140,500	68,098
Ocean Ave Boiler	850,000	140,500			74,404				850,000	539,591
William J. Brennan Fence, Tennis Courts & Auditorium Seating	470,000	310,599			59,601				470,000	466,968
East Northport Middle School Gymnasium Windows	275,000	3,112			274,229				275,000	274,229
NHS Generator & Circuit Breaker	812,500	771			810,226				812,500	810,226
DW HVAC Upgrades	450,000	2,274			450,000				450,000	450,000
DW Fencing, gates, bollards, doors & windows	450,000				450,000				450,000	450,000
2016-2020 Proposition No. 2	1,800,000				1,800,000				1,800,000	1,800,000
<b>Projects Funded by General Fund - Appropriations</b>										
ENHS Field Irrigation	161,023	157,126			3,899				161,023	3,897
NHS Exterior Bleachers	1,058,211	1,054,169			12				1,058,211	12
NHS Press Box	48,775	48,424			349				48,775	349
NHS Lockers	1,386,915	1,371,075			15,841				1,386,916	15,841
NHS Locker Room Bathrooms and Softball Field	541,000	28,217			512,783				541,000	512,783
Puaski Rd Boilers & Gas Conversion	600,000	10,560			589,439				600,000	589,439
Puaski Rd Irrigation	91,000	22,815			68,185				91,000	68,185
Elementary Buildings Fire Alarm Upgrade	200,000	187,659			12,341				200,000	12,341
NHS Library Htg & Vent	438,100	1,227			436,873				438,100	436,873
DAS Ceiling Replacement	485,000	1,358			483,642				485,000	483,642
Road - NHS, BAS, DAS	925,000	603,960			321,040				925,000	321,040
<b>EXCEL Projects</b>										
Security Upgrades	183,869	173,640			10,229		\$ 172,162	\$ 11,687	183,869	10,228
<b>Energy Performance Contract</b>										
District-wide	12,965,658	12,921,538			44,121	\$ 12,465,659			500,000	12,965,659
<b>Boiler Upgrades</b>										
NHS Field Recon, HVAC & Lab Recon	12,965,658	9,870,520			2,784,960				13,607,191	2,784,960
NHS Drain, Fr, Toilet Recon, Stage, Vest, Site Development	3,374,680	44,989			245,991				3,212,700	245,991
DAS Vestibule, Toilets, Htg Lines	1,274,375	98,526			1,130,851				1,274,375	1,130,851
DAS Electric, Casework, Toilets	2,065,000	30,737			48,237				1,896,745	1,896,745
NHS Greenhouse	173,000	142,175			148,950				173,000	28,600
ENHS Vestibule	64,000	109,778			7,205				122,960	7,205
ENHS Drain, Aud Stages, Toilets, Field/Track Recon, Science Rms	4,214,763	51,139			4,101,907				4,214,763	4,101,907
NHS Concession	425,000	81,719			109,793				720,202	392,743
Fifth Ave Vestibule, Sinks, Toilets	1,107,296	63,664			810,409				1,066,166	378,230
Norwood Ave Vestibule	103,500	644,083			869,559				1,177,200	1,177,200
Norwood Ave Casework, Drain, Fr	1,177,200	21,157			70,640				1,177,200	31,060
WJB Vestibule	94,300	14,377			24,353				1,152,847	67,567
WJB Windows, Masonry, HVAC	157,826	3,328			5,970				73,537	73,537
Green Ave Vest, ADA Sink, Casework, Kitchen HVAC	1,138,376	22,469			31,787				1,154,378	103,860
NHS Window, Gym Ceiling, Fields Recon	2,587,856	49,485			320,457				2,375,535	2,375,535
NHS Vestibule, Toilets & Lab Recon	5,474,650	1,627,694			2,378,535				5,802,646	5,802,646
Belknap Ave Vestibule	165,000	496,364			4,643,140				381,360	381,360
BAS Toilet Recon, Cop/Light, Gym HVAC, Windows	1,861,803	6,007			33,187				1,861,803	33,187
Puaski Rd Vestibule & Toilet Recon	480,540	16,816			53,113				1,828,490	1,828,490
PHS Casework, Drain, Fr, Stework	896,211	17,819			90,863				440,540	440,540
NHS Drain, paving, Audit floor		7,595			39,925				696,511	696,511
Smart Schools Bond Act					181				2,364,250	2,364,250
District-wide	671,557	454,178			863,812				871,557	7,745
	\$ 68,393,282	\$ 89,118,262	\$ 21,580,081	\$ 19,728,473	\$ 41,222,554	\$ 59,349,800	\$ 1,043,738	\$ 15,724,963	\$ 69,118,262	\$ 27,895,708
										Unissued Bonds
										(39,864,201)
										(93,201)
										Smart Schools Bond Act revenue not realized
										(55,057)
										EXCEL project revenue not realized
										(12,108,751)
										Capital Projects Fund - Fund Balance
										\$ 12,108,751

