

**MATTITUCK-CUTCHOGUE**  
UNION FREE SCHOOL DISTRICT

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

**June 30, 2019**

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Mattituck-Cutchoque Union Free School District  
Cutchoque, New York

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Mattituck-Cutchogue Union Free School District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District's proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District's total OPEB liability and related ratios on pages 3 through 15 and 51 through 55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mattituck-Cutchogue Union Free School District's basic financial statements. The other supplementary information on pages 56 through 58 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2019 on our consideration of the Mattituck-Cutchogue Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Mattituck-Cutchogue 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 Mattituck-Cutchogue Union Free School District's internal control over financial reporting and compliance.

*Cullen & Danowski, LLP*

November 6, 2019

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2019 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, decreased by \$454,669. This was due to an excess of expenses over revenues based on the economic resources measurement focus and the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$41,325,584. Of this amount, \$1,397,169 was offset by program charges for services, operating grants and capital grants. General revenues of \$39,473,746 amount to 96.6% of total revenues.
- The District's operating revenues and expenses for the year, as reflected in the district-wide financial statements were \$40,870,915 and \$41,325,584, respectively.
- The District received \$704,182 in operating grants to support instructional programs.
- The general fund's total fund balance of \$10,720,818, as reflected in the fund financial statements, decreased by \$267,931 from the prior year. This was due to an excess of expenditures and other financing uses over revenues and other financing sources based on the current financial resources measurement focus and the modified accrual basis of accounting.
- On the balance sheet, the general fund's unassigned fund balance at year end was \$1,918,724. This represents an increase of \$291,650 over the prior year and is 4.7% of the subsequent year's budget, which is in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year.
- The District established the teachers' retirement system – retirement contribution reserve, which limits the annual contribution to 2% of the prior year's covered TRS salaries. This reserve was funded during the 2018-2019 year in the amount of \$331,125.
- The District's 2019 property tax levy of \$36,163,125 was a 0.15% increase over the 2018 tax levy. The District's property tax cap was 0.97%.
- On May 15, 2018, the voters approved the creation of a capital reserve to pay for repairs, renovations and improvements. Such capital reserve is for a probable term of ten years in an amount not to exceed \$6,000,000. As of June 30, 2019, the reserve has been funded in the amount of \$4,500,000 and has earned interest of \$34,292. On May 21, 2019, the voters approved a proposition to expend \$1,960,000 from the capital reserve fund to pay for district-wide security and air conditioning upgrades. The resulting reserve balance at June 30, 2019 was \$2,574,292.

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

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



**A. District-Wide Financial Statements**

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

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

The Statement of Net Position

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

The Statement of Activities

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

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**B. Fund Financial Statements**

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

Governmental Funds

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

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

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

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

Fiduciary Funds

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

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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

**A. Net Position**

The District's total net position decreased by \$454,669 between fiscal year 2019 and 2018. The increase is due to expenses in excess of revenues based on the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

|  | 2019            | 2018            | Increase<br>(Decrease) | Percentage<br>Change |
|--|-----------------|-----------------|------------------------|----------------------|
| <b>Assets</b>                                  |                 |                 |                        |                      |
| Current and Other Assets                       | \$ 17,358,472   | \$ 14,923,673   | \$ 2,434,799           | 16.32 %              |
| Capital Assets, Net                            | 35,742,350      | 35,306,422      | 435,928                | 1.23 %               |
| Net Pension Asset -<br>Proportionate Share     | 1,837,944       | 781,385         | 1,056,559              | 135.22 %             |
| Total Assets                                   | 54,938,766      | 51,011,480      | 3,927,286              | 7.70 %               |
| <b>Deferred Outflows of Resources</b>          | 15,999,745      | 12,149,089      | 3,850,656              | 31.70 %              |
| <b>Liabilities</b>                             |                 |                 |                        |                      |
| Current and Other Liabilities                  | 3,441,822       | 3,193,978       | 247,844                | 7.76 %               |
| Long-Term Liabilities                          | 17,545,892      | 17,564,670      | (18,778)               | (0.11)%              |
| Net Pension Liability -<br>Proportionate Share | 586,624         | 291,853         | 294,771                | 101.00 %             |
| Total OPEB Obligation                          | 76,855,162      | 68,587,292      | 8,267,870              | 12.05 %              |
| Total Liabilities                              | 98,429,500      | 89,637,793      | 8,791,707              | 9.81 %               |
| <b>Deferred Inflows of Resources</b>           | 2,519,354       | 3,078,450       | (559,096)              | (18.16)%             |
| <b>Net Position (Deficit)</b>                  |                 |                 |                        |                      |
| Net Investment in Capital Assets               | 21,779,878      | 20,796,422      | 983,456                | 4.73 %               |
| Restricted                                     | 9,629,515       | 8,568,645       | 1,060,870              | 12.38 %              |
| Unrestricted (deficit)                         | (61,419,736)    | (58,920,741)    | (2,498,995)            | (4.24)%              |
| Total Net Position (Deficit)                   | \$ (30,010,343) | \$ (29,555,674) | \$ (454,669)           | (1.54)%              |

Current and other assets increased by \$2,434,799, as compared to the prior year. This increase is primarily attributable to increases in cash of \$1,423,074 and taxes receivable of \$1,082,687. The increase in cash, in the current year, is mainly attributable to the issuance of an energy performance contract.

Capital assets, net increased by \$435,928, as compared to the prior year. This increase is due to capital asset additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 8 "Capital Assets" provides additional information.

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

Deferred outflows of resources represents contributions to the pension plans subsequent to the measurement dates and actuarial adjustments of the pension and OPEB plans that will be amortized in future years, as well as the amount of deferred charges from the bond refunding that is being amortized over the remaining term of the bond.



**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

Current and other liabilities increased by \$247,844, as compared to the prior year. This increase is mainly attributed to increases in accounts payable of \$441,484, accrued liabilities of \$122,754, and due to other governments of \$110,934. The increase in the accounts payable is primarily due to energy performance contract invoices paid, after year end, for work completed during the year. The increase in due to other governments is due to an increase in the amounts due to the public libraries for taxes collected. Additionally, there was an increase in the liability to the teachers' retirement system of \$99,085. These increases were offset by a decrease in compensated absences payable of \$533,483, due to the District offering a retirement incentive in the prior year and multiple employees retiring.

Long-term liabilities decreased by \$18,778 as compared to the prior year. The decrease is mainly attributable to current year principal payments of \$1,360,000 on serial bonds and the amortization of the premium on the bond refunding of \$223,011. Additionally, the liability for workers' compensation decreased \$133,524. These decreases were offset by the issuance of debt related to an energy performance contract in the amount of \$1,752,512.

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

Total other postemployment benefits (OPEB) obligation increased by \$8,267,870, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 14 "Postemployment Healthcare Benefits", provides additional information.

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

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

|  | Increase<br>(Decrease) |
|--|------------------------|
| Capital asset additions - total                | \$ 2,083,542           |
| Additions financed by debt                     | (812,472)              |
| Additions financed by appropriations           | 1,271,070              |
| Principal debt reduction of construction bonds | 1,360,000              |
| Depreciation expense                           | (1,647,614)            |
|  | \$ 983,456             |

The restricted amount of \$9,629,515 relates to the District's reserves. This number increased over the prior year by \$1,060,870. The District funded the teachers' retirement system - retirement contribution, employees' retirement system - retirement contribution and capital reserves in the amounts of \$331,125, \$350,000, and \$750,000, respectively. Interest of \$90,675 was also allocated to the reserves. These increases were offset by the usage of the workers' compensation (\$75,000); unemployment (\$11,666); employees' retirement system - retirement contribution (\$275,000); and employee benefit accrued liability (\$99,264) reserves.

**MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

The unrestricted deficit amount of \$(61,419,736) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the OPEB obligation. This deficit increased over the prior year by \$2,498,995.

**B. Changes in Net Position**

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

|                         | 2019                | 2018                | Increase<br>(Decrease) | Percentage<br>Change |
|-------------------------|---------------------|---------------------|------------------------|----------------------|
| <b>Revenues</b>         |                     |                     |                        |                      |
| Program Revenues        |                     |                     |                        |                      |
| Charges for Services    | \$ 548,642          | \$ 497,489          | \$ 51,153              | 10.28 %              |
| Operating Grants        | 835,072             | 701,768             | 133,304                | 19.00 %              |
| Capital Grants          | 13,455              | 35,519              | (22,064)               | (62.12)%             |
| General Revenues        |                     |                     |                        |                      |
| Property Taxes and STAR | 36,163,125          | 36,109,638          | 53,487                 | 0.15 %               |
| State Sources           | 2,797,468           | 2,668,696           | 128,772                | 4.83 %               |
| Other                   | 513,153             | 381,067             | 132,086                | 34.66 %              |
| Total Revenues          | <u>40,870,915</u>   | <u>40,394,177</u>   | <u>476,738</u>         | 1.18 %               |
| <b>Expenses</b>         |                     |                     |                        |                      |
| General Support         | 6,488,242           | 6,614,093           | (125,851)              | (1.90)%              |
| Instruction             | 32,416,080          | 31,950,061          | 466,019                | 1.46 %               |
| Pupil Transportation    | 1,490,259           | 1,693,899           | (203,640)              | (12.02)%             |
| Community Services      | 12,746              |                     | 12,746                 | N/A                  |
| Debt Service - Interest | 643,943             | 712,329             | (68,386)               | (9.60)%              |
| Food Service Program    | 274,314             | 253,689             | 20,625                 | 8.13 %               |
| Total Expenses          | <u>41,325,584</u>   | <u>41,224,071</u>   | <u>101,513</u>         | 0.25 %               |
| Decrease in Net Assets  | <u>\$ (454,669)</u> | <u>\$ (829,894)</u> | <u>\$ 375,225</u>      | 45.21 %              |

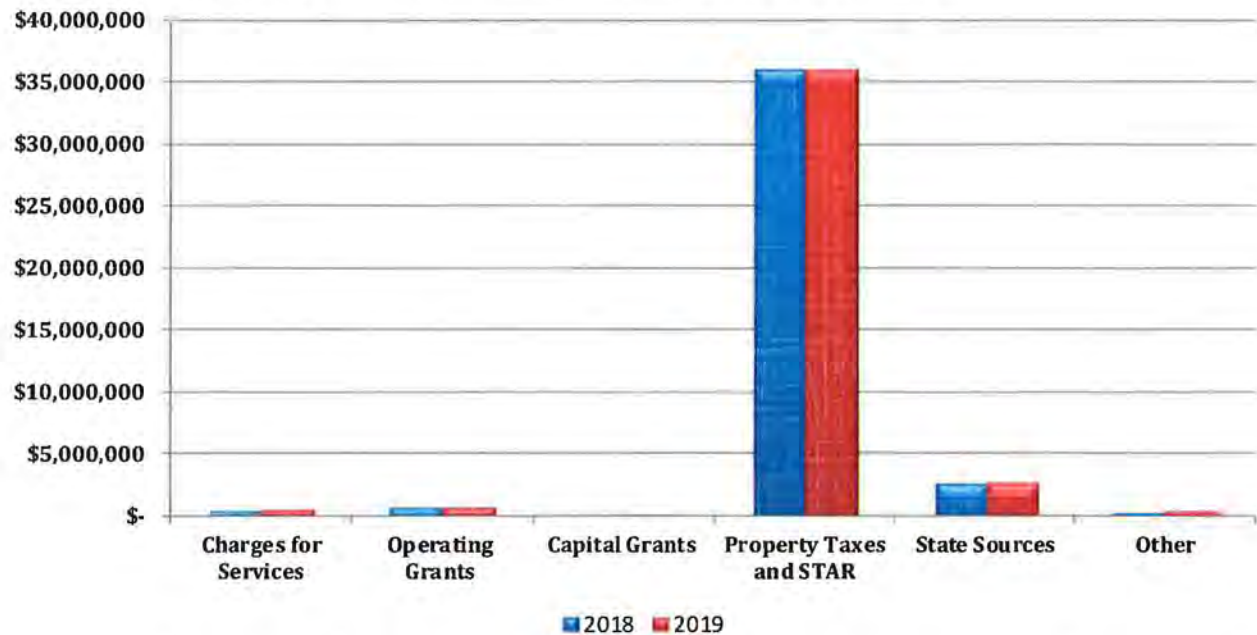
The District's net position decreased by \$454,669 and \$829,894 for the years ended June 30, 2019 and 2018, respectively.

