

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
South Huntington Union Free School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the South Huntington Union Free School District as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary funds of the South Huntington Union Free School District as of June 30, 2020, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in District's total OPEB liability, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 17 and 60 through 64, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Huntington Union Free School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2020, on our consideration of the South Huntington Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of South Huntington Union Free School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the South Huntington Union Free School District's internal control over financial reporting and compliance.

R.S. Abrams & Co. LLP

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

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

The following is a discussion and analysis of the South Huntington Union Free School District’s (the “District”) financial performance for the fiscal year ended June 30, 2020. This section is a summary of the District’s financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District’s financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

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

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

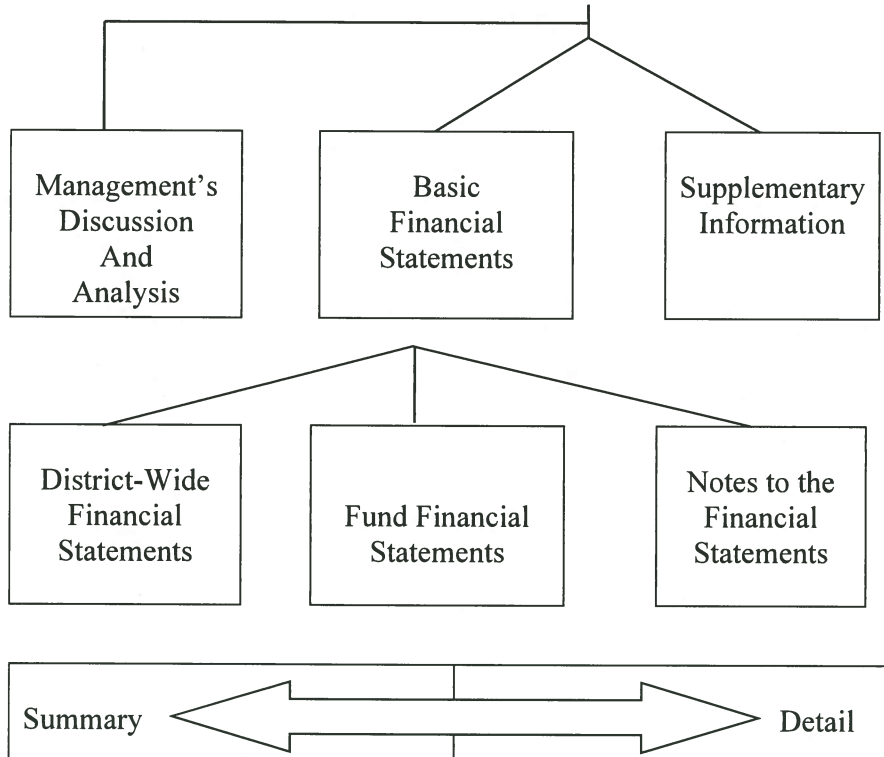


Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and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

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

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

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

A) District-Wide Financial Statements:

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

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

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

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

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

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

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

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

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

B) Fund Financial Statements

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

The District has two kinds of funds:

