

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Northport-East Northport Union Free School District as of and for the year ended June 30, 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 Northport-East Northport Union Free School District as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's total OPEB liability, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 3 through 18 and 64 through 67, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2020, on our consideration of the Northport-East Northport Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northport-East Northport Union Free School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Northport-East Northport Union Free School District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 21, 2020

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2020

The following is a discussion and analysis of the Northport-East Northport Union Free School District's (the "District") financial performance for the year ended June 30, 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-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2020 are as follows:

- The general fund adopted budget, the only fund with a legally adopted budget, as approved by the voters on May 5, 2019, for the year ending June 30, 2020, was \$171,077,668. This is an increase of \$4,267,287 or 2.56% over the previous year's budget and an increase of \$6,054,601 or 3.67% over the previous year's actual expenditures and transfers. As illustrated in the table below, although the adjusted budget increase from 2018-2019 to 2019-2020 was 1.53%, actual expenditures increased over the same period of time by 1.35%.
- Total actual expenditures and transfers for the 2019-2020 fiscal year increased by \$2,226,478 or 1.35% over the previous year's actual expenditures and transfers. This increase was primarily due to an increase in transfers to other funds and contractual salary obligations, offset by decreases in pupil transportation and employee benefits.
-

<u>Fiscal Year</u>	<u>Adopted Budget</u>	<u>Adjusted Budget</u>	<u>Actual Expenditures</u>
2018-2019	\$166,810,381	\$169,269,945	\$165,023,067
2019-2020	\$171,077,668	\$171,852,926	\$167,249,545
2019-2020 Increase	\$4,267,287	\$2,582,981	\$2,226,478
2019-2020 Percent Increase	2.56%	1.53%	1.35%

- The 2019-2020 adopted budget was adjusted for various items during the year. The final adjusted budget for the year ending June 30, 2020 was \$171,852,926. This difference of \$775,258 reflects the following adjustments: (1) roll-over of prior year (2018-2019) encumbrances of \$661,527, resulting in the original budget of \$171,739,195 and (2) donations from various sources in the amount of \$113,731.
- On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public-Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic based on the rapid increase in exposure globally. New York City and surrounding areas were particularly hard hit by the coronavirus. Actions taken around the world to help mitigate the spread of the coronavirus included restrictions on travel, and quarantines in certain areas, forced closures for certain types of public places and businesses. The coronavirus and actions taken globally and especially in New York State to mitigate it, have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area the District operates. While it is unknown how long these conditions will last and what the complete financial impact will be to the District, the District is expecting it to negatively impact its revenues and expenditures.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2020

FINANCIAL HIGHLIGHTS (continued)

- The 2019-2020 financial statements reflect actual revenues under the budgeted amount and actual expenditures and encumbrances under the budgeted amount. The budgetary savings of \$3,349,909 and how that savings was utilized is illustrated in the following table:

Key financial highlights for fiscal year 2020 are as follows: (continued)

Revenues under budget	\$ (751,878)
Expenditures and encumbrances under budget	4,101,787
Total budgetary savings (revenues + expenditures)	3,349,909
Change in nonspendable (prepaid expenditures)	94,282
Transfer interest earnings to reserve funds	(140,944)
Transfer to assigned fund balance to lower the tax levy	(4,391,473)
Transfer from unassigned fund balance	1,088,226
Balance of budgetary savings	\$ -0-

- The 2019-2020 total budgetary savings was \$3,349,909. The District used \$4,391,473 or 131% of the total budgetary savings to lower the 2020-2021 tax levy. The District consistently uses budgetary savings to lower the tax levy. Last year, the District used 57% of its 2018-2019 total budgetary savings to lower the 2019-2020 tax levy.
- The 2019-2020 revenues were under budget by \$751,878. This reflects the net variance amount for all the revenue items. Significant revenue variances existed as a result of the following: (1) state aid in the amount of \$825,641 was never received due to estimates versus actuals for expenditure driven aids as well as state aid cuts; (2) \$107,644 was not received from sale of property and compensation for loss due to less insurance recoveries; (3) federal aid in the amount of \$104,735 was received higher than original estimates for Medicaid reimbursement; (4) charges for services were less than expected by \$147,459; and (5) an additional \$137,219 in premiums was generated due to higher than projected bond rates.
- The 2019-2020 expenditures and encumbrances were under budget by \$4,101,787, primarily due to the following items: (1) actual utility costs for fuel oil, natural gas and electricity were less than anticipated; (2) actual maintenance and equipment repair costs were less than budgeted; (3) actual supplies and textbook costs were less than budgeted; (4) actual contractual services for children with handicapping conditions were less than budgeted; (5) actual transportation costs were less than budgeted; and (6) expenditures for salaries and contractual services were less than projected for pupil services. Please see 'General Fund Budgetary Highlights – Expenditures and Encumbrances Under Budget' for further discussion on this topic.
- The general fund total fund balance, as reflected on the balance sheet in the fund financial statements, increased by \$478,255 to \$24,056,443. This was due to the excess of revenues and other financing sources over expenditures and other financing uses.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2020

FINANCIAL HIGHLIGHTS (continued)

Key financial highlights for fiscal year 2020 are as follows: (continued)

- The \$478,255 increase in the District's general fund balance from \$23,578,188 at June 30, 2019 to \$24,056,443 at June 30, 2020 is illustrated in the table below.

Fund Balance as of June 30, 2019	\$23,578,188
INCREASES TO FUND BALANCE -	
Reserve for Capital	\$21,088
Reserve for Unemployment Insurance	5,151
Reserve for Insurance	625
Retirement Contribution Reserve- TRS	9,892
Assigned Appropriated Fund Balance Taxes	<u>2,016,473</u>
TOTAL INCREASES TO FUND BALANCE	\$2,053,229
DECREASES TO FUND BALANCE -	
Nonspendable: Prepaids	(94,282)
Workers' Compensation Reserve	(109,120)
Retirement Contribution Reserve- ERS	(109,794)
Employee Benefit Accrued Liability Reserve	(13,619)
Assigned Fund Balance (roll-over prior year encumbrances)	(159,933)
Unassigned Fund Balance	<u>(1,088,226)</u>
TOTAL DECREASES TO FUND BALANCE	(\$1,574,974)
Fund Balance as of June 30, 2020	\$24,056,443

- The amount of the general fund unassigned fund balance as of June 30, 2020 is \$5,754,880. This is 3.33% of the District's 2020-2021 approved operating budget of \$172,752,759. The District is in compliance with the New York State Real Property Tax Law §1318 limit, which restricts the unassigned fund balance to an amount not greater than 4% of the District's budget for the upcoming school year. Maintaining the maximum unassigned fund balance provides financial protection for unforeseen expenditures or revenue shortfalls and helps to ensure that adequate cash flow is available for operating expenses.
- Chapter 97 of the Laws of 2011 established a tax levy limit that affected all local governments, most school districts and independent taxing entities such as library, fire and water districts. The law has been referred to as the "2% property tax cap". Under this law, the growth in the property tax levy is capped at 2% or the rate of inflation, whichever is less, with some exceptions. School districts have the ability to override the cap by obtaining a super majority, or 60% approval by the District's budget voters. The District's 2019-2020 projected tax levy was under the 2% property tax cap for the twelfth consecutive year.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2020

FINANCIAL HIGHLIGHTS (continued)

Key financial highlights for fiscal year 2020 are as follows: (continued)

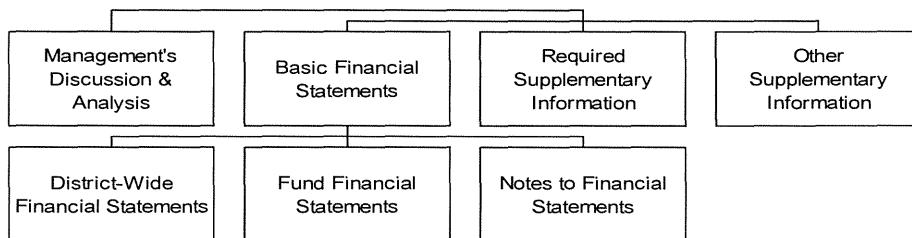
- The District established and funded allowable reserves in anticipation of the 2% property tax cap and the pending LIPA tax certiorari on the Northport Power Plant. Reserve funds provide the District with a legal channel to save money for future needs. As part of the District's long range financial plan, these incremental savings have helped to alleviate the financial impact of the 2% property tax cap. The Northport Power Plant currently pays approximately \$55.0 million in taxes to the Northport-East Northport School District. The plant's assessed valuation represents approximately 37.7% of the total assessed valuation of the School District. In July and August of 2020, the Board of Education voted to approve the terms of a settlement between the School District, the Town of Huntington and LIPA, which resolves the School District's breach of contract case, and was subsequently approved by the Town of Huntington. The settlement terms include a reduction of the assessed value of the North port Power Plant over a 7-year period resulting in a gradual reduction of total taxes paid to jurisdictions thereby reducing the Northport Power Plant school taxes from \$56 million to approximately \$32 million over the 7-year period rather than an immediate reduction in taxes, together with a phased-in payment of \$14.5 million directly to the School District to mitigate the loss of tax revenue from the Northport Power Plant. This settlement is subject to the execution of a formal settlement agreement by all parties.
- On the district-wide financial statements, total net position decreased by \$27,072,862 or 22.5% to \$(147,508,284) for the year ended June 30, 2020, compared to \$(120,435,422) at June 30, 2019. The decrease in net position is primarily the result of the increase of the unfunded addition to the total other postemployment benefit (OPEB) liability, increase in workers compensation and bond anticipation notes, offset by increases in deferred outflows
- The District's total OPEB liability amounted to \$292,131,286 as of June 30, 2020, which is an increase of \$47,153,867 over the prior year amount. See Note 14 for further detail.
- On the district-wide financial statements, the District's expenses for the year totaled \$197,373,952. Of this amount, \$4,646,059 was offset by program charges for services and operating grants. General revenues of \$167,299,140 amount to 97.30% of total revenues, and were not adequate to cover the balance of program expenses.
- The District had extraordinary items related to the removal and replacement of a roof due to a sudden roof failure which amounted to \$1,644,109. This amount includes an impairment loss of \$100,360 and demolition/clean up costs of \$1,543,749.
- The District's latest long-term credit rating from Moody's was upgraded from Aa2 to Aa1.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)



The chart below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Financial Statements

The district-wide financial statements are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two district-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances. These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

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

The Statement of Activities

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

Fund Financial Statements

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

Governmental Funds

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

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

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

Fiduciary Funds

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Condensed Statement of Net Position

The District's total net position decreased by \$27,072,862 between fiscal year 2020 and 2019. A summary of the District's Statements of Net Position follows.