The District's revenues increased by \$476,738 or 1.18%. The major factors that contributed to the increase were increases in operating grants of \$133,304 and state sources of \$128,772. The District's expenses increased \$101,513 or 0.25% over the prior year

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 88.5% and 89.4% of the total for the years 2019 and 2018, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 78.4% and 77.6% of the total for the years 2019 and 2018, respectively).

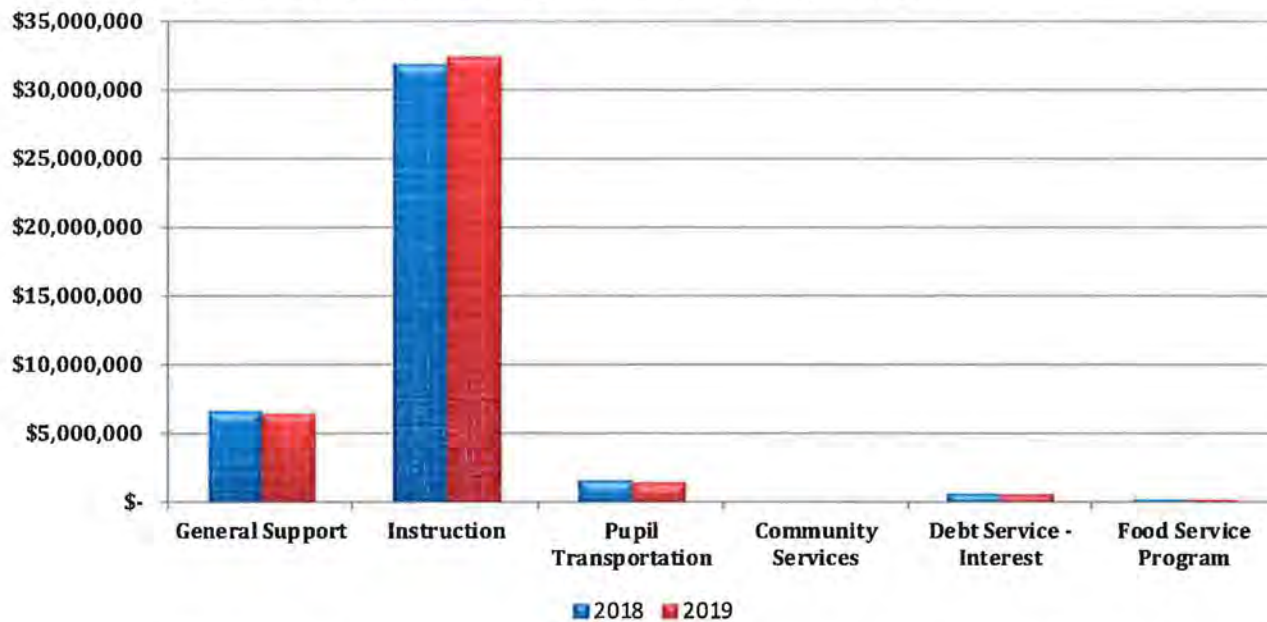
**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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



|             | Charges for Services | Operating Grants | Capital Grants | Property Taxes and STAR | State Sources | Other |
|-------------|----------------------|------------------|----------------|-------------------------|---------------|-------|
| <b>2018</b> | 1.2%                 | 1.7%             | 0.1%           | 89.4%                   | 6.6%          | 1.0%  |
| <b>2019</b> | 1.3%                 | 2.0%             | 0.0%           | 88.5%                   | 6.8%          | 1.4%  |

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



|             | General Support | Instruction | Pupil Transportation | Community Services | Debt Service - Interest | Food Service Program |
|-------------|-----------------|-------------|----------------------|--------------------|-------------------------|----------------------|
| <b>2018</b> | 16.0%           | 77.6%       | 4.1%                 | 0.0%               | 1.7%                    | 0.6%                 |
| <b>2019</b> | 15.7%           | 78.4%       | 3.6%                 | 0.0%               | 1.6%                    | 0.7%                 |

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At June 30, 2019, the District's governmental funds reported a combined fund balance of \$13,795,705, which is an increase of \$2,196,418 over the prior year. This increase is due to an excess of revenues over expenditures based upon the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

|                                       | <u>2019</u>              | <u>2018</u>              | <u>Increase<br/>(Decrease)</u> |
|---------------------------------------|--------------------------|--------------------------|--------------------------------|
| <b>General Fund</b>                   |                          |                          |                                |
| Restricted:                           |                          |                          |                                |
| Workers' compensation                 | \$ 583,291               | \$ 650,467               | \$ (67,176)                    |
| Unemployment insurance                | 85,136                   | 95,652                   | (10,516)                       |
| Retirement contribution               |                          |                          |                                |
| Teachers' retirement system           | 331,125                  |                          | 331,125                        |
| Employees' retirement system          | 2,689,581                | 2,583,508                | 106,073                        |
| Employee benefit accrued liability    | 1,406,090                | 1,488,054                | (81,964)                       |
| Capital                               | 2,574,292                | 3,750,964                | (1,176,672)                    |
| Assigned:                             |                          |                          |                                |
| Appropriated fund balance             | 375,000                  | 500,000                  | (125,000)                      |
| Unappropriated fund balance           | 757,579                  | 293,030                  | 464,549                        |
| Unassigned: Fund balance              | <u>1,918,724</u>         | <u>1,627,074</u>         | <u>291,650</u>                 |
|                                       | <u>10,720,818</u>        | <u>10,988,749</u>        | <u>(267,931)</u>               |
| <b>School Food Service Fund</b>       |                          |                          |                                |
| Nonspendable: Inventory               | 6,840                    | 3,612                    | 3,228                          |
| Assigned: Unappropriated fund balance | <u>63,757</u>            | <u>69,330</u>            | <u>(5,573)</u>                 |
|                                       | <u>70,597</u>            | <u>72,942</u>            | <u>(2,345)</u>                 |
| <b>Capital Projects Fund</b>          |                          |                          |                                |
| Restricted:                           |                          |                          |                                |
| Capital                               | 1,960,000                |                          | 1,960,000                      |
| Unspent debt proceeds                 | 940,040                  |                          | 940,040                        |
| Assigned: Unappropriated fund balance | <u>104,250</u>           | <u>537,596</u>           | <u>(433,346)</u>               |
|                                       | <u>3,004,290</u>         | <u>537,596</u>           | <u>2,466,694</u>               |
| <br>Total Fund Balance                | <br><u>\$ 13,795,705</u> | <br><u>\$ 11,599,287</u> | <br><u>\$ 2,196,418</u>        |

**A. General Fund**

The net change in the general fund – fund balance is a decrease of \$267,931. This resulted from expenditures and other financing uses in excess of revenues and other financing sources. Revenues and other financing sources increased \$547,097 (1.38%) over 2018, primarily in operating transfers in (\$219,725) and state sources (\$128,772). Expenditures and other financing uses increased \$1,003,620 (2.55%) over the prior year. Increases in general support (\$858,790) and operating transfers out (\$1,027,144) were offset by a decrease in debt service of \$576,575.

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**B. School Food Service Fund**

The net change in the school food service fund – fund balance is a decrease of \$2,345, which was the operating deficit of the food service program.

**C. Capital Projects Fund**

The net change in the capital projects fund - fund balance is an increase of \$2,466,694. In the current year, the District issued an energy performance contract in the amount of \$1,752,512, transferred in \$1,960,000 from the general fund to the capital projects fund based on a voter approved proposition to utilize a portion of the capital reserve for security and air conditioning upgrades and recognized \$48,974 of revenue from New York State related to Smart Schools Bond Act funding. Expenditures of \$1,075,067 and a transfer to the general fund of \$219,725, were less than the debt proceeds and interfund transfer amounts resulting in the increase in fund balance.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2018-2019 Budget**

The District's general fund voter-approved budget for the year ended June 30, 2019 was \$40,676,947. This amount was increased by encumbrances carried forward from the prior year in the amount of \$293,030 and a Board approved budget revision in the amount of \$1,960,000, for a total final budget of \$42,929,977.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$36,163,125 in property taxes and STAR.

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

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

|   |                     |
|---|---------------------|
| Opening, Unassigned Fund Balance              | \$ 1,627,074        |
| Revenues Over Budget                          | 361,354             |
| Expenditures and Encumbrances Under Budget    | 1,850,263           |
| Allocation to Reserves                        | (1,431,125)         |
| Unused Appropriated Reserves                  | (23,167)            |
| Interest Earned on Restricted Reserves        | (90,675)            |
| Appropriated to Fund the June 30, 2020 Budget | <u>(375,000)</u>    |
| Closing, Unassigned Fund Balance              | <u>\$ 1,918,724</u> |

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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Opening, Unassigned Fund Balance

The \$1,627,074 shown in the table is the portion of the District's June 30, 2018 fund balance that was retained as unassigned. This was 4% of the District's 2018-2019 approved operating budget of \$40,676,947. It is the maximum unassigned fund balance permitted by law.

Revenues Over Budget

The 2018-2019 final budget for revenues was \$39,692,850. Actual revenues recognized for the year were \$40,054,204. The excess of actual revenue over estimated or budgeted revenue was \$361,354, which is primarily due to the District receiving \$173,733 more in charges for services, \$125,370 more in use of money and property, and \$166,361 more in miscellaneous revenue than anticipated. This was offset by the District receiving \$152,532 less in state sources than anticipated.

Expenditures and Encumbrances Under Budget

The 2018-2019 final budget for expenditures was \$42,929,977. Actual expenditures as of June 30, 2019 were \$40,322,135 and outstanding encumbrances were \$757,579. Combined, the expenditures plus encumbrances for 2018-2019 were \$41,079,714. The final budget was under expended by \$1,850,263. This under expenditure is principally within the teaching regular school, programs for students with disabilities, transportation, and employee benefits areas of the budget.

Allocation to Reserves

Monies transferred into authorized reserves do not affect the total 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 fund balance by the amount of the transfers.

The \$1,431,125 shown in the above table is made up of three transfers; \$331,125 to the teachers' retirement system - retirement contribution reserve; \$350,000 to the employees' retirement system - retirement contribution reserve; and a \$750,000 transfer to the capital reserve.

Unused Appropriated Reserves

In the 2018-2019 budget, \$484,097 of reserves were appropriated to reduce the tax levy. Due to lower than anticipated expenditures, \$23,167 of this funding was not needed and, therefore, it was returned to the reserves for future use.

Interest Earned in Restricted Reserves

Interest earned on a general fund reserve increase the reserve and, therefore, decrease the unassigned portion of the general fund-fund balance.

