

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL  
DISTRICT**

**Financial Statements as of June 30, 2020  
Together with Independent  
Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

# MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

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## **INDEPENDENT AUDITOR'S REPORT**

October 13, 2020

To the Board of Directors of the  
Mattituck-Catchogue Union Free School District

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mattituck-Catchogue Union Free School District (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### ***Opinions***

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

### **Other Matters**

#### *Correction of Error*

As described in Note 15 to the financial statements, the District restated beginning net position and general fund fund balance of the \$718,775 related to the deferral of property taxes. Our opinions are not modified with respect to these matters.

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other information, as required by the New York State Education Department, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Combined Balance Sheet - nonmajor governmental funds and the Combined Statement of Revenue, Expenditures and Changes in Fund Balance - nonmajor governmental funds are the responsibility of management and are derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combined Balance Sheet - nonmajor governmental funds and the Combined Statement of Revenue, Expenditures and Changes in Fund Balance - nonmajor governmental funds are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information included has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 District's internal control over financial reporting and compliance.

## **MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**

### **Management's Discussion and Analysis (Unaudited) June 30, 2020**

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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, 2020 in comparison with the year ended June 30, 2019, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

#### **FINANCIAL HIGHLIGHTS**

The District's total net position, as reflected in the district-wide financial statements, decreased by \$4,177,003. 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 \$44,893,303. Of this amount, \$750,334 was offset by program charges for services and operating grants. General revenues of \$39,965,966 amount to 98.16% of total revenues.

The District's operating revenues and expenses for the year, as reflected in the district-wide financial statements were \$40,716,300 and \$44,893,303, respectively.

The District received \$229,409 in operating grants to support instructional programs.

The general fund's total fund balance of \$10,903,976, as reflected in the fund financial statements, increased by \$901,933 from the prior year. This was due to an excess of revenues and other financing sources over expenditures and other financing uses 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 \$539,181. This represents a decrease of \$660,768, and is 1.3% of the subsequent year's budget, which is under 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 2019-2020 year in the amount of \$323,096.

The District's 2020 property tax levy of \$36,850,048 was a 1.9% increase over the 2019 tax levy. The District's property tax cap was 2.13%.

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, 2020, the reserve has been funded in the amount of \$5,250,000 and has earned interest of \$21,746. 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. Additionally, on June 18, 2020 the community passed Position No 2 to expend \$650,000 from the Capital Reserve Fund to replace the boiler at Cutchogue West, install a new roof at Cutchogue East and renovate a multipurpose room at Mattituck Jr. /Sr. High School. The resulting reserve balance at June 30, 2020 was \$2,696,038.

## MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited) June 30, 2020

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This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations in more detail than the entity-wide statements.
- The *governmental fund statements* tell how basic services such as regular and special education were financed in the *short-term*, as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others, including the employees of the School District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year.



**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**

**Management’s Discussion and Analysis (Unaudited)  
June 30, 2020**

**Table A-1** Major Features of the District-Wide and Fund Financial Statements

Table A-1 summarizes the major features of the School District’s financial statements, including the portion of the School District’s activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

	District-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The day-to-day operating activities of the District, such as instruction and special education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred inflows-outflows of resources/liability information	All assets/deferred outflows and liabilities/inflows, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included	All assets/deferred outflows and liabilities/deferred inflows, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**District-Wide Statements**

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District’s assets, deferred inflow/outflows of resources, and liabilities. All of the current year’s revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

## MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

June 30, 2020

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The two district-wide statements report the School District's *net position* and how they have changed. Net position – the difference between the School District's assets, deferred inflows/outflows of resources, and liabilities – are one way to measure the School District's financial health or position.

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

In the district-wide financial statements, the School District's activities are shown as *Governmental activities*. Most of the School District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of these activities.

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

District-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expense using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
  - Net investment in capital assets.
  - Restricted net position has constraints placed on use by external sources or imposed by law.
  - Unrestricted net position is net position that does not meet any of the above restrictions.

### Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds – not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

## MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited) June 30, 2020

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The School District has two kinds of funds:

- *Governmental Funds* : Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the General Fund, Special Aid Fund, School Lunch Fund, and Capital Projects Fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.
- *Fiduciary Funds* : The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

## MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

June 30, 2020

#### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

##### Net Position

The District's total net position decreased by \$4,177,003 between fiscal year 2020 and 2019. The decrease 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:

**Table A-2**

	Fiscal Year 2020	Fiscal Year 2019	Dollar Change	Percent Change
Current and other assets	\$ 18,491,784	\$ 17,358,472	\$ 1,133,312	7%
Non-current assets	35,400,760	35,742,350	(341,590)	-1%
Net pension asset - proportionate share	<u>2,525,501</u>	<u>1,837,944</u>	<u>687,557</u>	37%
Total assets	<u>56,418,045</u>	<u>54,938,766</u>	<u>1,479,279</u>	3%
Deferred outflows of resources	19,266,489	15,999,745	3,266,744	20%
Current liabilities	4,489,887	4,912,365	(422,478)	-9%
Long-term liabilities	15,059,092	16,075,349	(1,016,257)	-6%
Net pension liability - proportionate share	2,196,583	586,624	1,609,959	274%
Total OPEB obligation	<u>84,683,255</u>	<u>76,855,162</u>	<u>7,828,093</u>	10%
Total liabilities	<u>106,428,817</u>	<u>98,429,500</u>	<u>7,999,317</u>	8%
Deferred inflows of resources	3,443,063	2,519,354	923,709	37%
Net position:				
Net investment in capital assets	21,728,697	21,779,878	(51,181)	0%
Restricted	11,875,546	9,629,515	2,246,031	23%
Unrestricted	<u>(67,791,589)</u>	<u>(61,419,736)</u>	<u>(6,371,853)</u>	10%
Total net position	<u>\$ (34,187,346)</u>	<u>\$ (30,010,343)</u>	<u>\$ (4,177,003)</u>	14%

Current and other assets increased by \$1,133,312, as compared to the prior year. This increase is primarily attributable the reduction in expenditures related to the COVID-19 pandemic which caused districts to shut down in March of 2020.