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B) Changes in Net Position

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

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

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

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

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

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

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

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

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

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

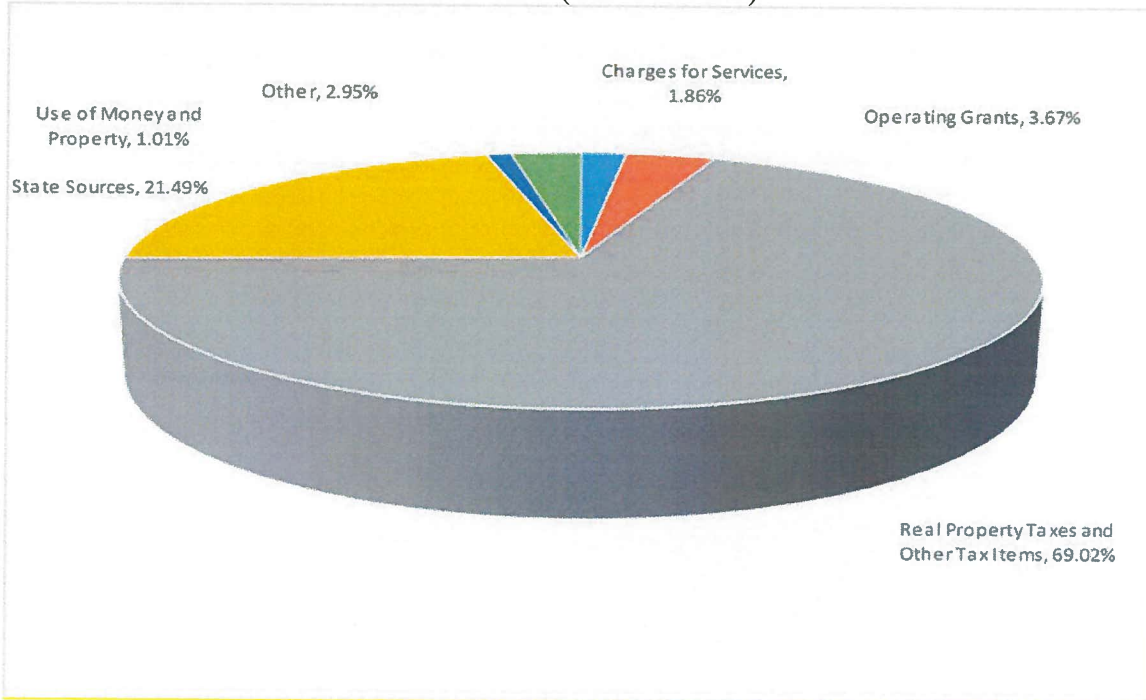
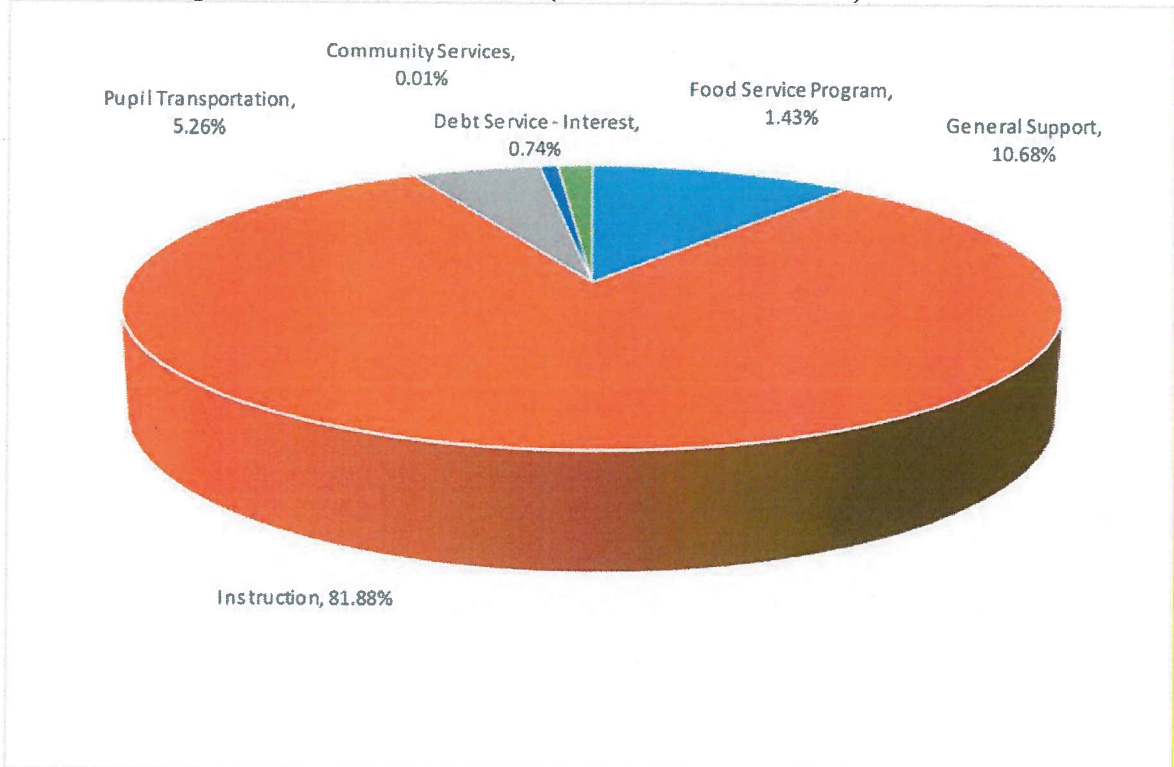