	6/30/2020	6/30/2019	Change	Percent Change
Current and other assets	\$ 47,872,637	\$ 49,352,312	\$ (1,479,675)	-3.0%
Capital assets, net	103,357,393	87,623,269	15,734,124	18.0%
Net pension asset - proportionate share	10,776,144	7,677,537	3,098,607	40.4%
Total assets	162,006,174	144,653,118	17,353,056	12.0%
Deferred outflows of resources	101,339,632	61,678,310	39,661,322	64.3%
Other liabilities	50,953,594	38,155,647	12,797,947	33.5%
Non-current liabilities	318,508,566	273,863,000	44,645,566	16.3%
Net pension liability - proportionate share	12,759,810	3,367,603	9,392,207	278.9%
Total liabilities	382,221,970	315,386,250	66,835,720	21.2%
Deferred inflows of resources	28,632,120	11,380,600	17,251,520	151.6%
Net position:				
Net investment in capital assets	52,271,355	47,096,612	5,174,743	11.0%
Restricted	15,975,214	17,690,439	(1,715,225)	-9.7%
Unrestricted (deficit)	(215,754,853)	(185,222,473)	(30,532,380)	-16.5%
Total net position (deficit)	\$ (147,508,284)	\$ (120,435,422)	\$ (27,072,862)	22.5%

Current and other assets decreased by \$1,479,675, as compared to the prior year. The decrease is primarily related to the decreases in cash and amounts due from state and federal, offset by an increase in amounts due from other governments.

Capital assets, net increased by \$15,734,124, as compared to the prior year. This increase was the result of asset purchases, net of depreciation expense during the year. The accompanying Notes to Financial Statements, Note 8 "Capital Assets" provides additional information.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2020

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Condensed Statement of Net Position (continued)

Net pension asset – proportionate share increased by \$3,098,607, as compared to the prior year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at the measurement date of the respective year.

Deferred outflow of resources increased by \$39,661,322 as compared to the prior year. The deferred outflow of resources represents contributions to the state retirement plan subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years, as well as actuarial adjustments and differences between expected and actual experience relating to the other postemployment benefits plan which will be amortized in future years.

Other liabilities increased by \$12,797,947, as compared to the prior year. This increase was primarily related to the increase in bond anticipation notes issued during the year for capital projects, offset by a decrease in the amount due to the teachers' retirement system.

Noncurrent liabilities increased by \$44,645,566, as compared to the prior year. This increase was primarily in connection with the increase in the total other postemployment benefit liability accrual. The increase was offset by the payment of principal on serial bonds. See Note 11 for additional information.

Net pension liability – proportionate share increased by \$9,392,207 in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's net pension liability at the measurement date of the respective year.

Deferred inflows of resources represent actuarial adjustments at the pension plan level that will be amortized in future years, as well as actuarial adjustments relating to the other postemployment benefits plan which will be amortized in future years. This amount increased by \$17,251,520, as compared to the prior year due to changes in the actuarial adjustments.

The net investment in capital assets relates to the investment in capital assets at cost such as - buildings and improvements, and furniture and equipment, net of depreciation and related debt. This increased over the prior year by \$5,174,743 due to additions to construction in progress, buildings and improvements and furniture, equipment and vehicles plus current year bond principal payments, offset by an increase in bond anticipation notes payable.

The restricted net position at June 30, 2020 is \$15,975,214 and is composed of the District's restricted reserves as seen in the fund balance section on the balance sheet – governmental funds.

The unrestricted deficit amount of \$(215,754,853) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis and is not permitted to accumulate funds for the total OPEB liability. This deficit increased over the prior year by \$30,532,380 primarily as a result of the increase of the unfunded addition to the total OPEB liability.

The District's total net position decreased by \$27,072,862 or 22.5% to \$(147,508,284) for the year ended June 30, 2020, compared to \$(120,435,422) at June 30, 2019.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2020

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in Net Position from Operating Results

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the MD&A, STAR (school tax relief) revenue is included in the "Property Taxes" line. A summary of this statement for the years ended June 30, 2020 and 2019 is as follows:

	6/30/2020	6/30/2019	Increase (Decrease)	Percent Change
Revenues				
Program revenues:				
Charges for services	\$ 1,728,080	\$ 2,101,492	\$ (373,412)	-17.8%
Operating grants	2,917,979	3,141,180	(223,201)	-7.1%
Capital grants	-0-	446,434	(446,434)	-100.0%
General revenues:				
Property taxes and STAR	149,717,642	145,979,349	3,738,293	2.6%
Other tax items	12,539	4,741	7,798	164.5%
State aid	15,638,222	15,479,924	158,298	1.0%
Federal aid - medicaid reimbursement	154,735	71,188	83,547	117.4%
Other	1,776,002	2,543,444	(767,442)	-30.2%
Total revenues	<u>171,945,199</u>	<u>169,767,752</u>	<u>2,177,447</u>	<u>1.3%</u>
Expenses				
General support	29,488,453	25,222,293	4,266,160	16.9%
Instruction	156,706,308	142,248,072	14,458,236	10.2%
Pupil transportation	7,136,033	8,640,306	(1,504,273)	-17.4%
Community services	561,714	548,446	13,268	2.4%
Debt service - interest	1,936,026	1,997,063	(61,037)	-3.1%
School lunch program	1,545,418	1,803,661	(258,243)	-14.3%
Total expenses	<u>197,373,952</u>	<u>180,459,841</u>	<u>16,914,111</u>	<u>9.4%</u>
Extraordinary item	<u>(1,644,109)</u>	<u>-0-</u>	<u>(1,644,109)</u>	
Decrease in net position	<u>(27,072,862)</u>	<u>\$ (10,692,089)</u>	<u>\$ (16,380,773)</u>	<u>153.2%</u>
Net position - beginning	<u>(120,435,422)</u>			
Net position - ending	<u><u>\$ (147,508,284)</u></u>			

The District's net position decreased by \$27,072,862 for the year ended June 30, 2020. The District's net position decreased by \$10,692,089 for the year ended June 30, 2019.

The District's revenues increased by \$2,177,447 for the year ended June 30, 2020. The main areas of increase were in real property taxes and STAR and state aid, offset by decreases in charges for services, operating grants, capital grants and other revenues.

The District's expenses increased by \$16,914,111 or 9.4% for the year ended June 30, 2020. The increase was primarily the result of the increase in the District's share of the New York State Teachers' and Employees' Retirement System's collective net pension costs and an increase in the OPEB liability.

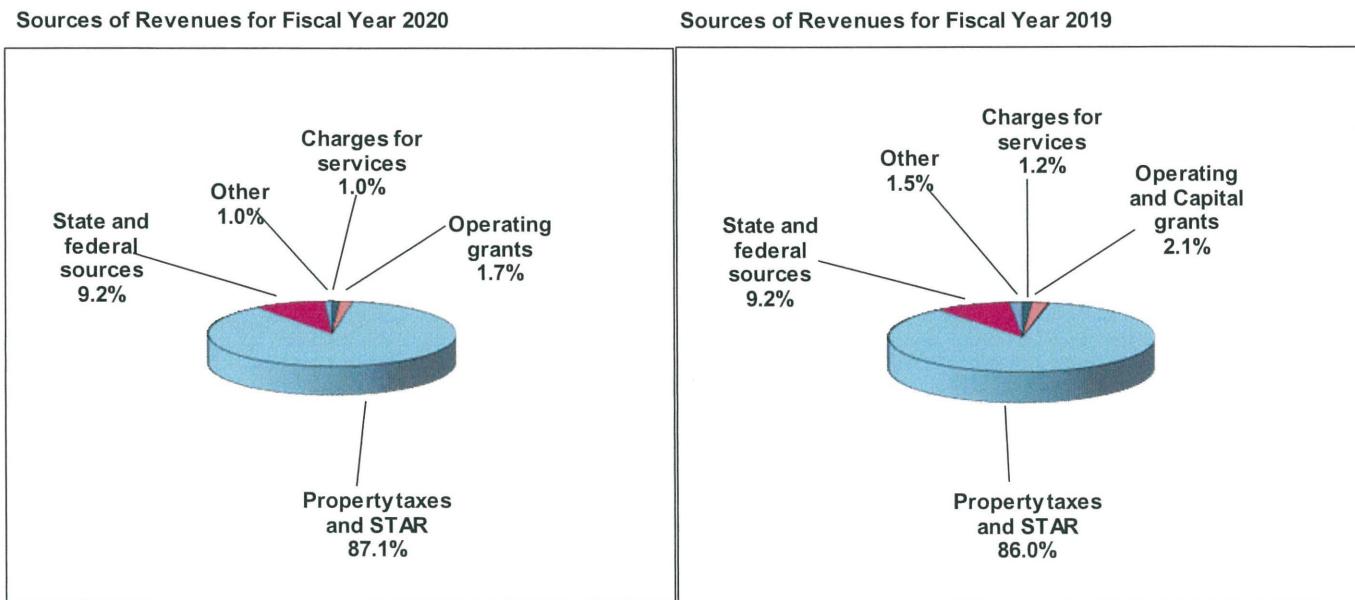
NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2020

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

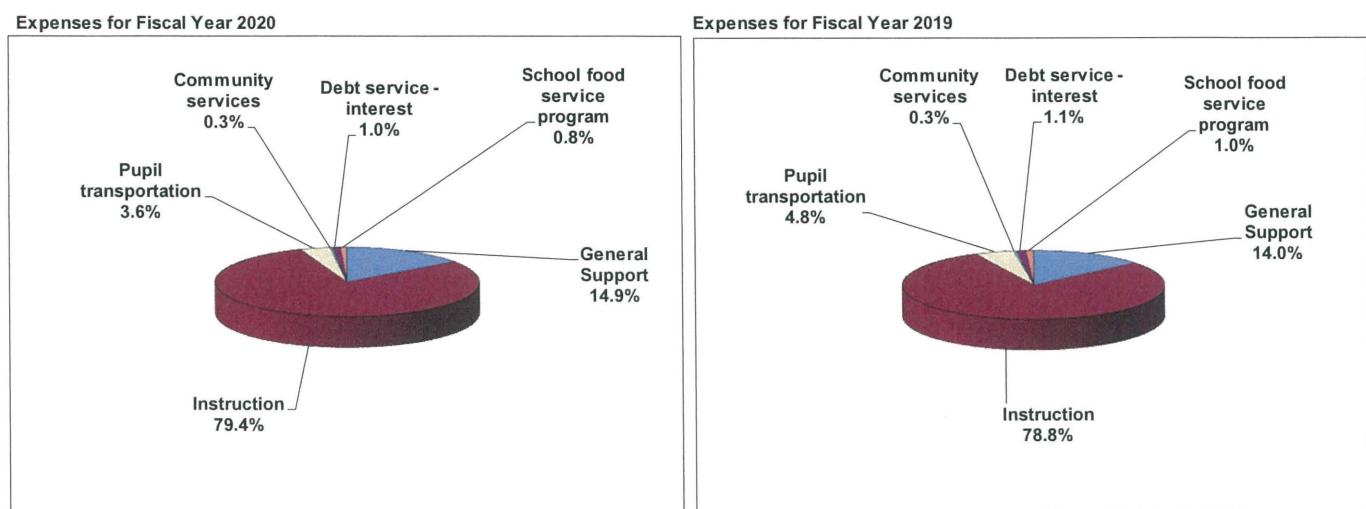
Changes in Net Position from Operating Results (continued)

As indicated on the pie charts that follow, property taxes and STAR is the largest component of revenues recognized, representing 87.1% of the total revenues for the year ended June 30, 2020. Instruction expenses are the largest category of expenses incurred at 79.4% of the total expenses for the year ended June 30, 2020.