Capital assets, net decreased by \$341,590, as compared to the prior year. This decrease is due to capital asset depreciation in excess of additions. The accompanying Notes to Financial Statements, Note 7 Capital Assets provides additional information.

## MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

June 30, 2020

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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 10 "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.

Current liabilities decreased by \$422,478, as compared to the prior year. This decrease is mainly attributed to decreases in both the TRS and ERS accrual of \$303,874.

Long-term liabilities decreased by \$1,016,257 as compared to the prior year. The decrease is mainly attributable to current year principal payments of \$1,230,449 on serial bonds and other debt and the amortization of the premium on the bond refunding of \$202,667.

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 10 "Pension Plans -New York State", provides additional information.

Total other postemployment benefits (OPEB) obligation increased by \$7,828,093, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 11 Other Post Employment 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 (Decrease)
Capital asset additions -total	\$ 1,259,859
Additions financed by debt	<u>(859,591)</u>
Additions financed by appropriations	400,268
Principal debt reduction of construction bonds	1,150,000
Depreciation expense	<u>(1,601,449)</u>
	<u>\$ (51,181)</u>

## MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

June 30, 2020

The restricted fund balance of \$11,875,546 relates to the District's reserves. This number increased over the prior year by \$2,246,031. The District funded the teachers' retirement system - retirement contribution, employees' retirement system - retirement contribution, capital reserves and repair reserves in the amounts of \$323,906, \$750,000, \$750,000 and \$750,000, respectively. Interest of \$69,874 was also allocated to the reserves. These increases were offset by the usage of the workers' compensation (\$75,000); employees' retirement system - retirement contribution (\$275,000); and capital (\$650,000) reserves. There was also an increase in the Capital fund restricted fund balance related to ongoing projects.

The unrestricted deficit amount of \$67,791,589 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 \$6,371,853.

### 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, 2020 and 2019 is as follows:

**Table A-3 Changes in Net Position**

	Fiscal Year 2020	Fiscal Year 2019	Dollar Change	Percent Change
<b>Revenues:</b>				
<b>Program revenue</b>				
Change for services	\$ 434,639	\$ 548,642	\$ (114,003)	-21%
Operating grants	315,695	835,072	(519,377)	-62%
Capital grants	-	13,455	(13,455)	-100%
<b>General revenues</b>				
Real property taxes and STAR	36,865,465	36,163,125	702,340	2%
State sources	2,759,273	2,797,468	(38,195)	-1%
Other	341,228	513,153	(171,925)	-34%
<b>Total revenues</b>	<b>40,716,300</b>	<b>40,870,915</b>	<b>(154,615)</b>	<b>0%</b>
<b>Expenses:</b>				
General support	7,472,824	6,488,242	984,582	15%
Instruction	35,282,987	32,416,080	2,866,907	9%
Pupil transportation	1,312,074	1,490,259	(178,185)	-12%
Community services	26,822	12,746	14,076	110%
Debt service - Interest	635,962	643,943	(7,981)	-1%
School lunch program	162,634	274,314	(111,680)	-41%
<b>Total expenses</b>	<b>44,893,303</b>	<b>41,325,584</b>	<b>3,567,719</b>	<b>9%</b>
<b>Increase (decrease) in net position</b>	<b>\$ (4,177,003)</b>	<b>\$ (454,669)</b>	<b>\$ (3,722,334)</b>	<b>819%</b>

# MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

## Management's Discussion and Analysis (Unaudited) June 30, 2020

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The District's net position decreased by \$4,177,003 and \$454,669 for the years ended June 30, 2020 and 2019, respectively.

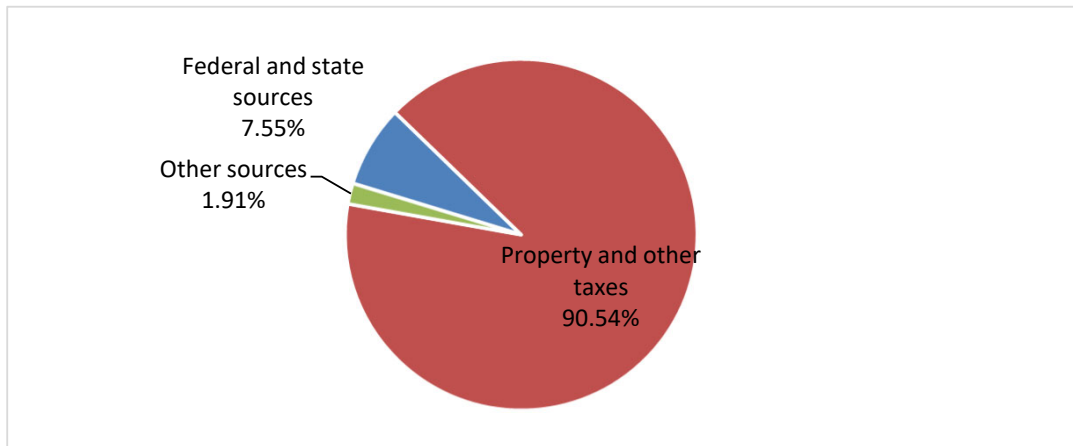
The District's revenues decreased by \$154,615 or 0%. The District's expenses increased \$3,567,719 or 9% over the prior year.