Table A-6 - Expenses for Fiscal Year 2020 (See Tables A-4 and A-7)



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

A) Governmental Activities

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

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

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

Table A-7: Net Cost of Governmental Activities

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

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

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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

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

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

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

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

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

A) General Fund

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

B) School Lunch Fund

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

C) Capital Projects Fund

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

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2019-2020 Adopted Budget:

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

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

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

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

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

Opening, Unassigned Fund Balance

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

Revenues Over Budget

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

Expenditures and Encumbrances Under Budget

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

Allocation of Interest to Reserves

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

The reserves earned interest as follows:

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

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

Funding of reserves

Monies transferred from budget lines within the general fund operating budget into required reserves do not affect the combined reserved, assigned, and unassigned fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned portion of the fund balance by the amount of the transfers.

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

Unused appropriated reserves

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

Appropriated Fund Balance

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

Closing, Unassigned Fund Balance

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

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A) Capital Assets

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

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

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

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

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

B) Debt Administration

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

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

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

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

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

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

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

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

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

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

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

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

| | | |
|--|----------------------|-------------------------|
| Total Governmental Fund Balances | | \$ 32,654,632 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| <p>The costs of the building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.</p> | | |
| Original cost of capital assets | \$ 125,644,387 | |
| Accumulated depreciation | <u>(72,088,643)</u> | 53,555,744 |
| <p>Governmental funds may report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities</p> | | |
| Gain on defeasance | | (1,621,654) |
| <p>Deferred inflows of resources for general, excess cost and BOCES aid - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenues under the modified accrual method.</p> | | |
| | | 983,607 |
| <p>Deferred inflows of resources - The Statement of Net Position recognized revenues received and expenditures incurred under the full accrual method. Governmental funds recognize revenues and expenditures under the modified accrual method. Deferred inflows that will be recognized in future periods amounted to:</p> | | |
| Pensions | \$ (16,668,784) | |
| Other post-employment benefits obligation | <u>(25,586,000)</u> | (42,254,784) |
| <p>Payables that are associated with long-term liabilities are not payable in the current period and, therefore, are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of:</p> | | |
| Accrued interest on bonds and energy performance contract debt payable | | (354,433) |
| <p>Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows that will be recognized as expenditures in future periods amounted to:</p> | | |
| Pensions | \$ 42,408,190 | |
| Other post-employment benefits obligation | <u>42,528,479</u> | 84,936,669 |
| <p>Due from other governments for bonds payable being paid by the Library is not included on the governmental funds balance sheet.</p> | | |
| | | 1,240,000 |
| <p>Proportionate share of the long-term liability or asset associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.</p> | | |
| Net pension asset - proportionate share - teachers' retirement system | | 10,688,867 |
| <p>Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:</p> | | |
| Bonds payable | \$ (23,416,656) | |
| Energy performance contract debt payable | (6,273,940) | |
| Installment purchase debt payable | (53,836) | |
| Claims payable | (1,936,967) | |
| Compensated absences payable | (11,815,716) | |
| Net pension liability - proportionate share (ERS) | (10,645,641) | |
| Total other post-employment benefits obligation | <u>(219,923,002)</u> | (274,065,758) |
| Total Net Position | | <u>\$ (134,237,110)</u> |

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

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

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of South Huntington Union Free School District (the “District”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (“GASB”), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting principles and policies utilized by the District are described as follows:

A) Reporting entity:

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education (“the Board”) consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have the authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District and its component unit and other organizational entities determined to be includable in the District’s financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District’s reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District’s reporting entity:

Extraclassroom Activity Funds:

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. The District reports these assets held as an agent for various student organizations in the Statement of Fiduciary Net Position – Fiduciary Funds. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District’s business office.