The \$90,675 shown in the previous table represents interest earned on restricted reserves. The reserves earned interest as follows:

|                                    |                  |
|------------------------------------|------------------|
| Workers' compensation              | \$ 7,823         |
| Unemployment insurance             | 1,150            |
| Employees' retirement              |                  |
| system - retirement contribution   | 31,073           |
| Employee benefit accrued liability | 17,301           |
| Capital                            | <u>33,328</u>    |
|                                    | <u>\$ 90,675</u> |

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

Appropriated Fund Balance

The District has chosen to use \$375,000 of the available June 30, 2019 unassigned fund balance to partially fund the 2019-2020 approved operating budget. As such, the June 30, 2019 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the summary table, the unassigned fund balance at June 30, 2019 was \$1,918,724. This amount is in excess of the New York State Real Property Tax Law §1318 limit, which restricts unassigned fund balance to an amount not greater than 4% of the District's budget for the upcoming year.

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

**A. Capital Assets**

At June 30, 2019, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$2,083,542 in excess of depreciation of \$1,647,614 recorded for the year ended June 30, 2019. A summary of the District's capital assets, net of depreciation at June 30, 2019 and 2018 is as follows:

|                            | <u>2019</u>          | <u>2018</u>          | <u>Increase<br/>(Decrease)</u> |
|----------------------------|----------------------|----------------------|--------------------------------|
| Land                       | \$ 18,000            | \$ 18,000            | \$ -                           |
| Construction in progress   | 846,543              | 17,964               | 828,579                        |
| Buildings and improvements | 31,347,432           | 31,948,341           | (600,909)                      |
| Site improvements          | 1,194,649            | 1,289,413            | (94,764)                       |
| Furniture and equipment    | <u>2,335,726</u>     | <u>2,032,704</u>     | <u>303,022</u>                 |
| Capital assets, net        | <u>\$ 35,742,350</u> | <u>\$ 35,306,422</u> | <u>\$ 435,928</u>              |

**B. Debt Administration**

At June 30, 2019, the District had total bonds payable (par value) of \$13,150,000. The bonds were issued for district-wide projects. The net decrease in outstanding debt represents principal payments. The District issued an energy performance contract in the current year. A summary of the outstanding debt at June 30, 2019 and 2018 is as follows:

|                                    | <u>Issue<br/>Date</u> | <u>Interest<br/>Rate</u> | <u>2019</u>          | <u>2018</u>          | <u>Increase<br/>(Decrease)</u> |
|------------------------------------|-----------------------|--------------------------|----------------------|----------------------|--------------------------------|
| <b>Bonds Payable</b>               |                       |                          |                      |                      |                                |
|                                    | 6/26/2014             | 2.625-3.125%             | \$ 700,000           | \$ 760,000           | \$ (60,000)                    |
|                                    | 4/30/2015             | 2.00-5.00%               | <u>12,450,000</u>    | <u>13,750,000</u>    | <u>(1,300,000)</u>             |
|                                    |                       |                          | <u>\$ 13,150,000</u> | <u>\$ 14,510,000</u> | <u>\$ (1,360,000)</u>          |
| <b>Energy Performance Contract</b> |                       |                          |                      |                      |                                |
|                                    | 2/22/2019             | 3.19%                    | <u>\$ 1,752,512</u>  | <u>\$ -</u>          | <u>\$ 1,752,512</u>            |

The District's latest credit rating from Standard & Poors is AA. The District's outstanding serial bonds at June 30, 2019 are approximately 2.82% of the District's debt limit.

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**C. Other Long-Term Liabilities**

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

|   | 2019          | 2018          | Increase<br>(Decrease) |
|---|---------------|---------------|------------------------|
| Compensated absences                        | \$ 1,120,590  | \$ 1,175,345  | \$ (54,755)            |
| Workers' compensation                       | 304,659       | 438,183       | (133,524)              |
| Net pension liability - proportionate share | 586,624       | 291,853       | 294,771                |
| Total OPEB obligation                       | 76,855,162    | 68,587,292    | 8,267,870              |
|   | \$ 78,867,035 | \$ 70,492,673 | \$ 8,374,362           |

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

**A. Subsequent Year's Budget**

The general fund budget, the only fund with a legally adopted budget, as approved by the voters of the District on May 21, 2019, for the year ending June 30, 2020, is \$40,784,048. This is an increase of \$107,101 over the previous year's budget. Increases in the employee benefits and instruction – regular school areas of the budget were offset by decreases in the instruction – students with special needs and debt service areas of the budget.

The District's 2019-2020 budget is funded through a combination of property taxes (including STAR) and other revenues (including state aid) and appropriated fund balance. The estimated other revenues for 2019-2020 are \$3,200,000, use of reserves is \$359,000, appropriated fund balance is \$375,000 and the balance of \$36,850,048 will be raised through the tax levy. The 2019-2020 budget represents a property tax increase of 1.90% over the prior year.

**B. Future Budgets**

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

**C. Tax Cap**

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. The District's 2019-2020 property tax increase of 1.90% was less than the tax cap of 2.52% and did not require an override vote.



**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**D. Property Tax Relief Credit**

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

**8. CONTACTING THE DISTRICT**

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

Mr. Frank Bacchi  
District Treasurer  
Mattituck-Cutchogue Union Free School District  
385 Depot Lane  
Cutchogue, NY 11935

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**Statement of Net Position**  
June 30, 2019

|   |                        |
|---|------------------------|
| <b>ASSETS</b>   |                        |
| Cash  |                        |
| Unrestricted  | \$ 3,746,654           |
| Restricted  | 10,569,555             |
| Receivables   |                        |
| Accounts receivable   | 3,512                  |
| Taxes receivable  | 2,077,396              |
| Due from fiduciary funds  | 188,313                |
| Due from state and federal  | 83,252                 |
| Due from other governments  | 327,994                |
| Inventory   | 6,840                  |
| Other assets  | 354,956                |
| Capital assets not being depreciated                              | 864,543                |
| Capital assets being depreciated, net of accumulated depreciation | 34,877,807             |
| Net pension asset - proportionate share                           | <u>1,837,944</u>       |
| Total Assets  | <u>54,938,766</u>      |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                             |                        |
| Deferred charges from advance refunding, net                      | 558,315                |
| Pensions  | 10,361,326             |
| Other postemployment benefits                                     | <u>5,080,104</u>       |
| Total Deferred Outflows of Resources                              | <u>15,999,745</u>      |
| <b>LIABILITIES</b>  |                        |
| Payables  |                        |
| Accounts payable  | 619,300                |
| Accrued liabilities   | 486,936                |
| Due to other governments  | 348,852                |
| Due to teachers' retirement system                                | 1,804,250              |
| Due to employees' retirement system                               | 100,672                |
| Compensated absences payable                                      | 51,744                 |
| Unearned credits: Collections in advance                          | 30,068                 |
| Long-term liabilities   |                        |
| Due and payable within one year                                   |                        |
| Bonds payable, net  | 1,352,667              |
| Energy performance contract payable                               | 80,449                 |
| Compensated absences payable                                      | 37,427                 |
| Due and payable after one year                                    |                        |
| Bonds payable, net  | 13,015,464             |
| Energy performance contract payable                               | 1,672,063              |
| Workers' compensation liabilities                                 | 304,659                |
| Compensated absences payable                                      | 1,083,163              |
| Net pension liability - proportionate share                       | 586,624                |
| Total other postemployment benefits obligation                    | <u>76,855,162</u>      |
| Total Liabilities   | <u>98,429,500</u>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                              |                        |
| Pensions  | <u>2,519,354</u>       |
| <b>NET POSITION (Deficit)</b>                                     |                        |
| Net investment in capital assets                                  | <u>21,779,878</u>      |
| Restricted:   |                        |
| Workers' compensation   | 583,291                |
| Unemployment insurance  | 85,136                 |
| Retirement contribution   |                        |
| Teachers' retirement system                                       | 331,125                |
| Employees' retirement system                                      | 2,689,581              |
| Employee benefit accrued liability                                | 1,406,090              |
| Capital   | <u>4,534,292</u>       |
|   | <u>9,629,515</u>       |
| Unrestricted (deficit)  | <u>(61,419,736)</u>    |
| Total Net Position (Deficit)                                      | <u>\$ (30,010,343)</u> |

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Statement of Activities

For The Year Ended June 30, 2019

|  | Expenses             | Program Revenues        |                     |                   | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|--|----------------------|-------------------------|---------------------|-------------------|--|
|  |                      | Charges for<br>Services | Operating<br>Grants | Capital<br>Grants |  |
| <b>FUNCTIONS/PROGRAMS</b>                        |                      |                         |                     |                   |  |
| General support                                  | \$ 6,488,242         | \$                      | \$                  | \$                | \$ (6,488,242)   |
| Instruction                                      | 32,416,080           | 407,563                 | 704,182             | 13,455            | (31,290,880)   |
| Pupil transportation                             | 1,490,259            |                         |                     |                   | (1,490,259)  |
| Community services                               | 12,746               |                         |                     |                   | (12,746)   |
| Debt service - interest                          | 643,943              |                         |                     |                   | (643,943)  |
| Food service program                             | 274,314              | 141,079                 | 130,890             |                   | (2,345)  |
| <b>Total Functions and Programs</b>              | <u>\$ 41,325,584</u> | <u>\$ 548,642</u>       | <u>\$ 835,072</u>   | <u>\$ 13,455</u>  | <u>(39,928,415)</u>  |
| <b>GENERAL REVENUES</b>                          |                      |                         |                     |                   |  |
| Real property taxes                              |                      |                         |                     |                   | 34,837,847   |
| Other tax items                                  |                      |                         |                     |                   | 1,336,124  |
| Use of money and property                        |                      |                         |                     |                   | 210,370  |
| Sale of property and compensation for loss       |                      |                         |                     |                   | 20,995   |
| Miscellaneous                                    |                      |                         |                     |                   | 249,361  |
| State sources                                    |                      |                         |                     |                   | 2,797,468  |
| Medicaid reimbursement                           |                      |                         |                     |                   | 21,581   |
| <b>Total General Revenues</b>                    |                      |                         |                     |                   | <u>39,473,746</u>  |
| Change in Net Position                           |                      |                         |                     |                   | (454,669)  |
| Total Net Position (Deficit) - Beginning of year |                      |                         |                     |                   | <u>(29,555,674)</u>  |
| Total Net Position (Deficit) - End of year       |                      |                         |                     |                   | <u>\$ (30,010,343)</u>                                     |