As indicated on the graphs that follow, real property taxes is the largest component of revenues recognized (90.54%). Instruction expenses is the largest category of expenses incurred (i.e., 78.59%).

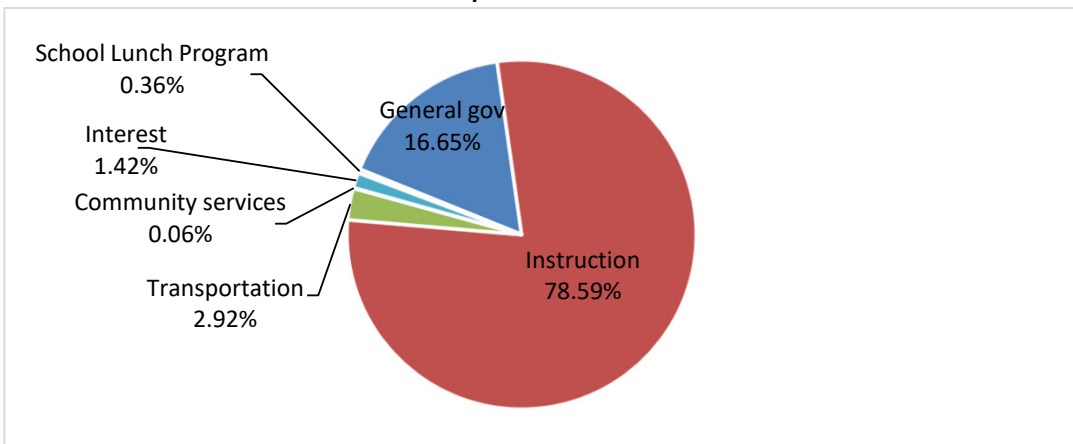
The School District's continued financial health, as a whole, can be credited to:

- Long-range financial planning in all programs;
- Identification of tax certiorari exposure and litigation management
- Consistent School District goals which are valued and fostered;
- Continued strong leadership of the School District's Board and administration;
- Constant evaluation of ways to contain costs through increased efficiencies.

**Table A-4 Sources of Revenue for Fiscal Year 2020:**



**Table A-5 Expenses for Fiscal Year 2020:**



**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**

**Management's Discussion and Analysis (Unaudited)  
June 30, 2020**

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT FUNDS**

<b>Table A-6</b>	<b>Governmental Fund Highlights</b>			
	Fiscal Year 2020	Fiscal Year 2019	Increase (Decrease)	Total % Change
<b>General Fund</b>				
Restricted:				
Workers' compensation	\$ 513,934	\$ 583,291	\$ (69,357)	-12%
Unemployment insurance	86,017	85,136	881	1%
Teachers' retirement system	655,031	331,125	323,906	98%
Employees' retirement system	3,192,574	2,689,581	502,993	19%
Employee benefit accrued liability	1,419,701	1,406,090	13,611	1%
Repairs	750,000	-	750,000	100%
Capital	2,696,038	2,574,292	121,746	5%
Assigned:				
Appropriated fund balance	250,000	375,000	(125,000)	-33%
Unappropriated fund balance	801,500	757,579	43,921	6%
Unassigned fund balance	<u>539,181</u>	<u>1,918,724</u>	<u>(1,379,543)</u>	-72%
	<u>10,903,976</u>	<u>10,720,818</u>	<u>183,158</u>	2%
 <b>School Food Service Fund</b>				
Nonspendable inventory	8,495	6,840	1,655	24%
Assigned unappropriated fund balance	<u>69,694</u>	<u>63,757</u>	<u>5,937</u>	9%
	<u>78,189</u>	<u>70,597</u>	<u>7,592</u>	11%
 <b>Capital Project Fund</b>				
Restricted:				
Capital	2,562,251	1,960,000	602,251	31%
Unspent debt proceeds	-	940,040	(940,040)	-100%
Assigned unappropriated fund balance	-	<u>104,250</u>	<u>(104,250)</u>	-100%
	<u>2,562,251</u>	<u>3,004,290</u>	<u>(442,039)</u>	-15%
	<u>\$ 13,544,416</u>	<u>\$ 13,795,705</u>	<u>\$ (251,289)</u>	-2%

At June 30, 2020, the District's governmental funds reported a combined fund balance of \$13,544,416, which is a decrease of \$251,289 over the prior year. This decrease is due to an excess of expenditures over revenues based upon the current financial resources measurement focus and the modified accrual basis of accounting.

The net change in the general fund-fund balance is an increase of \$183,158. This resulted from revenues and other financing sources in excess of expenditures and other financing uses. Revenues and other financing sources decreased \$646,163 (1.61%) over 2019, however, there was a real property tax increase of \$96,971. Expenditures and other financing uses decreased by \$1,816,027 (4.50%) over the prior year. There was a decrease in employee benefits of \$468,542.