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

B) Joint venture:

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

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

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

C) Basis of presentation:

i) District-Wide Financial Statements:

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

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

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

ii) Fund Financial Statements:

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

The District financial statements reflect the following major funds:

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

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

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

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

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

The District reports the following fiduciary funds:

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

- i) **Private purpose trust funds:** These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.
- ii) **Agency funds:** These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

D) **Measurement focus and basis of accounting:**

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

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

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

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

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

E) Real property taxes:

i) Calendar

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

ii) Enforcement

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

F) Restricted resources:

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

G) Interfund transactions:

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

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

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

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

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

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

H) Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets, deferred items and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, other post-employment benefits, workers' compensation claims, net pension asset and liability, and useful lives of capital assets.

I) Cash and cash equivalents:

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

J) Receivables:

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

K) Inventories and prepaid items:

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

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

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District has no prepaid items as of June 30, 2020.

L) Capital assets:

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

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

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

M) Collections in advance:

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

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

N) Deferred outflows and inflows of resources:

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

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

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

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

O) Vested employee benefits:

Compensated absences:

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

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

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

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting method and an accrual for that liability is included in the District-Wide Financial Statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the Fund Financial Statements only, the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis. The liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30th.

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

P) Other benefits:

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

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

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

Q) Short-term debt:

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

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

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

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

R) Accrued liabilities and long-term obligations:

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

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

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

S) Equity classifications:

i) District-Wide Financial Statements

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

Net investment in capital assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets (net of unspent proceeds), including the deferred inflows of resources, and the gain on defeasance on the bond refunding.

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

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

ii) Fund Financial Statements

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

- 1) **Non-spendable fund balance** - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school food lunch fund of \$102,142.
- 2) **Restricted fund balance** - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The District has classified the following as restricted:

Employee benefit accrued liability reserve

Employee benefit accrued liability reserve (GML §6-p), must be used for the payment of accrued employee benefits due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the general fund as restricted fund balance.

Retirement contribution reserve

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

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

Unemployment insurance reserve

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

Workers' compensation reserve

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

Insurance reserve

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

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

to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the general fund as restricted fund balance.

Restricted for Capital

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

Scholarships

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

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

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in the assigned fund balance are also excluded from the 4% limitation.

Order of Use of Fund Balance:

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

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

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

T) Changes in accounting standards:

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

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

U) Future changes in accounting standards:

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

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

These are the statements that the District feels may have an impact on these financial statements and are not an all-inclusive list of GASB statements issued.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

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

NOTE 2—EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS:

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

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

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. The difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

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

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

i) Long-term revenue and expense differences:

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

ii) Capital related differences:

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

iii) Long-term debt differences:

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

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

iv) Pension differences:

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

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

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

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Supplemental appropriations that occurred during the fiscal year are shown on Supplemental Schedule #5 – Schedule of Change from the Adopted Budget. The following supplemental appropriation occurred during the fiscal year:

| | |
|---|------------------|
| Contingent expenditures funded by donations | <u>\$ 18,900</u> |
|---|------------------|

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

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

B) Encumbrances:

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

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

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash:

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts.

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

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

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

Restricted cash:

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

B) Investments:

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

NOTE 5 – PARTICIPATION IN BOCES:

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

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

NOTE 6 – FEDERAL AND STATE AID RECEIVABLES:

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

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

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

District management has deemed the amounts to be fully collectible.

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

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

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

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

District management has deemed the amounts to be fully collectible.

