

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 25, 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.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK**

**\$32,000,000* TAX ANTICIPATION NOTES FOR 2020-2021 TAXES
(the "Notes")**

Date of Issue: October 8, 2020

Maturity Date: June 25, 2021

The Notes are general obligations of the South Huntington 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 "*Book-Entry-Only System*" herein).

Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on September 30, 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 October 8, 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.

October , 2020

*Preliminary, subject to change.



**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK**

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Dr. Vito D'Elia, Assistant Superintendent for Business and District Operations
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Christine Rapp, District Treasurer

* * *

BOND COUNSEL

Hawkins Delafield & Wood LLP
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.

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OFFICIAL STATEMENT

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT SUFFOLK COUNTY, NEW YORK

Relating To

\$32,000,000* 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 South Huntington 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 \$32,000,000* 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.

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: Dr. Vito D'Elia, Assistant Superintendent for Business and District Operations, South Huntington Union Free School District, 60 Weston Street, Huntington Station, NY 11746, Phone (631) 812-3001, Fax (631) 812-3005 and email: vdelia@shufsd.org.

Optional Redemption

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

Description of Book-entry-only 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.

*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 and 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 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 District, located in the Town of Huntington comprises an area of approximately 10 square miles on the eastern side of the boundary line between Nassau and Suffolk Counties on Long Island. Located about 35 miles from New York City, the District is residential in nature but includes some significant commercial development, such as the Walt Whitman Shopping Center and other retail and banking establishments on New York State Route 110, which traverses the District. In addition to employment opportunities in or near the District, many residents commute to New York City or Nassau County.

Public utility services, fire and police protection are provided to residents of the District by Suffolk County Water Authority, PSEG Long Island, Huntington Township Refuse, Huntington Manor Fire Department, Suffolk County Police Department and Verizon.

Air transportation is available at the New York metropolitan airports; the Long Island Railroad has two stations located just outside the District. In addition, the District is served by the Long Island Expressway, New York State Routes 25 and 110 and numerous County and other local roads providing adequate surface transportation.

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 the spring 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 and the Assistant Superintendent for Business and District Operations.

Enrollment History

<u>School Year</u>	<u>School Enrollment</u>
2015-2016	6,101
2016-2017	6,087
2017-2018	5,913
2018-2019	5,801
2019-2020	5,882

Estimated Future District Enrollment

<u>School Year</u>	<u>School Enrollment</u>
2020-2021	5,646
2021-2022	5,822

School Facilities and Insurable Values

<u>Name of School</u>	<u>Year Originally Built</u>	<u>Type</u>	<u>Insured Value</u>
Walt Whitman High	1956, 1963	Secondary	\$97,410,170
Memorial	1958	Leased	52,063,265
Stimson Jr. High	1964	Secondary	46,279,318
Birchwood	1955	Elementary	22,742,390
Countrywood	1964, 1966	Elementary	24,947,362
Maplewood	1956, 1961	Elementary	22,708,541
Oakwood	1955, 1966	Elementary	24,250,452
Silas Wood	1951, 1964	Secondary	23,760,768
West Hill	1958	Admin. Bldg	11,860,363
#2 Melville Road	1975	Leased	6,362,486
Teen Center	1961	Leased/Alt. H.S.	1,502,798
Bus Garage	2008	Transp. Bldg	2,809,001
South Huntington Library	2004	Library	8,642,589

Employees

The District provides services through approximately 1,077 employees, the majority of whom are represented by the following units of organized labor:

<u>Name of Union</u>	<u>Expiration Date of Contract^a</u>	<u>Approx. No. of Members</u>
South Huntington Teachers' Association	06/30/24	540
South Huntington Administrator's Association	06/30/23	30
United Public Service Employees Local 424-Custodians	06/30/20	126
South Huntington Office Staff Association	06/30/20	81
United Public Service Employees Local 424-School Lunch Workers	06/30/23	40
South Huntington Registered Nurses Association	06/30/23	14
South Huntington Paraprofessionals Association	06/30/20	196
South Huntington Chairpersons Association	06/30/23	5
United Public Service Employees Local 424 - Security	06/30/23	21
United Public Service Employees Local 424 - Security - Safety Officers Unit	06/30/23	24

a. Contracts expired as of June 30, 2020 are currently in negotiations.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

The following table sets forth estimated population statistics for the Town of Huntington, Suffolk County and the State of New York.

<u>Year</u>	<u>Town of Huntington</u>	<u>Suffolk County</u>	<u>New York State</u>
1980	201,530	1,284,231	17,558,165
1990	191,474	1,321,864	18,044,505
2000	195,269	1,419,369	18,976,457
2010	203,264	1,493,350	19,378,102
2019	200,495	1,476,601	19,453,561

Source: U.S. Bureau of the Census, District Officials and Long Island Power Authority.

Income Data

	<u>Per Capita Money Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2019^a</u>
Town of Huntington	\$24,810	\$36,390	\$45,590	\$65,192
Suffolk County	18,481	26,577	35,411	48,381
New York State	16,501	23,389	30,791	41,857

	<u>Median Household Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2019^a</u>
Town of Huntington	\$60,530	\$82,528	\$101,495	\$135,689
Suffolk County	49,128	65,288	84,235	106,228
New York State	32,965	43,393	55,217	72,108

Source: United States Bureau of the Census

a. Note: Based on American Community Survey 1-Year Estimate (2019)

Largest Employers

<u>Code</u>	<u>Name of Employer</u>	<u>Nature of Business</u>
A	South Huntington UFSD	Education
B	Walt Whitman Centre, Inc.	Shopping Mall
B	Target, Inc.	Retail

KEY:

<u>Code</u>	<u>Number of Employees</u>
A	more than 1,000
B	500-100

Source: Town of Islip Economic Development Division.

a. Not all of the employers are located in the District.

Unemployment Rate Statistics

Unemployment statistics are not available for the District. 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, the County and New York 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 or the County or New York State, or vice versa.

<u>Annual Averages:</u>	<u>Town of Huntington (%)</u>	<u>Suffolk County (%)</u>	<u>New York State (%)</u>
2015	4.2	4.8	5.3
2016	3.7	4.3	4.9
2017	4.0	4.4	4.6
2018	3.4	3.9	4.1
2019	3.3	3.7	4.0
2020 (8 Month Average)	8.9	9.6	10.7

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 25, 2020)

<u>In Town of:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate (%)</u>	<u>Full Valuation</u>
Huntington (2019-2020) ^a	\$42,735,923	0.76	\$5,623,147,763
Debt Limit - 10% of Full Valuation			562,314,776
Inclusions: ^b			
Outstanding Bonds			<u>\$21,720,000</u>
Total Indebtedness			<u>21,720,000</u>
Exclusions (Estimated Building Aid) ^c			<u>9,027,543</u>
Total Net Indebtedness			<u>12,692,457</u>
Net Debt Contracting Margin			<u><u>\$549,622,320</u></u>
Per Cent of Debt Contracting Margin Exhausted (%)			2.26%

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 no short-term indebtedness outstanding.

Outstanding Long-Term Bond Indebtedness

The following table sets forth the total long-term bond indebtedness outstanding at the end of the last five completed fiscal years.

Trend of Outstanding Debt

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Bonds	\$39,005,000	\$33,970,000	\$30,140,000	\$26,590,000	\$22,965,000
BANs	0	0	0	0	0
Other	0	0	0	0	0
Total	<u>\$39,005,000</u>	<u>\$33,970,000</u>	<u>\$30,140,000</u>	<u>\$26,590,000</u>	<u>\$22,965,000</u>

Debt Service Requirements - Outstanding Bonds

<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$3,250,000	\$934,069	\$4,184,069
2022	3,305,000	798,144	4,103,144
2023	2,765,000	669,094	3,434,094
2024	2,875,000	548,144	3,423,144
2025	2,560,000	428,688	2,988,688
2026	2,620,000	314,125	2,934,125
2027	2,325,000	203,956	2,528,956
2028	1,685,000	113,200	1,798,200
2029	1,305,000	55,475	1,360,475
2030	<u>275,000</u>	<u>11,000</u>	<u>286,000</u>
Totals	<u>\$22,965,000</u>	<u>\$4,075,894</u>	<u>\$27,040,894</u>

Debt Service Requirements – Energy Performance Contract^a

<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 797,481	\$ 242,801	\$ 1,040,282
2022-2026	4,474,935	726,478	5,201,413
2027	<u>1,001,524</u>	<u>38,759</u>	<u>1,040,283</u>
Totals	<u>\$6,273,940</u>	<u>\$1,008,038</u>	<u>\$7,281,978</u>

a. Does not include payments made to date, if any.

Revenue and Tax Anticipation Notes

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

The following is a history of such tax and revenue anticipation note borrowings in the five most recent years:

<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Amount</u>	<u>Type</u>	<u>Issue</u>	<u>Maturity</u>
2016	15,000,000	TAN	10/20/2015	06/28/2016
2017	17,000,000	TAN	10/27/2016	06/27/2017
2018	17,500,000	TAN	10/17/2017	06/27/2018
2019	19,500,000	TAN	10/24/2018	06/27/2019
2020	26,500,000	TAN	10/29/2019	06/25/2020

Authorized But Unissued Items

As of the date of this Official Statement the District has no authorized and unissued.

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	2.92	\$57,451,390	\$39,221,100
Town of Huntington	09/04/2020	13.81	14,142,131	9,983,600
Fire Districts (Est.)	12/31/2019	Var.	400,000	400,000
Totals			<u>\$71,993,521</u>	<u>\$49,604,700</u>

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

Debt Ratios (As of September 25, 2020)

	<u>Amount</u>	<u>Per Capita^a</u>	<u>Percentage Of Full Value (%)^b</u>
Total Direct Debt	\$21,720,000	\$ 550	0.39
Net Direct Debt	12,692,457	322	0.23
Total Direct & Applicable Total Overlapping Debt	93,713,521	2,374	1.67
Net Direct & Applicable Net Overlapping Debt	62,297,157	1,578	1.11

a. The current estimated population of the District is 39,476.

b. The full valuation of taxable real property in the District for 2019-20 is \$5,623,147,763.

FINANCES OF THE DISTRICT

Impact of COVID-19

The District has incurred certain expenses associated with the COVID-19 pandemic, including but not limited to, costs related to hiring additional personnel for cleaning, supplies, equipment, computers, child care, PPE, signage, temperature scanners, etc. the aggregate cost of which total approximately \$2,500,000.00. The District has paid such costs from budgetary appropriations and/or available funds. In the District's 2020-2021 Adopted Budget, State aid revenues are estimated to be Approximately 20% less than the prior year. The District does not believe that the increased costs or the potential reductions in State aid described above will have a material adverse impact on the finances of the District. See also "State Aid" herein."

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, 2020. 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, school lunch fund and special purpose fund. In addition, a capital projects fund is used to record capital facility projects, while an 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.

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 on the third Tuesday of May each year. (See "*The Levy Limit Law*" herein).

On June 9, 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 2016 through 2020, and the amount budgeted for 2020 and 2021.

<u>Fiscal Year Ending June 30:</u>	<u>General Fund Total Revenue</u>	<u>State Aid</u>	<u>State Aid To Revenues (%)</u>
2016	\$150,445,682	\$31,386,968	20.86
2017	152,928,623	33,589,419	21.96
2018	156,663,224	35,344,669	22.56
2019	161,414,581	36,339,210	22.51
2020	163,891,121	36,442,228	22.24
2021 (Budgeted) ^a	174,657,264	35,554,241	20.36

Source: Audited Financial Statements of the District and Adopted Budgets 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. Due the outbreak of COVID-19 the State has declared a state of emergency and the Governor took 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. 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.

On August 13, 2020, the New York State Division of the Budget released the fiscal year ending 2021 First Quarterly State Budget Financial Plan Update, which projects a \$14.5 billion General Fund revenue decline and a 15.3% decline in tax receipts from prior budget forecasts. The State further projects a total revenue loss of \$62 billion through the State's fiscal year ending 2024 as a direct consequence of the COVID-19 pandemic. The State has announced that in the absence of Federal funding to offset this revenue loss, the State has begun to take steps to reduce spending, including but not limited to, temporarily holding back aid payments to local governments and school districts. According to the State, all or a portion of such temporary reductions in aid payments may be converted to permanent reductions, depending on the size and timing of any new Federal aid. Such reductions or delays in the payment of State aid could adversely affect the financial condition of school districts in the State. (See also "*Impacts of COVID-19*", "*Risk Factors*" and "*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.

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 had been targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education will continue 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.

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 total allocation is \$2,900,702.

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 "*Risk Factors*").

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: 10.0%; Environmental Score: 20.0%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments 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 most recent audit was released on July, 2016. The purpose of the audit was to examine the District's financial condition for the period July 14 through December 31, 2015. The complete report, along with the District's response, may be found on the OSC's official website.

References to websites and/or website addresses presented herein are for informational purposes only. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official 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>
2015	\$9,824,642	\$3,364,271
2016	8,013,703	3,102,809
2017	6,963,501	2,753,273
2018	6,378,389	2,636,644
2019	7,293,717	2,511,387
2020	6,279,153	2,305,705
2021 (Budget)	7,000,000	2,790,000

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, 2020 is as follows:

<u>Changes in the Total OPEB Liability</u>	<u>Fiscal Year Ending June 30, 2020:</u>
Total OPEB Liability at June 30, 2019	<u>\$202,621,167</u>
Charges for the Year:	
Service Cost	6,952,955
Interest	4,414,868
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	(26,687,690)
Changes in Assumptions or Other Inputs	37,717,642
Benefit Payments	<u>(5,095,940)</u>
Net Changes	<u>\$17,301,835</u>
Total OPEB Liability at June 30, 2020	<u><u>\$219,923,002</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.

The following table sets forth the percentage of the District's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2016 through 2020, and the amounts budgeted for 2021.

Fiscal Year Ending <u>June 30:</u>	<u>Total Revenue</u>	Real Property <u>Taxes</u>	Real Property Taxes to <u>Revenues (%)</u>
2016	\$150,445,682	\$ 97,288,411	64.67
2017	152,928,623	98,365,162	64.32
2018	156,663,224	100,213,468	63.97
2019	161,414,581	103,200,817	63.94
2020	163,891,121	107,909,062	65.84
2021 (Budgeted) ^a	174,657,264	120,641,023	69.07

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

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

Tax Collection Procedure

Property taxes for the District, together with County, Town and Fire District taxes, are collected by the Town Tax Receivers. 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 10% after May 31.