**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**

**Management’s Discussion and Analysis (Unaudited)  
June 30, 2020**

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Not reflected in the change in the general fund fund balance is the effect of the prior period adjustment for property taxes not collected within 60 after year end in year 2018-19. See footnote 15 for more information.

The net change in the school food service fund balance is an increase of \$7,592.

The capital projects fund fund balance decreased \$442,039. In the current year, the District transferred in \$650,000 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. The District also spent \$1,092,039 in various capital projects.

The District's general fund voter-approved budget for the year ended June 30, 2020 was \$40,787,549. This amount was increased by encumbrances carried forward from the prior year in the amount of \$757,579, for a total final budget of \$41,545,128.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$34,934,818 in property taxes and STAR.

**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, as restated	\$ 1,199,949
Revenues Under Budget	(642,007)
Expenditures and Encumbrances Under Budget	2,237,517
Allocation to Reserves	(2,573,906)
Unused appropriated amounts and reserves at June 30, 2019	497,754
Interest Earned on Restricted Reserves	69,874
Appropriated to Fund the June 30, 2020 Budget	<u>(250,000)</u>
Closing, Unassigned Fund Balance	<u>\$ 539,181</u>

Opening, Unassigned Fund Balance

The \$1,199,949 shown in the table is the portion of the District's June 30, 2019 fund balance that was retained as unassigned. This was under 4% of the District's 2019-20 approved operating budget of \$40,787,549.

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**

**Management’s Discussion and Analysis (Unaudited)  
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Revenues Over Budget

The 2019-2020 final budget for revenues was \$40,050,048. Actual revenues recognized for the year were \$39,408,041. The District recognized less revenue than anticipated related to taxes due from the Town of Southhold and the Town of Rivertown. At year end the amounts not collected within the 60 day period of availability was approximately \$1.5 million. This was up from the previous year of approximately \$718 thousand due to delays in tax payments related to COIVD-19.

Expenditures and Encumbrances Under Budget

The 2019-20 final budget for expenditures was \$41,545,126. Actual expenditures as of June 30, 2020 were \$38,506,108 and outstanding encumbrances were \$801,501. Combined, the expenditures plus encumbrances for 2019-20 were \$39,307,609. The final budget was under expended by \$2,237,517. This under expenditure is principally within the teaching regular school, pupil services, 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 \$2,573,906 shown in the above table is made up of four transfers; \$323,906 to the teachers' retirement system - retirement contribution reserve; \$750,000 to the employees' retirement system retirement contribution reserve; \$750,000 transfer to the capital reserve, and \$750,000 to establish a repair reserve.

Unused Appropriated Amounts and Reserves

In the 2019-20 budget, \$375,000 of fund balance along with \$359,000 of reserves were appropriated to reduce the tax levy. Due to lower than anticipated expenditures, \$497,754 of 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 \$69,874 shown in the previous table represents interest earned on restricted reserves. The reserves earned interest as follows:

Workers' compensation	\$	5,643
Unemployment insurance		880
Employees' retirement system -retirement contribution		27,994
Employee benefit accrued liability		13,611
Capital		<u>21,746</u>
	\$	<u>69,874</u>

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**

**Management’s Discussion and Analysis (Unaudited)  
June 30, 2020**

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Appropriated Fund Balance

The District has chosen to use \$250,000 of the available June 30, 2020 unassigned fund balance to partially fund the 2020-2021 approved operating budget. As such, the June 30, 2020 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, 2020 was \$539,181. This amount is under 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.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2020, the School District had Capital Assets of \$35,400,760, net of accumulated depreciation, invested in broad range of capital assets, including land, buildings and improvements and furniture and equipment. The change in capital assets, net of accumulated depreciation is outlined below.

<u>Category</u>	<b>Capital Assets (Net of Accumulated Depreciation)</b>			
	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2019</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Land	\$ 18,000	\$ 18,000	\$ -	0%
Construction in progress	1,938,582	846,543	1,092,039	129%
Buildings and improvements	30,319,635	31,347,432	(1,027,797)	-3%
Site improvements	1,110,158	1,194,649	(84,491)	-7%
Furniture & Equipment	<u>2,014,385</u>	<u>2,335,726</u>	<u>(321,341)</u>	-14%
Total	<u>\$ 35,400,760</u>	<u>\$ 35,742,350</u>	<u>\$ (341,590)</u>	-1%

The total decrease of \$341,590 from 2019 to 2020 is due to annual depreciation expense of \$1,601,449 less capital asset additions of \$1,259,859. More detailed information about the School District’s capital assets is presented in Note 7 in the notes to financial statements.

## MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited) June 30, 2020

#### Debt Administration

The School District had general obligation and other long-term debt outstanding as follows:

	Issue Date	Interest Rate	Fiscal Year 2020	Fiscal Year 2019	Dollar Change	Percent Change
<b>Bonds Payable</b>						
	6/26/2014	2.625-3.125%	\$ 640,000	\$ 700,000	\$ (60,000)	-9%
	4/30/2015	2.00-5.00%	11,360,000	12,450,000	(1,090,000)	-9%
<b>Energy Performance Contract</b>						
	2/22/2019	3.19%	<u>1,672,063</u>	<u>1,752,512</u>	<u>(80,449)</u>	-5%
Total			<u>\$ 13,672,063</u>	<u>\$ 14,902,512</u>	<u>\$ (1,230,449)</u>	-8%

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.