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



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



NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2020

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

At June 30, 2020, the District's governmental funds reported a combined fund balance deficit of \$(3,101,869), which is a decrease of \$14,760,727 under the prior year. A summary of the change in fund balance by fund is as follows:

	6/30/2020	6/30/2019	Increase (Decrease)
General Fund			
Nonspendable:			
Prepays	\$ 1,903,437	\$ 1,997,719	\$ (94,282)
Restricted:			
Capital	1,692,155	1,671,067	21,088
Unemployment Insurance	831,073	825,922	5,151
Insurance	51,189	50,564	625
Employee Benefit			
Accrued Liability	2,978,612	2,992,231	(13,619)
Workers' Compensation	2,528,212	2,637,332	(109,120)
Retirement Contribution	3,423,818	3,523,720	(99,902)
Total Restricted	<u>11,505,059</u>	<u>11,700,836</u>	<u>(195,777)</u>
Assigned	4,893,067	3,036,527	1,856,540
Unassigned	5,754,880	6,843,106	(1,088,226)
	<u>24,056,443</u>	<u>23,578,188</u>	<u>478,255</u>
School Food Service Fund			
Nonspendable:			
Inventory	68,272	38,757	29,515
Assigned	114,025	148,664	(34,639)
	<u>182,297</u>	<u>187,421</u>	<u>(5,124)</u>
Capital Projects Fund			
Restricted:			
Capital	4,470,155	5,989,603	(1,519,448)
Unassigned (deficit)	<u>(31,810,764)</u>	<u>(18,096,354)</u>	<u>(13,714,410)</u>
	<u>(27,340,609)</u>	<u>(12,106,751)</u>	<u>(15,233,858)</u>
Total Fund Balance (Deficit)	<u>\$ (3,101,869)</u>	<u>\$ 11,658,858</u>	<u>\$ (14,760,727)</u>

General Fund

The general fund fund balance increased by \$478,255. This increase was due to budgetary savings offset by planned utilization of reserves and excess fund balance. Budgetary savings were achieved because costs were lower than anticipated. The following budgetary items accounted for these savings: (1) actual utility costs for fuel oil, natural gas and electricity were less than anticipated; (2) actual maintenance and equipment repair costs were less than budgeted; (3) actual supplies and textbook costs were less than budgeted; (4) actual contractual services for children with handicapping conditions were less than budgeted; (5) actual transportation costs were less than budgeted; and (6) expenditures for salaries and contractual services were less than projected for pupil services.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2020

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

School Food Service Fund

The school food service fund balance decreased by \$5,124, as compared to the prior year.

The general fund will continue to subsidize the school food service fund in 2020-2021 by a budgeted interfund transfer of \$200,000.

Capital Projects Fund

The capital projects fund balance decreased by \$15,233,858. There were transfers to the capital projects fund totaling \$5,329,097. Expenditures and other financing sources totaling \$20,518,834 were made for several capital projects, including roof repairs at Ocean Avenue, drain, auditorium stage, toilets, track reconstruction and science rooms reconstruction at East Northport Middle School, and the field work, HVAC and lab work at Northport High School. In addition, \$44,121 in unneeded appropriations for a completed project was returned to the general fund.

General Fund Budgetary Highlights

2019-20 Budget

The District's general fund adopted budget for the year ended June 30, 2020 was \$171,077,668. This amount was increased by encumbrances carried forward from the prior year in the amount of \$661,527, and various budget revisions resulting in additional increases of \$113,731 for a total final budget of \$171,852,926.

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

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

Opening, Unassigned Fund Balance	\$ 6,843,106
Revenues Under Budget	(751,878)
Expenditures and Encumbrances Under Budget	4,101,787
Decrease in Nonspendable Fund Balance	94,282
Transfer to Reserves (Restricted)	(140,944)
Assigned - Appropriated for 2020-21 Budget	<u>(4,391,473)</u>
Closing, Unassigned Fund Balance	<u>\$ 5,754,880</u>

Opening, Unassigned Fund Balance

The \$6,843,106 shown in the table is the portion of the District's June 30, 2019 fund balance that was reported as unassigned. This is 4.00% of the District's 2019-20 approved operating budget of \$171,077,668.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2020

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

General Fund Budgetary Highlights (continued)

Revenues Under Budget

The 2019-20 final budget for revenues, transfers and appropriated fund balance and reserves was \$171,852,926. Reflected in this budget were the following components: (1) assigned fund balance in the amount of \$2,375,000; (2) appropriated fund balance reserves in the amount of \$336,721; (3) encumbrances rolled forward from 2018-2019 in the amount of \$661,527 and (4) estimated revenue of \$168,479,678. Actual revenues and other sources received for the year were \$167,727,800. The excess of estimated or budgeted revenues over actual revenues and other sources amounted to \$751,878. This reflects the net variance amount for all revenue streams combined. Significant revenue variances existed as a result of the following: (1) state aid in the amount of \$825,641 was never received due to estimates versus actuals for expenditure driven aids and state aid cuts; (2) \$107,644 was not received from sale of property and compensation for loss due to less insurance recoveries; (3) federal aid in the amount of \$104,735 was received in excess of estimates for Medicaid reimbursement; (4) charges for services were less than expected by \$147,459.

Expenditures and Encumbrances Under Budget

The 2019-20 final budget for expenditures and transfers, including prior year open encumbrances and budget revisions amounted to \$171,852,926. Actual expenditures and transfers as of June 30, 2020 were \$167,249,545, and outstanding encumbrances were 501,594. Combined, the expenditures plus encumbrances for 2019-20 were \$167,751,139. The final budget was under-expended by \$4,101,787. Budget categories which contributed significantly to the under-expenditure of \$4,101,787 are: (1) actual utility costs for fuel oil, natural gas and electricity were less than anticipated; (2) actual maintenance and equipment repair costs were less than budgeted; (3) actual supplies and textbook costs were less than budgeted; (4) actual contractual services for children with handicapping conditions were less than budgeted; (5) actual transportation costs were less than budgeted; and (6) expenditures for salaries and contractual services were less than projected for pupil services.

Expenditures and current year encumbrances under budget contribute directly to the change in the unassigned portion of the general fund - fund balance from June 30, 2019 to June 30, 2020.

Decrease in Nonspendable Fund Balance

Nonspendable fund balance consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Increases to the nonspendable fund balance decreases the District's unassigned portion of the fund balance by the amount of the increase. The \$94,282 in the table on the previous page reflects the net decrease to prepaids, specifically health, dental and ancillary insurances provided to employees and retirees.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2020

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

General Fund Budgetary Highlights (continued)

Transfer to Reserves (Restricted)

Monies transferred from budget lines within the general fund operations into required reserves such as the workers' compensation reserve, the unemployment insurance reserve, capital reserve, employee benefit accrued liability reserve, and the retirement contribution reserve do not affect the combined nonspendable, restricted, assigned and unassigned fund balance unless, and until, these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned portion of the fund balance by the amount of the transfer. The \$140,944 in the previously presented table reflects the net interest transferred into the reserves.

Assigned - Appropriated Fund Balance

The District has chosen to use \$4,391,473 of its available June 30, 2020 fund balance to partially fund its 2020-21 approved operating budget. The District's long-term goal is to annually reduce the amount of the assigned fund balance. The assigned fund balance has been increased from \$2,375,000 in 2019-2020 to \$4,391,473 in 2020-2021.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the table, the District will begin the 2020-21 fiscal year with an unassigned fund balance of \$5,754,880. This is a decrease of \$1,088,226 as compared to the prior year. This is 3.33% of the District's 2019-20 approved operating budget of \$172,752,759. The District's unassigned fund balance was in compliance with the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had invested in a broad range of capital assets, including land, construction in progress, buildings and improvements, site improvements, and furniture, equipment and vehicles. The net increase in capital assets is due to capital additions less depreciation recorded for the year ended June 30, 2020. A summary of the District's capital assets, net of depreciation, at June 30, 2020 and 2019 is as follows:

Category	6/30/20	6/30/19	% Change
Land	\$ 1,336,364	\$ 1,336,364	0.0%
Construction-in-progress	34,216,362	25,543,288	34.0%
Buildings and improvements	62,433,396	56,078,350	11.3%
Site improvements	1,558,256	1,736,567	-10.3%
Furniture, equipment and vehicles	3,813,015	2,928,700	30.2%
Totals	<u>\$103,357,393</u>	<u>\$ 87,623,269</u>	18.0%

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

Capital additions for the year ended June 30, 2020 were \$19,486,223. Depreciation expense for the year totaled \$3,650,533. The loss on disposition was \$1,206. An impairment loss totaled \$100,360.

Debt Administration

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

At June 30, 2020, the District had total bonds payable of \$6,485,000 and energy performance contract debt of \$10,924,971. The decrease in outstanding general obligation bonds represents scheduled principal payments.

A summary of the long-term liabilities at June 30, 2020 and 2019 is as follows:

Category	6/30/20	6/30/19	% Change
General obligation bonds	\$ 6,485,000	\$ 8,535,000	-24.0%
Energy performance contract debt	10,924,971	11,508,941	-5.1%
Compensated absences	6,387,473	6,048,959	5.6%
Workers' compensation claims payable	2,579,836	2,792,681	-7.6%
Total OPEB liability	292,131,286	244,977,419	19.2%
Net pension liability - proportionate share	<u>12,759,810</u>	<u>3,367,603</u>	278.9%
Totals	<u><u>\$ 331,268,376</u></u>	<u><u>\$ 277,230,603</u></u>	19.5%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on June 9, 2020, for the year ending June 30, 2020, is \$172,752,759. This is an increase of \$1,675,091 or 0.98% over the previous year's adopted budget.

The District's adopted budget reflects non-property tax revenues at a decrease of \$341,382 from the current year's estimate. The adopted budget reflects an increase in property tax revenues of 0.00%. The District's legally allowable tax levy limit was 1.01%. The assigned - appropriated fund balance applied to the June 30, 2021 budget to reduce taxes in the amount of \$4,391,473 is an increase of \$2,016,473, as compared to the current year.