The Town Tax Receivers distribute the collected tax money to the Towns, fire and school districts prior to distributing the balance collected to the County. Uncollected amounts are not segregated by the Receivers and any deficiency in tax collection is the County's liability. The District thereby is assured of full tax collection.

As a result of the COVID-19 pandemic, in certain counties in New York State during the 2019-2020 fiscal year, the deadline to pay school district property taxes, without interest or penalty, was extended. No assurance can be given that similar extensions with respect to the deadlines to pay school district property taxes, without interest or penalty, may occur during the 2020 -2021 fiscal year. Any such extensions may result in a delay in the receipt of taxes collected and paid to school districts.

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 6% 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 6% 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).

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Valuations, Rates and Levies

The anticipated tax levy for the 2020-2021 year is \$120,641,023.

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

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Assessed</u> <u>Valuation</u>	<u>State Equal.</u> <u>Rate (%)</u>	<u>Full Valuation</u>	<u>Tax Rate</u> <u>Per \$1,000</u> <u>Assessed</u> <u>Valuation</u>	<u>Tax Levy</u>
2016	\$43,548,586	0.86	\$5,063,789,070	\$2,537.64	\$110,510,532
2017	43,514,220	0.85	5,119,320,000	2,553.92	110,621,172
2018	43,085,091	0.84	5,129,177,500	2,603.77	112,183,534
2019	42,844,014	0.80	5,355,501,750	2,603.77	114,599,826
2020	42,735,923	0.76	5,623,147,763	2,759.78	117,893,641

Source: Town Huntington.

Selected Listing of Large Taxable Properties in the District 2020-2021 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Assessed</u> <u>Valuation</u>
The Retail Property Trust	Shopping Center	\$2,000,000
Long Island Power Authority	Utility	429,357
Federal Realty Investment Trust	Commercial	385,000
Target Corporation	Shopping Center	203,250
Keyspan Corporation	Utility	187,242
S & L Birchwood Realty, LLC	Commercial	80,000
K98 Senior LLC	Home for Aged	80,000
Cold Spring Country Club Inc.	Golf Course	76,168
CAF Huntington LLC	Commercial	72,500
Weiss Family Enterprises LLC	Commercial	71,900
Hren B Realty LLC	Commercial	70,000
Kahn Property Owner LLC	Shopping Center	69,400
LG Other Associates LLC	Commercial	66,775
Verizon	Utility	65,886
CCD Realty LLC	Commercial	62,000
Total		<u><u>\$3,919,478</u></u>

Source: Town Assessment Roll.

a. Represents 9.18% of the Assessed Valuation of the District for 2019-2020.

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.

RISK FACTORS

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 took 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 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 "*Impact of COVID-19*", "*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.

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. To mitigate the risk of business operations, the District actively manages various forms of cybersecurity and operational controls, contracts yearly with outside independent auditors to evaluate, assess and constantly improve existing processes and procedures, and has invested in school cyber insurance to mitigate liability and the cost of remedy should a cyber attack occur.

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 "Aa1/Negative Outlook" to the outstanding uninsured bonds of the District. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such ratings could have an adverse effect on the market price of the outstanding bonds or the availability of a secondary market for such bonds.

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 Dr. Vito D’Elia, Assistant Superintendent for Business and District Operations, South Huntington Union Free School District, 60 Weston Street, Huntington Station, NY 11746, Phone (631) 812-3001, Fax (631) 812-3005 and email: vdelia@shufsd.org or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number (631) 331-8888 and website: 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. 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 NICHOLAS R. CIAPPETTA, J.D.
President of the Board of Education
South Huntington Union Free School District
Huntington Station, New York

September , 2020

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Fund Balances

General Fund

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Revenues:					
Real Property Taxes	\$ 97,288,411	\$ 98,365,162	\$ 100,213,468	\$ 103,200,817	\$ 107,909,062
Other Tax Items - Including STAR	13,223,851	12,256,975	11,971,606	11,402,875	9,994,227
Charges for Services	2,218,897	2,340,773	2,436,146	2,488,327	2,553,751
Use of Money and Property	1,520,951	1,439,568	1,716,780	2,108,302	1,733,606
Sale of Property & Compensation for Loss	10,220	16,587	7,979	136,367	17,018
Miscellaneous	1,650,021	1,341,169	1,138,135	1,549,787	1,086,593
Interfund Revenues	2,842,703	3,112,670	3,422,536	3,485,473	3,558,892
State Sources	31,386,968	33,589,419	35,344,669	36,339,210	36,442,228
Federal Sources	<u>303,660</u>	<u>466,300</u>	<u>411,905</u>	<u>703,423</u>	<u>595,744</u>
Total Revenues	<u>150,445,682</u>	<u>152,928,623</u>	<u>156,663,224</u>	<u>161,414,581</u>	<u>163,891,121</u>
Expenditures:					
General Support	13,784,670	13,754,279	13,864,851	14,565,780	14,397,271
Instruction	85,827,171	87,774,466	88,226,043	93,300,801	96,792,864
Pupil Transportation	8,281,923	8,755,026	9,154,718	9,512,690	7,817,390
Community Service	15,101	19,169	12,704	13,213	14,977
Employee Benefits	35,838,411	35,973,558	36,831,104	38,700,964	37,529,985
Debt Service	<u>6,774,631</u>	<u>6,708,040</u>	<u>6,527,598</u>	<u>6,259,890</u>	<u>5,761,257</u>
Total Expenditures	<u>150,521,907</u>	<u>152,984,538</u>	<u>154,617,018</u>	<u>162,353,338</u>	<u>162,313,744</u>
Other Sources and Uses:					
Operating Transfers (In)	84,415	0	0	0	0
Operating Transfers (Out)	<u>(300,000)</u>	<u>(1,310,941)</u>	<u>(1,372,190)</u>	<u>(1,333,648)</u>	<u>(1,412,744)</u>
Total Other Sources and Uses	<u>(215,585)</u>	<u>(1,310,941)</u>	<u>(1,372,190)</u>	<u>(1,333,648)</u>	<u>(1,412,744)</u>
Excess (Deficit) Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(291,810)	(1,366,856)	674,016	(2,272,405)	164,633
Net Adjustments to Fund Balances			(493,294)		
Fund Balance - Beg. of Year	<u>35,306,390</u>	<u>35,014,580</u>	<u>33,647,724</u>	<u>33,828,446</u>	<u>31,556,041</u>
Fund Balance - End of Year	<u>\$ 35,014,580</u>	<u>\$ 33,647,724</u>	<u>\$ 33,828,446</u>	<u>\$ 31,556,041</u>	<u>\$ 31,720,674</u>

Sources: Audited Financial Statements of the District

NOTE: This table NOT audited

Balance Sheet - General Fund

Fiscal Year Ended June 30:

	<u>2020</u>	<u>2019</u>
ASSETS:		
Cash		
Unrestricted	\$ 15,445,015	\$ 16,691,264
Restricted	18,068,774	19,613,922
Receivables:		
Accounts Receivable	242,243	57,749
State and Federal Aid	1,349,621	1,512,387
Due From Other Governments	2,351,993	1,604,427
Due From Other Funds	3,811,648	2,618,206
Due to Fiduciary Funds	<u>528,433</u>	<u>526,024</u>
Total Assets	\$ <u>41,797,727</u>	\$ <u>42,623,979</u>
LIABILITIES:		
Payables:		
Accounts Payable	\$ 964,429	\$ 993,202
Accrued Liabilities	83,279	154,822
Due To Other Governments	291,480	350,837
Due To Other Funds	8,280	18,648
Due to Fiduciary Fund	28,900	0
Due To Teachers' Retirement System	6,703,846	7,699,229
Due To Employees Retirement System	711,796	729,394
Deferred Revenues	983,607	720,407
Unearned Credits - Collections in Advance		
Compensated Absences	<u>301,436</u>	<u>401,399</u>
Total Liabilities	\$ <u>10,077,053</u>	\$ <u>11,067,938</u>
FUND BALANCES:		
Non-spendable		
Restricted	18,068,774	19,613,922
Assigned	9,140,723	5,107,141
Unassigned	<u>4,511,177</u>	<u>6,834,978</u>
Total Fund Balances	\$ <u>31,720,674</u>	\$ <u>31,556,041</u>
Total Liabilities and Fund Balances	\$ <u>41,797,727</u>	\$ <u>42,623,979</u>

Sources: Audited Financial Statements of the District

NOTE: This table NOT audited

Budget Summary
Fiscal Year Ending June 30:

	<u>2019-2020(a)</u>	<u>2020-2021(b)</u>
Revenues:		
Real Property Taxes	\$ 117,893,441	\$ 120,641,023
State Aid	37,560,077	35,554,241
Use of Money & Property	1,500,000	0
Intergovernmental Funds	1,609,500	0
Health Fees	1,750,000	0
Insurance Contributions	3,000,000	0
Reserves	4,250,000	3,750,000
Miscellaneous Income	880,000	9,612,000
Appropriated Fund Balance	<u>4,908,941</u>	<u>5,100,000</u>
 Total Revenues	 \$ <u><u>173,351,959</u></u>	 \$ <u><u>174,657,264</u></u>
 Expenditures:		
General Support	\$ 15,703,106	\$ 15,086,939
Instruction	98,840,486	98,357,825
Pupil Transportation	9,961,692	11,460,080
Community Services	26,700	26,700
Employee Benefits	40,459,975	40,325,720
Medicare Reimbursements	1,250,000	1,300,000
Debt Service	6,170,000	5,920,000
Interfund Transfers	<u>940,000</u>	<u>2,180,000</u>
 Total Expenditures	 \$ <u><u>173,351,959</u></u>	 \$ <u><u>174,657,264</u></u>

(a) Approved by the voters of the District on May 21, 2019

(b) Approved by the voters of the District on June 16, 2020

APPENDIX B

CASH FLOWS

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
CASH FLOW SUMMARY 2019-2020 (Actual)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	36,305	29,047	24,186	18,471	33,207	19,028	5,698	57,120	53,200	59,959	47,746	35,749	36,305 (1)
Receipts:													
Property Taxes	0	0	0	0	0	1,784	52,655	7,031	952	911	2,851	41,724	107,908
Library Taxes	0	0	0	0	0	0	3,036	0	0	0	0	3,036	6,072
STAR Payment	0	0	0	0	0	0	9,984	0	0	0	0	0	9,984
State Aid	0	0	5,384	199	199	1,448	199	199	14,873	0	0	3,361	25,862
Other Receipts	257	1,083	859	2,075	900	1,918	866	242	1,684	263	435	2,472	13,054
TAN Proceeds	0	0	0	26,500	0	0	0	0	0	0	0	0	26,500
Total Receipts	257	1,083	6,243	28,774	1,099	5,150	66,740	7,472	17,509	1,174	3,286	50,593	189,380
Disbursements													
Salary and Benefits	1,713	1,715	6,776	7,140	10,541	7,998	7,065	7,239	8,008	7,105	10,423	18,942	94,665
Service & Support	4,760	2,709	3,772	5,369	4,732	8,955	6,722	4,145	2,334	4,859	4,845	5,352	58,554
Debt Service	1,042	2	1,410	11	5	1,212	13	8	408	(95)	15	1,730	5,761
Library Taxes	0	1,518	0	1,518	0	0	1,518	0	0	1,518	0	0	6,072
Interfund Transfers	0	0	0	0	0	315	0	0	0	0	0	0	315
TAN Repayment Provision	0	0	0	0	0	0	0	0	0	0	0	26,500	26,500
TAN Interest Payments	0	0	0	0	0	0	0	0	0	0	0	304	304
Total Disbursements	7,515	5,944	11,958	14,038	15,278	18,480	15,318	11,392	10,750	13,387	15,283	52,828	192,171
Balance (End of Month)	29,047	24,186	18,471	33,207	19,028	5,698	57,120	53,200	59,959	47,746	35,749	33,514	33,514
TAN Repayment Account													
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts	0	0	0	0	0	0	0	0	0	0	0	26,500	26,500
Disbursements	0	0	0	0	0	0	0	0	0	0	0	26,500	26,500
Closing Balance	0	0	0	0	0	0	0	0	0	0	0	0	0

(1) Balance as of June 30, 2019, includes certain restricted reserves of approximately \$20.2 million.

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
CASH FLOW SUMMARY 2020-2021 (Projected)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	33,514	26,159	19,487	11,282	31,015	15,070	155	46,462	41,507	46,257	34,334	24,154	33,514 (1)
Receipts:													
Property Taxes	0	0	0	0	0	700	50,000	6,500	900	900	2,500	50,641	112,141
Library Taxes	0	0	0	0	0	0	3,035	0	0	0	0	3,036	6,071
STAR Payment	0	0	0	0	0	0	8,500	0	0	0	0	0	8,500
State Aid	0	0	4,000	160	160	800	200	200	15,000	0	0	15,034	35,554
Other Receipts	1,000	1,500	900	2,000	900	2,000	1,200	350	1,750	1,000	2,300	3,562	18,462
TAN Proceeds	0	0	0	32,000	0	0	0	0	0	0	0	0	32,000
Total Receipts	1,000	1,500	4,900	34,160	1,060	3,500	62,935	7,050	17,650	1,900	4,800	72,273	212,728
Disbursements													
Salary and Benefits	1,313	1,451	7,200	7,400	11,500	8,500	7,500	7,500	8,500	7,500	10,470	19,000	97,834
Service & Support	6,000	5,200	2,710	5,500	5,500	8,400	7,600	4,500	4,000	4,800	4,500	4,487	63,197
Debt Service	1,042	3	1,405	10	5	1,200	10	5	400	5	10	1,280	5,375
Library Taxes	0	1,518	0	1,517	0	0	1,518	0	0	1,518	0	0	6,071
Interfund Transfers	0	0	1,790	0	0	315	0	0	0	0	0	75	2,180
TAN Repayment Provision	0	0	0	0	0	0	0	0	0	0	0	32,000	32,000
TAN Interest Payments	0	0	0	0	0	0	0	0	0	0	0	320	320
Total Disbursements	8,355	8,172	13,105	14,427	17,005	18,415	16,628	12,005	12,900	13,823	14,980	57,162	206,977
Balance (End of Month)	26,159	19,487	11,282	31,015	15,070	155	46,462	41,507	46,257	34,334	24,154	39,265	39,265
TAN Repayment Account													
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts	0	0	0	0	0	0	0	0	0	0	0	32,000	32,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	32,000	32,000
Closing Balance	0	0	0	0	0	0	0	0	0	0	0	0	0

(1) Balance as of June 30, 2019, includes certain restricted reserves of approximately \$19.8 million.