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

NOTE 8 – DUE TO OTHER GOVERNMENTS:

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

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

NOTE 9 – COLLECTIONS IN ADVANCE:

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

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

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

NOTE 10 - CAPITAL ASSETS:

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

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

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

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

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

NOTE 11 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

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

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

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

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

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

All interfund payables are expected to be repaid within one year.

NOTE 12 - SHORT-TERM DEBT:

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

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

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

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

NOTE 13 – LONG-TERM LIABILITIES:

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

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

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

A) Bonds Payable

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

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

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

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

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

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

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

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

B) Energy Performance Contract Debt Payable

Energy performance contract debt is comprised of the following:

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

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

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

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

C) Installment Purchase Debt Payable

Installment purchase debt payable is comprised of the following:

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

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

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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
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D) Long-Term Interest

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

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

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

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

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

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

NOTE 15 – PENSION PLANS:

A) Plan Descriptions and Benefits Provided:

i) Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State ("RSSL") of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York

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

State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

ii) Employees' Retirement System

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

B) Funding Policies:

The Systems are noncontributory, except as follows:

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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
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- i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

For ERS, the Comptroller annually certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund, for the ERS' fiscal year ended March 31st. The District's contribution rates for ERS' fiscal year ended March 31, 2020 for covered payroll was 21.2% for Tier 1, 15.8% for Tiers 3 &4, 13.2% for Tier 5, and 9.3% for Tier 6.

Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS. The District's contribution rate for the TRS' fiscal year ended June 30, 2020 was 8.86% of covered payroll.

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

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

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

At June 30, 2020, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2020 for ERS and June 30, 2019 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

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

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

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

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

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

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

Actuarial Assumptions

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

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

The actuarial valuations used the following actuarial assumptions:

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

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

For ERS, the actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

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

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

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

Discount Rate

The discount rate used to calculate the total pension liability was 6.8% for ERS and 7.1% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 6.8% for ERS and 7.1% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (5.8% for ERS and 6.1% for TRS) or 1-percentage point higher (7.8% for ERS and 8.1% for TRS) than the current rate:

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

| ERS | 1% Decrease (5.8%) | Current Assumption (6.8%) | 1% Increase (7.8%) |
|--|-----------------------|------------------------------|-----------------------|
| District's proportionate share of the net pension asset/(liability) | \$ (19,537,757) | \$ (10,645,641) | \$ (2,455,965) |
| TRS | 1% Decrease (6.1%) | Current Assumption (7.1%) | 1% Increase (8.1%) |
| District's proportionate share of the net pension asset/(liability) | \$ (48,248,430) | \$ 10,688,867 | \$ 60,130,609 |

Pension Plan Fiduciary Net Position

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

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

Payables To The Pension Plan

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

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

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

NOTE 16 – RETIREMENT PLANS:

A) Tax Sheltered Annuities

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

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

A) Plan Description and Benefits

Plan Description

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

Benefits Provided

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

Employees Covered by Benefit Terms

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

| | |
|--|-------|
| Inactive employees or beneficiaries currently receiving benefit payments | 624 |
| Inactive employees entitled to but not yet receiving benefit payments | 0 |
| Active employees | 933 |
| | 933 |
| Total | 1,557 |

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

B) Total OPEB Liability

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

Actuarial Assumptions and Other Inputs

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

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

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

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

C) Changes in total OPEB liability

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

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

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

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

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

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

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

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

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

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

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

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

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

| Fiscal Year Ended June 30, | |
|----------------------------|---------------|
| 2021 | \$ 1,777,265 |
| 2022 | 1,777,265 |
| 2023 | 1,777,265 |
| 2024 | 1,777,265 |
| 2025 | 1,777,265 |
| Thereafter | 8,056,154 |
| | \$ 16,942,479 |

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

NOTE 18 – RISK MANAGEMENT:

A) General Information:

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

B) Risk Retention:

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2020, the District has recorded a workers' compensation claims payable for \$1,936,967. This represents the District's liability for unpaid reported claims and unreported claims which were incurred but not reported (IBNR) before year end, discounted at 2%. The District has a workers' compensation reserve in the amount of \$1,952,687.