New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities and most school districts. For fiscal years beginning in 2012, no school district is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however there are permitted exceptions and adjustments. School districts can exceed the tax levy limit only by a 60% favorable vote by District's budget voters. The 0.00% increase in the property tax levy for 2020-2021 is in compliance with Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

The Long Island Power Authority ("LIPA") and National Grid have initiated tax certiorari proceedings challenging the property tax assessment of the Northport Power Plant. The Northport Power Plant currently pays approximately \$56.4 million in taxes to the District. The District filed suit against LIPA and National Grid in May 2011 alleging a breach of contract after LIPA and National Grid filed the tax certiorari proceedings. In July and August of 2020, the Board of Education voted to approve the terms of a settlement between the School District, the Town of Huntington and LIPA, which resolves the School District's breach of contract case, and was subsequently approved by the Town of Huntington. The settlement terms include a reduction of the assessed value of the North port Power Plant over a 7-year period resulting in a gradual reduction of total taxes paid to jurisdictions thereby reducing the Northport Power Plant school taxes from \$56 million to approximately \$32 million over the 7-year period rather than an immediate reduction in taxes, together with a phased-in payment of \$14.5 million directly to the School District to mitigate the loss of tax revenue from the Northport Power Plant. This settlement is subject to the execution of a formal settlement agreement by all parties.

Pursuant to the language in the New York State Enacted State Budget, the Division of Budget (DOB) has reduced the payments to 80% of the total amount due to the District. It is not clear whether the additional 20% is just delayed, or whether it will be paid at all. Additionally, going forward it looks like any aid payment with a statutory due date will be paid at 80% of the amount due, but anything without a statutory due date may be completely withheld by DOB, at this time.

CONTACTING THE DISTRICT

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

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

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2020

ASSETS

Cash	
Unrestricted	\$ 25,852,307
Restricted	15,975,214
Receivables:	
Due from state and federal	1,444,714
Due from other governments	2,552,001
Due from fiduciary funds	36,208
Other	40,484
Inventories	68,272
Prepaid expenditures	1,903,437
	<u>Total Current Assets</u>
	47,872,637
Non-depreciable capital assets	35,552,726
Depreciable capital assets, net of depreciation	67,804,667
Net pension asset-proportionate share - teachers' retirement system	<u>10,776,144</u>
	<u>Total Non-Current Assets</u>
	114,133,537
	<u>Total Assets</u>
	162,006,174

DEFERRED OUTFLOWS OF RESOURCES

Pensions	44,888,305
Other postemployment benefits	56,451,327
	<u>Total Deferred Outflows of Resources</u>

LIABILITIES

Accounts payable	4,185,111
Accrued liabilities	1,147,168
Due to other governments	1,541,597
Accrued interest payable	625,601
Bond anticipation note	36,000,000
Due to teachers' retirement system	6,500,289
Due to employees' retirement system	735,453
Compensated absences	63,805
Unearned revenue	154,570
Non-current liabilities:	
Due and payable within one year:	
General obligation bonds payable	2,125,000
Energy performance contract payable	602,806
Compensated absences payable	319,374
Workers' compensation claims payable	555,897
Due and payable after one year:	
General obligation bonds payable	4,360,000
Energy performance contract payable	10,322,165
Compensated absences payable	6,068,099
Workers' compensation claims payable	2,023,939
Total other postemployment benefit liability	292,131,286
Net pension liability - proportionate share - employees' retirement system	<u>12,759,810</u>
	<u>Total Liabilities</u>
	382,221,970

DEFERRED INFLOWS OF RESOURCES

Pensions	15,177,712
Other postemployment benefits	13,454,408
	<u>Total Deferred Inflows of Resources</u>

NET POSITION

Net investment in capital assets	52,271,355
Restricted	15,975,214
Unrestricted (deficit)	<u>(215,754,853)</u>
	<u>Total Net Position (Deficit)</u>
	<u>\$ (147,508,284)</u>

See Notes to Financial Statements.

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS				
General support	\$ 29,488,453			\$ (29,488,453)
Instruction	156,706,308	\$ 841,899	\$ 2,586,419	(153,277,990)
Pupil transportation	7,136,033			(7,136,033)
Community service	561,714			(561,714)
Debt service - interest	1,936,026			(1,936,026)
School food service program	1,545,418	886,181	331,560	(327,677)
Total Functions and Programs	<u>\$ 197,373,952</u>	<u>\$ 1,728,080</u>	<u>\$ 2,917,979</u>	<u>(192,727,893)</u>
GENERAL REVENUES				
Real property taxes				143,038,422
School tax relief reimbursement				6,679,220
Other tax items				12,539
Use of money and property				501,209
Sale of property and compensation for loss				57,356
State sources				15,638,222
Medicaid reimbursement				154,735
Miscellaneous				1,217,437
Total General Revenues				<u>167,299,140</u>
Extraordinary items (See Note 20)				(1,644,109)
Total General Revenues and Extraordinary Item				<u>165,655,031</u>
Change in Net Position				(27,072,862)
Total Net Position (Deficit)- Beginning of year				(120,435,422)
Total Net Position (Deficit) - End of year				<u>\$ (147,508,284)</u>

See Notes to Financial Statements.

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash					
Unrestricted	\$ 22,810,255	\$ 915,520	\$ 105,686	\$ 2,020,846	\$ 25,852,307
Restricted	11,505,059			4,470,155	15,975,214
Receivables:					
Due from state and federal	585,797	742,961	5,443	110,513	1,444,714
Due from other governments	2,552,001				2,552,001
Due from other funds	1,511,612		101,892	4,712,347	6,325,851
Due from fiduciary funds	36,208				36,208
Accounts receivable	22,207		1,015	17,262	40,484
Inventories				68,272	68,272
Prepaid expenditures	1,903,437				1,903,437
Total Assets	<u>\$ 40,926,576</u>	<u>\$ 1,658,481</u>	<u>\$ 282,308</u>	<u>\$ 11,331,123</u>	<u>\$ 54,198,488</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 1,541,172	\$ 82,952		\$ 2,560,987	\$ 4,185,111
Accrued liabilities	1,124,011	15,780	\$ 7,377		1,147,168
Due to other funds	4,814,239	1,511,380			6,325,851
Due to other governments	1,534,695	6,902			1,541,597
Due to teachers' retirement system	6,500,289				6,500,289
Due to employees' retirement system	735,453				735,453
Compensated absences	63,805				63,805
Bond anticipation note	20,469	41,467	92,634	36,000,000	36,000,000
Unearned revenues					154,570
Total Liabilities	<u>16,334,133</u>	<u>1,658,481</u>	<u>100,011</u>	<u>38,561,219</u>	<u>56,653,844</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	536,000			110,513	646,513
Total Deferred Inflows of Resources	<u>536,000</u>	<u>-0-</u>	<u>-0-</u>	<u>110,513</u>	<u>646,513</u>
FUND BALANCES					
Nonspendable:					
Inventory				68,272	68,272
Prepays					1,903,437
Restricted:					
Capital	1,692,155			4,470,155	6,162,310
Unemployment Insurance	831,073				831,073
Insurance	51,189				51,189
Employee Benefit Accrued Liability	2,978,612				2,978,612
Workers' Compensation	2,528,212				2,528,212
Retirement Contribution - ERS	2,613,926				2,613,926
Retirement Contribution - TRS	809,892				809,892
Assigned:					
Assigned Appropriated	4,391,473				4,391,473
Assigned Unappropriated	501,594		114,025		615,619
Unassigned	5,754,880			(31,810,764)	(26,055,884)
Total Fund Balances (Deficit)	<u>24,056,443</u>	<u>-0-</u>	<u>182,297</u>	<u>(27,340,609)</u>	<u>(3,101,869)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)	<u>\$ 40,926,576</u>	<u>\$ 1,658,481</u>	<u>\$ 282,308</u>	<u>\$ 11,331,123</u>	<u>\$ 54,198,488</u>

See Notes to Financial Statements.

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2020

Total Governmental Fund Balances (Deficit)	\$ (3,101,869)
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets - non-depreciable	\$ 35,552,726
Capital assets - depreciable	127,364,920
Accumulated depreciation	<u>(59,560,253)</u> 103,357,393
Current and long-term liabilities and certain items relating to long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued interest payable	(625,601)
General obligation bonds payable	(6,485,000)
Energy performance contract payable	(10,924,971)
Workers' compensation claims payable	(2,579,836)
Compensated absences payable	<u>(6,387,473)</u> (27,002,881)
Revenue that was deferred on the fund statements because it does not meet the availability criteria under the modified accrual basis of accounting is not deferred in the Statement of Net Position.	
	646,513
Certain amounts reported for the proportionate share of the District's pension asset and other postemployment benefit deferred outflows are not considered a current available resource and are therefore not reported in the funds.	
Net pension asset-proportionate share - teachers' retirement system	10,776,144
Other postemployment benefit - deferred outflows	56,451,327
Pensions - deferred outflows	<u>44,888,305</u> 112,115,776
Certain amounts reported for the proportionate share of the District's pension and other postemployment benefit liabilities and/or deferred inflows are not due and payable in the current period and accordingly are not reported in the funds.	
Net pension liability-proportionate share - employees' retirement system	(12,759,810)
Total other postemployment benefit liability	(292,131,286)
Other postemployment benefit - deferred inflows	(13,454,408)
Pensions - deferred inflows	<u>(15,177,712)</u> (333,523,216)
Net Position (Deficit) of Governmental Activities	<u>\$ (147,508,284)</u>

See Notes to Financial Statements.

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
REVENUES					
Real property taxes	\$ 143,038,422				\$ 143,038,422
School tax relief reimbursement	6,679,220				6,679,220
Other tax items	12,539				12,539
Charges for services	735,041				735,041
Use of money and property	500,775		\$ 434		501,209
Sale of property and compensation for loss	57,356				57,356
State aid	15,305,164	\$ 974,641	14,422		16,294,227
Sales - school lunch			886,181		886,181
Miscellaneous	763,208		17,010		780,218
Federal aid - Medicaid reimbursement	154,735				154,735
Federal aid		1,611,778	229,664		1,841,442
Surplus food			87,474		87,474
Total Revenues	167,246,460	2,586,419	1,235,185	\$ -0-	171,068,064
EXPENDITURES					
General support	19,383,820				19,383,820
Instruction	92,254,284	2,978,377			95,232,661
Pupil transportation	6,345,915	253,154			6,599,069
Community service	381,284				381,284
Employee benefits	37,980,041		269,998		38,250,039
Debt service:					
Principal	2,633,970				2,633,970
Interest	1,979,215				1,979,215
Cost of sales			1,287,118		1,287,118
Capital outlay				20,518,834	20,518,834
Total Expenditures	160,958,529	3,231,531	1,557,116	20,518,834	186,266,010
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,287,931	(645,112)	(321,931)	(20,518,834)	(15,197,946)
OTHER FINANCING SOURCES AND (USES)					
Premium on short term obligations	437,219				437,219
Operating transfers in	44,121	645,112	316,807	5,329,097	6,335,137
Operating transfers (out)	(6,291,016)			(44,121)	(6,335,137)
Total Other Sources (Uses)	(5,809,676)	645,112	316,807	5,284,976	437,219
Net change in fund balance	478,255	-0-	(5,124)	(15,233,858)	(14,760,727)
Fund balance - Beginning of year	23,578,188	-0-	187,421	(12,106,751)	11,658,858
Fund balance - End of year	\$ 24,056,443	\$ -0-	\$ 182,297	\$ (27,340,609)	\$ (3,101,869)

See Notes to Financial Statements.

