



**EAST MORICHES
UNION FREE SCHOOL DISTRICT**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS**

June 30, 2019

**EAST MORICHES UNION FREE SCHOOL DISTRICT
TABLE OF CONTENTS**

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis (MD&A)	3
Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Statement of Fiduciary Net Position – Fiduciary Funds	20
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	21
Notes to Financial Statements	22
Required Supplementary Information other than MD&A:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	48
Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)	50
Schedule of District Pension Contributions	51
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	52
Other Supplementary Information:	
Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund	53
Schedule of Project Expenditures and Financing Resources – Capital Projects Fund	54
Net Investment in Capital Assets	55
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 <i>Government Auditing Standards</i>	56

VINCENT D. CULLEN, CPA
(1950 - 2013)

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
East Moriches Union Free School District
East Moriches, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 East Moriches Union Free School District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance - budget and actual - general fund, schedule of District's proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District's total OPEB liability and related ratios on pages 3 through 13 and 48 through 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Moriches Union Free School District's basic financial statements. The other supplementary information on pages 53 through 55 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2019 on our consideration of the East Moriches 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the East Moriches 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 East Moriches Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

October 22, 2019

**EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The East Moriches Union Free School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019 in comparison with the year ended June 30, 2018, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

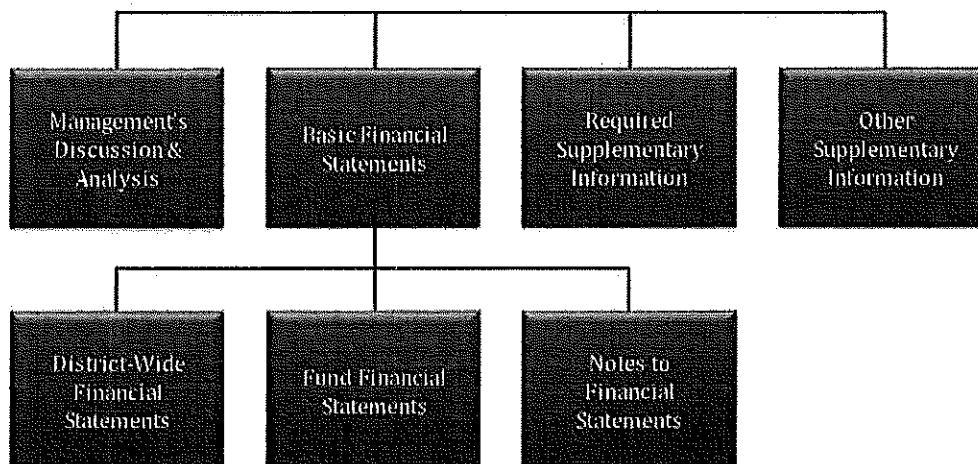
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2019 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, increased by \$530,634. This was due to an excess of revenues over expenses based on the economic resources measurement focus and the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$28,759,886. Of this amount, \$1,197,874 was offset by program charges for services and operating grants. General revenues of \$28,092,646 amount to 95.9% of total revenues, and were adequate to cover the balance of program expenses.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$2,023,392. This was due to an excess of revenues over expenditures based on the current financial resources measurement focus and the modified accrual basis of accounting. The general fund's total fund balance, as reflected in the fund financial statements, is \$6,394,062.
- The District's 2019 property tax levy of \$20,466,494 was a 2.56% increase over the 2018 tax levy and was equal to the maximum allowable tax levy limit.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

A. District-Wide Financial Statements

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

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

The Statement of Net Position

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

The Statement of Activities

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

B. Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

Fiduciary Funds

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position increased by \$530,634 between fiscal year 2019 and 2018. The increase is due to revenues in excess of expenses based on the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2019	2018	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 10,270,770	\$ 8,860,489	\$ 1,410,281	15.92 %
Capital Assets, Net	20,017,266	20,483,346	(466,080)	(2.28)%
Net Pension Asset - Proportionate Share	715,259	304,121	411,138	135.19 %
Total Assets	<u>31,003,295</u>	<u>29,647,956</u>	<u>1,355,339</u>	4.57 %
Deferred Outflows of Resources	<u>7,960,329</u>	<u>4,403,619</u>	<u>3,556,710</u>	80.77 %
Liabilities				
Current and Other Liabilities	2,330,416	2,784,204	(453,788)	(16.30)%
Long-Term Liabilities	16,826,486	17,199,248	(372,762)	(2.17)%
Net Pension Liability - Proportionate Share	253,922	112,614	141,308	125.48 %
Total OPEB Obligation	29,639,377	24,211,711	5,427,666	22.42 %
Total Liabilities	<u>49,050,201</u>	<u>44,307,777</u>	<u>4,742,424</u>	10.70 %
Deferred Inflows of Resources	<u>1,971,334</u>	<u>2,332,343</u>	<u>(361,009)</u>	(15.48)%
Net Position (Deficit)				
Net Investment in Capital Assets	4,972,266	4,658,346	313,920	6.74 %
Restricted	4,777,679	4,534,757	242,922	5.36 %
Unrestricted (Deficit)	<u>(21,807,856)</u>	<u>(21,781,648)</u>	<u>(26,208)</u>	(0.12)%
Total Net Position (Deficit)	<u>\$ (12,057,911)</u>	<u>\$ (12,588,545)</u>	<u>\$ 530,634</u>	4.22 %

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

Current and other assets increased by \$1,410,281, as compared to the prior year. The increase is primarily related to an increase in cash of \$1,120,309. The increase is also due to an increase in due from state and federal of \$302,410, which increased primarily due to an increase in amounts due from BOCES and New York State.

Capital assets, net decreased by \$466,080, as compared to the prior year. This decrease is due to depreciation expense in excess of capital asset additions. The accompanying Notes to Financial Statements, Note 8 "Capital Assets" provides additional information.

Net pension asset – proportionate share represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 12 "Pension Plans – New York State", provides additional information.

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

Current and other liabilities decreased by \$453,788, as compared to the prior year. This decrease is primarily due to decreases in accounts payable of \$496,063 and compensated absences of \$72,582, offset by an increase in due to teachers' retirement system of \$98,187.

Long-term liabilities decreased by \$372,762, as compared to the prior year. This decrease is the result of the repayment of bond principal in the amount of \$780,000, which was offset by an increase in compensated absences payable of \$407,238.

Net pension liability – proportionate share increased by \$141,308 in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability, at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 12 "Pension Plans – New York State", provides additional information.

Total other postemployment benefits (OPEB) obligation increased by \$5,427,666, as compared to the prior year, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 14 "Postemployment Healthcare Benefits", provides additional information.

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

The net investment in capital assets is the investment in capital assets at cost such as – land, construction in progress, buildings and improvements, and, furniture, equipment and vehicles, net of depreciation and related outstanding debt. This number increased over the prior year as follows:

	Increase (Decrease)
Capital asset additions - total	\$ 286,222
Principal debt reduction of construction bonds	780,000
Depreciation expense	(752,302)
	\$ 313,920

The restricted amount of \$4,777,679 relates to the District's reserves. This number increased over the prior year by \$242,922. The District funded the reserves in the amount of \$453,861, as approved by the

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

Board of Education and earned interest of \$13,170. Restricted amounts were reduced by \$224,109 for expenditures on the middle school capital project (\$168,767) and employee retirement benefits (\$55,342).