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT

APPENDIX C

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
South Huntington 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 South Huntington Union Free School District as of and for the fiscal year ended June 30, 2020, 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 South Huntington Union Free School District as of June 30, 2020, and the respective changes in financial position for the fiscal 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 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 1 through 17 and 60 through 64, 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 South Huntington 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 Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2020, on our consideration of the South Huntington 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 South Huntington 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 South Huntington Union Free School District's internal control over financial reporting and compliance.

R.S. Abrams & Co. LLP

R.S. Abrams & Co., LLP
Islandia, NY
September 17, 2020

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The following is a discussion and analysis of the South Huntington Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2020. 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 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.

1. FINANCIAL HIGHLIGHTS

- The District refunded the 2011 serial bonds to reduce its total debt service payments over the next 10 years by approximately \$355,000 and to obtain an economic gain on the transaction of approximately \$242,000.
- On the District-Wide Financial Statements, revenues increased by \$1,269,323 or 0.75%. Most of the increase was in real property taxes and state sources.
- On the District-Wide Financial Statements, expenses increased by \$11,561,924 or 6.59%, primarily due to increases in general support and instructional expenses.
- The District maintained its Moody's rating of Aa1 due to the District's well managed financial operations, marked by healthy reserve levels and a relatively low debt burden.
- In advancement of virtual learning, the District extended their Chromebook purchase initiative so that every student has their own device.
- The proposed 2020-2021 budget in the amount of \$174,657,264 was authorized by the District's residents. The budget passed by 60.0% of those who voted.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information.

The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Financial Statements.
 - The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.
 - *Fiduciary Funds Financial Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of District.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and relate to one another.

Table A-1: Organization of the District's Annual Financial Report

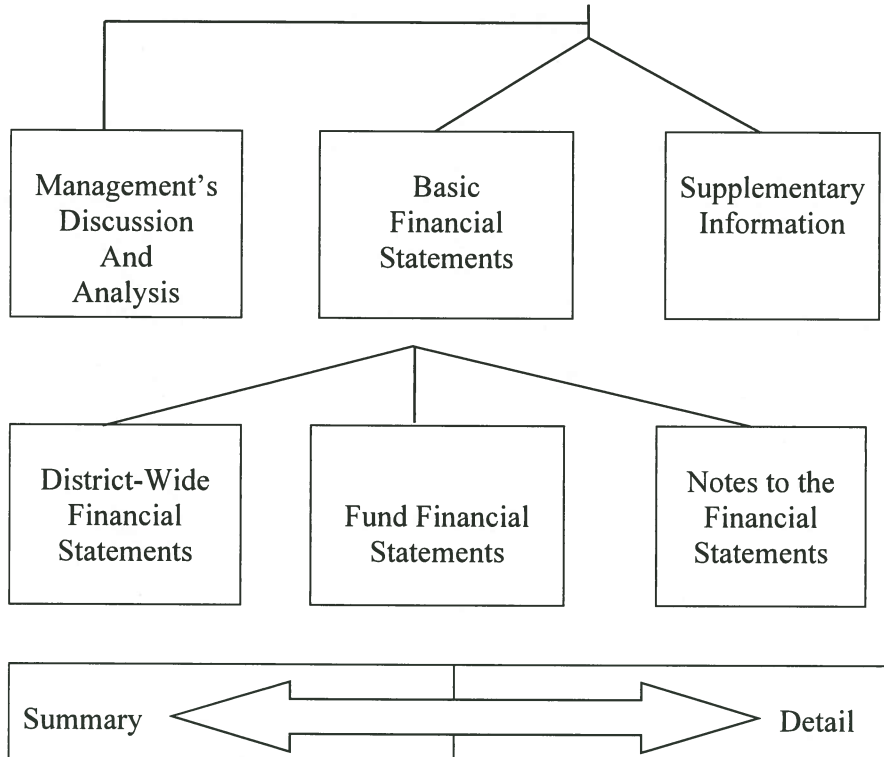


Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Table A-2: Major Features of the District-Wide and Fund Financial Statements

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

A) District-Wide Financial Statements:

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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

- Over time, increases and decreases in the District's net position is an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

In the District-Wide Financial Statements, the District's activities are shown as *Governmental activities*. Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

District-Wide Financial Statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
 - *Net investment in capital assets*;
 - *Restricted net position* are those with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation.
 - *Unrestricted net position (deficit)* includes net amounts that do not meet any of the above restrictions.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

B) Fund Financial Statements

The Fund Financial Statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York.

The District has two kinds of funds:

- *Governmental funds*: Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Financial Statements, additional information in separate schedules explains the relationship (or differences) between them. In summary, the governmental fund statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special aid fund, school lunch fund and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.
- *Fiduciary funds*: The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position

The District's total net deficit increased by \$16,126,296 in the fiscal year ended June 30, 2020, as detailed in Table A-3.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Table A-3: Condensed Statement of Net Position-Governmental Activities

	Fiscal Year 2020	Fiscal Year 2019	Increase / (Decrease)	Percentage Change
Current assets and other assets	\$ 44,277,768	\$ 47,089,237	\$ (2,811,469)	(5.97%)
Capital assets, net of accumulated depreciation	53,555,744	54,107,603	(551,859)	(1.02%)
Net pension asset - proportionate share	10,688,867	7,224,457	3,464,410	47.95%
Total Assets	108,522,379	108,421,297	101,082	0.09%
Deferred outflows of resources	84,936,669	52,718,007	32,218,662	61.12%
Total Assets and Deferred Outflows of Resources	<u>\$ 193,459,048</u>	<u>\$ 161,139,304</u>	<u>\$ 32,319,744</u>	20.06%
Current and other liabilities	\$ 9,753,962	\$ 12,016,232	\$ (2,262,270)	(18.83%)
Long-term liabilities	274,065,758	252,392,860	21,672,898	8.59%
Total Liabilities	283,819,720	264,409,092	19,410,628	7.34%
Deferred inflows of resources	43,876,438	14,841,026	29,035,412	195.64%
Total Liabilities and Deferred Inflows of Resources	<u>327,696,158</u>	<u>279,250,118</u>	<u>48,446,040</u>	17.35%
Net investment in capital assets	23,429,658	20,273,633	3,156,025	15.57%
Restricted	18,074,038	19,621,833	(1,547,795)	(7.89%)
Unrestricted (deficit)	<u>(175,740,806)</u>	<u>(158,006,280)</u>	<u>(17,734,526)</u>	(11.22%)
Total Net Position (Deficit)	<u>\$ (134,237,110)</u>	<u>\$ (118,110,814)</u>	<u>\$ (16,126,296)</u>	(13.65%)

Current and other assets decreased by \$2,811,469 from 2019 to 2020 primarily due to decreases in cash in the general fund.

Capital assets, net of accumulated depreciation decreased by \$551,859 primarily due to depreciation on capital assets exceeding capital assets additions.

Net pension asset - proportionate share increased by \$3,464,410 as a result of an increase in the District's proportionate share of the net pension asset as reported by the New York State Teachers' Retirement System ("TRS").

Deferred outflows of resources increased by \$32,218,662. This represents contributions to the State Retirement Systems subsequent to the measurement date and actuarial adjustments at the plan level that will be amortized in future years and other post-employment benefits ("OPEB").

Current and other liabilities decreased by \$2,262,270. This was attributable to decreases in accounts payable, accrued liabilities, due to other governments, due to the teachers' and employees' retirement system, compensated absences payable and accrued interest payable, offset by an increase in due to fiduciary fund and collections in advance.

Long-term liabilities increased by \$21,672,898 due to increases in compensated absences payable, OPEB, proportionate share of net pension liability for ERS, offset by decreases in bonds payable, installment debt payable and energy performance contract debt payable.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Deferred inflows of resources increased by \$29,035,412 primarily due to an increase in deferred inflows for TRS and ERS, which are actuarial adjustments at the plan level, that will be amortized in future years, and deferred inflows for OPEB, offset by a decrease in the amortization of the gain on defeasance.

The net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt. This number increased from the prior year by \$3,156,025 primarily due to capital asset additions and principal payments on related debt and the refunding of the 2011 bonds which reduced the total outstanding bonds payable.

Restricted net position decreased by \$1,547,795 primarily due to the appropriation of the retirement contribution, workers' compensation and employee benefit accrued liability reserves in the 2019-2020 voter approved budget, offset by funding of the employee benefit accrued liability reserve and interest allocated to reserves. The total unrestricted deficit increased by \$17,734,526. The total net deficit increased by \$16,126,296.

B) Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the fiscal years ended June 30, 2020 and 2019 are as follows:

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Table A-4: Change in Net Position from Operating Results Governmental Activities Only

	Fiscal Year 2020	Fiscal Year 2019	Increase/ (Decrease)	Total Percentage Change
Revenues				
Program Revenues				
Charges for services	\$ 3,179,929	\$ 3,303,093	\$ (123,164)	(3.73%)
Operating grants	6,275,878	6,912,919	(637,041)	(9.22%)
Capital Grants	-	947,604	(947,604)	(100.00%)
General Revenues				
Real property taxes and other tax items	117,903,289	114,603,692	3,299,597	2.88%
State sources	36,705,428	36,339,210	366,218	1.01%
Use of money and property	1,733,625	2,108,302	(374,677)	(17.77%)
Other	5,016,043	5,330,049	(314,006)	(5.89%)
Total Revenues	<u>170,814,192</u>	<u>169,544,869</u>	<u>1,269,323</u>	0.75%
Expenses				
General support	19,969,612	19,337,761	631,851	3.27%
Instruction	153,059,478	140,398,334	12,661,144	9.02%
Pupil transportation	9,840,150	11,176,602	(1,336,452)	(11.96%)
Food service program	2,674,672	2,863,902	(189,230)	(6.61%)
Community services	15,267	13,469	1,798	13.35%
Debt service - interest	<u>1,381,309</u>	<u>1,588,496</u>	<u>(207,187)</u>	(13.04%)
Total Expenses	<u>186,940,488</u>	<u>175,378,564</u>	<u>11,561,924</u>	6.59%
Total Change in Net Position	<u>\$ (16,126,296)</u>	<u>\$ (5,833,695)</u>	<u>\$ (10,292,601)</u>	(176.43%)

The District's total fiscal year 2020 revenues were \$170,814,192 (See Table A-4). Real property taxes and state sources accounted for most of the District's revenue by contributing 69.02% and 21.49%, respectively of total revenue (See Table A-5). The remainder came from fees charged for services, operating grants, use of money and property and other miscellaneous sources.

The District's revenues increased by \$1,269,323 or 0.75%, which is primarily attributable to increases in state sources and property taxes and other tax items, offset by decreased in use of money and property, other miscellaneous items, capital grants and operating grants and charges for services. State sources increased by \$366,218 primarily as a result of increases in excess cost aid and lottery aid offset by decreases in general aid and other state aid categories.

The total cost of all programs and services totaled \$186,940,488 for fiscal year 2020. These expenses are predominantly related to instruction and transporting students, which account for 87.14% of District expenses (See Table A-6). The District's general support activities accounted for 10.68% of total costs.

The District's expenses for the year increased by \$11,561,924 or 6.59%, which is primarily attributable to increases in general support, instruction, and community services, offset by decreases in pupil transportation, food service program and debt service-interest.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Table A- 5 – Revenues for Fiscal Year 2020 (See Table A-4)

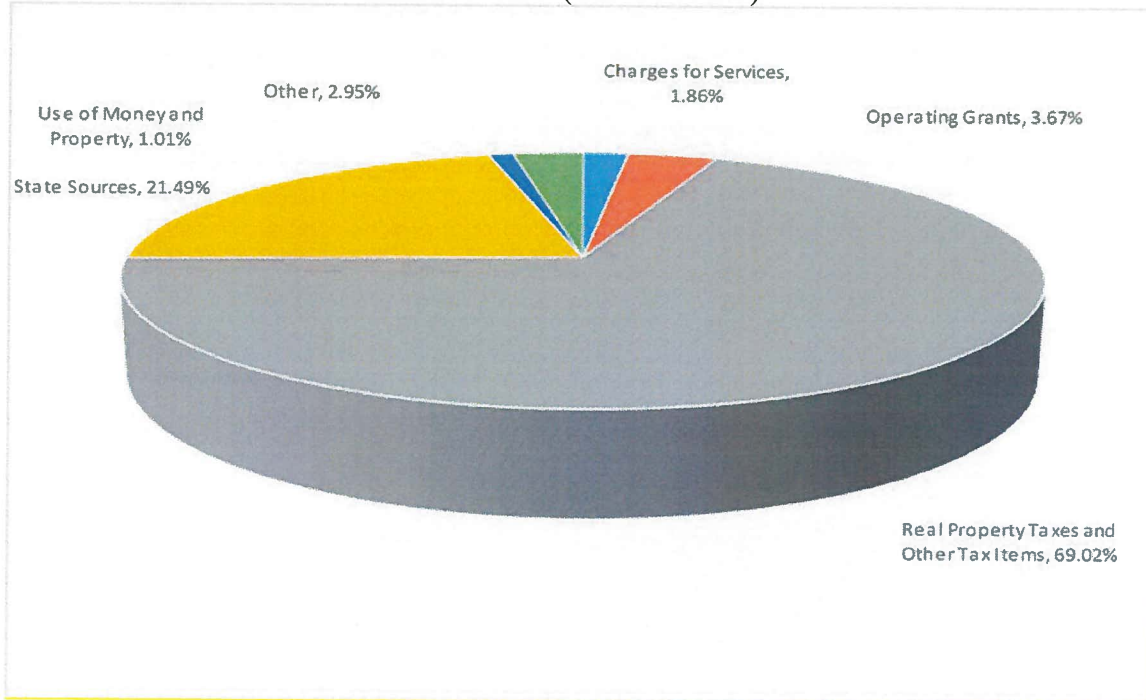
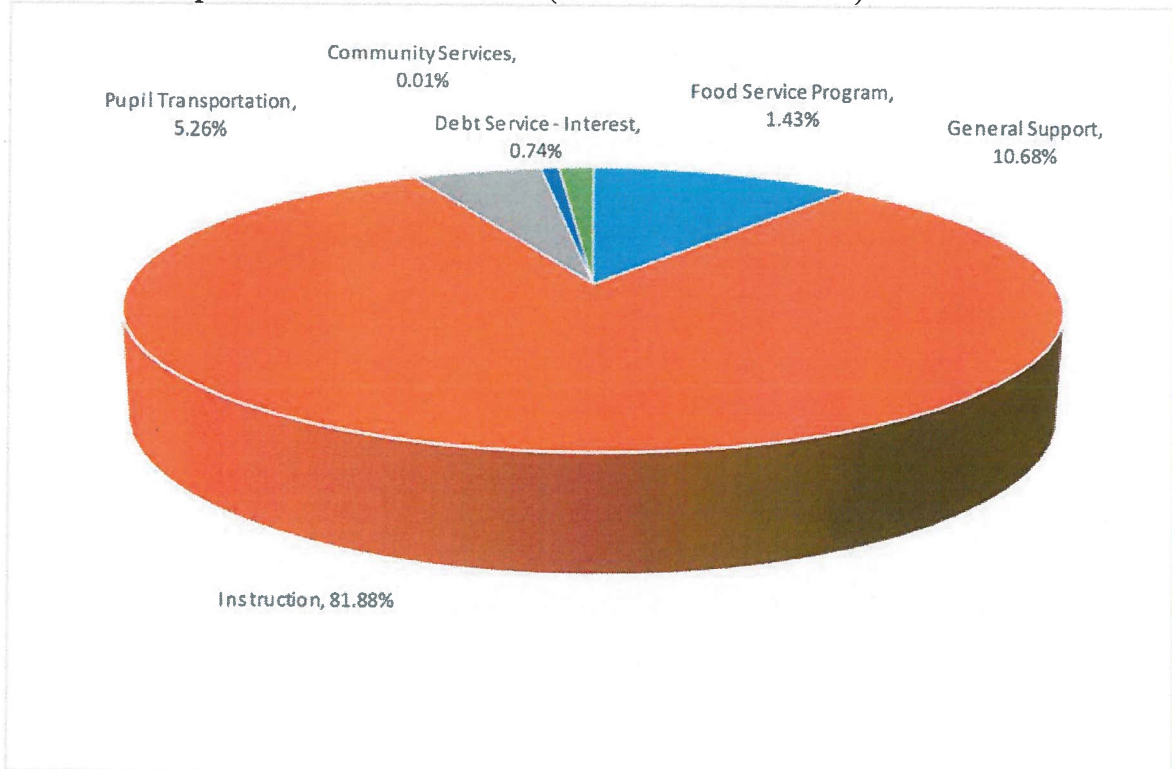