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2019

|   | General              | Special<br>Aid    | School<br>Food<br>Service | Capital<br>Projects | Total<br>Governmental<br>Funds |
|---|----------------------|-------------------|---------------------------|---------------------|--------------------------------|
| <b>ASSETS</b>   |                      |                   |                           |                     |                                |
| Cash  |                      |                   |                           |                     |                                |
| Unrestricted  | \$ 3,469,100         | \$ 237,517        | \$ 10,037                 | \$ 30,000           | \$ 3,746,654                   |
| Restricted  | 9,260,208            |                   |                           | 1,309,347           | 10,569,555                     |
| Receivables   |                      |                   |                           |                     |                                |
| Accounts receivable   | 3,512                |                   |                           |                     | 3,512                          |
| Taxes receivable  | 2,077,396            |                   |                           |                     | 2,077,396                      |
| Due from other funds  | 588,028              |                   | 72,211                    | 2,348,304           | 3,008,543                      |
| Due from state and federal  |                      | 74,614            | 8,638                     |                     | 83,252                         |
| Due from other governments  | 327,994              |                   |                           |                     | 327,994                        |
| Inventory   |                      |                   | 6,840                     |                     | 6,840                          |
| <b>Total Assets</b>   | <b>\$ 15,726,238</b> | <b>\$ 312,131</b> | <b>\$ 97,726</b>          | <b>\$ 3,687,651</b> | <b>\$ 19,823,746</b>           |
| <b>LIABILITIES</b>  |                      |                   |                           |                     |                                |
| Payables  |                      |                   |                           |                     |                                |
| Accounts payable  | \$ 237,130           | \$ 18,505         | \$ 19,410                 | \$ 344,255          | \$ 619,300                     |
| Accrued liabilities   | 206,095              |                   |                           |                     | 206,095                        |
| Due to other funds  | 2,211,009            | 270,115           |                           | 339,106             | 2,820,230                      |
| Due to other governments  | 347,690              |                   | 1,162                     |                     | 348,852                        |
| Due to teachers' retirement system  | 1,804,250            |                   |                           |                     | 1,804,250                      |
| Due to employees' retirement system   | 100,672              |                   |                           |                     | 100,672                        |
| Compensated absences payable  | 51,744               |                   |                           |                     | 51,744                         |
| Unearned credits  |                      |                   |                           |                     |                                |
| Collections in advance  |                      | 23,511            | 6,557                     |                     | 30,068                         |
| <b>Total Liabilities</b>  | <b>4,958,590</b>     | <b>312,131</b>    | <b>27,129</b>             | <b>683,361</b>      | <b>5,981,211</b>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                      |                   |                           |                     |                                |
| Unavailable revenues  | 46,830               |                   |                           |                     | 46,830                         |
| <b>FUND BALANCES</b>  |                      |                   |                           |                     |                                |
| Nonspendable: Inventory   |                      |                   | 6,840                     |                     | 6,840                          |
| Restricted:   |                      |                   |                           |                     |                                |
| Workers' compensation   | 583,291              |                   |                           |                     | 583,291                        |
| Unemployment insurance  | 85,136               |                   |                           |                     | 85,136                         |
| Retirement contribution   |                      |                   |                           |                     |                                |
| Teachers' retirement system   | 331,125              |                   |                           |                     | 331,125                        |
| Employees' retirement system  | 2,689,581            |                   |                           |                     | 2,689,581                      |
| Employee benefit accrued liability  | 1,406,090            |                   |                           |                     | 1,406,090                      |
| Capital   | 2,574,292            |                   |                           | 1,960,000           | 4,534,292                      |
| Unspent debt proceeds   |                      |                   |                           | 940,040             | 940,040                        |
| Assigned:   |                      |                   |                           |                     |                                |
| Appropriated fund balance   | 375,000              |                   |                           |                     | 375,000                        |
| Unappropriated fund balance   | 757,579              |                   | 63,757                    | 104,250             | 925,586                        |
| Unassigned: Fund balance  | 1,918,724            |                   |                           |                     | 1,918,724                      |
| <b>Total Fund Balances</b>  | <b>10,720,818</b>    | <b>-</b>          | <b>70,597</b>             | <b>3,004,290</b>    | <b>13,795,705</b>              |
| <b>Total Liabilities, Deferred Inflows of Resources<br/>    and Fund Balances</b> | <b>\$ 15,726,238</b> | <b>\$ 312,131</b> | <b>\$ 97,726</b>          | <b>\$ 3,687,651</b> | <b>\$ 19,823,746</b>           |

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
June 30, 2019

|   |                     |                        |
|---|---------------------|------------------------|
| Total Governmental Fund Balances  |                     | \$ 13,795,705          |
| Amounts reported for governmental activities in the Statement of Net Position are different because:  |                     |                        |
| Cash held by a third-party administrator is treated as a long-term asset and is included in net position.   |                     | 354,956                |
| The costs of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives. |                     |                        |
| Original cost of capital assets   | \$ 66,018,278       |                        |
| Accumulated depreciation  | <u>(30,275,928)</u> | 35,742,350             |
| Proportionate share of long-term asset and liability, and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.   |                     |                        |
| Net pension asset - teachers' retirement system   | 1,837,944           |                        |
| Deferred outflows of resources  | 10,361,326          |                        |
| Net pension liability - employees' retirement system  | (586,624)           |                        |
| Deferred inflows of resources   | <u>(2,519,354)</u>  | 9,093,292              |
| Deferred charges on advance refunding of bonds are not reported on the Balance Sheet, but are reflected on the Statement of Net Position and amortized over the life of the related bonds.  |                     |                        |
| Deferred charges on advance refunding   | 1,159,214           |                        |
| Less: accumulated amortization  | <u>(600,899)</u>    | 558,315                |
| Total other postemployment benefits obligation and deferred outflows related to providing benefits in retirement are not current financial resources or obligations and are not reported in the funds.  |                     |                        |
| Deferred outflows of resources  | 5,080,104           |                        |
| Total other postemployment benefits obligation  | <u>(76,855,162)</u> | (71,775,058)           |
| Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.   |                     |                        |
|   |                     | 46,830                 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:  |                     |                        |
| Accrued interest on bonds payable   | (280,841)           |                        |
| Bonds payable, net  | (14,368,131)        |                        |
| Energy performance contract payable   | (1,752,512)         |                        |
| Compensated absences payable  | (1,120,590)         |                        |
| Workers' compensation liabilities   | <u>(304,659)</u>    | (17,826,733)           |
| Total Net Position (Deficit)  |                     | <u>\$ (30,010,343)</u> |

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

|  | General              | Special<br>Aid | School<br>Food<br>Service | Capital<br>Projects | Total<br>Governmental<br>Funds |
|--|----------------------|----------------|---------------------------|---------------------|--------------------------------|
| <b>REVENUES</b>                                      |                      |                |                           |                     |                                |
| Real property taxes                                  | \$ 34,837,847        | \$             | \$                        | \$                  | \$ 34,837,847                  |
| Other tax items                                      | 1,336,124            |                |                           |                     | 1,336,124                      |
| Charges for services                                 | 360,733              |                |                           |                     | 360,733                        |
| Use of money and property                            | 210,370              |                |                           |                     | 210,370                        |
| Sale of property and compensation for loss           | 20,995               |                |                           |                     | 20,995                         |
| Miscellaneous  | 249,361              |                |                           |                     | 249,361                        |
| State sources  | 2,797,468            | 171,617        | 3,839                     | 48,974              | 3,021,898                      |
| Medicaid reimbursement                               | 21,581               |                |                           |                     | 21,581                         |
| Federal sources                                      |                      | 532,565        | 127,051                   |                     | 659,616                        |
| Sales  |                      |                | 141,079                   |                     | 141,079                        |
| <b>Total Revenues</b>                                | <b>39,834,479</b>    | <b>704,182</b> | <b>271,969</b>            | <b>48,974</b>       | <b>40,859,604</b>              |
| <b>EXPENDITURES</b>                                  |                      |                |                           |                     |                                |
| General support                                      | 5,385,818            |                |                           |                     | 5,385,818                      |
| Instruction  | 19,688,741           | 716,206        |                           |                     | 20,404,947                     |
| Pupil transportation                                 | 1,279,619            | 12,993         |                           |                     | 1,292,612                      |
| Community services                                   | 7,341                |                |                           |                     | 7,341                          |
| Employee benefits                                    | 9,823,688            |                |                           |                     | 9,823,688                      |
| Debt service   |                      |                |                           |                     |                                |
| Principal  | 1,360,000            |                |                           |                     | 1,360,000                      |
| Interest   | 791,911              |                |                           |                     | 791,911                        |
| Food service program                                 |                      |                | 274,314                   |                     | 274,314                        |
| Capital outlay                                       |                      |                |                           | 1,075,067           | 1,075,067                      |
| <b>Total Expenditures</b>                            | <b>38,337,118</b>    | <b>729,199</b> | <b>274,314</b>            | <b>1,075,067</b>    | <b>40,415,698</b>              |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 1,497,361            | (25,017)       | (2,345)                   | (1,026,093)         | 443,906                        |
| <b>OTHER FINANCING SOURCES AND (USES)</b>            |                      |                |                           |                     |                                |
| Proceeds of debt                                     |                      |                |                           | 1,752,512           | 1,752,512                      |
| Operating transfers in                               | 219,725              | 25,017         |                           | 1,960,000           | 2,204,742                      |
| Operating transfers (out)                            | (1,985,017)          |                |                           | (219,725)           | (2,204,742)                    |
| <b>Total Other Financing<br/>Sources and (Uses)</b>  | <b>(1,765,292)</b>   | <b>25,017</b>  | <b>-</b>                  | <b>3,492,787</b>    | <b>1,752,512</b>               |
| <b>Net Change in Fund Balances</b>                   | <b>(267,931)</b>     | <b>-</b>       | <b>(2,345)</b>            | <b>2,466,694</b>    | <b>2,196,418</b>               |
| <b>Fund Balances - Beginning of year</b>             | <b>10,988,749</b>    | <b>-</b>       | <b>72,942</b>             | <b>537,596</b>      | <b>11,599,287</b>              |
| <b>Fund Balances - End of year</b>                   | <b>\$ 10,720,818</b> | <b>\$ -</b>    | <b>\$ 70,597</b>          | <b>\$ 3,004,290</b> | <b>\$ 13,795,705</b>           |

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

Net Change in Fund Balances \$ 2,196,418

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

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenues for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).

\$ 11,311

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) are held by a third-party administrator. The cash held by the third-party administrator is treated as long-term asset and included in net position. This is the amount by which other assets decreased in the current period.

(47,945)

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 the net position.

Decrease in compensated absences payable  
Decrease in workers' compensation liabilities

54,755  
133,524

151,645

Capital Related Differences

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

Capital outlays  
Depreciation expense

2,083,542  
(1,647,614)

435,928

Long-Term Debt Transaction Differences

Proceeds from the issuance of an energy performance contract are other funding sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.

(1,752,512)

Amortization of bond premiums and deferred charges on advance refunding of bonds do not affect the governmental funds, but are recorded in the Statement of Activities.

Amortization of bond premiums  
Amortization of deferred charges

223,011  
(102,214)

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

Repayment of bond principal

1,360,000

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

27,171

(244,544)

Pension and Other Postemployment Benefits Differences

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

Teachers' retirement system  
Employees' retirement system  
Other postemployment benefits

238,340  
(44,690)  
(3,187,766)

(2,994,116)

Change in Net Position of Governmental Activities

\$ (454,669)

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Funds**  
June 30, 2019

|                             | Agency     | Private<br>Purpose<br>Trusts |
|-----------------------------|------------|------------------------------|
| <b>ASSETS</b>               |            |                              |
| Cash                        |            |                              |
| Unrestricted                | \$ 376,901 | \$                           |
| Restricted                  |            | 89,432                       |
| Total Assets                | \$ 376,901 | 89,432                       |
| <br><b>LIABILITIES</b>      |            |                              |
| Extraclassroom activities   | \$ 85,666  |                              |
| Due to governmental funds   | 188,313    |                              |
| Other liabilities           | 102,922    |                              |
| Total Liabilities           | \$ 376,901 | -                            |
| <br><b>NET POSITION</b>     |            |                              |
| Restricted for scholarships |            | \$ 89,432                    |



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

|                                  | Private<br>Purpose<br>Trusts |
|----------------------------------|------------------------------|
| <b>ADDITIONS</b>                 |                              |
| Gifts and contributions          | \$ 8,700                     |
| <br><b>DEDUCTIONS</b>            |                              |
| Scholarships and awards          | 15,200                       |
| Change in Net Position           | (6,500)                      |
| Net Position - Beginning of year | 95,932                       |
| Net Position - End of Year       | \$ 89,432                    |

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, 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 - Fiduciary Funds. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

**B. Joint Venture**

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

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**C. Basis of Presentation**

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

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

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

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**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.