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**OTHER SUPPLEMENTARY INFORMATION**  
**NET INVESTMENT IN CAPITAL ASSETS**  
For the Year Ended June 30, 2019

Capital assets, net		\$ 87,623,269
Deduct:		
Bond anticipation notes	\$ (23,000,000)	
Add: Unspent bond anticipation note proceeds	<u>2,517,284</u>	(20,482,716)
Short-term portion of bonds payable	\$ (2,050,000)	
Long-term portion of bonds payable	<u>(6,485,000)</u>	<u>(8,535,000)</u>
Short-term portion of energy performance contract	(583,970)	
Long-term portion of energy performance contract	<u>(10,924,971)</u>	<u>(11,508,941)</u>
Net Investment in capital assets		<u><u>\$ 47,096,612</u></u>



**R.S. ABRAMS & CO., LLP**

*Accountants & Consultants for Over 75 years*

Robert S. Abrams  
(1926-2014)

Marianne E. Van Duyne, CPA  
Alexandria M. Battaglia, CPA

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**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  
Northport-East Northport Union Free School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Northport-East Northport Union Free School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Northport-East Northport Union Free School District's basic financial statements, and have issued our report thereon dated October 10, 2019.

**Internal Control over Financial Reporting**

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

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

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## Compliance and Other Matters

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

## 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

R. S. Abrams & Co., LLP

R.S. Abrams & Co., LLP  
Islandia, NY  
October 10, 2019

## **APPENDIX D**

### **FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL**

## **FORM OF OPINION OF BOND COUNSEL**

Hawkins Delafield & Wood LLP  
7 World Trade Center  
250 Greenwich Street  
New York, New York 10007

September 29, 2020

The Board of Education of  
Northport-East Northport Union Free School District,  
in the County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to Northport-East Northport Union Free School District (the “School District”), in the County of Suffolk, a school district of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$34,500,000 Tax Anticipation Notes for 2020-2021 Taxes (the “Note”), dated and delivered the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Note is a valid and legally binding general obligation of the School District for which the School District has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the School District is subject to the levy of ad valorem real estate taxes to pay the Note and interest thereon subject to certain statutory limitations. The enforceability of rights or remedies with respect to such Note may be limited by bankruptcy, insolvency, or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Note is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Note is not treated as a preference item in calculating the alternative minimum tax under the Code.

The Code establishes certain requirements that must be met subsequent to the issuance of the Note in order that the interest on the Note be and remain excludable from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of

the Note, restrictions on the investment of proceeds of the Note prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Note to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Note, the School District will execute a Tax Certificate relating to the Note containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the School District represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Note will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the School District's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Note, and (ii) compliance by the School District with the procedures and representations set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Note is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Note, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Note.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Note or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the School District, which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in the Note.

Very truly yours,



## **APPENDIX E**

### **FORM OF NOTICE OF EVENTS UNDERTAKING**

## UNDERTAKING TO PROVIDE NOTICES OF EVENTS

### Section 1. Definitions

“EMMA” shall mean Electronic Municipal Market Access System implemented by the MSRB.

“Financial Obligation” shall mean “financial obligation” as such term is defined in the Rule.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

“Issuer” shall mean the Northport-East Northport Union Free School District, in the County of Suffolk, a school district of the State of New York.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the President of the Board of Education as of September 29, 2020.

“Rule 15c2-12” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof.

“Securities” shall mean the Issuer’s \$34,500,000 Tax Anticipation Notes for 2020-2021 Taxes, dated September 29, 2020, maturing on June 25, 2021, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;

- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
- (7) modifications to rights of Securities holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Securities, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 4. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);

- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **September 29, 2020**.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**

By \_\_\_\_\_  
President of the Board of Education