Table A-6 - Expenses for Fiscal Year 2020 (See Tables A-4 and A-7)



**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

A) Governmental Activities

The overall good financial condition of the District, as a whole, can be credited to:

- Continued leadership of the District's Board and administration;
- Strong tax base;
- Strategic use of services from the Western Suffolk BOCES; and
- Improved curriculum and community support.

Table A-7 presents the cost of major District activities: general support, instruction, pupil transportation, food service program, community services and debt service. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2019
General support	\$ 19,969,612	\$ 19,337,761	\$ 19,969,612	\$ 19,337,761
Instruction	153,059,478	140,398,334	145,778,460	131,827,022
Pupil transportation	9,840,150	11,176,602	9,840,150	11,176,602
Food service program	2,674,672	2,863,902	499,883	271,598
Community services	15,267	13,469	15,267	13,469
Debt service - interest	1,381,309	1,588,496	1,381,309	1,588,496
Total	<u>\$ 186,940,488</u>	<u>\$ 175,378,564</u>	<u>\$ 177,484,681</u>	<u>\$ 164,214,948</u>

- The cost of all governmental activities this year was \$186,940,488. (Statement of Activities and Changes in Net Position - Expenses column-see Exhibit 3)
- The users of the District's programs financed \$3,179,929 of the cost. (Statement of Activities and Changes in Net Position - Charges For Services column-see Exhibit 3)
- The federal and state governments subsidized certain programs with grants of \$6,275,878 (Statement of Activities and Changes in Net Position – Operating Grants column-see Exhibit 3)
- Most of the District's net costs of \$177,484,681 were financed by District taxpayers and state aid. (Statements of Activities and Changes in Net Position - Net (Expense) Revenue and Changes in Net Position column-see Exhibit 3)

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

At June 30, 2020, the District's combined governmental funds reported a combined fund balance of \$32,654,632, which is a decrease of \$232,718 from the prior year. This decrease is due to a decrease in the capital projects fund offset by increases in the general fund and school lunch fund.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

A summary of the change in fund balance for all funds is as follows:

	Fiscal Year 2020	Fiscal Year 2019	Increase/ (Decrease)	Total Percentage Change
General Fund				
Restricted for employee benefit accrued liability	\$ 9,893,466	\$ 9,423,925	\$ 469,541	4.98%
Restricted for retirement contribution-ERS	4,184,870	5,809,677	(1,624,807)	(27.97%)
Restricted for retirement contribution-TRS	1,009,500	1,000,000	9,500	0.95%
Restricted for unemployment insurance	339,057	335,866	3,191	0.95%
Restricted for workers' compensation	1,952,687	2,361,745	(409,058)	(17.32%)
Restricted for insurance	689,194	682,709	6,485	0.95%
Assigned - appropriated for:				
Subsequent year's expenditures (restated in 2019)	5,100,000	4,908,940	191,060	3.89%
Assigned - unappropriated for:				
General support	1,148,249	32,763	1,115,486	3404.71%
Instruction	2,714,921	60,342	2,654,579	4399.22%
Pupil transportation	93,154	5,995	87,159	1453.86%
Community services	11,137	-	11,137	N/A
Employee benefits	72,481	-	72,481	N/A
Debt service - principal	781	-	781	N/A
Unassigned (restated in 2019)	4,511,177	6,934,079	(2,422,902)	(34.94%)
Total Fund Balance - General Fund	31,720,674	31,556,041	164,633	0.52%
School Lunch Fund				
Nonspendable - inventory	102,142	74,572	27,570	36.97%
Assigned	254,423	180,836	73,587	40.69%
Total Fund Balance - School Lunch Fund	356,565	255,408	101,157	39.61%
Capital Projects Fund				
Assigned	572,129	1,067,990	(495,861)	(46.43%)
Restricted	5,264	7,911	(2,647)	(33.46%)
Total Fund Balance - Capital Projects Fund	577,393	1,075,901	(498,508)	(46.33%)
Total Fund Balance - All Funds	\$ 32,654,632	\$ 32,887,350	\$ (232,718)	(0.71%)

The District can attribute changes to fund balances and reserves primarily due to Board approved transfers in, transfers out to pay expenses, and allocation of interest and earnings.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

A) General Fund

The fund balance in the general fund increased by \$164,633 during the year as compared to a decrease of \$2,272,405 in the prior year. Actual operating revenues increased by \$2,476,540 mainly due to an increase in state aid and real property tax revenue of \$103,018 and \$4,708,245, respectively. Actual operating expenditures decreased \$39,575, mainly due to decreases in pupil transportation and employee benefits, primarily for teachers retirement expenditures due to a reduction in the TRS rate, of \$1,695,300, and \$1,170,979, respectively, as well as decreases in general support expenditures of \$168,509 and debt service principal and interest expenditures of \$498,633. The general fund transferred \$367,744 to the special aid fund, \$495,000 to the school lunch fund and \$550,000 to the capital projects fund. The decrease in pupil transportation expenditures was a result of negotiations with the District's transportation provider as a result of the COVID-19 pandemic.

B) School Lunch Fund

Fund balance in the school lunch fund increased by \$101,157 during the year as compared to a decrease of \$118,416 in the prior year. This increase was primarily due to revenues and operating transfers in excess of operating expenditures.

C) Capital Projects Fund

Fund balance in the capital projects fund decreased by \$498,508 during the year as compared to a decrease of \$94,057 in the prior year. This decrease is primarily due to expenditures in excess of revenues and other financing sources. The capital projects fund received an operating transfer from the general fund of \$550,000 to fund various district-wide improvements.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2019-2020 Adopted Budget:

The District's general fund original budget for the fiscal year ended June 30, 2020 was \$173,351,959. This amount was increased by encumbrances carried forward from the prior year in the amount of \$99,100 and budget revisions of \$18,900, which resulted in a final budget of \$173,469,959. The majority of the funding was property taxes, STAR revenue and state aid of \$155,453,518.

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

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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Opening, unassigned fund balance as restated	\$ 6,934,079
Revenues under budget	(320,797)
Expenditures and encumbrances under budget	5,702,748
Allocation of interest to reserves	(186,335)
Funding of reserves	(1,377,775)
Unused appropriated reserves	(1,140,743)
Assigned, appropriated for June 30, 2021	(5,100,000)
Closing, unassigned fund balance	<u>\$ 4,511,177</u>

Opening, Unassigned Fund Balance

The \$6,934,079 shown in the table is the portion of the District's June 30, 2019 fund balance that was retained as unassigned and not restricted or assigned for subsequent year's taxes.

Revenues Over Budget

The revenues under budget of \$320,797 were primarily attributable to state aid and miscellaneous sources offset by other tax items, charges for services, use of money and property, interfund revenues, sale of property and compensation for loss and federal sources. (See Supplemental Schedule 1 for details).

Expenditures and Encumbrances Under Budget

The expenditures and encumbrances under budget of \$5,702,748 were primarily in employee benefits, teaching-regular school, central services, instruction, administration and improvement, finance, pupil services, pupil transportation, and instructional media. (See Supplemental Schedule 1 for details).

Allocation of Interest to Reserves

Revenues such as interest earned in a general fund reserve increase the reserve and, therefore, decrease the unassigned portion of the fund balance in the general fund.

The reserves earned interest as follows:

Employee benefit accrued liability	\$ 89,528
Retirement contribution-ERS	55,193
Retirement contribution-TRS	9,500
Unemployment	3,191
Workers' compensation	22,437
Insurance	6,486
Total interest allocation	<u>\$ 186,335</u>

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Funding of reserves

Monies transferred from budget lines within the general fund operating budget into required reserves do not affect the combined reserved, 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 transfers.

The funding of reserves consisted of \$1,377,775 to the employee benefit accrued liability reserve. Pursuant to the resolutions set by the Board of Education, these funds are set aside by the District to cover future expenditures.

Unused appropriated reserves

The unused appropriated reserves of \$1,140,743 represents \$972,238 from the employee benefit accrued liability reserve and \$168,505 from the workers' compensation reserve.

Appropriated Fund Balance

The District has chosen to use \$5,100,000 of its available June 30, 2020 fund balance to partially fund its 2020-2021 approved operating budget.

Closing, Unassigned Fund Balance

The closing unassigned fund balance represents the fund balance retained by the District that is not restricted or assigned for subsequent year's taxes.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A) Capital Assets

The District paid for equipment and various building additions and renovations during the fiscal year 2020. A summary of the District's capital assets net of depreciation are as follows:

Table A-8: Capital Assets (Net of Depreciation)

Category	Fiscal Year 2020	Fiscal Year 2019	Increase/ (Decrease)	Percentage Change
Land & Land Improvements	\$ 2,887,336	\$ 2,887,336	\$ -	0.00%
Construction in process	827,959	14,744	813,215	5515.57%
Buildings & Building Improvements	107,453,331	107,219,333	233,998	0.22%
Furniture & Equipment	7,813,566	7,596,918	216,648	2.85%
Vehicles	6,662,195	6,306,734	355,461	5.64%
Subtotal	125,644,387	124,025,065	1,619,322	1.31%
Less: Accumulated Depreciation	72,088,643	69,917,462	2,171,181	3.11%
Total Net Capital Assets	\$ 53,555,744	\$ 54,107,603	\$ (551,859)	(1.02%)

The District spent \$1,818,494 on building & building improvements, equipment purchases and licensed vehicles. The District has \$577,393 in the capital projects fund available for various projects.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

B) Debt Administration

At June 30, 2020, the District had total bonds payable of \$23,416,656 inclusive of unamortized premium, energy performance contract debt of \$6,273,940 and installment purchase debt payable of \$53,836. The District current refunded \$2,570,000 in serial bonds in the 2019-2020 school year. Principal payments were made in the amount of \$6,195,000 for serial bonds, \$767,768 for energy performance contract and \$122,992 for installment purchase debt. More detailed information about the District's long-term debt is presented in the Notes to the Financial Statements.

	2020	2019	Increase/ (Decrease)
Serial bonds	\$ 23,416,656	\$ 26,590,000	\$ (3,173,344)
Energy performance contract debt	6,273,940	7,041,708	(767,768)
Installment purchase debt payable	53,836	176,828	(122,992)
Total	<u>\$ 29,744,432</u>	<u>\$ 33,808,536</u>	<u>\$ (4,064,104)</u>

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- A) The general fund budget for the 2020-2021 school year in the amount of \$174,657,264 was approved by 60.0% of those who voted. This is an increase of \$1,305,305 or 0.75% over the previous year's budget. The increase was primarily due to increases in personnel costs and employee benefits.
- B) Future budgets may be negatively affected by certain trends impacting school districts. These factors include rising health care premiums, increased costs associated with meeting the requirements for instructional services, uncertainty with state aid and the enactment of the Real Property Tax Levy Limit ("Tax Cap") Law by New York State which will continue to impact the District's ability to fund its current cost of services (see below).
- C) On August 13, 2020 the Division of the Budget (DOB) issued their "FY 2021 First Quarterly State Budget Financial Plan Update" which notes that the DOB approved payment at 80% for accrued General Aid, Excess Cost Aid and BOCES Aid payments. These financial statements reflect revenue at 80% of the accrued amounts for these aids in the general fund. The remaining 20% is included in deferred inflows of resources and will be recognized as revenue upon such time this deferred aid is received.
- D) In July 2020, the State Education Department released information on the application process for school districts to apply for \$1.2 billion in Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Districts can apply to the New York State Education Department (NYSED) for Governor's Emergency Education Relief Funds (GEER) and Elementary and Secondary School Emergency Relief Funds (ESSER). New York State was allocated \$164.2 million under GEER, which is a flexible emergency block grant designed to allow Governors to decide how to best meet the needs of students and the schools in the District. The funding under GEER will be allocated to eligible school districts using the relative shares of grants awarded under Title I, Part A of the Elementary and Secondary Education Act (ESEA) for the most recent fiscal year (2019-2020). Under ESSER New York State was allocated \$1.037 billion for the purpose of providing school districts with emergency relief funds to address the impact of COVID-19 on elementary and secondary schools. The funding under ESSER will be allocated to eligible school districts under Title I, Part A of the ESEA for the

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

most recent fiscal year (2019-2020). The District has submitted applications for GEER and ESSER in the amounts of \$117,517 and \$693,383, respectively.