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

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

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

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

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

**E. Real Property Taxes**

Calendar

Real property taxes are levied annually by the Board no later than November 1<sup>st</sup> and become a lien on December 1<sup>st</sup>. Late payments are subject to penalties. Taxes are collected by the Towns of Riverhead and Southold and remitted to the District during the year.

Enforcement

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

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**F. Restricted Resources**

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

**G. Interfund Transactions**

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

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

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

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

**H. Use of Estimates**

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

**I. Cash and Cash Equivalents**

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

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

**J. Receivables**

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

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**K. Inventory**

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

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

A portion of fund balance has been classified as nonspendable to indicate that inventory does not constitute 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<br/>Threshold</u> | <u>Estimated<br/>Useful Life</u> |
|----------------------------|-------------------------------------|----------------------------------|
| Buildings and improvements | \$ 10,000                           | 20-50 years                      |
| Site improvements          | 10,000                              | 20-50 years                      |
| Furniture and equipment    | 500                                 | 5-20 years                       |

**M. Other Assets**

Other assets represent amounts on deposit that are being held by a third-party administrator for workers' compensation claims.

**N. Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has four items that qualify for reporting in this category. First is the unamortized amount of deferred charges from refunding of bonds that is being amortized as a component of interest expense on a weighted average basis over the remaining life of the old debt. The second item is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The third item is the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The fourth item is related to OPEB and represents changes in the total other postemployment benefits obligation not included in OPEB expense.

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**O. Collections in Advance**

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

**P. Deferred Inflows of Resources**

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

**Q. Employee Benefits – Compensated Absences**

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

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

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

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

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

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

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**R. Other Benefits**

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

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

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

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

**S. Short-Term Debt**

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

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

**T. 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, construction or improvements of those assets.

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

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



**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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Fund Statements

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

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

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

*Workers' Compensation Reserve*

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

*Unemployment Insurance Reserve*

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

*Retirement Contribution Reserve*

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

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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*Employee Benefit Accrued Liability Reserve*

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

*Capital Reserve*

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

*Restricted – Unspent Debt Proceeds*

Unspent long-term debt proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

*Restricted for Scholarships*

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

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

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

Fund Balance Classification

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

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or Board approved budget revision and then from the assigned fund balance to the extent that there is an appropriation and then from the unassigned fund balance.

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Pension and Other Postemployment Benefits Differences

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

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

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

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

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

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

|  |                       |
|--|-----------------------|
| Voter approved transfer to capital projects fund,<br>funded by capital reserve | <u>\$ (1,960,000)</u> |
|--|-----------------------|

Budgets are adopted annually on a basis consistent with GAAP.

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

**B. Encumbrances**

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

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**C. Unassigned Fund Balance**

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

**4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

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

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

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

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

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

**5. PARTICIPATION IN BOCES**

During the year ended June 30, 2019, the District was billed \$1,351,143 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$218,253. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

**6. DUE FROM STATE AND FEDERAL**

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

|  |                  |
|--|------------------|
| Special Aid Fund   |                  |
| Federal and state grants                                 | \$ 74,614        |
| <br>School Food Service Fund                             |                  |
| Federal and state food service<br>program reimbursements | <u>8,638</u>     |
|  | <u>\$ 83,252</u> |

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**7. DUE FROM OTHER GOVERNMENTS**

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

|                                       |           |                |
|---------------------------------------|-----------|----------------|
| General Fund                          |           |                |
| PILOT payments                        | \$        | 5,693          |
| BOCES aid                             |           | 218,253        |
| Services provided for other districts |           | 61,352         |
| Other districts - athletics           |           | <u>42,696</u>  |
|                                       | <u>\$</u> | <u>327,994</u> |

**8. CAPITAL ASSETS**

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

|  | <u>Balance</u><br><u>June 30, 2018</u> | <u>Additions</u>  | <u>Reductions</u>  | <u>Balance</u><br><u>June 30, 2019</u> |
|--|--|-------------------|--------------------|--|
| Governmental activities                      |  |                   |                    |  |
| Capital assets not being depreciated         |  |                   |                    |  |
| Land   | \$ 18,000                              | \$                | \$                 | \$ 18,000                              |
| Construction in progress                     | <u>17,964</u>                          | <u>844,315</u>    | <u>(15,736)</u>    | <u>846,543</u>                         |
| Total capital assets not being depreciated   | <u>35,964</u>                          | <u>844,315</u>    | <u>(15,736)</u>    | <u>864,543</u>                         |
| Capital assets being depreciated             |  |                   |                    |  |
| Buildings and improvements                   | 53,632,868                             | 455,577           |                    | 54,088,445                             |
| Site improvements                            | 2,596,594                              |                   |                    | 2,596,594                              |
| Furniture and equipment                      | <u>7,728,416</u>                       | <u>799,386</u>    | <u>(59,106)</u>    | <u>8,468,696</u>                       |
| Total capital assets being depreciated       | <u>63,957,878</u>                      | <u>1,254,963</u>  | <u>(59,106)</u>    | <u>65,153,735</u>                      |
| Less accumulated depreciation for:           |  |                   |                    |  |
| Buildings and improvements                   | 21,684,527                             | 1,056,486         |                    | 22,741,013                             |
| Site improvements                            | 1,307,181                              | 94,764            |                    | 1,401,945                              |
| Furniture and equipment                      | <u>5,695,712</u>                       | <u>496,364</u>    | <u>(59,106)</u>    | <u>6,132,970</u>                       |
| Total accumulated depreciation               | <u>28,687,420</u>                      | <u>1,647,614</u>  | <u>(59,106)</u>    | <u>30,275,928</u>                      |
| Total capital assets, being depreciated, net | <u>35,270,458</u>                      | <u>(392,651)</u>  | <u>-</u>           | <u>34,877,807</u>                      |
| Capital assets, net                          | <u>\$ 35,306,422</u>                   | <u>\$ 451,664</u> | <u>\$ (15,736)</u> | <u>\$ 35,742,350</u>                   |

Depreciation expense was charged to governmental functions as follows:

|                            |                     |
|----------------------------|---------------------|
| General support            | \$ 199,397          |
| Instruction                | 1,424,862           |
| Pupil transportation       | 22,733              |
| Community services         | <u>622</u>          |
| Total depreciation expense | <u>\$ 1,647,614</u> |

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**9. INTERFUND TRANSACTIONS**

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

|                          | Interfund           |                     |                     |                     |
|--------------------------|---------------------|---------------------|---------------------|---------------------|
|                          | Receivable          | Payable             | Transfers In        | Transfers Out       |
| General Fund             | \$ 588,028          | \$ 2,211,009        | \$ 219,725          | \$ 1,985,017        |
| Special Aid Fund         |                     | 270,115             | 25,017              |                     |
| School Food Service Fund | 72,211              |                     |                     |                     |
| Capital Projects Fund    | 2,348,304           | 339,106             | 1,960,000           | 219,725             |
| Total Governmental Funds | <u>3,008,543</u>    | <u>2,820,230</u>    | <u>\$ 2,204,742</u> | <u>\$ 2,204,742</u> |
| Fiduciary Funds          |                     | 188,313             |                     |                     |
| Total                    | <u>\$ 3,008,543</u> | <u>\$ 3,008,543</u> |                     |                     |

The District typically transfers from the general fund to the special aid fund and capital projects fund. The transfer to the special aid fund was for the District's share of costs for the summer program for students with disabilities. The transfer to the capital projects fund was a voter approved use of the capital reserve and was a general fund budget revision. The transfer from the capital projects fund was in accordance with the voter-approved budget and represents unspent general fund appropriations from completed projects.

**10. SHORT-TERM DEBT**

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

|     | Maturity  | Stated Interest Rate | Balance       |                     | Redeemed              | Balance June 30, 2019 |
|-----|-----------|----------------------|---------------|---------------------|-----------------------|-----------------------|
|     |           |                      | June 30, 2018 | Issued              |                       |                       |
| TAN | 6/27/2019 | 3.0%                 | <u>\$</u>     | <u>\$ 7,500,000</u> | <u>\$ (7,500,000)</u> | <u>\$ -</u>           |

Interest on short-term debt for the year was \$169,375. The District received a premium of \$53,852, which is included in miscellaneous revenue in the general fund.

**11. LONG-TERM LIABILITIES**

**A. Changes**

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

|                              | Balance              |                     |                       | Balance June 30, 2019 | Amounts Due Within One Year |
|------------------------------|----------------------|---------------------|-----------------------|-----------------------|-----------------------------|
|                              | June 30, 2018        | Additions           | Reductions            |                       |                             |
| Long-term debt:              |                      |                     |                       |                       |                             |
| Bonds payable                | \$ 14,510,000        | \$                  | \$ (1,360,000)        | \$ 13,150,000         | \$ 1,150,000                |
| Add: Premium on refunding    | 1,441,142            |                     | (223,011)             | 1,218,131             | 202,667                     |
|                              | 15,951,142           | -                   | (1,583,011)           | 14,368,131            | 1,352,667                   |
| Energy performance contract  | -                    | 1,752,512           |                       | 1,752,512             | 80,449                      |
| Other long-term liabilities: |                      |                     |                       |                       |                             |
| Compensated absences         | 1,175,345            |                     | (54,755)              | 1,120,590             | 37,427                      |
| Workers' compensation        | 438,183              | 32,271              | (165,795)             | 304,659               | -                           |
|                              | <u>\$ 17,564,670</u> | <u>\$ 1,784,783</u> | <u>\$ (1,803,561)</u> | <u>\$ 17,545,892</u>  | <u>\$ 1,470,543</u>         |

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

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**B. Bonds Payable**

Bonds payable is comprised of the following:

| Description              | Issue Date | Final Maturity | Interest Rate | Outstanding at June 30, 2019 |
|--------------------------|------------|----------------|---------------|------------------------------|
| Construction serial bond | 6/26/2014  | 6/15/2029      | 2.625-3.125%  | \$ 700,000                   |
| Refunding bonds          | 4/30/2015  | 7/15/2029      | 2.00-5.00%    | <u>12,450,000</u>            |
|                          |            |                |               | <u>\$ 13,150,000</u>         |

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

| Year Ending June 30, | Principal            | Interest            | Total                |
|----------------------|----------------------|---------------------|----------------------|
| 2020                 | \$ 1,150,000         | \$ 561,136          | \$ 1,711,136         |
| 2021                 | 1,080,000            | 506,736             | 1,586,736            |
| 2022                 | 1,085,000            | 454,086             | 1,539,086            |
| 2023                 | 1,105,000            | 400,799             | 1,505,799            |
| 2024                 | 1,130,000            | 346,430             | 1,476,430            |
| 2025-2029            | 6,280,000            | 864,195             | 7,144,195            |
| 2030                 | <u>1,320,000</u>     | <u>19,800</u>       | <u>1,339,800</u>     |
| Total                | <u>\$ 13,150,000</u> | <u>\$ 3,153,182</u> | <u>\$ 16,303,182</u> |