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Net Changes in Fund Balances - Total Governmental Funds	\$ (14,760,727)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Long-term revenue and expense differences

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

State aid	\$ 333,058
Charges for services	<u>106,858</u>
	439,916

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences payable	(338,514)
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Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in net position.

Workers' compensation claims payable	212,845
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Pension differences

(Increases)/decreases in the proportionate share of net pension assets/liabilities and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.

Teachers' Retirement System	(7,252,574)
Employees' Retirement System	<u>(2,380,472)</u>
	(9,633,046)

Other postemployment benefit (OPEB) differences

(Increases)/decreases in the District's total OPEB liability and related deferred inflows and outflows 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.

	(21,404,619)
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Capital related differences

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

Capital outlay	19,486,223
Depreciation expense	<u>(3,650,533)</u>
	15,835,690

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

	(101,566)
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Long-term debt transaction differences

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

Repayment of bond principal	2,050,000
Repayment of energy performance contract	<u>583,970</u>
	2,633,970

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest decreased from June 30, 2019 to June 30, 2020.

	43,189
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Change in Net Position of Governmental Activities

\$ (27,072,862)

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2020

	Private Purpose Trusts	Agency
ASSETS		
Cash	<u>\$ 57,285</u>	<u>\$ 1,409,288</u>
Total Assets	<u>57,285</u>	<u>\$ 1,409,288</u>
LIABILITIES		
Due to governmental funds		\$ 36,208
Extraclassroom activity balances		276,749
Other liabilities	<u>-</u>	<u>1,096,331</u>
Total Liabilities	<u>-</u>	<u>\$ 1,409,288</u>
NET POSITION		
Restricted for scholarships	<u>57,285</u>	
Total Net Position	<u>\$ 57,285</u>	

See Notes to Financial Statements.

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2020

	<u>Private Purpose Trusts</u>
ADDITIONS	
Gifts and contributions	\$ 25,340
Investment earnings	<u>445</u>
Total Additions	<u>25,785</u>
 DEDUCTIONS	
Scholarships and awards	<u>26,500</u>
Total Deductions	<u>26,500</u>
Change in Net Position	(715)
Net Position - Beginning of year	<u>58,000</u>
Net Position - End of year	<u>\$ 57,285</u>

See Notes to Financial Statements.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. The District reports these assets held by it as agent for the extraclassroom organizations in the Statement of Fiduciary Net Position - Agency Fund. Separate audited financial statements of the extraclassroom activity funds can be found at the District's business office.

B. Joint Venture

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Joint Venture (continued)

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

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

C. Basis of Presentation

District-Wide Financial Statements

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

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

Fund Financial Statements

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements (continued)

Governmental Funds:

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

Special Revenue Funds – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

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

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

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

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

Private Purpose Trust Funds - These funds are used to account for trust arrangements in which scholarship benefits are provided for students and in which net position-restricted-permanent principals are held in perpetuity, and income generated is used for annual third-party awards and scholarships for students. Established criteria govern the use of the funds. Members of the District or representatives of the donors may serve on committees to determine who benefits.

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

D. Measurement Focus and Basis of Accounting

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting and Measurement Focus (continued)

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

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

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

E. Use of Estimates

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

F. Cash and Cash Equivalents/Investments

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

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

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Cash Equivalents/Investments (continued)

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

G. Real Property Taxes

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

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

H. Restricted Resources

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

I. Receivables

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

J. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

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

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

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Inventories and Prepaid Items

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

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

Prepaid expenditures represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. Nonspendable fund balance for prepaids has been recognized to indicate that this does not constitute available spendable resources.

L. Capital Assets

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

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

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

M. Deferred Outflows/Inflows of Resources

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reported deferred inflows of resources related to pensions and the other postemployment benefits reported in the District-Wide Statement of Net Position and are detailed further in Note 12 and Note 14.

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

N. Unearned Revenues

Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recognized. At June 30, 2020, the District recorded unearned revenues in the general fund of \$20,469 for summer program fees, \$41,467 in the special aid fund for local grants where expenditures have not been incurred and \$92,634 in the school food service fund for prepaid lunch amounts.

O. Vested Employee Benefits

Compensated Absences

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

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

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

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

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences (continued)

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

P. Other Benefits

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

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

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employee contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the general fund, in the year paid. Other postemployment benefits costs are measured and disclosed using the accrual basis of accounting in the District-Wide Financial Statements. See Note 14.

Q. Short-Term Debt

The District may issue revenue anticipation notes (RAN) and tax anticipation notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. One TAN was issued and repaid during the year ended June 30, 2020.

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The District reported bond anticipation notes payable of \$36,000,000 in the capital projects fund as of June 30, 2020.

R. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Workers' compensation claims and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent they have matured. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Accrued Liabilities and Long-Term Obligations (continued)

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

S. Equity Classifications

District-Wide Statements

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

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

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

Unrestricted net position - reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

Fund Statements

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

Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form, not available within a year, or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the school food service fund of \$68,272 and prepaid expenditures in the general fund of \$1,903,437.

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

Capital

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Equity Classifications (continued)

Unemployment Insurance Reserve

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

Insurance Reserve

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

Employee Benefit Accrued Liability Reserve

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Equity Classifications (continued)

Workers' Compensation Reserve

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

Retirement Contribution Reserve

The retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. In addition, a subfund of this reserve may also be created to allow for financing retirement contributions to the New York State Teachers' Retirement System. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operations and condition of the fund must be provided to the Board. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. The Teachers' Retirement System subfund is subject to contribution limits. This reserve is accounted for in the general fund under Restricted Fund Balance.

Restricted for Scholarships

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

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority (i.e., Board of Education). The District has no committed fund balances as of June 30, 2020.

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are not restricted. Assigned fund balance includes encumbrances reported in the general fund in the amount of \$501,594 and \$4,391,473 of appropriated fund balance in the general fund applied to the June 30, 2021 budget to reduce taxes. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Equity Classifications (continued)

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

Order of Use of Fund Balance

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

T. New Accounting Standards

The District has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. During the year ended June 30, 2020, The District adopted the following:

Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*", effective immediately. This Statement postpones the effective dates of certain provisions in Statements and implementation Guides that first became effective or are schedule to become effective for periods beginning after June 15, 2018 and later. The new effective dates of applicable standards are presented in Note 1 U, in accordance with this standard.

U. Future Changes in Accounting Standards

The following statements have been issued by the Governmental Accounting Standards Board (GASB) and are to be implemented in future years:

Statement No. 84, *Fiduciary Activities*, as amended by Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance", the objective of which is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The requirements of the new Statement become effective for the District for the year ending June 30, 2021.

Statement No. 87, *Leases*, as amended by Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance", the objective of which is to improve accounting and financial reporting for leases by governments. This Statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for financial statements for the year ending June 30, 2022.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Future Changes in Accounting Standards (continued)

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, as amended by Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance", the objective of which is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for financial statements for the year ending June 30, 2022.

Statement No. 91, *Conduit Debt Obligations*, as amended by Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance", the objective of which are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for financial statements for the year ending June 30, 2023.

Statement No. 92, "Omnibus 2020", as amended by Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance", was issued to enhance comparability in accounting and financial reporting and consistency of authoritative language on various topics. The requirements of this Statement are effective for reporting periods as follows: paragraphs 4,5,6,7,8,9,10, and 12 effective for financial statements for the year ending June 30, 2022.

Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*", this Statement has been issued to improve financial reporting related to public-private and public-public partnership arrangements, in which one a government (transferor) contracts with an operator (governmental or nongovernmental entity) to provide public services by conveying the right to operate or use a nonfinancial assets. The requirements of this Statement are effective for financial statements for the year ending June 30, 2023.

Statement No. 96, "*Subscription-Based Information Technology Arrangements*", this Statement has been issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are for the year ending June 30, 2023.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Future Changes in Accounting Standards (continued)

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, the primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for financial statements for the year ending June 30, 2022.

The District is currently evaluating the impact, if any, of the above pronouncements.

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

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

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

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS (continued)

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

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

Long-Term Revenue and Expense Differences

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

Pension Differences

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

Other postemployment benefit (OPEB) Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

Various general and instructional expenditures funded by donations	<u>\$ 113,731</u>
Total	<u>\$ 113,731</u>

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

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

B. Encumbrances

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

C. Deficit Fund Balance

The Capital Projects Fund had a deficit fund balance of \$27,340,609. This will be funded when the District obtains permanent financing for its current construction project.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

4. DEPOSITS WITH FINANCIAL INSTITUTIONS

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

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

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

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

5. PARTICIPATION IN BOCES

During the year ended June 30, 2020, the District was billed \$11,301,404 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,941,212. Financial statements for BOCES are available from the BOCES administrative offices at 507 Deer Park Road, P.O. Box 8007, Huntington Station, New York 11746-9007.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

6. DUE FROM STATE AND FEDERAL AID

Due from state and federal aid at June 30, 2020, consisted of:

General Fund:

Excess Cost Aid	\$ 573,833
General Aid	11,964
	<u>\$ 585,797</u>

Special Aid Fund:

Federal Grants	\$ 294,545
State Grants	448,416
	<u>\$ 742,961</u>

School Food Service Fund:

Federal Meal Reimbursements	\$ 5,283
State Meal Reimbursements	160
	<u>\$ 5,443</u>

Capital Projects Fund:

EXCEL Aid	\$ 55,057
SMART Schools Bond Act	55,456
Total Capital Projects Fund	<u>\$ 110,513</u>

Total Due From State and Federal \$ 1,444,714

7. DUE FROM OTHER GOVERNMENTS

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

Tuition from other Districts	\$ 367,666
BOCES	2,160,110
Other	24,225
	<u>\$ 2,552,001</u>

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

8. CAPITAL ASSETS

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

	Balance July 1, 2019	Additions	Retirements/ Reclassifications	Balance June 30, 2020
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 1,336,364			\$ 1,336,364
Construction in progress	25,543,288	\$ 18,975,085	(10,302,011)	34,216,362
Total nondepreciable assets	<u>26,879,652</u>	<u>18,975,085</u>	<u>\$(10,302,011)</u>	<u>35,552,726</u>
Capital assets that are depreciated:				
Buildings and improvements	106,094,898	9,438,199	(250,899)	115,282,198
Site improvements	3,941,551			3,941,551
Furniture, equipment and vehicles	6,825,228	1,374,950	(59,007)	8,141,171
Total depreciable assets	<u>116,861,677</u>	<u>10,813,149</u>	<u>(309,906)</u>	<u>127,364,920</u>
Less accumulated depreciation:				
Buildings and improvements	50,016,548	2,982,793	(150,539)	52,848,802
Site improvements	2,204,984	178,311		2,383,295
Furniture, equipment and vehicles	3,896,528	489,429	(57,801)	4,328,156
Total accumulated depreciation	<u>56,118,060</u>	<u>3,650,533</u>	<u>(208,340)</u>	<u>59,560,253</u>
Total capital assets being depreciated, net	<u>60,743,617</u>	<u>7,162,616</u>	<u>(101,566)</u>	<u>67,804,667</u>
Total capital assets, net	<u>\$ 87,623,269</u>	<u>\$ 26,137,701</u>	<u>\$(10,403,577)</u>	<u>\$ 103,357,393</u>
Depreciation expense, loss on disposal, and impairment loss were charged to governmental functions as follows:				
General support				\$ 567,226
Instruction				2,950,149
Pupil transportation				110,440
Community service				12,019
School food service				11,905
Extraordinary item (See Note 20)				<u>100,360</u>
Total governmental activities depreciation expense, loss on disposal, and impairment loss				<u>\$ 3,752,099</u>