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

South Huntington Union Free School District
Dr. Vito D'Elia
Assistant Superintendent for Business & District Operations
60 Weston Street
Huntington Station, New York 11746
(631) 812-3001

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS	
Current assets	
Cash	
Unrestricted	\$ 16,430,250
Restricted	18,074,038
Receivables	
Accounts receivable	379,949
State and federal aid	5,170,963
Due from other governments	3,591,993
Due from fiduciary funds	528,433
Inventories	102,142
Non-current assets	
Capital assets	
Capital assets, not being depreciated	1,420,212
Capital assets being depreciated, net of accumulated depreciation	52,135,532
Net pension asset - proportionate share - teachers' retirement system	10,688,867
TOTAL ASSETS	108,522,379
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	42,408,190
Total other post-employment benefits obligation	42,528,479
TOTAL DEFERRED OUTFLOWS OF RESOURCES	84,936,669
LIABILITIES	
Payables	
Accounts payable	\$ 1,209,866
Accrued liabilities	92,385
Due to fiduciary fund	28,900
Due to other governments	291,480
Due to teachers' retirement system	6,703,846
Due to employees' retirement system	711,796
Compensated absences payable	301,436
Accrued interest payable	354,433
Unearned credits	
Collections in advance	59,820
Long-term liabilities	
Due and payable within one year	
Bonds payable (inclusive of unamortized premiums)	3,295,166
Energy performance contract debt payable	797,481
Installment purchase debt payable	38,006
Claims payable	338,841
Compensated absences payable	305,485
Due and payable after one year	
Bonds payable (inclusive of unamortized premiums)	20,121,490
Energy performance contract debt payable	5,476,459
Installment purchase debt payable	15,830
Claims payable	1,598,126
Compensated absences payable	11,510,231
Net pension liability - proportionate share - employees' retirement system	10,645,641
Total other post-employment benefits obligation	219,923,002
TOTAL LIABILITIES	283,819,720
DEFERRED INFLOWS OF RESOURCES	
Pensions	16,668,784
Total other post-employment benefits obligation	25,586,000
Gain on defeasance	1,621,654
TOTAL DEFERRED INFLOWS OF RESOURCES	43,876,438
NET POSITION	
Net investment in capital assets	23,429,658
Restricted:	
Employee benefit accrued liability	9,893,466
Retirement contribution-ERS	4,184,870
Retirement contribution-TRS	1,009,500
Unemployment insurance	339,057
Workers' compensation	1,952,687
Insurance	689,194
Capital	5,264
	18,074,038
Unrestricted (deficit)	(175,740,806)
TOTAL NET POSITION (DEFICIT)	\$ (134,237,110)

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

		Program Revenues		Net (Expense)
	Expenses	Charges for	Operating	Revenue and
		Services	Grants	Changes in
				Net Position
FUNCTIONS / PROGRAMS				
General support	\$ (19,969,612)	\$ -	\$ -	\$ (19,969,612)
Instruction	(153,059,478)	2,553,751	4,727,267	(145,778,460)
Pupil transportation	(9,840,150)			(9,840,150)
Food service program	(2,674,672)	626,178	1,548,611	(499,883)
Community services	(15,267)			(15,267)
Debt service-interest	(1,381,309)			(1,381,309)
TOTAL FUNCTIONS AND PROGRAMS	<u><u>\$ (186,940,488)</u></u>	<u><u>\$ 3,179,929</u></u>	<u><u>\$ 6,275,878</u></u>	<u><u>(177,484,681)</u></u>
GENERAL REVENUES				
Real property taxes				107,909,062
Other tax items - including STAR reimbursement				9,994,227
Use of money and property				1,733,625
Sale of property and compensation for loss				17,018
Miscellaneous				4,403,281
State sources				36,705,428
Medicaid reimbursement				595,744
TOTAL GENERAL REVENUES				<u><u>161,358,385</u></u>
CHANGE IN NET POSITION				<u><u>(16,126,296)</u></u>
TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR				<u><u>(118,110,814)</u></u>
TOTAL NET POSITION (DEFICIT) - END OF YEAR				<u><u>\$ (134,237,110)</u></u>

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
ASSETS					
Cash					
Unrestricted	\$ 15,445,015	\$ 185,268	\$ 194,361	\$ 605,606	\$ 16,430,250
Restricted	18,068,774	-	-	5,264	18,074,038
Receivables					
Accounts receivable	242,243	130,313	7,392	-	379,948
State and federal aid	1,349,621	3,719,738	96,340	5,264	5,170,963
Due from other governments	2,351,993	-	-	-	2,351,993
Due from other funds	3,811,648	8,280	-	-	3,819,928
Due from fiduciary funds	528,433	-	-	-	528,433
Inventories	-	-	102,142	-	102,142
TOTAL ASSETS	\$ 41,797,727	\$ 4,043,599	\$ 400,235	\$ 616,134	\$ 46,857,695
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Payables					
Accounts payable	\$ 964,429	\$ 206,695	\$ -	\$ 38,741	\$ 1,209,865
Accrued liabilities	83,279	9,106	-	-	92,385
Due to other governments	291,480	-	-	-	291,480
Due to other funds	8,280	3,811,648	-	-	3,819,928
Due to fiduciary fund	28,900	-	-	-	28,900
Due to teachers' retirement system	6,703,846	-	-	-	6,703,846
Due to employees' retirement system	711,796	-	-	-	711,796
Compensated absences	301,436	-	-	-	301,436
Unearned credits					
Collections in advance	-	16,150	43,670	-	59,820
TOTAL LIABILITIES	9,093,446	4,043,599	43,670	38,741	13,219,456
DEFERRED INFLOWS OF RESOURCES					
General, excess cost and BOCES aid	983,607	-	-	-	983,607
TOTAL DEFERRED INFLOWS OF RESOURCES	983,607	-	-	-	983,607
FUND BALANCES					
Non-spendable: Inventory	-	-	102,142	-	102,142
Restricted:					
Employee benefit accrued liability	9,893,466	-	-	-	9,893,466
Retirement contributions-ERS	4,184,870	-	-	-	4,184,870
Retirement contributions-TRS	1,009,500	-	-	-	1,009,500
Unemployment insurance	339,057	-	-	-	339,057
Workers' compensation	1,952,687	-	-	-	1,952,687
Insurance	689,194	-	-	-	689,194
Capital	-	-	-	5,264	5,264
Assigned:					
Appropriated fund balance	5,100,000	-	-	-	5,100,000
Unappropriated fund balance	4,040,723	-	254,423	572,129	4,867,275
Unassigned:					
Unassigned fund balance	4,511,177	-	-	-	4,511,177
TOTAL FUND BALANCES	31,720,674	-	356,565	577,393	32,654,632
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 41,797,727	\$ 4,043,599	\$ 400,235	\$ 616,134	\$ 46,857,695

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2020**

Total Governmental Fund Balances \$ 32,654,632

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

The costs of the building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 125,644,387	
Accumulated depreciation	<u>(72,088,643)</u>	53,555,744

Governmental funds may report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities

Gain on defeasance		(1,621,654)
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Deferred inflows of resources for general, excess cost and BOCES aid - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenues under the modified accrual method. 983,607

Deferred inflows of resources - The Statement of Net Position recognized revenues received and expenditures incurred under the full accrual method. Governmental funds recognize revenues and expenditures under the modified accrual method. Deferred inflows that will be recognized in future periods amounted to:

Pensions	\$ (16,668,784)	
Other post-employment benefits obligation	<u>(25,586,000)</u>	(42,254,784)

Payables that are associated with long-term liabilities are not payable in the current period and, therefore, are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of:

Accrued interest on bonds and energy performance contract debt payable		(354,433)
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Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows that will be recognized as expenditures in future periods amounted to:

Pensions	\$ 42,408,190	
Other post-employment benefits obligation	<u>42,528,479</u>	84,936,669

Due from other governments for bonds payable being paid by the Library is not included on the governmental funds balance sheet. 1,240,000

Proportionate share of the long-term liability or asset associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.

Net pension asset - proportionate share - teachers' retirement system		10,688,867
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:

Bonds payable	\$ (23,416,656)	
Energy performance contract debt payable	(6,273,940)	
Installment purchase debt payable	(53,836)	
Claims payable	(1,936,967)	
Compensated absences payable	(11,815,716)	
Net pension liability - proportionate share (ERS)	(10,645,641)	
Total other post-employment benefits obligation	<u>(219,923,002)</u>	(274,065,758)

Total Net Position		<u>\$ (134,237,110)</u>
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SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General	Special Aid	School Lunch	Capital Projects	Debt Service	Total Governmental Funds
REVENUES						
Real property taxes	\$ 107,909,062	\$ -	\$ -	\$ -	\$ -	\$ 107,909,062
Other tax items - including STAR reimbursement	9,994,227	-	-	-	-	9,994,227
Charges for services	2,553,751	-	-	-	-	2,553,751
Use of money and property	1,733,606	-	-	-	-	1,733,606
Sale of property and compensation for loss	17,018	-	-	-	-	17,018
Miscellaneous	1,086,593	-	55,281	-	-	1,141,874
Interfund revenue	3,558,892	-	-	-	-	3,558,892
Local sources	-	322,515	-	-	-	322,515
State sources	36,442,228	2,693,641	49,471	-	-	39,185,340
Federal sources	595,744	2,033,626	1,324,670	-	-	3,954,040
Surplus food	-	-	174,470	-	-	174,470
Sales	-	-	626,178	-	-	626,178
TOTAL REVENUES	163,891,121	5,049,782	2,230,070	-	-	171,170,973
EXPENDITURES						
General support	14,397,271	-	-	-	-	14,397,271
Instruction	96,792,864	4,962,885	-	-	-	101,755,749
Pupil transportation	7,817,390	454,641	-	-	-	8,272,031
Community services	14,977	-	-	-	-	14,977
Employee benefits	37,529,985	-	268,902	-	-	37,798,887
Debt service - principal	4,172,505	-	-	-	-	4,172,505
Debt service - interest	1,588,752	-	-	-	-	1,588,752
Cost of sales	-	-	2,355,011	-	-	2,355,011
Capital outlay	-	-	-	1,048,508	-	1,048,508
TOTAL EXPENDITURES	162,313,744	5,417,526	2,623,913	1,048,508	-	171,403,691
EXCESS (DEFICIENCY)						
OF REVENUES OVER EXPENDITURES	1,577,377	(367,744)	(393,843)	(1,048,508)	-	(232,718)
OTHER FINANCING SOURCES AND (USES)						
Bond premium	-	-	-	-	451,656	451,656
Payment to refunded bond escrow agent	-	-	-	-	(2,953,892)	(2,953,892)
Refunded bonds issued	-	-	-	-	2,570,000	2,570,000
Bond issuance cost	-	-	-	-	(67,764)	(67,764)
Operating transfers in	-	367,744	495,000	550,000	-	1,412,744
Operating transfers (out)	(1,412,744)	-	-	-	-	(1,412,744)
TOTAL OTHER FINANCING SOURCES AND (USES)	(1,412,744)	367,744	495,000	550,000	-	-
NET CHANGE IN FUND BALANCES	164,633	-	101,157	(498,508)	-	(232,718)
FUND BALANCES - BEGINNING OF YEAR	31,556,041	-	255,408	1,075,901	-	32,887,350
FUND BALANCES - END OF YEAR	\$ 31,720,674	\$ -	\$ 356,565	\$ 577,393	\$ -	\$ 32,654,632

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balance			\$ (232,718)
Amounts reported for governmental activities in the Statement of Activities are different because:			
Long-Term Revenue and Expense Differences			
Certain revenues are recognized in the governmental funds when they provide current financial resources. However, these revenue were recognized in the Statement of Activities in prior years when they were earned.			
			263,200
In the Statement of Activities, compensated absences are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. Compensated absences payable for the fiscal year ended June 30, 2020 changed by:			
			(1,050,483)
Claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Claims payable from June 30, 2019 to June 30, 2020 changed by:			
			326,760
Deferred outflows and inflows in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds			
	Other post-employment benefits obligation		7,339,703
Total other post-employment benefits obligation in the Statement of Activities differs from the amount reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Total other post-employment benefits obligations from June 30, 2019 to June 30, 2020 changed by:			
			(17,301,835)
Capital Related Differences			
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.			
	Capital outlays	\$ 1,818,494	
	Loss on disposal	(17,127)	
	Depreciation expense	<u>(2,353,226)</u>	(551,859)
Long-Term Debt Differences			
Governmental funds may report the premium, discounts, and similar items on refunded bonds as expenditures. These amounts are deferred and amortized in the Statement of Activities.			
			(187,875)
Repayment of a bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.			
			6,195,000
Proceeds from the issuance of current refunding serial bonds is an other financing source in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.			
			(2,570,000)
Repayment of an energy performance contract debt payable is an expenditure in the governmental funds, but it decreases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.			
			767,768
Repayment of an installment purchase debt payable is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.			
			122,992
Interest on long-term debt in the Statement of Activities differs from from the amounts 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 Statements of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2019 to June 30, 2020 changed by:			
			40,319
Due from other governments for bonds payable being paid by the Library is not included on the governmental funds balance sheet.			
			(620,000)
Pension Differences			
Increases/decreases in proportionate share of net pension asset/liability 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.			
	Employees' retirement system	\$ (2,100,231)	
	Teachers' retirement system	<u>(6,567,037)</u>	(8,667,268)
Change in Net Position			<u>\$ (16,126,296)</u>

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020**

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash-restricted	\$ 132,451	\$ 1,415,047
Due from governmental funds	-	28,900
TOTAL ASSETS	\$ 132,451	\$ 1,443,947
LIABILITIES		
Due to governmental funds	\$ -	\$ 528,433
Extraclassroom activity balance	-	275,298
Other liabilities	-	640,216
TOTAL LIABILITIES	\$ -	\$ 1,443,947
NET POSITION		
Restricted for scholarships	\$ 132,451	
TOTAL NET POSITION	\$ 132,451	

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Gifts and contributions	\$ 12,192
Interest and earnings	<u>110</u>
TOTAL ADDITIONS	<u>12,302</u>
DEDUCTIONS	
Scholarships and awards	<u>21,550</u>
TOTAL DEDUCTIONS	<u>21,550</u>
CHANGE IN NET POSITION	(9,248)
NET POSITION - BEGINNING OF YEAR	<u>141,699</u>
NET POSITION - ENDING OF YEAR	<u><u>\$ 132,451</u></u>

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of South Huntington Union Free School District (the “District”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to 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 utilized by the District are described as follows:

A) Reporting entity:

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education (“the Board”) consisting of 7 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 the authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. 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 and its component unit and other organizational entities determined to be includable in the District’s financial reporting entity. 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 is a brief description of certain entities included in the District’s reporting entity:

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 as an agent for various student organizations in the Statement of Fiduciary Net Position – Fiduciary Funds. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District’s business office.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

B) Joint venture:

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

BOCES are organized under 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 component 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 (§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 (GML).