The unrestricted (deficit) amount of \$(21,807,856) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the OPEB obligation. This deficit increased over the prior year by \$26,208.

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2019 and 2018 is as follows:

	2019	2018	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 712,929	\$ 671,211	\$ 41,718	6.22 %
Operating Grants	484,945	507,650	(22,705)	(4.47)%
Capital Grants		29,737	(29,737)	(100.00)%
General Revenues				
Property Taxes and STAR	20,467,489	19,956,483	511,006	2.56 %
State Sources	7,144,118	6,970,414	173,704	2.49 %
Other	481,039	298,495	182,544	61.15 %
Total Revenues	29,290,520	28,433,990	856,530	3.01 %
Expenses				
General Support	2,561,031	2,412,813	148,218	6.14 %
Instruction	24,073,618	23,055,874	1,017,744	4.41 %
Pupil Transportation	1,229,655	1,323,305	(93,650)	(7.08)%
Debt Service - Interest	679,932	682,352	(2,420)	(0.35)%
Food Service Program	215,650	209,538	6,112	2.92 %
Total Expenses	28,759,886	27,683,882	1,076,004	3.89 %
Increase in Net Position	\$ 530,634	\$ 750,108	\$ (219,474)	(29.26)%

The District's net position increased by \$530,634 and \$750,108 for the years ended June 30, 2019 and 2018, respectively.

The District's revenues increased by \$856,530 or 3.01%. The major factors that contributed to the increase were:

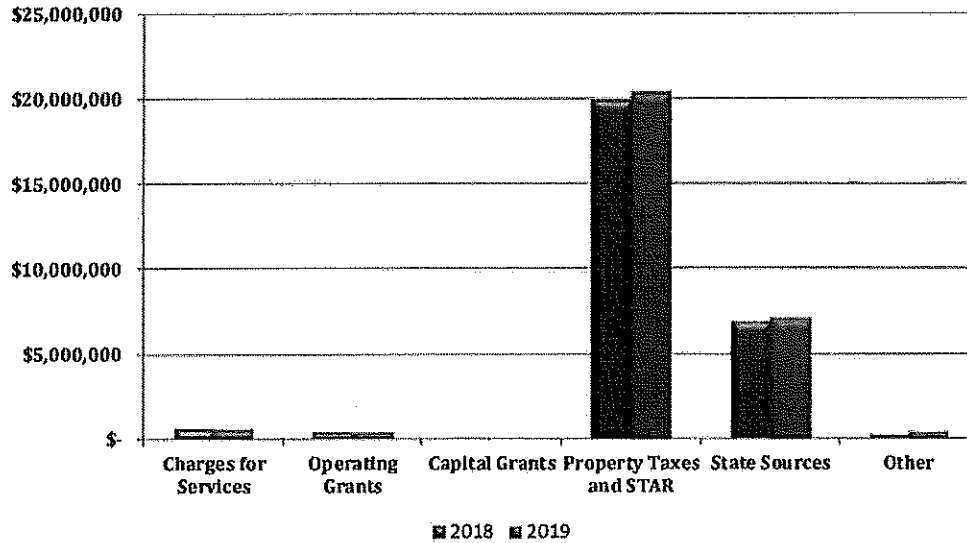
- Property taxes and STAR revenue increased by \$511,066.
- The District received more state aid in the current year than during the prior year.
- Other revenues increased \$182,544, primarily due to an increase in refunds of prior year expenses.

The District's expenses increased \$1,076,004 or 3.89%. The increase is primarily due to an increase of \$1,017,744 in instruction expenses. Instruction salaries increased approximately \$533,000 due to annual salary increases in accordance with employee contracts. There was also an increase of approximately \$627,000 in tuition expense due to an increase in the numbers of students attending other school districts.

**EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

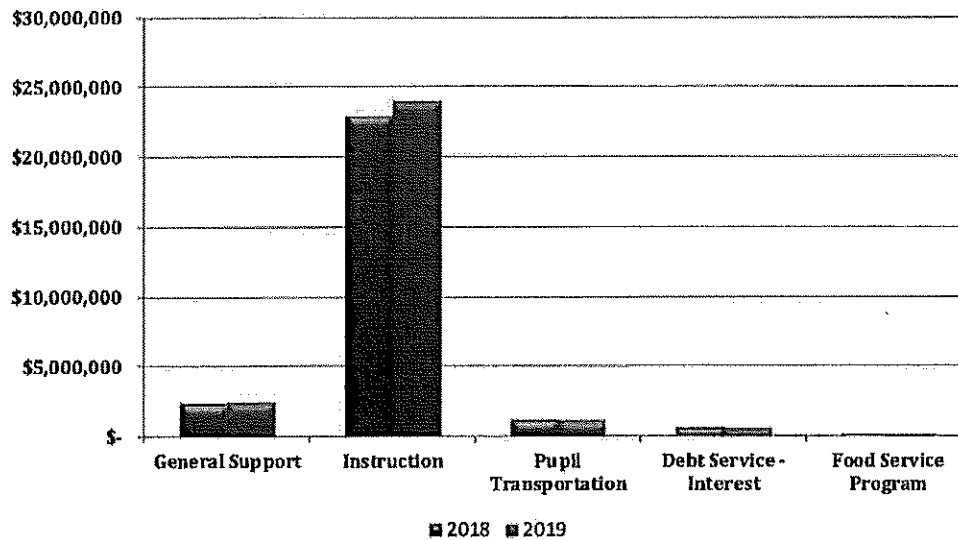
As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 69.9% and 70.2% of the total for the years 2019 and 2018, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 83.7% and 83.2% of the total for the years 2019 and 2018, respectively).

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



	Charges for Services	Operating Grants	Capital Grants	Property Taxes and STAR	State Sources	Other
2018	2.4%	1.8%	0.1%	70.2%	24.5%	1.0%
2019	2.4%	1.7%	0.0%	69.9%	24.4%	1.6%

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2018	8.7%	83.2%	4.8%	2.5%	0.8%
2019	8.9%	83.7%	4.3%	2.4%	0.7%

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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2019, the District's governmental funds reported a combined fund balance of \$8,205,304, which is an increase of \$1,852,376 over the prior year. This increase is due to an excess of revenues over expenditures based upon current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2019	2018	Increase (Decrease)
General Fund			
Restricted			
Workers' compensation	\$ 189,219	\$ 188,278	\$ 941
Unemployment insurance	79,119	78,725	394
Retirement contribution			
Teachers' retirement system	128,861		128,861
Employees retirement system	934,133	730,481	203,652
Employee benefit accrued liability	1,714,372	1,636,531	77,841
Assigned:			
Unappropriated fund balance	189,823	174,720	15,103
Unassigned: Fund balance	3,158,535	1,561,935	1,596,600
	<u>6,394,062</u>	<u>4,370,670</u>	<u>2,023,392</u>
School Food Service Fund			
Nonspendable: Inventory	4,962	4,058	904
Assigned: Unappropriated fund balance	24,276	27,429	(3,153)
	<u>29,238</u>	<u>31,487</u>	<u>(2,249)</u>
Capital Projects Fund			
Restricted: Capital	1,731,975	1,900,742	(168,767)
Assigned: Unappropriated fund balance	50,029	50,029	-
	<u>1,782,004</u>	<u>1,950,771</u>	<u>(168,767)</u>
Total Fund Balance	<u>\$ 8,205,304</u>	<u>\$ 6,352,928</u>	<u>\$ 1,852,376</u>

A. General Fund

The net change in the general fund – fund balance is an increase of \$2,023,392 compared to an increase of \$564,752 in the prior year. Revenues of \$28,708,581 exceeded expenditures and other uses of \$26,685,189. Revenues increased by \$872,557 (3.1%) over fiscal 2018 totals. The increase is primarily attributable to increases in real property taxes and STAR of \$511,006, state aid of \$143,912 and miscellaneous revenues of \$113,079. Expenditures and other uses decreased by \$586,083 (2.2%) from fiscal 2018. This was due to a decrease in operating transfers out of \$1,988,130, offset by increases in instruction of \$985,975 and employee benefits of \$348,910. The decrease in operating transfers out is due to the District approving the transfer \$1,925,000 from the capital reserve to the capital projects fund in the prior year. The increase in instruction expenses is mainly attributable to annual employee salary increases and increased tuition to other school districts.