**C. Refunding Bonds**

The District advance refunded serial bonds, which resulted in a deferred charge and a refunding bond premium. These amounts are being amortized as a component of interest expense on a weighted average basis over the respective bond term, as applicable. The bond premium balance is netted against the bonds payable. The future net amortization is as follows:

| Year Ending June 30, | Amortization of Premium | Amortization of Deferred Charges | Interest Expense Increase / (Decrease) |
|----------------------|-------------------------|----------------------------------|--|
| 2020                 | \$ (202,667)            | \$ 92,890                        | \$ (109,777)                           |
| 2021                 | (184,707)               | 84,658                           | (100,049)                              |
| 2022                 | (167,343)               | 76,699                           | (90,644)                               |
| 2023                 | (149,809)               | 68,663                           | (81,146)                               |
| 2024                 | (131,934)               | 60,470                           | (71,464)                               |
| 2025-2029            | (370,436)               | 169,785                          | (200,651)                              |
| 2030                 | <u>(11,235)</u>         | <u>5,150</u>                     | <u>(6,085)</u>                         |
| Total                | <u>\$ (1,218,131)</u>   | <u>\$ 558,315</u>                | <u>\$ (659,816)</u>                    |



**MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**D. Energy Performance Contract**

Energy performance contract is comprised of the following:

| Description                 | Issue Date | Final Maturity | Interest Rate | Outstanding at June 30, 2019 |
|-----------------------------|------------|----------------|---------------|------------------------------|
| Energy performance contract | 2/22/2019  | 12/15/2033     | 3.19%         | <u>\$ 1,752,512</u>          |

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

| Year Ending June 30, | Principal           | Interest          | Total               |
|----------------------|---------------------|-------------------|---------------------|
| 2020                 | \$ 80,449           | \$ 72,955         | \$ 153,404          |
| 2021                 | 100,864             | 52,541            | 153,405             |
| 2022                 | 104,107             | 49,298            | 153,405             |
| 2023                 | 107,454             | 45,950            | 153,404             |
| 2024                 | 110,909             | 42,495            | 153,404             |
| 2025-2029            | 610,390             | 156,632           | 767,022             |
| 2030-2034            | <u>638,339</u>      | <u>51,981</u>     | <u>690,320</u>      |
| Total                | <u>\$ 1,752,512</u> | <u>\$ 471,852</u> | <u>\$ 2,224,364</u> |

**E. Interest Expense**

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

|   |                   |
|---|-------------------|
| Interest paid                             | \$ 622,536        |
| Less interest accrued in the prior year   | (308,012)         |
| Plus interest accrued in the current year | 280,841           |
| Plus amortization of deferred charges     | 102,214           |
| Less amortization of premium              | <u>(223,011)</u>  |
| Total interest expense on long-term debt  | <u>\$ 474,568</u> |

**12. PENSION PLANS - NEW YORK STATE**

**A. General Information**

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

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**B. Provisions and Administration**

Teachers' Retirement System

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

Employees' Retirement System

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

**C. Funding Policies**

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30<sup>th</sup>, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 9.80% of covered payroll for the TRS' fiscal year ended June 30, 2018. The District's average contribution rate was 14.69% of covered payroll for the ERS' fiscal year ended March 31, 2019.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2019 was \$1,723,180 for TRS and \$413,462 for ERS.

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

At June 30, 2019, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2018, for TRS and March 31, 2019 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.

|  | <u>TRS</u>    | <u>ERS</u>     |
|--|---------------|----------------|
| Measurement date   | June 30, 2018 | March 31, 2019 |
| District's proportionate share of the net pension asset/(liability)  | \$ 1,837,944  | \$ (586,624)   |
| District's portion of the Plan's total net pension asset/(liability) | 0.1016410%    | 0.0082794%     |
| Change in proportion since the prior measurement date                | (0.0011590)   | (0.0007635)    |

For the year ended June 30, 2019, the District recognized pension expense of \$1,485,683 for TRS and \$449,537 for ERS. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred Outflows of Resources</u> |                   | <u>Deferred Inflows of Resources</u> |                   |
|---|---------------------------------------|-------------------|--------------------------------------|-------------------|
|   | <u>TRS</u>                            | <u>ERS</u>        | <u>TRS</u>                           | <u>ERS</u>        |
| Differences between expected and actual experience  | \$ 1,373,480                          | \$ 115,519        | \$ 248,791                           | \$ 39,379         |
| Changes of assumptions  | 6,424,819                             | 147,453           |                                      |                   |
| Net difference between projected and actual earnings on pension plan investments                                    |                                       |                   | 2,040,257                            | 150,560           |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 296,098                               | 180,105           |                                      | 40,367            |
| District's contributions subsequent to the measurement date   | <u>1,723,180</u>                      | <u>100,672</u>    |                                      |                   |
| Total   | <u>\$ 9,817,577</u>                   | <u>\$ 543,749</u> | <u>\$ 2,289,048</u>                  | <u>\$ 230,306</u> |

**MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

| Year Ending June 30, | TRS                 | ERS               |
|----------------------|---------------------|-------------------|
| 2020                 | \$ 1,901,494        | \$ 180,457        |
| 2021                 | 1,310,030           | (75,080)          |
| 2022                 | 191,168             | 18,822            |
| 2023                 | 1,305,700           | 88,572            |
| 2024                 | 882,828             |                   |
| Thereafter           | 214,129             |                   |
|                      | <u>\$ 5,805,349</u> | <u>\$ 212,771</u> |

Actuarial Assumptions

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

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

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

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

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

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

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

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

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

Discount Rate

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

**MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

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

| TRS  | 1% Decrease<br>6.25 %  | Current<br>Assumption<br>7.25 % | 1% Increase<br>8.25 % |
|--|------------------------|---------------------------------|-----------------------|
| District's proportionate share of<br>the net pension asset (liability) | <u>\$ (12,626,973)</u> | <u>\$ 1,837,944</u>             | <u>\$ 13,955,524</u>  |
| ERS  | 1% Decrease<br>6.00 %  | Current<br>Assumption<br>7.00 % | 1% Increase<br>8.00 % |
| District's proportionate share of<br>the net pension asset (liability) | <u>\$ (2,564,814)</u>  | <u>\$ (586,624)</u>             | <u>\$ 1,075,196</u>   |

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019, are paid to the system in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019, represent employer and employee contributions for the fiscal year ended June 30, 2019, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2019 amounted to \$1,723,180 of employer contributions and \$81,070 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2019, represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$100,672 of employer contributions. Employee contributions are remitted monthly.

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**13. PENSION PLANS - OTHER**

**Tax Sheltered Annuities**

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2019, totaled \$610,447 and \$942,890, respectively.

**14. POSTEMPLOYMENT HEALTHCARE BENEFITS**

**A. General Information about the OPEB Plan**

*Plan Description* – The District’s defined benefit OPEB plan, provides OPEB for most retired employees and their survivors. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

*Benefits Provided* – The District effectively provides medical, Medicare part B reimbursement, and vision coverage (the healthcare plan) to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through the Empire Plan (for health benefits only). The vision benefits is an add-on to the Empire Plan. The add-on plan is self-funded.

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

|  |     |
|--|-----|
| Inactive employees or beneficiaries currently receiving benefit payments | 163 |
| Inactive employees entitled to but not yet receiving benefit payments    | -   |
| Active employees   | 205 |
|  | 368 |

**B. Total OPEB Liability**

The District’s total OPEB liability of \$76,855,162 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

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

|  |                                  |   |
|--|----------------------------------|---|
| Salary increases                         | 2.50%                            |   |
| Discount rate                            | 3.10%                            |   |
| Healthcare cost trend rates              | 5.2% to 9.5%                     | decreasing to an ultimate rate of 5%  |
| Retirees' share of benefit-related costs |                                  |   |
| Administrators                           | 0% individual,                   | family difference between the individual and family plan  |
| MCTA, CSEA                               | Hired on or before 6/30/88 - 0%; | hired 7/1/88 or thereafter 0% individual family difference between the individual and family plan |

**MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The discount rate was based on the 20 year Municipal GO AA Bond Index, as of June 30, 2019.

Mortality rates were based on the SOA RP-2014 total dataset, as appropriate, with adjustments for mortality improvements based on the SOA scale MP-2014.

Withdrawal and Retirement Decrements are based on the Buck Consultants report entitled "Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation – Participating Agency Version" and is dated December 27, 2012.

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

|  |                      |
|--|----------------------|
| Balance at June 30, 2018                           | <u>\$ 68,587,292</u> |
| Changes for the year                               |                      |
| Service cost                                       | 2,081,510            |
| Interest   | 2,427,079            |
| Changes of benefit terms                           | -                    |
| Differences between expected and actual experience | -                    |
| Changes in assumptions or other inputs             | 6,096,125            |
| Benefit payments                                   | <u>(2,336,844)</u>   |
|  | <u>8,267,870</u>     |
| Balance at June 30, 2019                           | <u>\$ 76,855,162</u> |

Changes of assumptions and other input reflect a change in the discount rate from 3.60% in 2018 to 3.10% in 2019.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.10%) or 1 percentage point higher (4.10%) than the current discount rate:

| OPEB                 | 1% Decrease<br>2.10 % | Discount<br>Rate<br>3.10 % | 1% Increase<br>4.10 % |
|----------------------|-----------------------|----------------------------|-----------------------|
| Total OPEB liability | <u>\$(91,635,782)</u> | <u>\$(76,855,162)</u>      | <u>\$(65,366,236)</u> |

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.2 - 8.5% to 4.0%) or 1 percentage point higher (6.2 - 10.5% to 6.0%) than the current healthcare cost trend rate:

| OPEB                 | 1% Decrease<br>(4.2% to 8.5%<br>decreasing to<br>4.0%) | Healthcare Cost<br>Trend Rates<br>(5.2% to 9.5%<br>decreasing to<br>5.0%) | 1% Increase<br>(6.2% to 10.5%<br>decreasing to<br>6.0%) |
|----------------------|--|---|---|
| Total OPEB liability | <u>\$(63,105,787)</u>                                  | <u>\$(76,855,162)</u>   | <u>\$(95,048,401)</u>                                   |



**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$5,524,610. At June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

|  | <u>Deferred<br/>Outflows<br/>of Resources</u> |
|--|---|
| Differences between expected and actual experience | \$  |
| Changes of assumptions                             | <u>5,080,104</u>                              |
| Total  | <u>\$ 5,080,104</u>                           |

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

| Year Ending June 30, | Amount              |
|----------------------|---------------------|
| 2019                 | \$ 1,016,021        |
| 2020                 | 1,016,021           |
| 2021                 | 1,016,021           |
| 2022                 | 1,016,021           |
| 2023                 | <u>1,016,020</u>    |
|                      | <u>\$ 5,080,104</u> |

**15. RISK MANAGEMENT**

**A. General Information**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters and other risks. These risks are covered by a combination of self-insurance reserves, public entity risk pools, 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.

**B. Public Entity Risk Pool – Risk Retained**

The District participates in a risk pool, the East End Workers' Compensation Consortium (EEWCC), to insure workers' compensation claims. This public entity risk pool was created under Article 5 of Workers' Compensation Law, to evaluate, process, administer, and pay workers' compensation claims. The District retains the risk of loss.

The District pays an annual assessment to the pool for its workers' compensation claims coverage and related expenses. The EEWCC has obtained an excess compensation insurance policy to buffer the effect that a single large claim may have on the District's loss experience. The EEWCC established a non-discounted liability for both reported and unreported insured events, which includes estimates of both future payments or losses

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

and related claim adjustment expenses. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. However, because actual claim costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported.