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

C) Basis of presentation:

i) District-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital specific grants, if applicable.

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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

ii) **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 governmental funds, each displayed in a separate column.

The District financial statements reflect the following major 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 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 purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

School Lunch Fund: This fund is used to account for the activities of the District's food service operations.

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

Debt Service Fund: This fund is used to account for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

The District reports the following fiduciary funds:

Fiduciary Fund: These funds are used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-Wide Financial Statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

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

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The District-Wide and Fiduciary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly, receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

E) Real property taxes:

i) Calendar

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

ii) Enforcement

Uncollected real property taxes are subsequently enforced by Suffolk County (the "County") in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following July 1st.

F) Restricted resources:

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

G) Interfund transactions:

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with inter-fund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These inter-fund receivables and payables

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the District-Wide Financial Statements, the amounts reported on the Statement of Net Position for inter-fund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all inter-fund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

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

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

H) Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets, deferred items 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 compensated absences, other post-employment benefits, workers' compensation claims, net pension asset and liability, and useful lives of capital assets.

I) Cash and cash equivalents:

The District's cash and cash equivalents consist of cash on hand and demand deposits.

J) Receivables:

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

K) Inventories and prepaid items:

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase and are considered immaterial in amount.

Non-spendable fund balance for these non-liquid assets (inventories) has been recognized in the school lunch fund to signify that a portion of fund balance is not available for other subsequent expenditures.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and 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 amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District has no prepaid items as of June 30, 2020.

L) Capital assets:

Capital assets are reported at actual cost for acquisitions within the last 20 years. For assets acquired prior to 20 years ago, estimated historical costs, based on appraisals conducted by independent third-party professionals are used. Donated assets are reported at acquisition value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-Wide Financial Statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building & Building Improvements	\$ 1,500	Straight-line	50 years
Furniture & Equipment	\$ 1,500	Straight-line	5-20 years
Land Improvements	\$ 1,500	Straight-line	15-20 years
Vehicles	\$ 1,500	Straight-line	8 years

M) Collections in advance:

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded.

Collections in advance consists of amounts received in advance for grants in the special aid fund and for meals that have not yet been purchased in the school lunch fund.

N) Deferred outflows and inflows of resources:

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualifies for reporting in this category. This first is related to pensions reported in the District-Wide Statement of Net Position. It consists of the District's proportionate share of changes in the collective net pension asset or liability not included in the collective pension expense and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The second item is related to OPEB reported in the District-Wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs. These are detailed further in Notes 15 and 17.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in the collective pension expense. The second item is related to OPEB reported in the District-Wide Statement of Net Position. This represents the effect of the net difference between expected and actual experience. The third is the unamortized amount of deferred gains from the refunding of bonds that is being amortized as a component of interest expense on a straight line basis over the remaining life of the debt. These are detailed further in Notes 14, 15 and 17.

The deferred inflows on the governmental funds balance sheet is unavailable revenues, which is reported when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables of certain state aid and BOCES aid allocations. In subsequent periods, when the availability criterion is met, the liability for deferred revenues is removed and revenues are recorded.

O) Vested employee benefits:

Compensated absences:

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. Certain collectively bargained agreements may require these termination payments to be paid in the form of non-elective contributions into the employees' 403(b) plan.

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

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, 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. The liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30th.

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

P) Other benefits:

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

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements 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 governmental funds as the liabilities for premiums mature (come due for payment). In the District-Wide Statements, the cost of post-employment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 75.

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.

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

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

The District issued and redeemed a \$26,500,000 TAN in the fiscal year ended June 30, 2020 (See Note 12 for further details).

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. Claims and judgments, other post-employment benefits payable, net pension liabilities and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the Fund Financial Statements when due.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

S) Equity classifications:

i) District-Wide Financial Statements

In the District-Wide financial 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 (net of unspent proceeds), including the deferred inflows of resources, and the gain on defeasance on the bond refunding.

Restricted net position – reports net position when constraints placed on the assets 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 all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

ii) Fund Financial Statements

There are five classifications of fund balance as detailed below; however, the District only has four classifications of fund balance presented in the fund financial statements as follows:

- 1) Non-spendable fund balance** - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school food lunch fund of \$102,142.
- 2) Restricted fund balance** - 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 classified the following as restricted:

Employee benefit accrued liability reserve

Employee benefit accrued liability reserve (GML §6-p), must be used for the payment of accrued employee benefits 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 as restricted fund balance.

Retirement contribution reserve

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. Effective April 1, 2019, a board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During the fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. These reserves are accounted for in the general fund.

Unemployment insurance reserve

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

Workers' compensation reserve

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

Insurance reserve

Insurance reserve (GML §6-n), is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the insurance reserve, however, the annual contribution

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
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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 as restricted fund balance.

Restricted for Capital

Restricted for capital in the capital projects fund includes the fund balance for projects that are funded by state aid (Smart Schools Bond Act).

Scholarships

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

- 3) **Committed fund balance** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, (i.e., the Board of Education). The District has no committed fund balances as of June 30, 2020.
- 4) **Assigned fund balance** – Includes amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year's budget. Assigned fund balance also includes encumbrances not classified as restricted or committed at the end of the fiscal year.
- 5) **Unassigned fund balance** - Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

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 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 included in the assigned fund balance are also excluded from the 4% limitation.

Order of Use of Fund Balance:

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned.

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The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

T) Changes in accounting standards:

The District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2020:

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

U) Future changes in accounting standards:

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2021. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

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.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
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NOTE 2—EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS:

Due to the differences in the measurement focus and basis of accounting used in the Fund Financial Statements and the District-Wide Financial Statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the 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. The difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

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

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

i) 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, workers' compensation, pension costs and other post-employment benefits.

ii) Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets 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.

iii) Long-term debt differences:

Long-term debt transaction differences occur because 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.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
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iv) Pension differences:

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

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted. The voters of the District approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which 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 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. Supplemental appropriations that occurred during the fiscal year are shown on Supplemental Schedule #5 – Schedule of Change from the Adopted Budget. The following supplemental appropriation occurred during the fiscal year:

Contingent expenditures funded by donations	<u>\$ 18,900</u>
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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 assignments or restrictions of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash:

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.

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 as follows:

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

All of the District's aggregate bank balances were covered by depository insurance or collateralized with securities, and none were exposed to custodial credit risk as described above at year end.

Restricted cash:

Restricted cash represents cash and cash equivalents where use is limited by the legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2020 included \$18,074,038 within the governmental funds for general reserve purposes and \$1,547,498 in the fiduciary funds.

B) Investments:

The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

NOTE 5 – PARTICIPATION IN BOCES:

During the fiscal year ended June 30, 2020, the District was billed \$11,147,048 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$2,223,683. Financial statements for the Western Suffolk BOCES are available from the Western Suffolk BOCES administrative office at 507 Deer Park Road, Dix Hills, New York 11746.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 6 – FEDERAL AND STATE AID RECEIVABLES:

Federal and state aid receivables at June 30, 2020 consisted of the following:

General fund	
Excess cost aid	\$ 1,138,725
General aid	<u>210,896</u>
Total General fund	<u>1,349,621</u>
Special aid fund	
Federal aid	1,024,741
State aid	<u>2,694,997</u>
Total Special aid fund	<u>3,719,738</u>
School lunch fund	
State and federal food service program reimbursement	<u>96,340</u>
Total School lunch fund	<u>96,340</u>
Capital projects fund	
State aid - SmartBonds	<u>5,264</u>
Total Capital projects fund	<u>5,264</u>
Total - All funds	<u><u>\$ 5,170,963</u></u>

The general fund state aid receivables include \$749,894 of unavailable revenues, which are included in deferred inflows of resources on the balance sheet.

District management has deemed the amounts to be fully collectible.

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments at June 30, 2020 consisted of the following:

General fund	
Tuition and health service bilings	\$ 1,183,430
BOCES aid	<u>1,168,563</u>
Total General fund	<u>2,351,993</u>
Governmental activities	
Library bonds	<u>1,240,000</u>
Total	<u><u>\$ 3,591,993</u></u>

The general fund due from other governments for BOCES aid include \$233,712 of unavailable revenues, which are included in deferred inflows of resources on the balance sheet.

District management has deemed the amounts to be fully collectible.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 8 – DUE TO OTHER GOVERNMENTS:

Due to other governments at June 30, 2020 consisted of the following:

General fund	
General aid overpayment	\$ 12,632
Tuition and health services	<u>278,848</u>
Total General fund	<u><u>\$ 291,480</u></u>

NOTE 9 – COLLECTIONS IN ADVANCE:

Collections in advance at June 30, 2020 consisted of the following:

Special aid fund	
Grant funds received in advance	\$ 16,150
School lunch fund	
Student prepaid meals	<u>43,670</u>
Total - All funds	<u><u>\$ 59,820</u></u>

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2020 were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 592,253	\$ -	\$ -	\$ 592,253
Construction in progress	14,744	827,959	(14,744)	827,959
Total capital assets not depreciated	606,997	827,959	(14,744)	1,420,212
Capital assets that are depreciated:				
Building & building improvements	107,219,333	224,065	9,933	107,453,331
Furniture and equipment	7,596,918	411,009	(194,361)	7,813,566
Vehicles	6,306,734	355,461	-	6,662,195
Land improvements	2,295,083	-	-	2,295,083
Total depreciable historical cost	123,418,068	990,535	(184,428)	124,224,175
Less accumulated depreciation:				
Building & building improvements	56,811,125	1,664,883	-	58,476,008
Furniture and equipment	5,561,041	455,243	(182,045)	5,834,239
Vehicles	5,642,737	155,034	-	5,797,771
Land improvements	1,902,559	78,066	-	1,980,625
Total accumulated depreciation	69,917,462	2,353,226	(182,045)	72,088,643
Total capital assets being depreciated, net	53,500,606	(1,362,691)	(2,383)	52,135,532
Total capital assets, net	<u>\$ 54,107,603</u>	<u>\$ (534,732)</u>	<u>\$ (17,127)</u>	<u>\$ 53,555,744</u>

Depreciation expense and loss on disposal were charged to governmental functions as follows:

General Support	\$ 278,512
Instruction	1,889,566
Transportation	151,226
Community Services	290
School Food Service	50,759
	<u>\$ 2,370,353</u>

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 11 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$ 4,340,081	\$ 37,180	\$ -	\$ 1,412,744
Special aid fund	8,280	3,811,648	367,744	-
School lunch fund	-	-	495,000	-
Capital projects fund	-	-	550,000	-
Total government activities	4,348,361	3,848,828	1,412,744	1,412,744
Fiduciary agency fund	28,900	528,433	-	-
Total	<u>\$ 4,377,261</u>	<u>\$ 4,377,261</u>	<u>\$ 1,412,744</u>	<u>\$ 1,412,744</u>

The District typically transfers from the general fund to the special aid fund to fund the District's share of the summer school handicap expenses required by New York State law and to fund the State Supported Section 4201 schools.

The District made a \$495,000 transfer from the general fund to the school lunch fund to cover operating costs for the year ended June 30, 2020.

The District made a \$550,000 transfer from the general fund to the capital projects fund in accordance with the voter approved 2019-2020 school budget to fund various school improvement projects.

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.

NOTE 12 - SHORT-TERM DEBT:

On October 29, 2019, the District issued tax anticipation notes in the amount of \$26,500,000. This debt was issued for interim financing of general fund operations. Transactions in short-term debt for the year are summarized below:

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	6/25/2020	1.75%	\$ -	\$ 26,500,000	\$ 26,500,000	\$ -
Total			<u>\$ -</u>	<u>\$ 26,500,000</u>	<u>\$ 26,500,000</u>	<u>\$ -</u>

Interest on short-term debt was \$304,014.

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 – LONG-TERM LIABILITIES:

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Government activities					
Bonds payable:					
General obligation debt:					
Construction serial bonds	\$ 7,000,000	\$ -	\$ 3,675,000	\$ 3,325,000	\$ 475,000
Advance refunding bonds	17,730,000		1,900,000	15,830,000	1,935,000
Current refunding bonds	-	2,570,000	-	2,570,000	220,000
Add: premium on obligation	-	451,656	-	451,656	45,166
Library serial/refunding bond	1,860,000	-	620,000	1,240,000	620,000
Total bonds payable	26,590,000	3,021,656	6,195,000	23,416,656	3,295,166
Other liabilities:					
Energy performance contract debt payable	7,041,708	-	767,768	6,273,940	797,481
Installment purchase debt payable	176,828	-	122,992	53,836	38,006
Claims payable	2,263,727	104,735	431,495	1,936,967	338,841
Compensated absences payable	10,765,233	1,351,919	301,436	11,815,716	305,485
Net pension liability- proportionate share-ERS	2,934,197	10,036,427	2,324,983	10,645,641	-
Total other post-employment benefits obligation	202,621,167	22,397,775	5,095,940	219,923,002	-
Total liabilities	225,802,860	33,890,856	9,044,614	250,649,102	1,479,813
Total long-term liabilities	\$252,392,860	\$ 36,912,512	\$ 15,239,614	\$274,065,758	\$ 4,774,979

The general fund has typically been used to liquidate long-term liabilities such as energy performance contract debt payable, installment purchase debt payable, claims payable, compensated absences, net pension liability and total other post-employment benefits obligation.