The District expects to appropriate \$10,000 from the unemployment reserve to fund the budget and reduce taxes for the year ending June 30, 2020.

**EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

The District utilized \$55,342 of the employee benefit accrued liability reserve to fund related expenditures. On June 25, 2019, the Board of Education authorized to fund reserves in the following amounts: \$128,861 for the teachers' retirement system contribution, \$200,000 for the employees' retirement system contribution, and \$125,000 for the employee benefit accrued liability. The District allocated interest income of \$13,170 to the reserves.

B. School Food Service Fund

The net change in the school food service fund – fund balance is a decrease of \$2,249, which was the result of expenditures exceeding revenues and other financing sources, compared to an increase of \$12,897 in the prior year. In the current year, the general fund transferred \$20,000 to the food service fund, a reduction of \$25,000 from the prior year transfer of \$45,000.

C. Capital Projects Fund

The net change in the capital projects fund – fund balance was a decrease of \$168,767. This is due to expenditures incurred during the year on capital projects of \$168,767 and no revenue in the capital projects fund.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2018-2019 Budget

The District's general fund adopted budget for the year ended June 30, 2019 was \$28,001,605. This amount was increased by encumbrances carried forward from the prior year in the amount of \$174,720 and budget revisions in the amount of \$222,512 for a total final budget of \$28,398,837.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$20,466,494 in estimated property taxes and STAR, and \$7,377,396 in estimated state aid.

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

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

Opening, Unassigned Fund Balance	\$ 1,561,935
Revenues Over Budget	690,521
Expenditures and Encumbrances Under Budget	1,523,825
Unused Appropriated Reserves	(150,715)
Allocation to Reserves	<u>(467,031)</u>
Closing, Unassigned Fund Balance	<u>\$ 3,158,535</u>

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

Opening, Unassigned Fund Balance

The \$1,561,935 shown in the table is the portion of the District's June 30, 2018 fund balance that was retained as unassigned. This was 5.58% of the District's 2018-2019 approved operating budget of \$28,001,605.

Revenues Over Budget

Actual revenues recognized for the year of \$28,708,581 exceeded budgeted revenues of \$28,018,060 by \$690,521. This positive variance contributes directly to the change to the general fund's unassigned fund balance from June 30, 2018 to June 30, 2019.

Expenditures and Encumbrances Under Budget

The 2018-2019 final budget for expenditures and other uses was \$28,398,837. Actual expenditures, other uses and encumbrances as of June 30, 2019 were \$26,875,012. The final budget was under expended by \$1,523,825. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2018 to June 30, 2019.

Allocation to Reserves

The following allocations were made to the reserves during the year:

Board approved transfers:	
Employee benefit accrued liability reserve	\$ 125,000
Retirement contribution reserve	200,000
Reserve for teachers' retirement system	<u>128,861</u>
	453,861
Interest earnings allocated to the reserves	<u>13,170</u>
	<u><u>\$ 467,031</u></u>

Closing, Unassigned Fund Balance

Based upon the changes shown in the summary table, the unassigned fund balance at June 30, 2019 was \$3,158,535. This amount equals 10.94% of the 2019-2020 budget and exceeds the 4% statutory limitation established by New York State Real Property Tax Law §1318.

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

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

A. Capital Assets

At June 30, 2019, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation of \$752,302 in excess of capital additions of \$286,222 recorded for the year ended June 30, 2019. A summary of the District's capital assets, net of depreciation at June 30, 2019 and 2018 is as follows:

	2019	2018	Increase (Decrease)
Land	\$ 265,000	\$ 265,000	\$ -
Construction work in progress	193,025		193,025
Buildings and improvements	19,278,318	19,914,132	(635,814)
Furniture and equipment	262,985	281,492	(18,507)
Vehicles	17,938	22,722	(4,784)
Capital assets, net	<u>\$ 20,017,266</u>	<u>\$ 20,483,346</u>	<u>\$ (466,080)</u>

B. Debt Administration

At June 30, 2019, the District had total bonds payable of \$15,045,000. The bonds were issued for school building improvements and the refunding of bonds originally issued for school building improvements. The decrease in outstanding debt represents principal payments made during the year. A summary of the outstanding debt at June 30, 2019 and 2018 is as follows:

Issue Date	Interest Rate	2019	2018	Increase (Decrease)
2011	4.0-4.75%	\$ 315,000	\$ 345,000	\$ (30,000)
2012	2.0-5.0%	9,065,000	9,780,000	(715,000)
2015	2.0-3.375%	5,665,000	5,700,000	(35,000)
		<u>\$ 15,045,000</u>	<u>\$ 15,825,000</u>	<u>\$ (780,000)</u>

The District's latest underlying, long-term credit rating from S&P Global Ratings is AA/Stable. The District's outstanding serial bonds at June 30, 2019 are approximately 10.4% of the District's debt limit.

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, net pension liability – proportionate share and total other postemployment benefits obligation. The compensated absences liability is based on employment contracts. The net pension liability – proportionate share and total other postemployment benefits obligation are based on actuarial valuations.

	2019	2018	Increase (Decrease)
Compensated absences payable	\$ 1,781,486	\$ 1,374,248	\$ 407,238
Net pension liability			
- proportionate share	253,922	112,614	141,308
Total OPEB obligation	<u>29,639,377</u>	<u>24,211,711</u>	<u>5,427,666</u>
	<u>\$ 31,674,785</u>	<u>\$ 25,698,573</u>	<u>\$ 5,976,212</u>

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

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 21, 2019, for the year ending June 30, 2020, is \$28,858,591. This is an increase of \$856,986 or 3.06% over the previous year's budget.

The District budgeted revenues other than property taxes and STAR at an increase of \$181,529 over the prior year's estimate, which is principally due to an estimated increase in tuition, offset by an estimated decrease in state sources. The District appropriated \$10,000 from the unemployment reserve towards the next year's budget, and has not appropriated any unassigned fund balance to the 2019-2020 budget. A property tax increase of \$675,457 (3.30%), levy to levy, was needed to meet the funding shortfall and cover the increase in appropriations.

B. Future Budgets

Significant increases in costs of health insurance, the property tax cap, and uncertainty in state aid and federal funds will greatly impact the District's future budgets.