The claims activity is as follows:

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

C) Consortiums and Self-Insured Plans:

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

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

NOTE 19 – COMMITMENTS AND CONTINGENCIES:

A) Assigned: Unappropriated – Encumbrances:

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

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

B) Grants:

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

C) Litigation:

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

NOTE 20 – SUBSEQUENT EVENTS:

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

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

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

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

Budget Basis of Accounting

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

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

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

Budget Basis of Accounting

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

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

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

Notes to Schedule:

Trust Assets

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

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

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

| | NYSERS Pension Plan | | | | | |
|--|---------------------|----------------|----------------|----------------|----------------|----------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| District's proportion of the net pension (liability)/asset | 0.0402017% | 0.0414124% | 0.0497320% | 0.0498795% | 0.0490031% | 0.0483009% |
| District's proportionate share of the net pension (liability)/asset | \$ (10,645,641) | \$ (2,934,197) | \$ (1,605,072) | \$ (4,686,790) | \$ (7,865,141) | \$ (1,631,724) |
| District's covered payroll | \$ 16,035,649 | \$ 15,978,708 | \$ 17,100,993 | \$ 18,652,865 | \$ 18,238,761 | \$ 17,679,595 |
| District's proportionate share of the net pension (liability)/asset as a percentage of its covered payroll | 66.39% | 18.36% | 9.39% | 25.13% | 43.12% | 9.23% |
| Plan fiduciary net position as a percentage of the total pension liability | 86.39% | 96.27% | 98.24% | 94.70% | 90.70% | 97.90% |

| | NYSTRS Pension Plan | | | | | |
|--|---------------------|---------------|---------------|----------------|---------------|---------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| District's proportion of the net pension (liability)/asset | 0.411426% | 0.399524% | 0.383359% | 0.384008% | 0.379933% | 0.369013% |
| District's proportionate share of the net pension (liability)/asset | \$ 10,688,867 | \$ 7,224,457 | \$ 2,913,912 | \$ (4,112,288) | \$ 39,462,897 | \$ 41,105,753 |
| District's covered payroll | \$ 70,108,972 | \$ 66,141,438 | \$ 61,889,514 | \$ 60,435,165 | \$ 58,060,154 | \$ 55,602,537 |
| District's proportionate share of the net pension (liability)/asset as a percentage of its covered payroll | 15.25% | 10.92% | 4.71% | 6.80% | 67.97% | 73.93% |
| Plan fiduciary net position as a percentage of the total pension liability | 102.17% | 101.53% | 100.66% | 99.01% | 110.46% | 111.48% |