The District's liability for incurred but unpaid claims and incurred but not reported claims at June 30, 2019, as processed by the EEWCC, is \$304,659. Claims activity is summarized as follows:

|   | 2018       | 2019       |
|---|------------|------------|
| Claims at beginning of year                   | \$ 552,031 | \$ 438,183 |
| Incurred claims and claim adjustment expenses | 99,753     | 32,271     |
| Claim payments and expenses                   | (213,601)  | (165,795)  |
| Claim liabilities at end of year              | \$ 438,183 | \$ 304,659 |

The EEWCC is holding \$354,956 of cash on account for the District to satisfy these liabilities at June 30, 2019. In addition, the District has reserved \$583,291 in the general fund for potential supplemental assessments due to catastrophic losses and future claims.

The EEWCC has issued financial statements for the year ended June 30, 2019. Copies of these statements can be obtained from the District's Business Office.

**C. Public Entity Risk Pool – Risk Sharing**

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

**16. CAPITAL RESERVE**

On May 15, 2018, the voters approved the creation of a capital reserve fund to pay for repairs, renovations and improvements. Such capital reserve fund will be for a probable term of ten years in an amount not to exceed \$6,000,000. The capital reserve fund may be funded annually in an amount not to exceed \$750,000 from monies remaining in the general fund and/or other reserves. The reserve is accounted for in the general fund.

During the current year, the District funded this reserve in the amount of \$750,000 from end of year budget surplus funds.

To date, the District has funded this reserve in the amount of \$4,500,000. Of this amount, \$1,500,000 came from general fund surplus and \$3,000,000 was a voter approved transfer from the employees' retirement system contribution reserve and unemployment insurance reserve. Additionally, \$34,292 in interest has been allocated to this reserve. Voters approved \$1,960,000 to be utilized in 2018-2019.

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**17. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES**

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

|                                    |                   |
|------------------------------------|-------------------|
| Workers' compensation              | \$ 75,000         |
| Unemployment insurance             | 9,000             |
| Employee benefit accrued liability | <u>275,000</u>    |
|                                    | <u>\$ 359,000</u> |

**18. ASSIGNED APPROPRIATED FUND BALANCE**

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

**19. TAX ABATEMENTS**

The Suffolk County Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was reduced \$18,426. The District received payment in lieu of tax (PILOT) payments totaling \$10,387.

**20. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

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

|  |                   |
|--|-------------------|
| Assigned: Unappropriated Fund Balance: |                   |
| General Fund                           |                   |
| General support                        | \$ 533,092        |
| Instruction                            | 222,902           |
| Pupil transportation                   | <u>1,585</u>      |
|  | 757,579           |
| Capital Projects Fund                  |                   |
| Capital projects                       | <u>11,048</u>     |
|  | <u>\$ 768,627</u> |

**B. Grants**

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

**C. Litigation**

The District is not aware of any material pending or threatened litigation claims against the District. The District is also unaware of any unasserted claims or assessments that would require financial statement disclosure.

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**21. SUBSEQUENT EVENTS**

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

**Issuance of TAN**

On September 25, 2019, the District issued a tax anticipation note in the amount of \$8,500,000, which is due on June 25, 2020 and bears interest at a rate of 2.0%. The District received a premium of \$42,415 with the borrowing to yield an effective interest rate of 1.3347%.

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

|  | Original<br>Budget   | Final<br>Budget      | Actual            | Final Budget<br>Variance with<br>Actual |
|--|----------------------|----------------------|-------------------|---|
| <b>REVENUES</b>  |                      |                      |                   |   |
| Local Sources  |                      |                      |                   |   |
| Real property taxes  | \$ 34,663,125        | \$ 34,663,125        | \$ 34,837,847     | \$ 174,722                              |
| Other tax items  | 1,500,000            | 1,500,000            | 1,336,124         | (163,876)                               |
| Charges for services   | 187,000              | 187,000              | 360,733           | 173,733                                 |
| Use of money and property  | 85,000               | 85,000               | 210,370           | 125,370                                 |
| Sale of property and<br>compensation for loss  |                      |                      | 20,995            | 20,995                                  |
| Miscellaneous  | 83,000               | 83,000               | 249,361           | 166,361                                 |
| <b>Total Local Sources</b>   | <b>36,518,125</b>    | <b>36,518,125</b>    | <b>37,015,430</b> | <b>497,305</b>                          |
| State Sources  | 2,950,000            | 2,950,000            | 2,797,468         | (152,532)                               |
| Medicaid Reimbursement   | 5,000                | 5,000                | 21,581            | 16,581                                  |
| <b>Total Revenues</b>  | <b>39,473,125</b>    | <b>39,473,125</b>    | <b>39,834,479</b> | <b>361,354</b>                          |
| <b>OTHERS FINANCING SOURCES</b>  |                      |                      |                   |   |
| Operating transfers in   | 219,725              | 219,725              | 219,725           | -                                       |
| <b>Total Revenues and Other<br/>Financing Sources</b>                                | <b>39,692,850</b>    | <b>39,692,850</b>    | <b>40,054,204</b> | <b>\$ 361,354</b>                       |
| <b>APPROPRIATED FUND BALANCE</b>   |                      |                      |                   |   |
| Prior Years' Surplus   | 500,000              | 500,000              |                   |   |
| Prior Year's Encumbrances  | 293,030              | 293,030              |                   |   |
| Appropriated Reserves  | 484,097              | 2,444,097            |                   |   |
| <b>Total Appropriated Fund Balance</b>   | <b>1,277,127</b>     | <b>3,237,127</b>     |                   |   |
| <b>Total Revenues, Other Financing<br/>Sources and Appropriated Fund<br/>Balance</b> | <b>\$ 40,969,977</b> | <b>\$ 42,929,977</b> |                   |   |

**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.

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

|  | Original<br>Budget   | Final<br>Budget      | Actual               | Year End<br>Encumbrances | Final Budget<br>Variance with<br>Actual<br>& Encumbrances |
|--|----------------------|----------------------|----------------------|--------------------------|---|
| <b>EXPENDITURES</b>                        |                      |                      |                      |                          |   |
| General Support                            |                      |                      |                      |                          |   |
| Board of education                         | \$ 45,262            | \$ 49,080            | \$ 47,976            | \$                       | \$ 1,104  |
| Central administration                     | 320,261              | 318,521              | 313,674              |                          | 4,847   |
| Finance                                    | 502,392              | 550,781              | 507,521              | 23,871                   | 19,389  |
| Staff                                      | 70,000               | 68,000               | 68,000               |                          | -   |
| Central services                           | 4,277,284            | 4,643,303            | 4,073,835            | 509,221                  | 60,247  |
| Special items                              | 386,850              | 382,350              | 374,812              |                          | 7,538   |
| Total General Support                      | <u>5,602,049</u>     | <u>6,012,035</u>     | <u>5,385,818</u>     | <u>533,092</u>           | <u>93,125</u>   |
| Instruction                                |                      |                      |                      |                          |   |
| Administration & improvement               | 949,402              | 946,995              | 936,419              | 822                      | 9,754   |
| Teaching - regular school                  | 12,149,037           | 12,133,918           | 11,546,337           | 162,635                  | 424,946   |
| Programs for students<br>with disabilities | 4,439,033            | 4,420,763            | 4,148,734            | 10,000                   | 262,029   |
| Occupational education                     | 404,716              | 404,716              | 393,675              |                          | 11,041  |
| Teaching - special schools                 | 38,527               | 38,527               | 25,052               |                          | 13,475  |
| Instructional media                        | 596,678              | 620,101              | 580,286              | 20,381                   | 19,434  |
| Pupil services                             | 2,167,443            | 2,169,059            | 2,058,238            | 29,064                   | 81,757  |
| Total Instruction                          | <u>20,744,836</u>    | <u>20,734,079</u>    | <u>19,688,741</u>    | <u>222,902</u>           | <u>822,436</u>  |
| Pupil Transportation                       | <u>1,472,998</u>     | <u>1,472,998</u>     | <u>1,279,619</u>     | <u>1,585</u>             | <u>191,794</u>  |
| Community Services                         | <u>80,392</u>        | <u>68,843</u>        | <u>7,341</u>         |                          | <u>61,502</u>   |
| Employee Benefits                          | <u>10,863,791</u>    | <u>10,476,111</u>    | <u>9,823,688</u>     |                          | <u>652,423</u>  |
| Debt Service                               |                      |                      |                      |                          |   |
| Principal                                  | 1,367,500            | 1,367,500            | 1,360,000            |                          | 7,500   |
| Interest                                   | 799,911              | 799,911              | 791,911              |                          | 8,000   |
| Total Debt Service                         | <u>2,167,411</u>     | <u>2,167,411</u>     | <u>2,151,911</u>     | <u>-</u>                 | <u>15,500</u>   |
| Total Expenditures                         | <u>40,931,477</u>    | <u>40,931,477</u>    | <u>38,337,118</u>    | <u>757,579</u>           | <u>1,836,780</u>  |
| <b>OTHER USES</b>                          |                      |                      |                      |                          |   |
| Operating Transfers Out                    | <u>38,500</u>        | <u>1,998,500</u>     | <u>1,985,017</u>     |                          | <u>13,483</u>   |
| Total Expenditures and Other Uses          | <u>\$ 40,969,977</u> | <u>\$ 42,929,977</u> | <u>40,322,135</u>    | <u>\$ 757,579</u>        | <u>\$ 1,850,263</u>                                       |
| Net Change in Fund Balance                 |                      |                      | (267,931)            |                          |   |
| Fund Balance - Beginning of Year           |                      |                      | <u>10,988,749</u>    |                          |   |
| Fund Balance - End of Year                 |                      |                      | <u>\$ 10,720,818</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.

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)**  
 Last Five Fiscal Years

**Teachers' Retirement System**

|  | 2019          | 2018          | 2017           | 2016          | 2015          |
|--|---------------|---------------|----------------|---------------|---------------|
| District's proportion of the net pension asse/(liability)  | 0.1016410%    | 0.1028000%    | 0.1043430%     | 0.1074690%    | 0.1081780%    |
| District's proportionate share of the net pension asset/(liability)  | \$ 1,837,944  | \$ 781,385    | \$ (1,117,553) | \$ 11,162,565 | \$ 12,050,409 |
| District's covered payroll   | \$ 16,634,298 | \$ 16,476,349 | \$ 16,294,039  | \$ 16,191,317 | \$ 16,280,098 |
| District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll | 11.05 %       | 4.74 %        | 6.86 %         | 68.94 %       | 74.02 %       |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 101.53%       | 99.01%        | 110.46%        | 110.46%       | 111.48%       |

**Employees' Retirement System**

|  | 2019         | 2018         | 2017         | 2016           | 2015         |
|--|--------------|--------------|--------------|----------------|--------------|
| District's proportion of the net pension liability   | 0.0082794%   | 0.0090429%   | 0.0100000%   | 0.0092492%     | 0.0092747%   |
| District's proportionate share of the net pension liability  | \$ (586,624) | \$ (291,853) | \$ (829,083) | \$ (1,484,524) | \$ (313,322) |
| District's covered payroll   | \$ 2,811,449 | \$ 2,814,842 | \$ 2,966,484 | \$ 2,762,139   | \$ 2,720,270 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 20.87 %      | 10.37 %      | 27.95 %      | 53.75 %        | 11.52 %      |
| Plan fiduciary net position as a percentage of the total pension liability                         | 96.27%       | 98.24%       | 94.70%       | 90.68%         | 97.95%       |

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

**Note to Required Supplementary Information**

**Teachers' Retirement System**

The discount rate decreased from 8.0% to 7.5% to 7.25% as reflected in 2016, 2017, 2018 and 2019 above.