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's 2019-2020 property tax increase of 3.30% was equal to the tax cap and did not require an override vote.

D. Property Tax Relief Credit

New York State law provides a "Property Tax Relief Credit" to eligible taxpayers through the 2019-20 school year. To be eligible, a taxpayer, based on income tax return filings for the taxable two years prior, must be a New York State resident, who owned and primarily resided in real property receiving the STAR exemption, and had adjusted gross income no greater than \$275,000. A taxpayer is ineligible for the tax credit if the real property is located in a school district that adopted a budget in excess of the tax levy limit. Eligible District taxpayers will receive a tax credit in the form of a check. The amount of the credit (check) is a function of the basic STAR savings and the taxpayer's income.

This program provides an incentive for the District to be tax cap compliant.

8. CONTACTING THE DISTRICT

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

Dr. Charles Russo
Superintendent of Schools
East Moriches Union Free School District
9 Adelaide Avenue
East Moriches, NY 11940

EAST MORICHES UNION FREE SCHOOL DISTRICT
Statement of Net Position
June 30, 2019

ASSETS	
Cash	
Unrestricted	\$ 4,355,706
Restricted	4,777,679
Receivables	
Accounts receivable	9,931
Due from fiduciary funds	68,230
Due from state and federal	960,414
Due from other governments	93,848
Inventory	4,962
Capital assets:	
Not being depreciated	458,025
Being depreciated, net of accumulated depreciation	19,559,241
Net pension asset - proportionate share	<u>715,259</u>
 Total Assets	 <u>31,003,295</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pensions	4,057,478
Other postemployment benefits obligation	<u>3,902,851</u>
 Total Deferred Outflows of Resources	 <u>7,960,329</u>
 LIABILITIES	
Payables	
Accounts payable	1,185,964
Accrued liabilities	306,111
Due to other governments	11,941
Due to teachers' retirement system	781,400
Due to employees' retirement system	43,903
Unearned credits	
Collections in advance	1,097
Long-term liabilities	
Due and payable within one year	
Bonds payable	805,000
Due and payable after one year	
Bonds payable	14,240,000
Compensated absences payable	1,781,486
Net pension liability - proportionate share	253,922
Total other postemployment benefits obligation	<u>29,639,377</u>
 Total Liabilities	 <u>49,050,201</u>
 DEFERRED INFLOWS OF RESOURCES	
Pensions	1,011,602
Other postemployment benefits obligation	<u>959,732</u>
 Total Deferred Inflows of Resources	 <u>1,971,334</u>
 NET POSITION (DEFICIT)	
Net investment in capital assets	<u>4,972,266</u>
Restricted:	
Workers' compensation	189,219
Unemployment insurance	79,119
Retirement contribution	
Teachers' retirement system	128,861
Employees' retirement system	934,133
Employee benefit accrued liability	1,714,372
Capital	<u>1,731,975</u>
	<u>4,777,679</u>
Unrestricted (deficit)	<u>(21,807,856)</u>
 Total Net Position (Deficit)	 <u>\$ (12,057,911)</u>

See Notes to Financial Statements

EAST MORICHES UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2019

	Program Revenues		Net (Expense)
Expenses	Charges for Services	Operating Grants	Revenue and Changes In Net Position
FUNCTIONS/PROGRAMS			
General support	\$ 2,561,031	\$	\$ (2,561,031)
Instruction	24,073,618	609,541	(23,063,702)
Pupil transportation	1,229,655		(1,229,655)
Debt service - interest	679,932		(679,932)
Food service program	215,650	103,388	(27,692)
	<u>\$ 28,759,886</u>	<u>\$ 712,929</u>	<u>\$ (27,562,012)</u>
GENERAL REVENUES			
Real property taxes			18,568,252
Other tax items			1,947,425
Use of money and property			94,133
Miscellaneous			283,865
State sources			7,144,118
Medicaid reimbursement			54,853
			<u>28,092,646</u>
Change in Net Position			530,634
Total Net Position (Deficit) - Beginning of Year			<u>(12,588,545)</u>
Total Net Position (Deficit) - End of Year			<u>\$ (12,057,911)</u>

EAST MORICHES UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2019

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash					
Unrestricted	\$ 4,279,219	\$ 5,501	\$ 46,972	\$ 24,014	\$ 4,355,706
Restricted	3,045,704			1,731,975	4,777,679
Receivables					
Accounts receivable	4,957		4,974		9,931
Due from other funds	330,810			26,015	356,825
Due from state and federal	699,070	252,537	8,807		960,414
Due from other governments	93,848				93,848
Inventory			4,962		4,962
Total Assets	<u>\$ 8,453,608</u>	<u>\$ 258,038</u>	<u>\$ 65,715</u>	<u>\$ 1,782,004</u>	<u>\$ 10,559,365</u>
LIABILITIES					
Payables					
Accounts payable	\$ 1,164,136	\$ 10,590	\$ 11,238		\$ 1,185,964
Accrued liabilities	19,895				19,895
Due to other funds	26,015	245,049	17,531		288,595
Due to other governments	2,931	2,399	6,611		11,941
Due to teachers' retirement system	781,400				781,400
Due to employees' retirement system	43,903				43,903
Unearned credits					
Collections in advance			1,097		1,097
Total Liabilities	<u>2,038,280</u>	<u>258,038</u>	<u>36,477</u>	<u>-</u>	<u>2,332,795</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>21,266</u>				<u>21,266</u>
FUND BALANCES					
Nonspendable: Inventory			4,962		4,962
Restricted:					
Workers' compensation	189,219				189,219
Unemployment insurance	79,119				79,119
Retirement contribution					
Teachers' retirement system	128,861				128,861
Employees' retirement system	934,133				934,133
Employee benefit accrued liability	1,714,372				1,714,372
Capital				1,731,975	1,731,975
Assigned: Unappropriated fund balance	189,823		24,276	50,029	264,128
Unassigned: Fund balance	<u>3,158,535</u>				<u>3,158,535</u>
Total Fund Balances	<u>6,394,062</u>	<u>-</u>	<u>29,238</u>	<u>1,782,004</u>	<u>8,205,304</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,453,608</u>	<u>\$ 258,038</u>	<u>\$ 65,715</u>	<u>\$ 1,782,004</u>	<u>\$ 10,559,365</u>

EAST MORICHES UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Total Governmental Fund Balances \$ 8,205,304

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

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

Original cost of capital assets	\$ 30,427,130	
Accumulated depreciation	<u>(10,409,864)</u>	20,017,266

Proportionate share of long-term asset, liability and deferred outflows and inflows 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 - teachers' retirement system	715,259	
Deferred outflows of resources	4,057,478	
Net pension liability - employees' retirement system	(253,922)	
Deferred inflows of resources	<u>(1,011,602)</u>	3,507,213

Total other postemployment benefits obligation and deferred outflows and inflows related to providing benefits in retirement are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	3,902,851	
Total other postemployment benefits obligation	(29,639,377)	
Deferred inflows of resources	<u>(959,732)</u>	(26,696,258)

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.