A) Bonds Payable

Existing serial and statutory bond obligations are comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Advance Refunding Serial Bond	3/2/2012	9/1/2021	2.0% - 5.0%	\$ 1,240,000
Construction Serial Bond	9/19/2012	6/15/2027	2.00% - 2.375%	2,625,000
Construction Serial Bond	2/15/2013	6/15/2027	2.00% - 2.60%	700,000
Advance Refunding Serial Bond	3/20/2013	9/1/2025	2.00% - 4.50%	3,290,000
Advance Refunding Serial Bond	8/20/2016	12/15/2028	2.00% - 5.00%	8,080,000
Advance Refunding Serial Bond	6/21/2017	6/15/2029	5.00%	4,460,000
Current Refunding Serial Bond	12/20/2019	3/15/2030	4.00% - 5.00%	3,021,656
				<u>\$ 23,416,656</u>

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 3,295,166	\$ 934,069	\$ 4,229,235
2022	3,350,166	798,144	4,148,310
2023	2,810,166	669,094	3,479,260
2024	2,920,166	548,144	3,468,310
2025	2,605,166	428,688	3,033,854
2026-2030	8,435,826	697,755	9,133,581
	<u>\$ 23,416,656</u>	<u>\$ 4,075,894</u>	<u>\$ 27,492,550</u>

In prior years, the District defeased certain construction serial bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

On December 20, 2019, the District issued \$2,570,000 in serial bonds with an interest rate of 4.00% - 5.00% to current refund \$2,925,000 of outstanding serial bonds with an interest rate of 2.25% - 3.75%. The net proceeds of \$2,953,892 (including a premium of \$451,656 and after payment of \$67,764 in underwriting fees, insurance, and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2011 serial bonds. As a result, these serial bonds are considered to be defeased and the liability for those bonds have been removed from the government wide Statement of Net Position. The District refunded these serial bonds to reduce its total debt service payments over the next 10 years by almost \$355,000 and to obtain an economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) of \$241,865.

Upon default of the payment of principal or interest on the serial bond holders of the District, the bond holders have the right to litigate and the New York State Comptroller is required, under the conditions and to the extent prescribed by Section 99-b of the New York State Finance Law, to withhold state aid and assistance of the District and apply the amount so withheld to the payment of the defaulted principal or interest with respect to the serial bonds.

B) Energy Performance Contract Debt Payable

Energy performance contract debt is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at Year End</u>
Energy performance contract debt payable	2/29/2012	7/15/2026	3.87%	<u>\$ 6,273,940</u>

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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The following is a summary of debt service requirements for the energy performance contract debt:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 797,481	\$ 242,801	\$ 1,040,282
2022	828,344	211,939	1,040,283
2023	860,400	179,882	1,040,282
2024	893,698	146,585	1,040,283
2025	928,284	111,998	1,040,282
2026-2027	1,965,733	114,833	2,080,566
	<u>\$ 6,273,940</u>	<u>\$ 1,008,038</u>	<u>\$ 7,281,978</u>

C) Installment Purchase Debt Payable

Installment purchase debt payable is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Outstanding at Year End</u>
Copiers: Konica	2/1/2018	1/31/2022	\$ 2,394
Copiers: Pitney Bowes	12/7/2017	12/7/2022	23,851
Copiers: Pitney Bowes	8/1/2016	7/31/2021	8,295
Copiers: Toshiba	9/30/2016	9/29/2020	3,316
Copiers: Xerox	8/9/2016	8/9/2020	137
Copiers: Toshiba	9/30/2016	9/29/2020	8,508
Copiers: Konica	9/30/2016	9/30/2020	154
Copiers: Konica	12/30/2016	12/30/2020	7,181
			<u>\$ 53,836</u>

The following is a summary of debt service requirements for the installment purchase debt:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 38,006	\$ -	\$ 38,006
2022	11,060	-	11,060
2023	4,770	-	4,770
	<u>\$ 53,836</u>	<u>\$ -</u>	<u>\$ 53,836</u>

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

D) Long-Term Interest

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

	<u>Total</u>
Interest paid	1,284,738
Less interest accrued in the prior year	(394,752)
Plus interest accrued in the current year	354,433
Less amortization of gain on defeasance	<u>(167,124)</u>
Total expense	<u>\$ 1,077,295</u>

NOTE 14 – DEFERRED INFLOWS OF RESOURCES-GAIN ON DEFEASANCE:

The gain on defeasance pertaining to the 2013, 2015, 2017, and 2019 refunding as recorded in the District-Wide Financial Statements as deferred inflows of resources at June 30, 2020 consisted of the following:

Bond premium	\$ 2,290,660
Deferred amounts on refunding	<u>(669,006)</u>
Gain on defeasance, net of amortization	<u>\$ 1,621,654</u>

The gain on defeasance on the advanced refunding is being amortized on the District-Wide Financial Statements using the straight-line method over 12 years for the 2013 refunding, 13 years on the 2015 refunding, 12 years for the 2017 refunding, and 10 years for the 2019 refunding the time to maturity of the refunded bonds, at the point of refunding, and is recorded as a reduction in interest expense.

NOTE 15 – PENSION PLANS:

A) Plan Descriptions and Benefits Provided:

i) Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS) (the System). 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 ("RSSL") 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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.nystrs.org.

ii) Employees' Retirement System

The District participates in the New York State & Local Employees' Retirement System (ERS) (the System). 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 or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

B) Funding Policies:

The Systems are noncontributory, except as follows:

1. New York State Teachers' Retirement System:
 - a. Employees who joined the system after July 27, 1976
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
 - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
 - i. Employees contribute 3.5% of their salary throughout active membership.
 - c. Employees who joined the system on or after April 1, 2012
 - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.
2. New York State Employees' Retirement System
 - a. Employees who joined the system after July 27, 1976
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
 - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
 - i. Employees contribute 3% of their salary throughout active membership.
 - c. Employees who joined the system on or after April 1, 2012

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

- i. Employees contribute between 3% and 6% dependent upon their salary throughout 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 employers to the pension accumulation fund, for the ERS' fiscal year ended March 31st. The District's contribution rates for ERS' fiscal year ended March 31, 2020 for covered payroll was 21.2% for Tier 1, 15.8% for Tiers 3 & 4, 13.2% for Tier 5, and 9.3% for Tier 6.

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, 2020 was 8.86% 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:

Year	ERS	TRS
2020	\$ 2,305,705	\$ 6,279,153
2019	\$ 2,511,388	\$ 7,293,140
2018	\$ 2,636,644	\$ 6,377,649

C) Pension Liabilities and Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At June 30, 2020, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2020 for ERS and June 30, 2019 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.

	ERS	TRS
Measurement date	March 31, 2020	June 30, 2019
District's proportionate share of the net pension asset/(liability)	\$ (10,645,641)	\$ 10,688,867
District's portion of the Plan's total net pension asset/(liability)	0.0402017%	0.4114260%
Change in proportion since the prior measurement date	0.1210700%	0.0119020%

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$4,407,616 and \$12,854,399 for ERS and TRS, respectively. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 626,539	\$ 7,243,572	\$ -	\$ 794,845
Changes of assumptions	214,353	20,192,700	185,090	4,923,552
Net difference between projected and actual earnings on pension plan investments	5,457,473	-	-	8,571,920
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,649,742	32,861	335,517	1,857,860
District's contributions subsequent to the measurement date	711,796	6,279,154	-	-
Total	<u>\$ 8,659,903</u>	<u>\$ 33,748,287</u>	<u>\$ 520,607</u>	<u>\$ 16,148,177</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ended	ERS	TRS
2020	\$ -	\$ 4,471,570
2021	1,587,486	(57,382)
2022	1,923,170	4,454,042
2023	2,194,863	2,871,480
2024	1,721,981	82,031
Thereafter	-	(500,785)
Total	<u>\$ 7,427,500</u>	<u>\$ 11,320,956</u>

Actuarial Assumptions

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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The actuarial valuations used the following actuarial assumptions:

	ERS	TRS
Measurement date	March 31, 2020	June 30, 2019
Actuarial valuation date	April 1, 2019	June 30, 2018
Interest rate	6.80%	7.10%
Salary scale	4.20%	4.72% - 1.90%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.50%	2.20%
Cost of living adjustments	1.30%	1.30%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018. For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2019 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, 2018 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 are summarized below:

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	ERS		TRS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date	March 31, 2020		June 30, 2019	
Asset Type:				
Domestic equity	36.0%	4.05%	33.0%	6.30%
International equity	14.0%	6.15%	16.0%	7.80%
Private equity	10.0%	6.75%	8.0%	9.90%
Real estate equity	10.0%	4.95%	11.0%	4.60%
Absolute return strategies	2.0%	3.25%		
Opportunistic portfolio	3.0%	4.65%		
Real assets	3.0%	5.95%		
Bond and mortgages	17.0%	0.75%		
Cash and cash equivalents	1.0%	0.00%	1.0%	0.30%
Inflation indexed bonds	4.0%	0.50%		
Domestic fixed income securities			16.0%	1.30%
High-yield bonds			1.0%	3.60%
Global bonds			2.0%	0.90%
Real estate debt			7.0%	2.90%
Global equities			4.0%	7.20%
Private debt			1.0%	6.50%
	<u>100.0%</u>		<u>100.0%</u>	

The expected real rate of return is net of the long-term inflation assumptions of 2.5% for ERS, and 2.2% for TRS.

Discount Rate

The discount rate used to calculate the total pension liability was 6.8% for ERS and 7.1% 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.

Sensitivity of the Proportionate Share of the Pension Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 6.8% for ERS and 7.1% 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 (5.8% for ERS and 6.1% for TRS) or 1-percentage point higher (7.8% for ERS and 8.1% for TRS) than the current rate:

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

ERS	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
District's proportionate share of the net pension asset/(liability)	\$ (19,537,757)	\$ (10,645,641)	\$ (2,455,965)

TRS	1% Decrease (6.1%)	Current Assumption (7.1%)	1% Increase (8.1%)
District's proportionate share of the net pension asset/(liability)	\$ (48,248,430)	\$ 10,688,867	\$ 60,130,609

Pension Plan Fiduciary Net Position

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

	ERS (Dollars in Thousands)	TRS (Dollars in Thousands)
Measurement date	March 31, 2020	June 30, 2019
Employers' total pension/(liability)	\$ (194,596,261)	\$ (119,879,474)
Plan fiduciary net position	168,115,682	122,477,481
Employers' net pension asset/(liability)	<u>\$ (26,480,579)</u>	<u>\$ 2,598,007</u>
Ratio of plan fiduciary net position to the employers' total pension asset/(liability)	86.39%	102.17%

Payables To The Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$711,796.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October and November 2020 through a state aid deduction and remittance to TRS. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS 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, 2020 amounted to \$6,703,846.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 16 – RETIREMENT PLANS:

A) Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the employees for the year ended June 30, 2020 totaled \$4,359,967. The District did not make any contributions to the plan for the year ended June 30, 2020.

NOTE 17 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

A) Plan Description and Benefits

Plan Description

The District's OPEB Plan ("the Plan") primarily provides post-employment health insurance coverage to retired employees, their spouses and their covered dependents in accordance with the provisions of various employment contracts. Benefits are provided through the New York State Health Insurance Program (NYSHIP) which is a single-employer defined benefit healthcare plan administered by New York State. Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. The Plan does not issue a stand alone, publicly available report since there are no assets legally segregated for the sole purpose of paying benefits under the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The District assumes a portion of the premium costs (0% - 40%) and recognizes the cost of the healthcare plan annually as an expenditure in the general fund of the fund financial statements as payments accrued. For the year ended June 30, 2020, the District contributed \$5,095,940 for current premiums and \$0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund OPEB by any means other than the "pay as you go" method.

Employees Covered by Benefit Terms

At July 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	624
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	933
	<hr/>
Total	1,557
	<hr/>

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

B) Total OPEB Liability

The District's total OPEB liability of \$219,923,002 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019 and rolled forward to the measurement date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Discount rate	2.21%
Healthcare cost trend rates	7.00% for 2020, decreasing 0.5% per year to an ultimate rate of 4.0% for 2026 and later years
Retirees' share of benefit-related costs	60% to 100% of projected health insurance premiums

The discount rate was based on the 20-Bond GO Index as of June 30, 2020, which tracks the average yields of 20 general obligation municipal bonds. The average rating of the 20 bonds that make up the index are grade Aa2 (Moody's) or grade AA (Standard & Poor's).

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality Table. Mortality improvements are projected using Improvement Scale MP-2019.

C) Changes in total OPEB liability

Total OPEB liability as of July 1, 2019	\$ 202,621,167
Service cost	6,952,955
Interest	4,414,868
Changes in benefit terms	-
Differences between expected and actual experience	(26,687,690)
Changes in assumptions or other inputs	37,717,642
Benefit payments	<u>(5,095,940)</u>
Total net changes	<u>17,301,835</u>
Total OPEB liability as of June 30, 2020	<u><u>\$ 219,923,002</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% percent in 2019 to 2.21% percent in 2020 and a change in healthcare cost trend rates from 8% in 2019 to 7% in 2020.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 263,961,870	\$ 219,923,002	\$ 185,777,501

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the assumed healthcare cost trend rate:

	1% Decrease (6.0%) Decreasing to (3.0%)	Healthcare Cost Trend Rates (7.0%) Decreasing to (4.0%)	1% Increase (8.0%) Decreasing to (5.0%)
Total OPEB liability	\$ 181,520,058	\$ 219,923,002	\$ 270,922,362

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

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$13,145,088. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 25,586,000
Changes of assumptions or other inputs	42,528,479	-
Total	\$ 42,528,479	\$ 25,586,000

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

Fiscal Year Ended June 30,	
2021	\$ 1,777,265
2022	1,777,265
2023	1,777,265
2024	1,777,265
2025	1,777,265
Thereafter	8,056,154
	<u>\$ 16,942,479</u>

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 18 – RISK MANAGEMENT:

A) General Information:

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

B) Risk Retention:

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. As of June 30, 2020, the District has recorded a workers' compensation claims payable for \$1,936,967. This represents the District's liability for unpaid reported claims and unreported claims which were incurred but not reported (IBNR) before year end, discounted at 2%. The District has a workers' compensation reserve in the amount of \$1,952,687.