	Fiscal Year 2020	Fiscal Year 2019	Dollar Change	Percent Change
Compensated absences	\$ 1,170,950	\$ 1,120,590	\$ 50,360	4%
Workers' Compensation	381,479	304,659	76,820	25%
Net pension liability - ERS	2,196,583	586,624	1,609,959	274%
Total OPEB obligation	<u>84,683,255</u>	<u>76,855,162</u>	<u>7,828,093</u>	10%
	<u>\$ 88,432,267</u>	<u>\$ 78,867,035</u>	<u>\$ 9,565,232</u>	

During the 2019-2020 fiscal year, the School District did not issue any new construction bonds nor did it enter into any new installment purchase agreements to fund the purchase of equipment.

On June 30, 2020, the School District reported a liability of \$2,196,583 for its proportionate share of the net pension liability for ERS and an asset of \$2,525,501 for TRS for its proportionate share of the net pension asset. As mentioned previously, these shares of New York State pension liabilities and assets are now required by GASB 68 to be disclosed on the School District's statements; however, amounts due to retirees are payable by the State retirement systems to School District pensioners. The net pension liability for ERS was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2019. The net pension asset for TRS was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

## **MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**

### **Management's Discussion and Analysis (Unaudited)**

**June 30, 2020**

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The largest increase in the District's long-term obligations is related to the increase in the liability for other postemployment benefits (OPEB). This increased \$7,828,093 in 2019-20. This is based on an actuarial valuation and changes in assumptions related to that valuation in the current year.

### **FACTORS BEARING ON THE FUTURE OF THE DISTRICT**

The general fund budget, the only fund with a legally adopted budget, as approved by the voters of the District on June 9, 2020, for the year ending June 30, 2021, is \$41,418,100. This is an increase of \$630,551 over the previous year's budget. Increases in the employee benefits and instruction -regular school areas of the budget were offset by decreases in central services, technology and instructional media, the instruction -students with special needs and debt service areas of the budget.

The District's 2020-2021 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 2020-2021 are \$3,246,000, use of reserves is \$427,177, appropriated fund balance is \$250,000 and the balance of \$37,494,923 will be raised through the tax levy. The 2020-2021 budget represents a property tax increase of 1.75% over the prior year.

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.

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.

### **CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the School District and to demonstrate the School District's accountability with the funds it receives. If you have any questions about this report or need additional financial information, please contact:

Donna Brower  
Business and Operations Administrator  
Mattituck-Cutchogue Union Free School District  
385 Depot Lane  
Cutchogue, NY 11935

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT****Statement of Net Position  
June 30, 2020****ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

## CURRENT ASSETS:

Cash and cash equivalents - Unrestricted	\$ 5,756,335
Cash and cash equivalents - Restricted	9,522,646
Accounts receivable	3,770
Taxes receivable	2,151,410
Due from fiduciary funds	390,581
State and federal aid receivable	60,831
Due from other governments	238,129
Inventories	8,495
Other assets	<u>359,587</u>

Total current assets 18,491,784

## NON CURRENT ASSETS:

Net pension asset - TRS	2,525,501
Capital assets, net	<u>35,400,760</u>

Total non current assets 37,926,261

Total assets 56,418,045

## DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows of resources - pensions ERS	1,570,709
Deferred outflows of resources - pensions TRS	8,494,729
Deferred outflows of resources - other postemployment benefits	8,735,626
Deferred outflows of resources - deferred changes from advance refunding	<u>465,425</u>

Total deferred outflows of resources 19,266,489

**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

## CURRENT LIABILITIES:

Accounts payable and accrued liabilities	824,775
Accrued interest	264,991
Due to other governments	553,282
Due to Teachers' Retirement System	1,501,961
Due to Employees' Retirement System	99,087
Unearned revenue	64,927
Current portion of long term liabilities	<u>1,180,864</u>

Total current liabilities 4,489,887

## LONG-TERM LIABILITIES:

Bonds payable, net of current portion and unamortized premium	11,935,464
Energy performance contract payable	1,571,199
Net pension liability - ERS	2,196,583
Total OPEB liability	84,683,255
Workers' compensation liability	381,479
Compensated absences payable	<u>1,170,950</u>

Total long-term liabilities 101,938,930

Total liabilities 106,428,817

## DEFERRED INFLOWS OF RESOURCES:

Deferred inflows of resources - pensions ERS	66,631
Deferred inflows of resources - pensions TRS	<u>3,376,432</u>

Total deferred inflows of resources 3,443,063

**NET POSITION**

Net investment in capital assets	21,728,697
Restricted	11,875,546
Unrestricted	<u>(67,791,589)</u>

Total net position \$ (34,187,346)

The accompanying notes are an integral part of these statements.

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**

**Statement of Activities  
For the Year Ended June 30, 2020**

	<u>Program Revenue</u>			Net (Expense)
	Charges for	Operating		Revenue and
<u>Expenses</u>	<u>Services</u>	<u>Grants</u>		<u>Changes in Net</u>
				<u>Position</u>
FUNCTIONS/PROGRAMS:				
General support	\$ 7,472,824	\$ -	\$ -	\$ (7,472,824)
Instruction	35,282,987	350,699	229,409	(34,702,879)
Pupil transportation	1,312,074	-	-	(1,312,074)
Community service	26,822	-	-	(26,822)
Debt service - Interest	635,962	-	-	(635,962)
Food service	<u>162,634</u>	<u>83,940</u>	<u>86,286</u>	<u>7,592</u>
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<u>\$ 44,893,303</u>	<u>\$ 434,639</u>	<u>\$ 315,695</u>	<u>(44,142,969)</u>
GENERAL REVENUE:				
Real property taxes				35,747,868
Other tax items				1,117,597
Use of money and property				209,079
Sale of property and compensation for loss				8,179
Miscellaneous				117,616
State sources				2,759,273
Medicaid reimbursement				<u>6,354</u>
<b>TOTAL GENERAL REVENUE</b>				<u>39,965,966</u>
<b>CHANGE IN NET POSITION</b>				<u>(4,177,003)</u>
<b>NET POSITION - beginning of year</b>				<u>(30,010,343)</u>
<b>TOTAL NET POSITION - end of year</b>				<u>\$ (34,187,346)</u>

The accompanying notes are an integral part of these statements.