New York State - state aid		21,266
----------------------------	--	--------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Accrued interest on bonds payable	(286,216)	
Bonds payable	(15,045,000)	
Compensated absences payable	<u>(1,781,486)</u>	(17,112,702)

Total Net Position (Deficit)		<u>\$ (12,057,911)</u>
------------------------------	--	------------------------

EAST MORICHES UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2019

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
REVENUES					
Real property taxes	\$ 18,568,252	\$	\$	\$	\$ 18,568,252
Other tax items	1,947,425				1,947,425
Charges for services	609,541				609,541
Use of money and property	94,133				94,133
Miscellaneous	283,865		4,695		288,560
Interfund revenues	6,394				6,394
State sources	7,144,118	149,949	3,041		7,297,108
Medicaid reimbursement	54,853				54,853
Federal sources		250,426	81,529		331,955
Sales			98,693		98,693
Total Revenues	28,708,581	400,375	187,958	-	29,296,914
EXPENDITURES					
General support	2,000,639				2,000,639
Instruction	17,951,693	429,742			18,381,435
Pupil transportation	1,202,773	26,882			1,229,655
Employee benefits	3,982,210				3,982,210
Debt service					
Principal	780,000				780,000
Interest	691,625				691,625
Food service program			210,207		210,207
Capital outlay				168,767	168,767
Total Expenditures	26,608,940	456,624	210,207	168,767	27,444,538
Excess (Deficiency) of Revenues Over Expenditures	2,099,641	(56,249)	(22,249)	(168,767)	1,852,376
OTHER FINANCING SOURCES AND (USES)					
Operating transfers in		56,249	20,000		76,249
Operating transfers (out)	(76,249)				(76,249)
Total Other Financing Sources and (Uses)	(76,249)	56,249	20,000	-	-
Net Change in Fund Balances	2,023,392	-	(2,249)	(168,767)	1,852,376
Fund Balances -					
Beginning of Year	4,370,670		31,487	1,950,771	6,352,928
End of Year	\$ 6,394,062	\$ -	\$ 29,238	\$ 1,782,004	\$ 8,205,304

EAST MORICHES UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For The Year Ended June 30, 2019

Net Change in Fund Balances \$ 1,852,376

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

Long-Term Revenue and Expense Differences

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

Increase in compensated absences payable (407,238)

Capital Related Differences

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

Capital outlays	286,222	
Depreciation expense	(752,302)	
	(466,080)	(466,080)

Long-Term Debt Transactions Differences

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

Repayment of bond principal 780,000

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

	11,693	
	791,693	791,693

Pension and Other Postemployment Benefits Differences

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

Teachers' retirement system	160,966	
Employees' retirement system	(3,168)	
Other postemployment benefits	(1,397,915)	
	(1,240,117)	(1,240,117)

Change in Net Position of Governmental Activities \$ 530,634

EAST MORICHES UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2019

	Agency	Private Purpose Trust
ASSETS		
Cash		
Unrestricted	\$ 129,677	\$ 1,078
Restricted		1,078
Total Assets	\$ 129,677	1,078
 LIABILITIES		
Due to governmental funds	\$ 68,230	
Other liabilities	61,447	
Total Liabilities	\$ 129,677	-
 NET POSITION		
Restricted for scholarships		\$ 1,078

EAST MORICHES UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2019

	Private Purpose Trust
ADDITIONS	\$ -
DEDUCTIONS	
Scholarships and awards	50
Change in Net Position	(50)
Net Position - Beginning of Year	1,128
Net Position - End of Year	\$ 1,078

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Joint Venture

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Basis of Presentation

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

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

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 and for payroll or employee withholding.

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.

D. Measurement Focus and Basis of Accounting

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

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

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

E. Real Property Taxes

Calendar

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

Enforcement

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 to Financial Statements.

G. Interfund Transactions

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

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

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

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

H. Use of Estimates

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

I. Cash and Cash Equivalents

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

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

J. Receivables

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

K. Inventory

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

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

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

L. Capital Assets

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

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 15,000	30-50 years
Furniture and equipment	500	5-20 years
Vehicles	500	5-20 years

M. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has three items that qualify for reporting in this category. The first item is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The second item is the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The third item relates to the District's OPEB plan and consists of differences between expected and actual experiences and changes of assumptions, which will be amortized over future periods.

N. Collections in Advance

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

O. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables of certain state aid allocations. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The third 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.

P. Employee Benefits – Compensated Absences

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

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

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

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

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

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

Q. Other Benefits

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

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

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

R. Short-Term Debt

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

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

S. Equity Classifications

District-Wide Statements

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

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

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

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

Fund Statements

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

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Workers' Compensation Reserve

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

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

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 a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. These reserves are accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital Reserve

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

Restricted for Scholarships

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

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

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

Fund Balance Classification

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

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

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

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

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension and Other Postemployment Benefits Differences

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

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

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

Appropriations funded by gifts and donations	\$ 26,455
Appropriations funded by the employee benefits accrued liability reserve	<u>196,057</u>
	<u>\$ 222,512</u>

Budgets are adopted annually on a basis consistent with GAAP.

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

B. Encumbrances

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

C. Unassigned Fund Balance

The District's general fund unassigned fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The District is in the process of formulating a plan to reduce the unassigned fund balance to be within the permissible limit. This plan will address funding its reserves to a fiscally prudent level and the capital needs of the District.

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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

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

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

5. PARTICIPATION IN BOCES

During the year ended June 30, 2019, the District was billed \$1,616,699 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$303,974. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

6. DUE FROM STATE AND FEDERAL

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

General Fund	
New York State - tuition chapter 47	\$ 235,129
New York State - excess cost aid	125,126
New York State - general aid	8,656
BOCES aid	303,974
Other	26,185
	<u>699,070</u>
Special Aid Fund	
Federal and state grants	252,537
School Food Service Fund	
Federal and state food service program reimbursements	8,807
	<u>\$ 960,414</u>

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

7. DUE FROM OTHER GOVERNMENTS

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

General Fund	
Other districts - tuition	<u>\$ 93,848</u>

8. CAPITAL ASSETS

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

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Governmental activities				
Capital assets not being depreciated				
Land	\$ 265,000	\$	\$	\$ 265,000
Construction work in progress	-	193,025		193,025
Total capital assets not being depreciated	<u>265,000</u>	<u>193,025</u>	<u>-</u>	<u>458,025</u>
Capital assets being depreciated				
Buildings and improvements	28,893,405	34,183		28,927,588
Furniture and equipment	1,076,760	59,014	(132,526)	1,003,248
Vehicles	56,269		(18,000)	38,269
Total capital assets being depreciated	<u>30,026,434</u>	<u>93,197</u>	<u>(150,526)</u>	<u>29,969,105</u>
Less accumulated depreciation for:				
Buildings and improvements	8,979,273	669,997		9,649,270
Furniture and equipment	795,268	77,521	(132,526)	740,263
Vehicles	33,547	4,784	(18,000)	20,331
Total accumulated depreciation	<u>9,808,088</u>	<u>752,302</u>	<u>(150,526)</u>	<u>10,409,864</u>
Total capital assets, being depreciated, net	<u>20,218,346</u>	<u>(659,105)</u>	<u>-</u>	<u>19,559,241</u>
Capital assets, net	<u>\$ 20,483,346</u>	<u>\$ (466,080)</u>	<u>\$ -</u>	<u>\$ 20,017,266</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 6,253
Instruction	736,706
Food service program	<u>9,343</u>
Total depreciation expense	<u>\$ 752,302</u>

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

9. INTERFUND TRANSACTIONS

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

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 330,810	\$ 26,015	\$	\$ 76,249
Special Aid Fund		245,049	56,249	
School Food Service Fund		17,531	20,000	
Capital Projects Fund	26,015			
Total Governmental Funds	<u>356,825</u>	<u>288,595</u>	<u>\$ 76,249</u>	<u>\$ 76,249</u>
Fiduciary Funds		68,230		
Total	<u>\$ 356,825</u>	<u>\$ 356,825</u>		

The District typically transfers from the general fund to the special aid fund and school food service fund. The transfer to the special aid fund was for the District's share of the costs for the summer placement program. The transfer to the school food service fund was to provide support for the program per the approved budget.