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The District's policy is to record an impairment loss in the period when the District determines that the carrying amount of the asset will not be recoverable. At June 30, 2020, the District recorded an impairment loss on an asset included in capital assets in the amount of \$100,360, see Note 20 for further detail.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

9. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2020, are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 1,547,820	\$ 4,814,239	\$ 44,121	\$ 6,291,016
Special Aid Fund		1,511,380	645,112	
School Food Service Fund	101,892		316,807	
Capital Projects Fund	4,712,347	232	5,329,097	44,121
	<u>6,362,059</u>	<u>6,325,851</u>	<u>\$ 6,335,137</u>	<u>\$ 6,335,137</u>
Agency Fund		36,208		
	<u>\$ 6,362,059</u>	<u>\$ 6,362,059</u>		

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

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

The District typically transfers from the general fund to the special aid fund, school food service fund and the capital projects fund in accordance with the general fund budget. The transfer to the special aid fund was for the District's share of the cost for the summer handicapped program and 4201 program. The transfer to the school food service fund was to fund current year losses and to eliminate negative student account balances. The transfer to the capital projects fund was for District-wide improvements. Additionally, the District transferred \$4,712,347 to the capital projects fund from the general fund for the roof removal and replacement. The District transferred from the capital projects fund to the general fund to return unspent funds for a completed project.

10. SHORT-TERM DEBT

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

	Balance July 1, 2019	Issued	Redeemed	Balance June 30, 2020
TAN matured 6/25/20 at 2.00%	\$ -	\$ 33,500,000	\$ 33,500,000	\$ -
BAN matured 11/21/19 at 3.50%	23,000,000	-	23,000,000	-
BAN maturing 11/20/20 at 2.00%	-	36,000,000	-	36,000,000
Total	<u>\$ 23,000,000</u>	<u>\$ 69,500,000</u>	<u>\$ 56,500,000</u>	<u>\$ 36,000,000</u>

Interest paid on short-term debt for the year was \$1,283,264. The premium received for the year was \$437,219 resulting in a net interest cost of \$846,045.

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

10. SHORT-TERM DEBT (continued)

Interest on short-term debt for the year ended June 30, 2020 was composed of:

Interest paid	\$ 1,283,264
Less: interest accrued in the prior year	(452,123)
Plus: interest accrued in the current year	437,918
Total interest expense on long-term debt	<u>\$ 1,269,059</u>

11. LONG-TERM DEBT

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

	Beginning balance	Additions	Reductions	Ending balance	Non-current liabilities due within one year	Non-current liabilities due in more than one year
Governmental activities:						
Bonds Payable:						
General obligation bonds	\$ 8,535,000	\$ -	\$ 2,050,000	\$ 6,485,000	\$ 2,125,000	\$ 4,360,000
Other liabilities:						
Energy performance contract	11,508,941		583,970	10,924,971	602,806	10,322,165
Compensated absences	6,048,959	582,406	243,892	6,387,473	319,374	6,068,099
Workers' compensation	2,792,681	252,754	465,599	2,579,836	555,897	2,023,939
Total OPEB liability	244,977,419	52,628,076	5,474,209	292,131,286		292,131,286
Net pension liability - proportionate share	3,367,603	11,878,792	2,486,585	12,759,810		12,759,810
Total noncurrent liabilities	<u>\$ 277,230,603</u>	<u>\$ 65,342,028</u>	<u>\$ 11,304,255</u>	<u>\$ 331,268,376</u>	<u>\$ 3,603,077</u>	<u>\$ 327,665,299</u>

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

Existing serial bond obligations:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 6/30/20
Serial bond - refunding	February 2013	April 2022	2.00-4.00%	\$ 3,355,000
Serial bond - refunding	February 2013	August 2025	2.00-4.00%	3,130,000
				<u>\$ 6,485,000</u>

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

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

11. LONG-TERM DEBT (continued)

Upon default of the payment of principal or interest on the serial bonds 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.

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

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

	Principal	Interest	Total
Fiscal year ended June 30, 2021	\$ 602,806	\$ 344,815	\$ 947,621
2022	622,250	325,371	947,621
2023	642,322	305,299	947,621
2024	663,040	284,581	947,621
2025	684,427	263,194	947,621
2026-2030	3,767,882	970,224	4,738,106
2031-2035	3,942,244	322,052	4,264,296
Total	<u>\$ 10,924,971</u>	<u>\$ 2,815,536</u>	<u>\$ 13,740,507</u>

Interest on long-term debt for the year ended June 30, 2020 was composed of:

Interest paid	\$ 695,951
Less: interest accrued in the prior year	(216,667)
Plus: interest accrued in the current year	187,683
Total interest expense on long-term debt	<u>\$ 666,967</u>

12. PENSION PLANS

A. Pension Obligations

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

12. PENSION PLANS (continued)

B. Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System.

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2020

12. PENSION PLANS (continued)**C. Funding Policies**

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who contribute 3.0 (ERS) to 3.5 (TRS) percent of their salary for their entire length of service. In addition, employee contribution rates that joined after April 1, 2012 are required to contribute between 3% and 6% depending on their salary through active membership. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. The District's contribution rate for the ERS fiscal year ended March 31, 2020 was 21.2% of covered payroll for Tier 1, 15.8% for Tier 3 and 4, 13.2% for Tier 5 and 9.3% for Tier 6. The District's contribution rate for the TRS fiscal year ended June 30, 2020 was 8.86% of covered payroll.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

Year	ERS	TRS
2019-2020	\$ 2,450,677	\$ 6,215,116
2018-2019	2,482,184	7,360,878
2017-2018	2,480,484	6,769,019

D. Pension Liabilities, Assets, Pension Expense, Deferred Outflows and 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) were 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
Net pension asset/(liability)	\$ (12,759,810)	\$ 10,776,144
District's portion of the Plan's total net pension asset/(liability)	0.0481855%	0.414785%
Change in proportion since the prior measurement date	0.00006561%	-0.009796%

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

12. PENSION PLANS (continued)

D. Pension Liabilities, Assets, Pension Expense, Deferred Outflows and Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2020, the District's recognized pension expense of \$4,842,932 for ERS and \$13,489,375 for TRS. At June 30, 2020 the District's 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	\$ 750,966	\$ 7,302,717	\$ -0-	\$ 801,335
Changes of assumptions	256,922	20,357,577	221,848	4,963,753
Net difference between projected and actual earnings on pension plan investments	6,541,299	-0-	-0-	8,641,911
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,201,133	1,513,714	68,203	480,662
District's contributions subsequent to the measurement date	735,453	6,228,524	-0-	-0-
Total	<u>\$ 9,485,773</u>	<u>\$ 35,402,532</u>	<u>\$ 290,051</u>	<u>\$ 14,887,661</u>

The District's contributions subsequent to the measurement date will be recognized as a reduction/increase of the net pension liability/asset in the year ending June 30, 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:

	ERS	TRS
Year ending June 30, 2021	\$ 1,658,797	\$ 5,038,099
2022	2,173,246	472,168
2023	2,598,150	5,020,428
2024	2,030,076	3,490,595
2025	-0-	511,438
Thereafter	-0-	(246,381)

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

12. PENSION PLANS (continued)

E. Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	March 31, 2020	June 30, 2019
Actuarial valuation date	April 1, 2019	June 30, 2018
Investment rate of return	6.8%	7.10%
Salary increase	4.2%	4.72% - 1.90%
Decrement tables	April 1, 2010 - March 31, 2015	July 1, 2009 - June 30, 2014
	System's Experience	System's Experience
Inflation rate	2.50%	2.20%
Cost of living adjustment	1.3%	1.3%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018. For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018.

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.

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

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

12. PENSION PLANS (continued)

E. Actuarial Assumptions (continued)

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation, as of the actuarial valuation date, are summarized in the following table:

	ERS		TRS	
	Target Allocation	Long-term Expected Rate of Return *	Target Allocation	Long-term Expected Rate of Return *
Measurement date	<u>March 31, 2020</u>		<u>June 30, 2019</u>	
Asset type				
Domestic equity	36.0%	4.05%	33.0%	6.30%
International equity	14.0%	6.15%	16.0%	7.80%
Global equity			4.0%	7.20%
Private equity	10.0%	6.75%	8.0%	9.90%
Real estate	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%		
Bonds and mortgages	17.0%	0.75%		
Cash	1.0%	0.00%		
Inflation-indexed bonds	4.0%	0.50%		
Domestic fixed income securities			16.0%	1.30%
Global fixed income securities			2.0%	0.90%
High-yield fixed income securities			1.0%	3.60%
Private debt			1.0%	6.50%
Real estate debt			7.00%	2.90%
Short-term			1.00%	0.30%
	100.0%		100.0%	

Real rates of return are net of the long-term inflation assumptions of 2.2% for 2019 (TRS) and of 2.5% for 2020 (ERS).

*Excludes equity-oriented long-only funds. For investment management purposes, these funds are included in domestic equity and international equity.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

12. PENSION PLANS (continued)

F. Discount Rate

The discount rate used to calculate the total pension liability was 6.8% for ERS and 7.10% for TRS (the discount rate used by the ERS and TRS at the prior year's measurement date were 7.0% and 7.25%, respectively). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.8% for ERS and 7.10% 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 6.10% for TRS) or 1-percentage point higher (7.8% for ERS and 8.10% for TRS) than the current rate:

	ERS	1%	Current	1%
		Decrease (5.8%)	Assumption (6.8%)	Increase (7.8%)
Employer's proportionate share Of the net pension asset/(liability)	\$ (23,417,854)	\$ (12,759,810)	\$ (2,943,706)	
TRS	1%	Current	1%	
	Decrease (6.10%)	Assumption (7.10%)	Increase (8.10%)	
Employer's proportionate share Of the net pension asset/(liability)	\$ (48,642,388)	\$ 10,776,144	\$ 60,621,586	

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

12. PENSION PLANS (continued)

H. Pension Plan Fiduciary Net Position

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

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

I. 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 covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$735,453.

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 intercept. 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 covered wages multiplied by the employer's contribution rate, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020 amounted to \$6,225,662 of employer contributions and \$274,627 of employee contributions.