The claims activity is as follows:

	2020	2019
Unpaid claims at beginning of year	\$ 2,263,727	\$ 1,975,197
Incurred claims	104,735	775,277
Claims payments and adjustments	(431,495)	(486,747)
Unpaid claims at year end	<u>\$ 1,936,967</u>	<u>\$ 2,263,727</u>

C) Consortiums and Self-Insured Plans:

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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 19 – COMMITMENTS AND CONTINGENCIES:

A) Assigned: Unappropriated – Encumbrances:

All encumbrances are classified as assigned fund balance. At June 30, 2020 the District had encumbered the following amounts:

General fund for:	
General support	\$ 1,148,249
Instruction	2,714,921
Transportation	93,154
Community services	11,137
Employee benefits	72,481
Debt service principal	781
Total General fund	<u>\$ 4,040,723</u>
Capital projects fund	<u>\$ 572,414</u>

B) Grants:

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

C) Litigation:

As of June 30, 2020, the District is unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

NOTE 20 – SUBSEQUENT EVENTS:

The District has evaluated subsequent events through September 17, 2020 which is the date the financial statements were available to be issued. The following significant event was identified:

On August 13, 2020 the Division of the Budget (DOB) issued their "FY 2021 First Quarterly State Budget Financial Plan Update" which notes that the DOB approved payment at 80% for accrued General Aid, Excess Cost Aid and BOCES Aid payments. These financial statements reflect revenue at 80% of the accrued amounts for these aids in the general fund. The remaining 20% is included in deferred inflows of resources and will be recognized as revenue upon such time this deferred aid is received.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local Sources				
Real property taxes	\$ 117,893,441	\$ 107,909,062	\$ 107,909,062	\$ -
Other tax items	-	9,984,379	9,994,227	9,848
Charges for services	2,360,000	2,360,000	2,553,751	193,751
Use of money and property	1,500,000	1,500,000	1,733,606	233,606
Sale of property and compensation for loss	-	-	17,018	17,018
Miscellaneous	1,179,500	1,198,400	1,086,593	(111,807)
Interfund revenues	3,150,000	3,150,000	3,558,892	408,892
State Sources				
Basic formula	37,560,077	26,526,530	21,840,319	(4,686,211)
Excess cost aid	-	3,416,598	4,762,598	1,346,000
Lottery aid	-	6,728,746	6,633,706	(95,040)
BOCES aid	-	-	2,223,683	2,223,683
Textbook aid	-	274,032	369,072	95,040
Computer hardware and software aid	-	225,927	225,927	-
Library A/V loan program aid	-	45,040	45,040	-
Other state aid	-	343,204	341,883	(1,321)
Federal sources	550,000	550,000	595,744	45,744
TOTAL REVENUES	<u>164,193,018</u>	<u>164,211,918</u>	<u>163,891,121</u>	<u>\$ (320,797)</u>
APPROPRIATED FUND BALANCE				
Appropriated Fund Balance	4,908,941	4,908,941		
Appropriated Reserves	<u>4,349,100</u>	<u>4,349,100</u>		
TOTAL REVENUES, APPROPRIATED FUND BALANCE AND RESERVES	<u>\$ 173,451,059</u>	<u>\$ 173,469,959</u>		

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.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Actual and Encumbrances</u>
EXPENDITURES					
General Support					
Board of education	\$ 110,995	\$ 119,152	\$ 100,630	\$ -	\$ 18,522
Central administration	438,056	461,895	441,450	344	20,101
Finance	2,281,353	2,477,342	2,167,249	179,830	130,263
Staff	777,637	603,677	556,206	232	47,239
Central services	10,868,074	11,437,304	9,953,195	967,343	516,766
Special items	1,259,757	1,212,134	1,178,541	500	33,093
Total General Support	15,735,872	16,311,504	14,397,271	1,148,249	765,984
Instruction					
Instruction, administration & improvement	8,820,349	9,202,027	8,842,758	35,366	323,903
Teaching - regular school	52,687,705	52,015,632	50,307,290	553,378	1,154,964
Programs for children with disabilities	26,515,769	27,120,762	26,925,925	153,024	41,813
Occupational education	1,100,000	1,100,000	1,067,395	-	32,605
Teaching - special schools	642,382	493,469	454,027	-	39,442
Instructional media	2,872,604	5,261,754	3,262,314	1,893,920	105,520
Pupil services	6,242,023	6,182,803	5,933,155	79,233	170,415
Total Instruction	98,880,832	101,376,447	96,792,864	2,714,921	1,868,662
Pupil transportation	9,987,687	8,076,789	7,817,390	93,154	166,245
Community services	26,700	26,700	14,977	11,137	586
Employee benefits	41,709,976	40,486,143	37,529,985	72,481	2,883,677
Debt Service					
Debt service principal	4,370,000	4,190,880	4,172,505	781	17,594
Debt service interest	1,799,992	1,588,752	1,588,752	-	-
Total Debt Service	6,169,992	5,779,632	5,761,257	781	17,594
TOTAL EXPENDITURES	172,511,059	172,057,215	162,313,744	4,040,723	5,702,748
OTHER FINANCING USES					
Transfers to other funds	940,000	1,412,744	1,412,744	-	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 173,451,059	\$ 173,469,959	163,726,488	\$ 4,040,723	\$ 5,702,748
NET CHANGE IN FUND BALANCE			164,633		
FUND BALANCE - BEGINNING			31,556,041		
FUND BALANCE - ENDING			<u>\$ 31,720,674</u>		

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.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30,**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 6,952,955	\$ 5,365,086	\$ 5,165,193
Interest on total OPEB liability	4,414,868	7,020,823	6,785,189
Differences between expected and actual experience	(26,687,690)	(920,786)	(519,629)
Changes in assumptions or other inputs	37,717,642	11,841,359	-
Benefit payments	<u>(5,095,940)</u>	<u>(5,124,660)</u>	<u>(5,158,204)</u>
Net change in total OPEB liability	17,301,835	18,181,822	6,272,549
Total OPEB liability - beginning	<u>202,621,167</u>	<u>184,439,345</u>	<u>178,166,796</u>
Total OPEB liability - ending	<u><u>\$ 219,923,002</u></u>	<u><u>\$ 202,621,167</u></u>	<u><u>\$ 184,439,345</u></u>
District's covered employee payroll	\$ 76,221,412	\$ 71,710,629	\$ 71,710,629
Total OPEB liability as a percentage of covered employee payroll	288.53%	282.55%	257.20%

Notes to Schedule:

Trust Assets

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

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% percent in 2019 to 2.21% percent in 2020 and a change in healthcare cost trend rates from 8% in 2019 to 7% in 2020.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (LIABILITY)/ASSET
FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30,***

	NYSERS Pension Plan				
	2020	2019	2018	2017	2016
District's proportion of the net pension (liability)/asset	0.0402017%	0.0414124%	0.0497320%	0.0498795%	0.0490031%
District's proportionate share of the net pension (liability)/asset	\$ (10,645,641)	\$ (2,934,197)	\$ (1,605,072)	\$ (4,686,790)	\$ (7,865,141)
District's covered payroll	\$ 16,035,649	\$ 15,978,708	\$ 17,100,993	\$ 18,652,865	\$ 18,238,761
District's proportionate share of the net pension (liability)/asset as a percentage of its covered payroll	66.39%	18.36%	9.39%	25.13%	43.12%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.70%
					97.90%

	NYSTRS Pension Plan				
	2020	2019	2018	2017	2016
District's proportion of the net pension (liability)/asset	0.411426%	0.399524%	0.383359%	0.384008%	0.379933%
District's proportionate share of the net pension (liability)/asset	\$ 10,688,867	\$ 7,224,457	\$ 2,913,912	\$ (4,112,288)	\$ 39,462,897
District's covered payroll	\$ 70,108,972	\$ 66,141,438	\$ 61,889,514	\$ 60,435,165	\$ 58,060,154
District's proportionate share of the net pension (liability)/asset as a percentage of its covered payroll	15.25%	10.92%	4.71%	6.80%	67.97%
Plan fiduciary net position as a percentage of the total pension liability	102.17%	101.53%	100.66%	99.01%	110.46%
					111.48%

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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30,**

	NYSERS Pension Plan									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 2,305,705	\$ 2,511,388	\$ 2,636,644	\$ 2,753,273	\$ 3,102,809	\$ 3,364,271	\$ 3,188,815	\$ 3,263,054	\$ 2,849,705	\$ 2,459,571
Contributions in relation to the contractually required contribution	2,305,705	2,511,388	2,636,644	2,753,273	3,102,809	3,364,271	3,188,815	3,263,054	2,849,705	2,459,571
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$15,917,869	\$16,008,737	\$16,069,007	\$18,509,052	\$18,373,788	\$17,963,008	\$17,291,655	\$17,038,034	\$17,689,170	\$18,345,640
Contributions as a percentage of covered employee payroll	14.49%	15.69%	16.41%	14.88%	16.89%	18.73%	18.44%	19.15%	16.11%	13.41%

	NYTRS Pension Plan									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 6,279,153	\$ 7,293,140	\$ 6,377,649	\$ 7,118,974	\$ 7,857,388	\$10,004,554	\$ 6,758,443	\$ 6,576,921	\$ 6,396,310	\$ 5,019,884
Contributions in relation to the contractually required contribution	6,279,153	7,293,140	6,377,649	7,118,974	7,857,388	10,004,554	6,758,443	6,576,921	6,396,310	5,019,884
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$71,831,144	\$70,108,972	\$66,141,438	\$61,889,514	\$60,435,165	\$58,060,154	\$55,602,537	\$54,787,789	\$57,779,812	\$57,444,314
Contributions as a percentage of covered employee payroll	8.74%	10.40%	9.64%	11.50%	13.00%	17.23%	12.15%	12.00%	11.07%	8.74%

SUPPLEMENTARY INFORMATION

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET-GENERAL FUND
AND SECTION 1318 OF THE REAL PROPERTY TAX LAW LIMIT CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 173,351,959
Add: Prior year's encumbrances	99,100
Original Budget	<u>173,451,059</u>
Budget Revisions:	
Contingent expenditures funded by donations	<u>18,900</u>
Final Budget	<u><u>\$ 173,469,959</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-21 voter-approved expenditure budget	<u><u>\$ 174,657,264</u></u>
Maximum allowed (4% of 2020-21 budget)	<u><u>\$ 6,986,291</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:	
Unrestricted fund balance:	
Assigned fund balance	\$ 9,140,723
Unassigned fund balance	<u>4,511,177</u>
Total unrestricted fund balance	13,651,900
Less:	
Appropriated fund balance	\$ 5,100,000
Encumbrances included in assigned fund balance	<u>4,040,723</u>
Total adjustments	<u>9,140,723</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 4,511,177</u></u>
Actual percentage	<u><u>2.58%</u></u>

* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax Law is: unassigned fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30 2020

	Original Appropriation	Revised Appropriation	Expenditures		Unexpended Balance	Proceeds of Obligations	Methods of Financing		Fund Balance June 30, 2020
			Prior Year's	Current Year			State Aid	Local Sources	
Walt Whitman High School Canopy	\$ 13,080	\$ 12,817	\$ 12,817	\$ -	\$ -	\$ -	\$ -	\$ 12,817	\$ 12,817
Stimson Middle School Lobby Renovation	21,800	20,414	20,414	-	-	-	-	20,414	-
District Office Conference Room	305,439	387,298	387,298	-	-	-	-	387,298	-
Silaswood Exterior Lighting	21,800	992	896	96	-	-	-	992	-
Student Services Renovations	256,381	370,217	370,217	-	-	-	-	370,217	-
Melville Road Air Conditioning	38,500	24,321	24,321	-	-	-	-	24,321	-
Stimson Field Work	55,000	51,845	51,845	-	-	-	-	51,845	-
WWHS Tennis Court Repairs	45,000	26,879	26,879	-	-	-	-	26,879	-
SMS Tennis Court Repairs	45,000	29,823	29,823	-	-	-	-	29,823	-
BW Hot Water Heater	106,000	3,729	3,729	-	-	-	-	3,729	-
OW Boiler	-	2,977	-	2,977	-	-	-	2,977	-
Teen Center Cooling Tower	17,500	2,412	506	1,906	-	-	-	2,412	-
Maplewood Exterior Lighting	10,801	896	896	-	-	-	-	896	-
Maplewood Hot Water Heater	106,000	4,929	3,729	1,200	-	-	-	4,929	-
Memorial Repairs	20,419	165,705	18,674	23,940	123,091	-	-	165,705	123,091
WWHS Main Office Renovation	160,500	435,860	330,140	(4,812)	110,532	-	-	435,860	110,532
WWHS PAC Upgrades	1,466,554	1,829,385	686,861	804,018	338,506	-	-	1,829,385	338,506
Teen Center Upgrades	384,683	236,691	17,508	219,183	-	-	-	236,691	-
Smart Schools Phase 1	300,907	300,907	298,260	-	2,647	-	300,907	-	2,647
Smart Schools Phase 2	398,731	398,731	393,479	-	5,252	-	398,731	-	5,252
Smart Schools Phase 3	548,873	548,873	548,861	-	12	-	548,873	-	12
TOTAL	\$ 4,322,968	\$ 4,855,701	\$ 3,227,153	\$ 1,048,508	\$ 580,040	\$ -	\$ 1,248,511	\$ 3,607,190	\$ 580,040
Less: Uncertified Smart Schools Aid									(2,647)
									\$ 577,393

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2020**

Capital assets, net		\$ 53,555,744
Add:		
Library bond		1,240,000
Deduct:		
Gain on defeasance	1,621,654	
Short-term portion of bonds payable (inclusive of unamortized premium)	3,295,166	
Long-term portion of bonds payable (inclusive of unamortized premium)	20,121,490	
Short-term portion of energy performance contract debt payable	797,481	
Long-term portion of energy performance contract debt payable	5,476,459	
Short-term portion of installment purchase debt payable	38,006	
Long-term portion of installment purchase debt payable	15,830	
	<hr/>	<hr/>
Net investment in capital assets		\$ 23,429,658

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
South Huntington 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 South Huntington Union Free School District as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the South Huntington Union Free School District's basic financial statements, and have issued our report thereon dated September 17, 2020.

Internal Control over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Huntington 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "R.S. Abrams & Co., LLP". The signature is written in a cursive, flowing style.

R.S. Abrams & Co., LLP
Islandia, NY
September 17, 2020

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

October 8, 2020

The Board of Education of
South Huntington Union Free School District,
in the County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to South Huntington 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 \$32,000,000 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 EVENTS NOTICE 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 South Huntington 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 October 8, 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 \$32,000,000 Tax Anticipation Notes for 2020-2021 Taxes, dated October 8, 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 **October 8, 2020**.

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT

By _____
President of the Board of Education