10. SHORT-TERM DEBT

Short-term debt transactions for the year are summarized below:

	Maturity	Effective Interest Rate	Balance June 30, 2018	Issued	Redeemed	Balance June 30, 2019
TAN	6/27/2019	2.1334%	\$	\$ 5,000,000	\$ (5,000,000)	\$

Interest on short-term debt for the year was \$107,500. The District received a premium of \$31,052, which is included in miscellaneous revenue in the general fund.

11. LONG-TERM LIABILITIES

A. Changes

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

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 15,825,000	\$	\$ (780,000)	\$ 15,045,000	\$ 805,000
Other long-term liabilities					
Compensated absences	1,374,248	407,238		1,781,486	
	<u>\$ 17,199,248</u>	<u>\$ 407,238</u>	<u>\$ (780,000)</u>	<u>\$ 16,826,486</u>	<u>\$ 805,000</u>

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2019
Serial bonds - EXCEL	7/1/2011	7/1/2026	4.0-4.75%	\$ 315,000
Advance refunding bond	1/10/2012	7/1/2028	2.0-5.0%	9,065,000
Advance refunding bond	8/5/2015	7/1/2033	2.0-3.375%	5,665,000
				<u>\$ 15,045,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2020	\$ 805,000	\$ 560,334	\$ 1,365,334
2021	830,000	535,788	1,365,788
2022	860,000	506,488	1,366,488
2023	905,000	467,669	1,372,669
2024	950,000	422,559	1,372,559
2025 - 2029	5,380,000	1,423,191	6,803,191
2030 - 2034	5,315,000	370,169	5,685,169
Total	<u>\$ 15,045,000</u>	<u>\$ 4,286,198</u>	<u>\$ 19,331,198</u>

C. Interest Expense

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

Interest paid	\$ 584,125
Less interest accrued in the prior year	(297,909)
Plus interest accrued in the current year	<u>286,216</u>
Total interest expense on long-term debt	<u>\$ 572,432</u>

12. PENSION PLANS - NEW YORK STATE

A. General Information

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Provisions and Administration

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the TRS may be found on the TRS website at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

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

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 9.80% of covered payroll for the TRS' fiscal year ended June 30, 2018. The District's average contribution rate was 14.67% of covered payroll for the ERS' fiscal year ended March 31, 2019.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2019 was \$730,312 for TRS and \$163,217 for ERS.

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

At June 30, 2019, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2018, for TRS and March 31, 2019 for ERS. 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 TRS and the ERS in reports provided to the District.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2018	March 31, 2019
District's proportionate share of the net pension asset/(liability)	\$ 715,259	\$ (253,922)
District's portion of the Plan's total net pension asset/(liability)	0.0395550%	0.0035838%
Change in proportion since the prior measurement date	(0.0004560)	0.0000945

For the year ended June 30, 2019, the District recognized pension expense of \$569,843 for TRS and \$166,425 for ERS. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 534,507	\$ 50,003	\$ 96,820	\$ 17,045
Changes of assumptions	2,500,300	63,826		
Net difference between projected and actual earnings on pension plan investments			793,992	65,170
Changes in proportion and differences between the District's contributions and proportionate share of contributions	96,232	38,225	17,525	21,050
District's contributions subsequent to the measurement date	730,482	43,903		
Total	<u>\$ 3,861,521</u>	<u>\$ 195,957</u>	<u>\$ 908,337</u>	<u>\$ 103,265</u>

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Year Ending June 30,	TRS	ERS
2020	\$ 731,662	\$ 56,196
2021	501,486	(49,613)
2022	66,067	1,949
2023	499,801	40,257
2024	341,376	
Thereafter	82,310	
	<u>\$ 2,222,702</u>	<u>\$ 48,789</u>

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2018	March 31, 2019
Actuarial valuation date	June 30, 2017	April 1, 2018
Inflation	2.25%	2.50%
Salary increases	1.90-4.72%	4.20%
Investment rate of return (net of investment expense, including inflation)	7.25%	7.00%
Cost of living adjustments	1.50%	1.30%

For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014, applied on a generational basis. Active member mortality rates are based on plan member experience. For ERS, annuitant mortality rates are based on system experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

For TRS, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2018		March 31, 2019
Asset type				
Domestic equity	33.0%	5.80%	36.0%	4.55%
International equity	16.0%	7.30%	14.0%	6.35%
Global equities	4.0%	6.70%		
Real estate	11.0%	4.90%	10.0%	5.55%
Private equities	8.0%	8.90%	10.0%	7.50%
Alternative investments			8.0%	3.75-5.68%
Domestic fixed income securities	16.0%	1.30%		
Global fixed income securities	2.0%	0.90%		
High-yield fixed income securities	1.0%	3.50%		
Bonds and mortgages	8.0%	2.80-6.80%	17.0%	1.31%
Short-term	1.0%	0.30%		
Cash			1.0%	(0.25)%
Inflation indexed bonds			4.0%	1.25%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.3% for TRS and 2.5% for ERS.

Discount Rate

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

TRS	1% Decrease 6.25 %	Current Assumption 7.25 %	1% Increase 8.25 %
District's proportionate share of the net pension asset (liability)	<u>\$ (4,913,947)</u>	<u>\$ 715,259</u>	<u>\$ 5,430,970</u>
ERS	1% Decrease 6.00 %	Current Assumption 7.00 %	1% Increase 8.00 %
District's proportionate share of the net pension asset (liability)	<u>\$ (1,110,187)</u>	<u>\$ (253,922)</u>	<u>\$ 465,402</u>

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2018	March 31, 2019
Employers' total pension liability	<u>\$ (118,107,254)</u>	<u>\$ (189,803,429)</u>
Plan fiduciary net position	<u>119,915,518</u>	<u>182,718,124</u>
Employers' net pension asset/(liability)	<u>\$ 1,808,264</u>	<u>\$ (7,085,305)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	101.53%	96.27%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019, are paid to the system in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019, represent employer and employee contributions for the fiscal year ended June 30, 2019, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2019 amounted to \$730,312 of employer contributions and \$51,088 of employee contributions.

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2019, represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$43,903 of employer contributions. Employee contributions are remitted monthly.

13. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the employees for the year ended June 30, 2019, totaled \$444,451.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2019 totaled \$60,718.

14. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District's defined benefit OPEB plan, provides OPEB to most retired employees and their survivors in accordance with employment contracts. The plan is a single-employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The District provides medical insurance and other fringe benefits for most retired employees and their survivors. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms – At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	60
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	101
	161

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Total OPEB Liability

The District's total OPEB liability of \$29,639,377 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018. Update procedures were used to roll forward the total OPEB liability to the measurement date.