13. OTHER PENSION PLANS

Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2020, totaled \$111,549 and \$4,810,452 respectively.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

14. OTHER POSTEMPLOYMENT BENEFITS THAN PENSIONS (OPEB)

A. Plan Description

The District established and administers a single-employer defined benefit OPEB plan for its employees and their spouses. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board subject to applicable collective bargaining and employment agreements, and Board of Education policy. The Plan does not issue a separate financial report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

B. Benefits Provided

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

C. Employees Covered by Benefit Terms

The number of participants as of July 1, 2019, the effective date of the OPEB valuation, is as follows:

	<u>Participants</u>
Active employees	998
Inactive employees or beneficiaries currently receiving benefit payments	689
Inactive employees entitled to but not yet receiving benefit payments	<u>3</u>
Total	<u>1,690</u>

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

D. Total OPEB Liability

The District's total OPEB liability of \$292,131,286 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019, with update procedures used to rollforward the OPEB liability to the measurement date.

E. Funding Policy

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

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

F. Actuarial Assumptions and Other Inputs

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

The total OPEB liability in the July 1, 2019 valuation was determined using the following actuarial assumptions and other inputs:

Salary increases	2.5%
Discount rate	2.4%
Healthcare cost trend rates	
Pre-65	6.25% for January 1, 2020, decreasing per year to an ultimate rate of 4.5% in 2026
Post-65	7.25% for January 1, 2020, decreasing per year to an ultimate rate of 4.5% in 2026

The discount rate was based on the 20 Year AA Municipal GO Bond Rate Index per Fidelity Investments as of June 30, 2020 for the rate as of June 30, 2020.

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

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

The actuarial assumptions used in the July 1, 2019 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

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

G. Changes in the Total OPEB Liability

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

	Total OPEB Liability
Balance at June 30, 2019	\$ 244,977,419
Changes for the year:	
Service cost	10,080,088
Interest	7,509,450
Differences between expected and actual experience	17,116,668
Changes of assumptions or other inputs	17,921,870
Benefit payments	(5,474,209)
Net Changes	47,153,867
Balance at June 30, 2020	<u>\$ 292,131,286</u>

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.4%) or 1-percentage-point higher (3.4%) than the current discount rate:

	One Percent Decrease (1.40%)	Current Discount Rate (2.40%)	One Percent Increase (3.40%)
Total OPEB liability	\$ 352,871,137	\$ 292,131,286	\$ 245,195,124

I. Sensitivity of the Total OPEB liability to changes in the healthcare cost trend rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	One Percent Decrease	Healthcare Cost Trend Rates	One Percent Increase
Total OPEB liability	\$ 237,311,197	\$ 292,131,286	\$ 365,745,372

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

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

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$26,878,828. At June 30, 2020, the district reported deferred outflows and inflows of resources related to OPEB as shown below:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$ 42,187,437	\$ 13,454,408
Differences between expected and actual experience	14,263,890	
Total	<u>\$ 56,451,327</u>	<u>\$ 13,454,408</u>

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

For the years ending June 30,		
2021	\$ 9,289,290	
2022	9,289,290	
2023	9,289,290	
2024	9,289,291	
2025	5,839,758	
	<u>\$ 42,996,919</u>	

15. COMPENSATED ABSENCES

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

Estimated vacation, sick leave and compensatory absences accumulated by governmental fund type employees have been recorded in the Statement of Net Position. Payment of vacation time and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. As of June 30, 2020, the value of the accumulated vacation time and sick leave was \$6,451,278, of which \$63,805 is recorded as compensated absences in the general fund.

16. RISK MANAGEMENT

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

16. RISK MANAGEMENT (continued)

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported (IBNR).

Claim liabilities are discounted at an estimated interest rate of 3%, and are calculated considering the effect of inflation, recent claim settlement trends including frequency and amounts of payouts, and other economic and social factors. The District has not purchased any annuity contracts with regard to its workers' compensation claims. The District has a reserve for workers' compensation in the general fund of \$2,528,212 to pay related claims. Changes in the balances of claim liabilities for workers' compensation during the past two fiscal years are as follows:

	<u>2020</u>	<u>2019</u>
Unpaid claims at beginning of year	\$ 2,792,681	\$ 2,904,585
Incurred claims and claim adjustments	252,754	612,279
Claim payments	(465,599)	(724,183)
Unpaid claims at year end	<u>\$ 2,579,836</u>	<u>\$ 2,792,681</u>

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

The amount of \$4,391,473 has been assigned as the amount to be appropriated to reduce taxes for the year ending June 30, 2021.

18. FUND BALANCES – RESTRICTED: APPROPRIATED RESERVES

The District has appropriated the following amounts from reserves, which are reported in the June 30, 2020 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2021:

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

19. COMMITMENTS AND CONTINGENCIES

A. Grants

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

19. COMMITMENTS AND CONTINGENCIES (continued)

B. Litigation

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

C. LIPA

The Long Island Power Authority ("LIPA") and National Grid have initiated tax certiorari proceedings challenging the property tax assessment of the Northport Power Plant. The Northport Power Plant currently pays approximately \$56.4 million in taxes to the District. The District filed suit against LIPA and National Grid in May 2011 alleging a breach of contract after LIPA and National Grid filed the tax certiorari proceedings. In July and August of 2020, the Board of Education voted to approve the terms of a settlement between the School District, the Town of Huntington and LIPA, which resolves the School District's breach of contract case, and was subsequently approved by the Town of Huntington. The settlement terms include a reduction of the assessed value of the Northport Power Plant over a 7-year period resulting in a gradual reduction of total taxes paid to jurisdictions thereby reducing the Northport Power Plant school taxes from \$56 million to approximately \$32 million over the 7-year period rather than an immediate reduction in taxes, together with a phased-in payment of \$14.5 million directly to the School District to mitigate the loss of tax revenue from the Northport Power Plant. This settlement is subject to the execution of a formal settlement agreement by all parties.

D. Operating Leases

The District leases various equipment under operating leases. Total rental expenditures on such leases for the year ended June 30, 2020, were \$277,684. The minimum remaining operating lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 399,555
2022	396,056
2023	290,712
2024	124,371
2025	<u>124,371</u>
	<u>\$ 1,335,065</u>

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

19. COMMITMENTS AND CONTINGENCIES (continued)

E. Encumbrances

At June 30, 2020, the District encumbered the following amounts:

Restricted:

Capital Projects Fund	
Capital Projects	<u>\$ 1,703,614</u>

Assigned:

General Fund	
General Support	254,942
Instruction	214,575
Pupil Transportation	8,058
Community Services	<u>24,019</u>
	<u>501,594</u>

Special Aid Fund	
Grant Programs	<u>11,644</u>
Total Encumbrances	<u>\$ 2,216,852</u>

F. COVID

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public-Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic based on the rapid increase in exposure globally. New York City and surrounding areas were particularly hard hit by the coronavirus. Actions taken around the world to help mitigate the spread of the coronavirus included restrictions on travel, and quarantines in certain areas, forced closures for certain types of public places and businesses. The coronavirus and actions taken globally and especially in New York State to mitigate it, have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area the District operates. While it is unknown how long these conditions will last and what the complete financial impact will be to the District, the District is expecting it to negatively impact its revenues and expenditures.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's future operations and results of its operations. As of the date of this report, the District is unable to fully estimate the effects of the COVID-19 outbreak on the results of its operations for fiscal year 2020.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

19. COMMITMENTS AND CONTINGENCIES (continued)

F. COVID (continued)

Also pursuant to the language in the New York State Enacted State Budget, the Division of Budget (DOB) has reduced the payments to 80% of the total amount due to the District. It is not clear whether the additional 20% is just delayed, or whether it will be paid at all. Additionally, going forward it looks like any aid payment with a statutory due date will be paid at 80% of the amount due, but anything without a statutory due date may be completely withheld by DOB, at this time.

20. EXTRAORDINARY ITEM

During the year ended June 30, 2020, the District experienced a sudden roof failure at a school that needed to be replaced. The removal and replacement amounted to \$1,644,109, including an impairment loss of \$100,360 and demolition/clean up costs of \$1,543,749, which is reported in the Statement of Activities as an extraordinary item since it was considered infrequent in occurrence and unusual in nature. The cost to replace the roof was capitalized and will be depreciated over its useful life.

21. SUBSEQUENT EVENT

On September 29, 2020, the District issued tax anticipation notes in the amount of \$34,500,000, which are due June 25, 2021 and bear an effective net interest rate of 0.2933%.

SUPPLEMENTARY INFORMATION

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Local Sources:				
Real property taxes	\$ 141,767,642	\$ 143,038,422	\$ 143,038,422	\$ -0-
School tax relief reimbursement	7,950,000	6,679,220	6,679,220	-0-
Other tax items	-0-	-0-	12,539	12,539
Charges for services	882,500	882,500	735,041	(147,459)
Use of money and property	466,500	466,500	500,775	34,275
Sale of property and compensation for loss	165,000	165,000	57,356	(107,644)
Miscellaneous	653,500	767,231	763,208	(4,023)
Total Local Sources	151,885,142	151,998,873	151,786,561	(212,312)
State aid	16,130,805	16,130,805	15,305,164	(825,641)
Federal aid - Medicaid reimbursement	50,000	50,000	154,735	104,735
Total Revenues	168,065,947	168,179,678	167,246,460	(933,218)
OTHER FINANCING SOURCES				
Premium on short term obligations	300,000	300,000	437,219	137,219
Transfers from other funds			44,121	44,121
Total Financing Sources	\$ 300,000	\$ 300,000	481,340	181,340
Assigned fund balance	3,036,527	3,036,527		
Appropriated reserves	336,721	336,721		
Total Revenues, other financing sources and Assigned and Appropriated Fund Balance	<u>\$ 171,739,195</u>	<u>\$ 171,852,926</u>	<u>167,727,800</u>	<u>\$ (751,878)</u>
EXPENDITURES				
General Support				
Board of education	\$ 314,197	\$ 313,670	269,991	\$ 43,679
Central administration	320,907	332,444	329,605	2,839
Finance	1,330,577	1,349,352	1,255,844	\$ 23,465
Staff	1,380,096	1,572,754	1,415,014	157,740
Central services	15,335,245	16,009,522	14,978,931	799,203
Special items	1,199,989	1,200,989	1,134,435	66,465
Total General Support	19,881,011	20,778,731	19,383,820	254,942
Instruction				
Instruction, administration and improvement	7,245,821	7,446,531	7,203,152	30,605
Teaching - regular school	51,094,962	51,086,463	50,334,136	134,853
Programs for children with handicapping conditions	22,131,117	21,840,042	21,272,931	7,000
Occupational education	506,689	506,689	491,600	15,089
Teaching - special school	547,213	514,838	411,781	103,057
Instructional media	4,594,355	4,618,146	4,472,758	9,475
Pupil services	8,470,379	8,740,924	8,067,926	32,642
Total Instruction	94,590,536	94,753,633	92,254,284	214,575
Pupil Transportation	8,772,144	6,973,487	6,345,915	8,058
Community Services	462,408	462,408	381,284	24,019
Employee Benefits	41,609,884	37,980,463	37,980,041	422
Debt Service - Principal	2,633,970	2,633,970	2,633,970	-0-
Debt Service - Interest	2,327,492	1,979,217	1,979,215	2
Total Expenditures	170,277,445	165,561,909	160,958,529	501,594
OTHER FINANCING USES				
Transfers to other funds	1,461,750	6,291,017	6,291,016	1
Total Expenditures and Other Uses	<u>\$ 171,739,195</u>	<u>\$ 171,852,926</u>	<u>167,249,545</u>	<u>\$ 501,594</u>
Net change in fund balance			478,255	
Fund balance - beginning			<u>23,578,188</u>	
Fund balance - ending			<u>\$ 24,056,443</u>	