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**

**Balance Sheets - Governmental Funds  
June 30, 2020**

	General	Capital Projects	Non Major	Total Governmental Funds
<b>ASSETS:</b>				
Cash and cash equivalents - unrestricted	\$ 5,743,067	\$ -	\$ 13,268	\$ 5,756,335
Cash and cash equivalents - restricted	9,313,295	3,675	205,676	9,522,646
Accounts receivable	3,770	-	60,831	64,601
Due from other funds	891,528	3,001,020	166,525	4,059,073
Due from other governments	238,129	-	-	238,129
State and federal aid receivable	2,151,410	-	-	2,151,410
Inventories	-	-	8,495	8,495
<b>TOTAL ASSETS</b>	<b>\$ 18,341,199</b>	<b>\$ 3,004,695</b>	<b>\$ 454,795</b>	<b>\$ 21,800,689</b>
<b>LIABILITIES AND DEFERRED INFLOW OF RESOURCES:</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 742,968	\$ 81,807	\$ -	\$ 824,775
Due to other funds	2,955,579	360,637	352,276	3,668,492
Due to Teachers' Retirement System	1,501,961	-	-	1,501,961
Due to Employees' Retirement System	99,087	-	-	99,087
Due to other governments	553,273	-	9	553,282
Unearned revenue	40,606	-	24,321	64,927
<b>TOTAL LIABILITIES</b>	<b>5,893,474</b>	<b>442,444</b>	<b>376,606</b>	<b>6,712,524</b>
<b>Deferred inflow of resources</b>				
Deferred inflow - property taxes	1,531,825	-	-	1,531,825
Deferred inflow - grants	11,924	-	-	11,924
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>1,543,749</b>	<b>-</b>	<b>-</b>	<b>1,543,749</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>7,437,223</b>	<b>442,444</b>	<b>376,606</b>	<b>8,256,273</b>
<b>FUND BALANCE:</b>				
Nonspendable	-	-	8,495	8,495
<b>Restricted:</b>				
Retirement contributions				
Teachers' retirement system	655,031	-	-	655,031
Employees' retirement system	3,192,574	-	-	3,192,574
Employee benefit accrued liabilities	1,419,701	-	-	1,419,701
Workers compensation	513,934	-	-	513,934
Unemployment	86,017	-	-	86,017
Repairs	750,000	-	-	750,000
Capital	2,696,038	2,562,251	-	5,258,289
<b>Total restricted fund balance</b>	<b>9,313,295</b>	<b>2,562,251</b>	<b>-</b>	<b>11,875,546</b>
<b>Assigned:</b>				
Appropriated for subsequent years expenditures	250,000	-	-	250,000
Other purposes	801,500	-	69,694	871,194
<b>Total assigned fund balance</b>	<b>1,051,500</b>	<b>-</b>	<b>69,694</b>	<b>1,121,194</b>
<b>Unassigned</b>	<b>539,181</b>	<b>-</b>	<b>-</b>	<b>539,181</b>
<b>TOTAL FUND BALANCE</b>	<b>10,903,976</b>	<b>2,562,251</b>	<b>78,189</b>	<b>13,544,416</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND</b>	<b>\$ 18,341,199</b>	<b>\$ 3,004,695</b>	<b>\$ 454,795</b>	<b>\$ 21,800,689</b>

The accompanying notes are an integral part of these statements.



**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**

**Reconciliation of Total Governmental Fund Balance to Governmental Activities Net Position  
June 30, 2020**

A reconciliation of total governmental fund balance to government-wide net position follows:

Total governmental fund balance \$ 13,544,416

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. 359,587

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	67,278,137	
Accumulated depreciation	<u>(31,877,377)</u>	35,400,760

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	2,525,501	
Deferred outflows of resources	10,065,438	
Net pension liability - employees' retirement system	(2,196,583)	
Deferred inflows of resources	<u>(3,443,063)</u>	6,951,293

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. 465,425

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	8,735,626	
Total other postemployment benefits obligation	<u>(84,683,255)</u>	(75,947,629)

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. 1,543,749

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	(264,991)	
Bonds payable, net	(13,015,464)	
Energy performance contract payable	(1,672,063)	
Compensated absences payable	(1,170,950)	
Workers' compensation liabilities	<u>(381,479)</u>	(16,504,947)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (34,187,346)

The accompanying notes are an integral part of these statements.