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

Inflation	2.20%
Salary increases	varies by years of service and retirement system
Discount rate	3.51%
Healthcare cost trend rates	5.50% for 2018, decreasing to an ultimate rate of 3.84% by 2075
Retirees' share of benefit-related costs	the District effectively pays 100% of the individual premium for Teachers.
	15.00% CSEA
	0.00% - 20.00% Paraprofessionals
	85.00% Administrative Staff

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

Mortality rates were based on the Pub-2010 Teachers and General Employees Headcount-Weighted table projected fully generationally using the Society of Actuaries' Scale MP-2018.

The actuarial assumptions used in the June 30, 2018 valuation were based on ERS assumptions first adopted on April 1, 2015 and TRS assumptions first adopted on June 30, 2015 with the exception of mortality rates. The mortality rates are based on recent mortality tables published by the Society of Actuaries (Pub-2010), which were based on the public pension mortality experience from calendar years 2008 to 2013.

C. Changes in the Total OPEB Liability

Balance at June 30, 2018	<u>\$ 24,211,711</u>
Changes for the year	
Service cost	784,878
Interest	954,936
Changes of benefit terms	-
Differences between expected and actual experience	72,682
Changes in assumptions or other inputs	4,263,819
Benefit payments	<u>(648,649)</u>
	<u>5,427,666</u>
Balance at June 30, 2019	<u><u>\$ 29,639,377</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% in 2018 to 3.51% in 2019.

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51%) or 1 percentage point higher (4.51%) than the current discount rate:

OPEB	1% Decrease 2.51 %	Discount Rate 3.51 %	1% Increase 4.51 %
Total OPEB liability	<u>\$ (36,892,490)</u>	<u>\$ (29,639,377)</u>	<u>\$ (26,674,129)</u>

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 (4.5%) or 1 percentage point higher (6.5%) than the current healthcare cost trend rate:

OPEB	1% Decrease 4.50 % decreasing to 2.84 %	Healthcare Cost Trend Rates 5.50 % decreasing to 3.84 %	1% Increase 6.50 % decreasing to 4.84 %
Total OPEB liability	<u>\$ (26,537,665)</u>	<u>\$ (29,639,377)</u>	<u>\$ (36,771,237)</u>

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$2,046,564. At June 30, 2019, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 65,414	\$
Changes of assumptions	3,837,437	959,732
District's contributions subsequent to the measurement date	_____	_____
Total	<u><u>\$ 3,902,851</u></u>	<u><u>\$ 959,732</u></u>

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Year Ending June 30,	Amount
2020	\$ 306,750
2021	306,750
2022	306,750
2023	306,750
2024	306,750
Thereafter	1,409,369
	\$ 2,943,119

15. RISK MANAGEMENT

A. General Information

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

B. Public Entity Risk Pool

The District participates in the New York State Public Schools Statewide Workers' Compensation Trust (the Workers' Compensation Plan), a risk-sharing pool, to insure workers' compensation claims. This is a public school entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to workers' compensation claims. The Workers' Compensation Plan, through its plan administrator, provides participating members with risk management services, as well as workers' compensation and employers' liability coverage. Participating members agree to make contributions as determined by the Plan. The Plan is allowed to make additional pro-rated assessments to its members if the assets of the Plan are insufficient to enable the Plan to discharge its legal liabilities and other obligations or to maintain required reserves.

During the year ended June 30, 2019, the District's contribution to the Workers' Compensation Plan was \$80,405. According to the Plan's actuary, the Workers' Compensation Plan's total liability for unbilled and open claims at June 30, 2019, discounted at 2.0%, was \$26,393,880. Information on Plan assets at June 30, 2019, was unavailable as of the date of the auditor's report on the District's financial statements. As of June 30, 2018, the Workers' Compensation Plan's total liability for unbilled and open claims discounted at 2.0% was \$26,002,936, with \$20,501,285 in Plan assets. The Workers' Compensation Plan did not levy additional assessments during the 2018-2019 plan year. If the District leaves the Workers' Compensation Plan or if the Plan is terminated, the District will be liable for its open claims at that time. At June 30, 2019, the District's allocated share of unbilled and open claims, discounted at 2.0%, were \$65,325.

16. RESTRICTED FUND BALANCE - APPROPRIATED RESERVES

The District expects to appropriate \$10,000 from the unemployment insurance reserve, which is reported in the June 30, 2019 restricted fund balance, to fund the budget and reduce taxes for the year ending June 30, 2020.

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

17. TAX ABATEMENTS

The Town of Brookhaven Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was reduced \$72,815. The District received payment in lieu of taxes (PILOT) payments totaling \$48,188.

18. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2019, the District encumbered the following amounts:

Restricted Fund Balance	
Capital Projects Fund	
Capital Projects	\$ 596,359
Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	174,556
Instruction	15,267
	189,823
	\$ 786,182

B. Grants

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

C. Litigation

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

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$79,193. The minimum remaining operating lease payments are as follows:

Year Ending June 30,	Amount
2020	\$ 40,800
2021	23,800
	\$ 64,600

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

19. SUBSEQUENT EVENTS

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

Issuance of TANs

On October 17, 2019, the District issued tax anticipation notes in the amount of \$3,500,000, which are due March 26, 2020 and bear interest at a stated interest rate of 2.00%. The District received a premium of \$9,030 with the borrowing to yield an effective interest rate of 1.4158%

EAST MORICHES UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 18,435,939	\$ 18,567,257	\$ 18,568,252	\$ 995
Other tax items	2,080,270	1,948,952	1,947,425	(1,527)
Charges for services			609,541	609,541
Use of money and property	61,000	61,000	94,133	33,133
Miscellaneous	37,000	63,455	283,865	220,410
Interfund revenues			6,394	6,394
Total Local Sources	20,614,209	20,640,664	21,509,610	868,946
State Sources	7,377,396	7,377,396	7,144,118	(233,278)
Medicaid Reimbursement			54,853	54,853
Total Revenues	27,991,605	28,018,060	28,708,581	\$ 690,521
APPROPRIATED FUND BALANCE				
Prior Year's Encumbrances	174,720	174,720		
Appropriated Reserves	10,000	206,057		
Total Appropriated Fund Balance	184,720	380,777		
Total Revenues and Appropriated Fund Balance	\$ 28,176,325	\$ 28,398,837		

Note to Required Supplementary Information

Budget Basis of Accounting

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual
EXPENDITURES					
General Support					
Board of education	\$ 22,473	\$ 22,473	\$ 16,820	\$	\$ 5,653
Central administration	342,221	342,221	332,029		10,192
Finance	281,220	245,220	237,011		8,209
Staff	38,198	41,198	40,464		734
Central services	1,288,240	1,328,145	1,152,607	174,556	982
Special items	235,000	235,000	221,708		13,292
Total General Support	2,207,352	2,214,257	2,000,639	174,556	39,062
Instruction					
Administration & improvement	369,062	395,062	394,581		481
Teaching - regular school	12,088,330	12,022,330	11,223,843	15,267	783,220
Programs for students with disabilities	5,578,961	5,570,461	5,244,330		326,131
Occupational education	265,000	288,000	287,865		135
Instructional media	327,645	357,695	336,551		21,144
Pupil services	484,888	487,888	464,523		23,365
Total Instruction	19,113,886	19,121,436	17,951,693	15,267	1,154,476
Pupil Transportation	1,342,376	1,342,376	1,202,773		139,603
Employee Benefits	3,941,098	4,129,655	3,982,210		147,445
Debt Service					
Principal	820,000	820,000	780,000		40,000
Interest	686,613	694,113	691,625		2,488
Total Debt Service	1,506,613	1,514,113	1,471,625		42,488
Total Expenditures	28,111,325	28,321,837	26,608,940	189,823	1,523,074
OTHER USES					
Operating Transfers Out	65,000	77,000	76,249		751
Total Expenditures and Other Uses	\$ 28,176,325	\$ 28,398,837	26,685,189	\$ 189,823	\$ 1,523,825
Net Change in Fund Balance			2,023,392		
Fund Balance - Beginning of Year			4,370,670		
Fund Balance - End of Year			\$ 6,394,062		