**Employees' Retirement System**

The discount rate decreased from 7.5% to 7.0% as reflected in 2016, 2017 and 2018 above.

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**Schedule of District Pension Contributions**  
 Last Ten Fiscal Years

*Teachers' Retirement System*

|  | 2019             | 2018             | 2017             | 2016             | 2015             | 2014             | 2013             | 2012             | 2011             | 2010           |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| Contractually required contribution                                  | \$ 1,723,180     | \$ 1,622,511     | \$ 1,909,243     | \$ 2,135,007     | \$ 2,830,302     | \$ 2,024,366     | \$ 1,954,480     | \$ 1,754,763     | \$ 1,315,222     | \$ 949,613     |
| Contributions in relation to the contractually required contribution | <u>1,723,180</u> | <u>1,622,511</u> | <u>1,909,243</u> | <u>2,135,007</u> | <u>2,830,302</u> | <u>2,024,366</u> | <u>1,954,480</u> | <u>1,754,763</u> | <u>1,315,222</u> | <u>949,613</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>    |
| District's covered payroll   | \$16,266,579     | \$16,634,298     | \$16,476,349     | \$16,294,039     | \$16,191,317     | \$16,280,098     | \$16,510,159     | \$16,103,636     | \$15,651,989     | \$15,280,536   |
| Contributions as a percentage of covered payroll                     | 11%              | 10%              | 12%              | 13%              | 17%              | 12%              | 12%              | 11%              | 8%               | 6%             |

*Employees' Retirement System*

|  | 2019           | 2018           | 2017           | 2016           | 2015           | 2014           | 2013           | 2012           | 2011           | 2010           |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution                                  | \$ 413,462     | \$ 445,933     | \$ 418,598     | \$ 476,522     | \$ 490,130     | \$ 529,607     | \$ 471,767     | \$ 434,023     | \$ 289,113     | \$ 250,555     |
| Contributions in relation to the contractually required contribution | <u>413,462</u> | <u>445,933</u> | <u>418,598</u> | <u>476,522</u> | <u>490,130</u> | <u>529,607</u> | <u>471,767</u> | <u>434,023</u> | <u>289,113</u> | <u>250,555</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| District's covered payroll   | \$ 2,705,837   | \$ 2,824,403   | \$ 2,866,706   | \$ 2,809,765   | \$ 2,756,231   | \$ 2,693,749   | \$ 2,660,459   | \$ 2,628,091   | \$ 2,578,797   | \$ 2,536,835   |
| Contributions as a percentage of covered payroll                     | 15%            | 16%            | 15%            | 17%            | 18%            | 20%            | 18%            | 17%            | 11%            | 10%            |



**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**Schedule of Changes in the District's Total OPEB Liability and Related Ratios**  
 Last Two Fiscal Years

|  | 2019          | 2018          |
|--|---------------|---------------|
| Total OPEB liability   |               |               |
| Service cost   | \$ 2,081,510  | \$ 1,982,390  |
| Interest   | 2,427,079     | 2,388,228     |
| Changes in benefit terms   | -             | -             |
| Differences between expected and actual experience               | -             | -             |
| Changes of assumptions or other inputs                           | 6,096,125     | -             |
| Benefit payments   | (2,336,844)   | (2,122,992)   |
| Net change in total OPEB liability                               | 8,267,870     | 2,247,626     |
| Total OPEB liability, beginning                                  | 68,587,292    | 66,339,666    |
| Total OPEB liability, ending                                     | \$ 76,855,162 | \$ 68,587,292 |
| <br>   |               |               |
| Covered employee payroll   | \$ 19,594,328 | \$ 16,559,047 |
| Total OPEB liability as a percentage of covered employee payroll | 392.23%       | 414.20%       |

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

**Trust Assets:**

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

**Note to Required Supplementary Information**

The discount rate decreased from 3.6% to 3.1% as reflected in 2018 and 2019 above.

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

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

|                           |  |                      |
|---------------------------|--|----------------------|
| Adopted Budget            |  | \$ 40,676,947        |
| Additions:                |  |                      |
| Prior year's encumbrances |  | <u>293,030</u>       |
| Original Budget           |  | 40,969,977           |
| Budget revision           |  | <u>1,960,000</u>     |
| Final Budget              |  | <u>\$ 42,929,977</u> |

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

|   |                  |                      |
|---|------------------|----------------------|
| 2019-2020 voter-approved expenditure budget                           |                  | <u>\$ 40,784,048</u> |
| Maximum allowed (4% of 2019-2020 budget)                              |                  | <u>\$ 1,631,362</u>  |
| General Fund Fund Balance Subject to § 1318 of Real Property Tax Law: |                  |                      |
| Unrestricted fund balance:  |                  |                      |
| Assigned fund balance   | \$ 1,132,579     |                      |
| Unassigned fund balance   | <u>1,918,724</u> |                      |
|   |                  | \$ 3,051,303         |
| Less:   |                  |                      |
| Appropriated fund balance   | 375,000          |                      |
| Encumbrances  | <u>757,579</u>   |                      |
| Total adjustments   |                  | <u>1,132,579</u>     |
| General Fund Fund Balance Subject to § 1318 of Real Property Tax Law: |                  | <u>\$ 1,918,724</u>  |
| Actual Percentage   |                  | 4.70%                |

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**Schedule of Project Expenditures and Financing Resources -**  
**Capital Projects Fund**  
June 30, 2019

| PROJECT TITLE               | Budget<br>June 30, 2018 | Budget<br>June 30, 2019 | Expenditures        |                     |                     | Unexpended<br>Balance | Methods of Financing       |                   |   |                     | Fund<br>Balance<br>June 30, 2019 |
|-----------------------------|-------------------------|-------------------------|---------------------|---------------------|---------------------|-----------------------|----------------------------|-------------------|---|---------------------|----------------------------------|
|                             |                         |                         | Prior<br>Years      | Current<br>Year     | Total               |                       | Proceeds of<br>Obligations | State Aid         | Local Sources                           | Total               |                                  |
| Stage Lighting              | \$ 67,565               | \$ 67,565               | \$ 61,899           | \$                  | \$ 61,899           | \$ 5,666              | \$                         | \$                | \$ 67,565                               | \$ 67,565           | \$ 5,666                         |
| Computer Equipment          | 3,237,169               | 3,017,444               | 2,999,921           | 285                 | 3,000,206           | 17,238                |                            |                   | 3,017,444                               | 3,017,444           | 17,238                           |
| Playground Cutchogue East   | 99,520                  | 99,520                  | 98,226              |                     | 98,226              | 1,294                 |                            |                   | 99,520                                  | 99,520              | 1,294                            |
| HS Building Renovation      | 2,324,165               | 2,324,165               | 2,259,297           | 34,071              | 2,293,368           | 30,797                |                            |                   | 2,324,165                               | 2,324,165           | 30,797                           |
| HS Tennis Courts            | 53,000                  | 53,000                  | 50,998              |                     | 50,998              | 2,002                 |                            |                   | 53,000                                  | 53,000              | 2,002                            |
| Smart Schools Bond Acc      | 248,017                 | 265,790                 | 248,017             | 13,455              | 261,472             | 4,318                 |                            | 265,790           |   | 265,790             | 4,318                            |
| High School Pole Barn       | 130,000                 | 130,000                 | 5,045               | 121,691             | 126,736             | 3,264                 |                            |                   | 130,000                                 | 130,000             | 3,264                            |
| High School Columns         | 150,000                 | 150,000                 | 10,690              | 95,321              | 106,011             | 43,989                |                            |                   | 150,000                                 | 150,000             | 43,989                           |
| Energy Performance Contract | 1,752,512               | 1,752,512               | 2,228               | 810,244             | 812,472             | 940,040               | 1,752,512                  |                   |   | 1,752,512           | 940,040                          |
| Capital Reserve Proposition |                         | 1,960,000               |                     |                     | -                   | 1,960,000             |                            |                   | 1,960,000                               | 1,960,000           | 1,960,000                        |
| <b>Totals</b>               | <b>\$ 8,061,948</b>     | <b>\$ 9,819,996</b>     | <b>\$ 5,736,321</b> | <b>\$ 1,075,067</b> | <b>\$ 6,811,388</b> | <b>\$ 3,008,608</b>   | <b>\$ 1,752,512</b>        | <b>\$ 265,790</b> | <b>\$ 7,801,694</b>                     | <b>\$ 9,819,996</b> | <b>3,008,608</b>                 |
|                             |                         |                         |                     |                     |                     |                       |                            |                   | Smart Schools Bond Aid not yet realized |                     | (4,318)                          |
|                             |                         |                         |                     |                     |                     |                       |                            |                   | Find Balance                            |                     | \$ 3,004,290                     |

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**Net Investment in Capital Assets**  
June 30, 2019

|   |                      |
|---|----------------------|
| Capital assets, net                                       | <u>\$ 35,742,350</u> |
| Deduct:   |                      |
| Short-term portion of bonds payable                       | (1,150,000)          |
| Long-term portion of bonds payable                        | (12,000,000)         |
| Short-term portion of energy performance contract payable | (80,449)             |
| Long-term portion of energy performance contract payable  | (1,672,063)          |
| Less: Unspent debt proceeds                               | <u>940,040</u>       |
|   | <u>(13,962,472)</u>  |
| Net investment in capital assets                          | <u>\$ 21,779,878</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  
Mattituck-Cutchogue Union Free School District  
Cutchogue, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Mattituck-Cutchogue Union Free School District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 6, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Mattituck-Cutchogue Union Free School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mattituck-Cutchogue Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mattituck-Cutchogue 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2019-001 to be a material weakness.

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Finding and Response, we identified a certain deficiency in internal control that we consider to be a material weakness.

## **Compliance and Other Matters**

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Mattituck-Cutchogue Union Free School District in a separate letter dated November 6, 2019.

## **District's Response to Findings**

Mattituck-Cutchogue Union Free School District's response to the finding identified in our audit is described in the accompanying Schedule of Finding and Response. Mattituck-Cutchogue Union Free School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*Cullen & Danowski, LLP*

November 6, 2019

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF FINDING AND RESPONSE**  
**For the Year Ended June 30, 2019**

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**1. FINANCIAL STATEMENTS FINDING**

**Material Weakness**

2019-001. Maintenance of Accounting Records

*Criteria:* The District must exercise control over the maintenance of its accounting records. The maintenance of its accounting records includes recording of adjusting journal entries during the year and at year end in order to close the books.

*Condition:* The District does not prepare all of the adjusting journal entries to close books at year end. As a result, we proposed audit adjustment journal entries that were necessary to close the books, all of which were accepted and recorded by the District.

*Cause:* Turnover in the Business Office.

*Effect:* The adjusting journal entries proposed by the auditor, which were accepted and recorded by the District, have a significant impact on the financial statements.

*Recommendation:* We recommend that the District review its year-end closing process to ensure that required year-end closing journal entries are recorded prior to the audit.

*Management's Response:* The District recognizes the importance of maintaining our accounting records and performing the year end closing process. During the current year audit, the District followed all practices that were deemed acceptable in the prior year report. The changes requested this year were not provided with adequate notice or warning. We will review the findings of this report and improve our procedures in all applicable areas. The addition of business office personnel is one area currently under consideration.