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**

**Statements of Revenue, Expenditures, and Changes in Fund Balance - Governmental Funds**  
**June 30, 2020**

	Governmental Fund Types			Total Governmental Funds
	General	Capital Projects	Non Major	
REVENUE:				
Real property taxes	\$ 34,934,818	\$ -	\$ -	\$ 34,934,818
Other tax items	1,117,597	-	-	1,117,597
Charges for services	350,699	-	-	350,699
Use of money and property	209,079	-	-	209,079
Sale of property and compensation for loss	8,179	-	-	8,179
Miscellaneous	164,449	-	-	164,449
State sources	2,616,866	-	130,483	2,747,349
Medicaid reimbursement	6,354	-	-	6,354
Federal sources	-	-	315,695	315,695
Sales - School lunch	-	-	83,940	83,940
Total revenue	<u>39,408,041</u>	<u>-</u>	<u>530,118</u>	<u>39,938,159</u>
EXPENDITURES:				
General support	5,447,895	-	-	5,447,895
Instruction	19,983,077	-	355,752	20,338,829
Pupil transportation	1,070,162	-	4,140	1,074,302
Employee benefits	9,355,146	-	-	9,355,146
Community services	7,788	-	-	7,788
Debt service - Principal	1,230,449	-	-	1,230,449
Debt service - Interest	761,591	-	-	761,591
Cost of sales	-	-	162,634	162,634
Capital outlay	-	1,092,039	-	1,092,039
Total expenditures	<u>37,856,108</u>	<u>1,092,039</u>	<u>522,526</u>	<u>39,470,673</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>1,551,933</u>	<u>(1,092,039)</u>	<u>7,592</u>	<u>467,486</u>
OTHER SOURCES AND (USES):				
Operating transfers in	-	650,000	-	650,000
Operating transfers (out)	(650,000)	-	-	(650,000)
Total other sources (uses)	<u>(650,000)</u>	<u>650,000</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	901,933	(442,039)	7,592	467,486
FUND BALANCE - beginning of year, as previously reported	10,720,818	3,004,290	70,597	13,795,705
PRIOR PERIOD ADJUSTMENT (SEE NOTE 15)	<u>(718,775)</u>	<u>-</u>	<u>-</u>	<u>(718,775)</u>
FUND BALANCE - beginning of year, as restated	<u>10,002,043</u>	<u>3,004,290</u>	<u>70,597</u>	<u>13,076,930</u>
FUND BALANCE - end of year	<u>\$ 10,903,976</u>	<u>\$ 2,562,251</u>	<u>\$ 78,189</u>	<u>\$ 13,544,416</u>

The accompanying notes are an integral part of these statements.

**MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT**

**Reconciliation of the Statements of Revenue, Expenditures, and Changes in Fund Balance to the Statement of Activities**  
**June 30, 2020**

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Net changes in fund balance - Total governmental funds	\$ 467,486
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position	1,259,859
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(1,601,449)
Pension (expense) income resulting from the GASB 68 related actuary reporting is not recorded as an (expenditure) income in the governmental funds but is recorded in the statement of activities	(2,142,001)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	1,230,449
Premiums from the issuance on bonds that are revenue sources in the governmental funds in the year received but are amortized on the statement of net position	202,667
Certain revenue in the governmental funds is deferred or not recognized because it is not available soon enough after year end to pay for the current period's expenditures. On the accrual basis, however, this is recognized regardless of when it is collected.	824,974
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds as follows:	
Accrued interest	(15,850)
Compensated absences	(50,360)
Workers' compensation	(76,820)
Amortization of deferred gain on refunding	(92,890)
Change in accrued post-employment benefits do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(4,172,571)
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.	<u>(10,497)</u>
Change in net position - Governmental activities	<u>\$ (4,177,003)</u>

The accompanying notes are an integral part of these statements.

**MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT**

**Statements of Net Position - Fiduciary Funds  
For the Year Ended June 30, 2020**

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	<u>Agency</u>	<u>Private Purpose Trust</u>
<b>ASSETS:</b>		
Cash and cash equivalents - Unrestricted	494,252	\$ -
Cash and cash equivalents - Restricted	<u>160,859</u>	<u>85,932</u>
 Total assets	 <u>\$ 655,111</u>	 <u>\$ 85,932</u>
 <b>LIABILITIES:</b>		
Extraclassroom activity balances	160,860	-
Due to governmental fund	390,581	-
Other liabilities	<u>103,670</u>	<u>-</u>
 Total liabilities	 <u>\$ 655,111</u>	 <u>\$ -</u>
 <b>NET POSITION:</b>		
Restricted for private purposes		<u>\$ 85,932</u>

The accompanying notes are an integral part of these statements.

**MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT**

**Statement of Changes in Net Position - Fiduciary Funds  
For the year ended June 30, 2020**

	<u>Private Purpose Trusts</u>
<b>ADDITIONS:</b>	
Contributions	\$ <u>7,000</u>
Total additions	<u>7,000</u>
<b>DEDUCTIONS:</b>	
Scholarships and other private purposes	<u>10,500</u>
Total deductions	<u>10,500</u>
NET DECREASE	(3,500)
NET POSITION - beginning of year	<u>89,432</u>
NET POSITION - end of year	<u><u>\$ 85,932</u></u>

The accompanying notes are an integral part of these statements.

# MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

## Notes to the Financial Statements

June 30, 2020

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### 1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

Mattituck-Cutchogue Union Free School District provides free K-12 public education to students living within its geographic borders.

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

Certain significant accounting principles and policies utilized by the School District are described below:

#### **Reporting Entity**

The Mattituck-Cutchogue Union Free School District is governed by the Laws of New York State. The School District is an independent entity governed by an elected Board of Education (BOE). The President of the Board serves as chief fiscal officer and the Superintendent is the chief executive officer. The BOE has authority to make decisions, power to appoint management, and accountability for all fiscal matters.