Note to Required Supplementary Information

Budget Basis of Accounting

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

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

	2019	2018	2017	2016	2015
Teachers' Retirement System					
District's proportion of the net pension asset/(liability)	0.0395550%	0.0400110%	0.0409790%	0.0414670%	0.0407770%
District's proportionate share of the net pension asset/(liability)	\$ 715,259	\$ 304,121	\$ (438,898)	\$ 4,307,050	\$ 4,542,254
District's covered payroll	\$ 6,445,070	\$ 6,340,383	\$ 6,378,545	\$ 6,420,967	\$ 6,186,562
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	11.10 %	4.80 %	(6.88)%	67.08 %	73.42 %
Plan fiduciary net position as a percentage of the total pension liability	101.53%	100.66%	99.01%	110.46%	111.48%

	2019	2018	2017	2016	2015
Employees' Retirement System					
District's proportion of the net pension liability	0.0035838%	0.0034893%	0.0037038%	0.0045619%	0.0042095%
District's proportionate share of the net pension liability	\$ (253,922)	\$ (112,614)	\$ (348,020)	\$ (732,200)	\$ (142,206)
District's covered payroll	\$ 1,224,079	\$ 1,116,730	\$ 1,028,971	\$ 1,024,918	\$ 1,269,653
District's proportionate share of the net pension liability as a percentage of its covered payroll	20.74 %	10.08 %	33.82 %	71.44 %	11.20 %
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.68%	97.95%

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

Note to Required Supplementary Information

Teachers' Retirement System

The discount rate decreased from 8.0% to 7.5% to 7.25% as reflected in 2016, 2017 and 2018 above.

Employees' Retirement System

The discount rate decreased from 7.5% to 7.0% as reflected in 2015 and 2016 above.

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

Teachers' Retirement System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 730,312	\$ 631,421	\$ 743,093	\$ 838,485	\$ 1,091,915	\$ 992,912	\$ 686,858	\$ 611,703	\$ 483,416	\$ 383,590
Contributions in relation to the contractually required contribution	730,312	631,421	743,093	838,485	1,091,915	992,912	686,858	611,703	483,416	383,590
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 6,917,691	\$ 6,443,070	\$ 6,340,383	\$ 6,378,545	\$ 6,420,967	\$ 6,186,562	\$ 6,071,192	\$ 5,505,878	\$ 5,808,995	\$ 6,274,793
Contributions as a percentage of covered payroll	11%	10%	12%	13%	17%	16%	11%	11%	8%	6%

Employees' Retirement System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 163,217	\$ 151,742	\$ 149,953	\$ 196,420	\$ 198,094	\$ 215,025	\$ 179,362	\$ 145,906	\$ 120,342	\$ 84,511
Contributions in relation to the contractually required contribution	163,217	151,742	149,953	196,420	198,094	215,025	179,362	145,906	120,342	84,511
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,238,272	\$ 1,114,158	\$ 1,040,031	\$ 1,167,216	\$ 1,172,155	\$ 1,179,093	\$ 1,146,969	\$ 1,173,445	\$ 1,072,096	\$ 1,039,711
Contributions as a percentage of covered payroll	13%	14%	14%	17%	17%	18%	16%	12%	11%	8%

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

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 784,878	\$ 818,436
Interest	954,936	859,521
Changes in benefit terms	-	-
Differences between expected and actual experience	72,682	-
Changes of assumptions or other inputs	4,263,819	(1,213,532)
Benefit payments	<u>(648,649)</u>	<u>(523,347)</u>
Net change in total OPEB liability	5,427,666	(58,922)
Total OPEB liability, beginning	<u>24,211,711</u>	<u>24,270,633</u>
Total OPEB liability, ending	<u>\$ 29,639,377</u>	<u>\$ 24,211,711</u>
Covered employee payroll	\$ 7,644,224	\$ 7,537,700
Total OPEB liability as a percentage of covered employee payroll	387.74%	321.21%

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

Note to Required Supplementary Information

The discount rate decreased from 3.87% to 3.51% as reflected in 2018 and 2019 above.

EAST MORICHES UNION FREE SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For The Year Ended June 30, 2019

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 28,001,605
Additions:		
Prior year's encumbrances		<u>174,720</u>
Original Budget		28,176,325
Budget revisions		<u>222,512</u>
Final Budget		<u><u>\$ 28,398,837</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-2020 voter-approved expenditure budget		<u>\$ 28,858,591</u>
Maximum allowed (4% of 2019-2020 budget)		<u>\$ 1,154,344</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 189,823	
Unassigned fund balance	<u>3,158,535</u>	
		\$ 3,348,358
Less:		
Encumbrances	<u>189,823</u>	
Total adjustments		<u>189,823</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		<u><u>\$ 3,158,535</u></u>
Actual Percentage		10.94%

EAST MORICHES UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources -
Capital Projects Fund
For The Year Ended June 30, 2019

PROJECT TITLE	Budget	Expenditures		Unexpended Balance	Proceeds of Obligations	Methods of Financing			Fund Balance June 30, 2019
	June 30, 2018	Budget June 30, 2019	Prior Years			Current Year	Total	State Aid	
Middle school renovation	\$ 977,040	\$ 977,040	\$ 927,011	\$ 50,029	\$	\$	\$ 977,040	\$ 977,040	\$ 50,029
Smart Schools Bond Act	277,623	276,666	276,666	-	-	276,666	276,666	276,666	-
Capital Reserve	1,925,000	1,925,000	24,258	1,68,767	193,025	1,731,975	1,925,000	1,925,000	1,731,975
Totals	\$ 3,179,663	\$ 3,178,706	\$ 1,227,955	\$ 168,767	\$ 1,396,702	\$ 1,782,004	\$ 2,902,040	\$ 3,178,706	\$ 1,782,004

EAST MORICHES UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2019

Capital assets, net	<u>\$ 20,017,266</u>
Deduct:	
Short-term portion of bonds payable	805,000
Long-term portion of bonds payable	<u>14,240,000</u>
	<u>15,045,000</u>
Net Investment in Capital Assets	<u>\$ 4,972,266</u>

VINCENT D. CULLEN, CPA
(1950 - 2013)

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

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

To the Board of Education
East Moriches Union Free School District
East Moriches, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the East Moriches Union Free School District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 22, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the East Moriches Union Free School District in a separate letter dated October 22, 2019.

Purpose of this Report

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

Cullen & Danowski, LLP

October 22, 2019