Note to Required Supplementary Information

Budget Basis of Accounting

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

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY AND RELATED RATIOS
June 30, 2020

Period	Total OPEB Liability - Beginning of the Period	Service cost	Interest on Total OPEB Liability	Differences between expected and actual experience	Changes in benefit terms	Changes of assumptions or other inputs	Benefit payments	Total OPEB Liability - End of the Period	Covered-employee payroll	Total OPEB Liability as a Percentage of Covered-employee Payroll
July 1, 2019 - June 30, 2020	\$ 244,977,419	\$ 10,080,088	\$ 7,509,450	\$ 17,116,668	\$ -0-	\$ 17,921,870	\$ (5,474,209)	\$ 292,131,286	\$ 78,591,429	371.7%
July 1, 2018 - June 30, 2019	\$ 212,647,895	\$ 9,341,954	\$ 7,560,462	\$ -0-	\$ -0-	\$ 20,697,205	\$ (5,270,097)	\$ 244,977,419	\$ 78,757,744	311.1%
July 1, 2017 - June 30, 2018	\$ 201,637,938	\$ 8,897,099	\$ 7,258,966	\$ -0-	\$ -0-	\$ -0-	\$ (5,146,108)	\$ 212,647,895	\$ 76,325,674	278.6%

Notes to Schedule:

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

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

Changes of assumptions.

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.

The following are the discount rates used in each period:

2020	2.40%
2019	3.10%
2018	3.60%

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

NYSERS	2014	2015	2016	2017	2018	2019	2020
District's proportion of the net pension liability (asset)	0.0523119%	0.0523119%	0.0500618%	0.0499429%	0.0488485%	0.0475294%	0.0481855%
District's proportionate share of the net pension liability (asset)	\$ 2,363,901	\$ 1,767,224	\$ 8,035,059	\$ 4,692,746	\$ 1,576,557	\$ 3,367,603	\$ 12,759,810
District's covered payroll	15,245,954	15,983,442	16,053,707	16,535,569	16,865,436	17,386,492	18,118,125
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	15.51%	11.06%	50.05%	28.38%	9.35%	19.37%	70.43%
Plan fiduciary net position as a percentage of the total pension liability coming from plan	97.20%	97.95%	90.70%	94.70%	98.24%	96.27%	86.39%
NYSTRS	2014	2015	2016	2017	2018	2019	2020
District's proportion of the net pension liability (asset)	0.453304%	0.445478%	0.422221%	0.435189%	0.422842%	0.424581%	0.414785%
District's proportionate share of the net pension liability (asset)	\$ (2,983,889)	\$ (49,623,455)	\$ (43,855,268)	\$ 4,661,055	\$ (3,214,018)	\$ (7,677,537)	\$ (10,776,144)
District's covered payroll	67,612,978	66,912,386	64,568,886	67,988,347	67,677,371	69,916,152	70,002,329
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	4.41%	74.16%	67.92%	6.86%	4.75%	10.98%	15.39%
Plan fiduciary net position as a percentage of the total pension liability coming from plan	100.70%	111.48%	110.46%	99.01%	100.66%	101.53%	102.17%

Note to Required Supplementary Information

Teachers' Retirement System

The discounted rate decreased from 7.25% to 7.10% as reflected in 2019 and 2020 above.

Employees' Retirement System

The discounted rate decreased from 7.00% to 6.80% as reflected in 2019 and 2020 above.

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

	NYERS									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 1,841,885	\$ 2,364,775	\$ 2,808,664	\$ 3,315,720	\$ 3,014,318	\$ 2,606,198	\$ 2,462,134	\$ 2,480,484	\$ 2,482,184	\$ 2,462,461
Contributions in relation to the contractually required contribution	1,841,885	2,364,775	2,808,664	3,315,720	3,014,318	2,606,198	2,462,134	2,480,484	2,482,184	2,462,461
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered payroll	15,362,178	15,506,334	15,663,828	15,801,767	15,569,194	16,589,817	16,729,488	16,981,365	18,614,836	18,044,871
Contributions as a percentage of covered payroll	11.99%	15.25%	17.93%	20.98%	19.36%	15.71%	14.72%	14.61%	13.33%	13.65%
	NYSTRS									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 5,444,138	\$ 7,254,049	\$ 7,861,665	\$ 10,693,152	\$ 11,409,312	\$ 8,613,769	\$ 7,856,255	\$ 6,769,019	\$ 7,360,878	\$ 6,224,860
Contributions in relation to the contractually required contribution	5,444,138	7,254,049	7,861,665	10,693,152	11,409,312	8,613,769	7,856,255	6,769,019	7,360,878	6,224,860
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered payroll	64,145,738	66,214,583	67,612,978	66,912,386	64,568,886	67,988,347	67,677,371	69,916,152	70,002,329	70,881,074
Contributions as a percentage of covered payroll	8.49%	10.96%	11.63%	15.98%	17.67%	12.67%	11.61%	9.68%	10.52%	8.78%

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND
For the Year Ended June 30, 2020

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 171,077,668
Add: Prior year's encumbrances	<u>661,527</u>
Original budget	171,739,195
Budget revision - Donations	<u>113,731</u>
Final budget	<u><u>\$ 171,852,926</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-21 voter-approved expenditure budget	<u><u>\$ 172,752,759</u></u>
Maximum allowed (4% of 2010-21 budget)	<u><u>\$ 6,910,110</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 4,893,067
Unassigned fund balance	<u>5,754,880</u>
	<u><u>\$ 10,647,947</u></u>
Less:	
Appropriated fund balance	\$ 4,391,473
Encumbrances	<u>501,594</u>
	<u><u>4,893,067</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	<u><u>\$ 5,754,880</u></u>
Actual Percentage	3.33%

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2020

PROJECT TITLE	Expenditures					Methods of Financing				Fund Balance June 30, 2020
	Budget June 30, 2019	Budget June 30, 2020	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	
Projects funded by Capital Reserves										
East Northport Middle School Boilers	\$ 700,452	\$ 700,452	\$ 499,630		\$ 499,630	\$ 200,822				\$ 200,822
WJB Front Stairs	200,000	200,000	164,419		164,419	35,581				35,581
Elementary Buildings Fire Alarm Upgrade	650,000	650,000	590,375		590,375	59,625				59,625
NHS Paving	316,600	316,600	282,997		282,997	33,603				33,603
ENMS Auditorium Lighting	138,400	138,400	132,078		132,078	6,322				6,322
NAES Boiler Replacement	720,000	720,000	713,401	\$ 1,600	715,001	4,999				4,999
NMS Lockers & Gym Ceiling	1,104,500	1,087,517	319,878	744,329	1,064,207	23,310				23,310
Fifth Avenue Gas Conversion	140,500	154,033	74,404	54,439	128,843	25,190				25,190
Ocean Ave Boiler	850,000	853,450	310,399	500,595	810,994	42,456				42,456
William J. Brosnan Fence, Tennis Courts & Auditorium Seating	470,000	445,000	3,132		3,132	441,868				441,868
East Northport Middle School Gymnasium Windows	275,000	275,000	771		771	274,229				274,229
NHS Generator & Circuit Breakers	812,900	837,500	2,274	35,554	37,828	799,672				799,672
DW HVAC Upgrades	450,000	450,000		150,607	150,607	299,393				299,393
DW Fencing, gates, bollards, doors & windows	450,000	450,000		26,915	26,915	423,085				423,085
2019-2020 Proposition No. 2	1,800,000	1,800,000		-0-	1,800,000					1,800,000
Projects funded by General Fund - Appropriations										
ENMS Field Irrigation	161,023	161,023	157,126		157,126	3,897				3,897
NHS Exterior Bleachers	1,058,211	1,058,211	1,058,199		1,058,199	12				12
NHS Press Box	48,773	48,773	48,424		48,424	349				349
NHS Boilers	1,386,916	1,386,916	1,371,075		1,371,075	15,841				15,841
NHS Locker Room Bathrooms and Softball Field	541,000	484,959	28,217	213,290	241,507	243,452				243,452
Pulaski Rd Boilers & Gas Conversion	801,863	835,201	235,254	489,415	724,669	110,532				110,532
Pulaski Rd Irrigation	89,138	129,591		112,800	112,800	16,791				16,791
Elementary Buildings Fire Alarm Upgrade	200,000	182,250	182,250		182,250	-0-				-0-
NMS Library Htg & Vent	438,100	438,100	1,227		1,227	436,873				436,873
DAS Ceiling Replacement	485,000	485,000	1,358		1,358	483,642				483,642
Roof - NHS, BAS, DAS	925,000	925,000	603,960	283,592	887,552	37,448				37,448
DW Roof Repairs			616,750		-0-	616,750				616,750
Ocean Ave Roof		4,712,347		4,712,347	4,712,347	-0-				-0-
Carried Forward	\$ 15,212,976	\$ 20,542,073	\$ 6,780,848	\$ 7,325,483	\$ 14,106,331	\$ 6,435,742	\$ -0-	\$ -0-	\$ 20,542,073	\$ 20,542,073
										\$ 6,435,742

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2020**

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
For the Year Ended June 30, 2020

Capital assets, net	\$ 103,357,393
Deduct:	
Bond anticipation notes	\$ (36,000,000)
Less: unspent bond anticipation notes proceeds	<u>2,323,933</u>
	<u>(33,676,067)</u>
Short-term portion of bonds payable	(2,125,000)
Long-term portion of bonds payable	<u>(4,360,000)</u>
	<u>(6,485,000)</u>
Short-term portion of energy performance contract	(602,806)
Long-term portion of energy performance contract	<u>(10,322,165)</u>
	<u>(10,924,971)</u>
Net Investment in capital assets	<u>\$ 52,271,355</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
Northport-East Northport Union Free School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Northport-East Northport Union Free School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Northport-East Northport Union Free School District's basic financial statements, and have issued our report thereon dated October 21, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Northport-East Northport Union Free School District's internal control over financial reporting (internal control) 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 Northport-East Northport Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northport-East Northport Union Free School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "R.S. Abrams & Co., LLP". The signature is fluid and cursive, with "R.S." at the top, followed by "Abrams & Co.", and "LLP" at the bottom right.

R.S. Abrams & Co., LLP
Islandia, NY
October 21, 2020