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

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

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

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

SUPPLEMENTARY INFORMATION

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

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

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

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

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

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

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

| | Original Appropriation | Revised Appropriation | Prior Year's | Expenditures | | Unexpended Balance | Proceeds of Obligations | Methods of Financing | | Total | Fund Balance June 30, 2020 |
|--|---------------------------|--------------------------|---------------------|---------------------|---------------------|-----------------------|----------------------------|----------------------|---------------------|---------------------|----------------------------------|
| | | | | Current Year | Total | | | State Aid | Local Sources | | |
| Walt Whitman High School Canopy | \$ 13,080 | \$ 12,817 | \$ 12,817 | \$ - | \$ 12,817 | \$ - | - | \$ - | \$ 12,817 | \$ 12,817 | \$ - |
| Stimson Middle School Lobby Renovation | 21,800 | 20,414 | 20,414 | - | 20,414 | - | - | - | 20,414 | 20,414 | - |
| District Office Conference Room | 305,439 | 387,298 | 387,298 | - | 387,298 | - | - | - | 387,298 | 387,298 | - |
| Silaswood Exterior Lighting | 21,800 | 992 | 896 | 96 | 992 | - | - | - | 992 | 992 | - |
| Student Services Renovations | 256,381 | 370,217 | 370,217 | - | 370,217 | - | - | - | 370,217 | 370,217 | - |
| Melville Road Air Conditioning | 38,500 | 24,321 | 24,321 | - | 24,321 | - | - | - | 24,321 | 24,321 | - |
| Stimson Field Work | 55,000 | 51,845 | 51,845 | - | 51,845 | - | - | - | 51,845 | 51,845 | - |
| WWHS Tennis Court Repairs | 45,000 | 26,879 | 26,879 | - | 26,879 | - | - | - | 26,879 | 26,879 | - |
| SMS Tennis Court Repairs | 45,000 | 29,823 | 29,823 | - | 29,823 | - | - | - | 29,823 | 29,823 | - |
| BW Hot Water Heater | 106,000 | 3,729 | 3,729 | - | 3,729 | - | - | - | 3,729 | 3,729 | - |
| OW Boiler | - | 2,977 | - | 2,977 | 2,977 | - | - | - | 2,977 | 2,977 | - |
| Teen Center Cooling Tower | 17,500 | 2,412 | 506 | 1,906 | 2,412 | - | - | - | 2,412 | 2,412 | - |
| Maplewood Exterior Lighting | 10,801 | 896 | 896 | - | 896 | - | - | - | 896 | 896 | - |
| Maplewood Hot Water Heater | 106,000 | 4,929 | 3,729 | 1,200 | 4,929 | - | - | - | 4,929 | 4,929 | - |
| Memorial Repairs | 20,419 | 165,705 | 18,674 | 23,940 | 42,614 | - | - | - | 165,705 | 165,705 | 123,091 |
| WWHS Main Office Renovation | 160,500 | 435,860 | 330,140 | (4,812) | 325,328 | 110,532 | - | - | 435,860 | 435,860 | 110,532 |
| WWHS PAC Upgrades | 1,466,554 | 1,829,385 | 686,861 | 804,018 | 1,490,879 | 338,506 | - | - | 1,829,385 | 1,829,385 | 338,506 |
| Teen Center Upgrades | 384,683 | 236,691 | 17,508 | 219,183 | 236,691 | - | - | - | 236,691 | 236,691 | - |
| Smart Schools Phase 1 | 300,907 | 300,907 | 298,260 | - | 298,260 | 2,647 | - | 300,907 | - | 300,907 | 2,647 |
| Smart Schools Phase 2 | 398,731 | 398,731 | 393,479 | - | 393,479 | 5,252 | - | 398,731 | - | 398,731 | 5,252 |
| Smart Schools Phase 3 | 548,873 | 548,873 | 548,861 | - | 548,861 | 12 | - | 548,873 | - | 548,873 | 12 |
| TOTAL | \$ 4,322,968 | \$ 4,855,701 | \$ 3,227,153 | \$ 1,048,508 | \$ 4,275,661 | \$ 580,040 | \$ - | \$ 1,248,511 | \$ 3,607,190 | \$ 4,855,701 | \$ 580,040 |

Less: Uncertified Smart Schools Aid

(2,647)

\$ 577,393

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

| | | |
|--|-------------------|-----------------------------|
| Capital assets, net | | \$ 53,555,744 |
| Add: | | |
| Library bond | | 1,240,000 |
| Deduct: | | |
| Gain on defeasance | 1,621,654 | |
| Short-term portion of bonds payable (inclusive of unamortized premium) | 3,295,166 | |
| Long-term portion of bonds payable (inclusive of unamortized premium) | 20,121,490 | |
| Short-term portion of energy performance contract debt payable | 797,481 | |
| Long-term portion of energy performance contract debt payable | 5,476,459 | |
| Short-term portion of installment purchase debt payable | 38,006 | |
| Long-term portion of installment purchase debt payable | 15,830 | |
| | <u>31,366,086</u> | <u>31,366,086</u> |
| Net investment in capital assets | | \$ <u>23,429,658</u> |

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

To the Board of Education
South Huntington Union Free School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of the South Huntington Union Free School District as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the South Huntington Union Free School District's basic financial statements, and have issued our report thereon dated September 17, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

R. S. Abrams & Co., LLP

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