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

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

#### Extraclassroom Activity Funds

The extraclassroom activity funds of the School District represent funds of the students of the School District. The board of education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the School District's business office. The School District accounts for assets held as an agent for various student organizations in an agency fund.

#### **Joint Venture**

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

## MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2020

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

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

Financial statements for the BOCES are available from the BOCES administrative office.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

### **Basis of Presentation**

#### Government-Wide Statements

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

The statement of activities presents a comparison between direct expenses and program revenue for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

#### Fund Financial Statements

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

## MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2020

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The School District reports the following major governmental funds:

- *General Fund* - This is the School District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- *Capital Project Fund* - This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

The School District Reports the following non major governmental funds:

- *Special Aid Fund* - This is a special revenue fund that accounts for the proceeds of specific revenue sources, such as federal, state, or local grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.
- *School Lunch Fund* - This is a special revenue fund that is used to record the operations of the breakfast and lunch programs of the School District.

The School District reports the following fiduciary funds:

- *Fiduciary Funds* - These funds are used to account for fiduciary activities. Fiduciary activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the School District-wide financial statements, because their resources do not belong to the School District, and are not available to be used. There are two types of fiduciary funds:
  - *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 School District or representatives of the donors may serve on committees to determine who benefits.
  - *Agency funds:* These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the School District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholdings that are payable to other jurisdictions.

#### **Measurement Focus and Basis of Accounting**

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



## **MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**

### **Notes to the Financial Statements**

**June 30, 2020**

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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, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

#### **Cash and Cash Equivalents**

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and are obligations of the State and its municipalities and districts.

State law governs the School District's deposit and investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance.

#### **Restricted Cash and Cash Equivalents**

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$9,522,646 within the governmental funds.

#### **Property Taxes**

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

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

#### **Accounts Receivable and Due from Other Governments**

Receivables include amounts due from other governments and individuals for services provided by the School District. Receivables and amounts due from other governments are recorded and revenue recognized as earned or as expenses are incurred. Allowances are recorded when appropriate.

## MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2020

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#### Inventories

Inventories in the School Lunch Fund consist of food and supplies and are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at a stated value, which approximates market. These inventories consist primarily of items held for consumption. The cost is recorded as inventory at the time individual inventory items are purchased and presented as a prepaid expenditure/expense in the financial statements. The School District uses the consumption method to relieve inventory.

#### Interfund transactions

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

In the government-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 significant 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 may be netted on the accompanying governmental funds balance sheet when it is the School District's practice to settle these amounts at a net balance based upon the right of legal offset.

#### Capital Assets, Net

Capital assets are reported at actual cost when such data was available. For assets in which there was no data available, estimated historical costs, based on appraisals conducted by independent third-party professionals, were used. Donated assets are reported at estimated acquisition value at the time received.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Site improvements	\$ 10,000	SL	20-30 years
Building and improvements	\$ 10,000	SL	20-50 years
Furniture and equipment	\$ 500	SL	5-20 years

#### Other Assets

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

## MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2020

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#### **Deferred Outflows and Inflows of Resources**

In addition to assets and liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then.

#### **Compensated Absences**

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

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

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

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

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

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

#### **Total Other Post-Employment Benefits Liability**

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

## MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2020

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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.

#### **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.

#### **Unearned Revenue**

Unearned revenue is reported when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has legal claim to them. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

#### **Accrued Liabilities and Long-Term Obligations**

Payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources.

Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the School District's future obligations or future economic outflows. The liabilities are reported as due in one year or as long-term liabilities in the statement of net position.

#### **Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the School 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.

## MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2020

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#### **Fund Balance/Net Position Classifications**

##### **Government-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) plus unspent bond proceeds reduced by outstanding balances of related debt obligations from the acquisition, construction, or improvements of those assets.

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

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

##### **Fund Balance – Reservations and Designations**

In the fund basis statements there are five classifications of fund balance:

Non-spendable fund balance – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

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

##### Capital

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. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the general fund under restricted fund balance.

##### Encumbrances

Encumbrance accounting is used for budgetary control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as assigned fund balance and do not represent expenditures or liabilities.

## MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2020

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#### Repair

Repair reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The board of education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the general fund under restricted fund balance.

#### Workers' Compensation

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 under restricted fund balance.

#### Unemployment Insurance

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 School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund under restricted fund balance.

#### 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.

#### Debt Service

Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of the School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of the School District property or capital improvement. The reserve is accounted for in the general fund under restricted fund balance.

## MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2020

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#### Insurance

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

#### Liability Claims and Property Loss

Property loss reserve and liability reserve (Education Law §1709(8)(c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the general fund under restricted fund balance.

#### Tax Certiorari

Tax certiorari reserve (Education Law §3651.1-a) is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the general fund under restricted fund balance.

#### Employee Benefit Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit 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 under restricted fund balance.

#### Retirement Contribution

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of operation and condition of the fund must be provided to the board. This reserve is accounted for in the general fund under restricted fund balance.

## MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2020

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#### Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as assigned fund balance, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Restricted fund balance includes the following:

General Fund:	
Retirement contributions	
Teachers' retirement system	\$ 655,031
Employees' retirement system	3,192,574
Employee benefit accrued liabilities	1,419,701
Workers compensation	513,934
Unemployment	86,017
Repairs	750,000
Capital	<u>2,696,038</u>
Total General fund	9,313,295
Capital Project Fund	<u>2,562,251</u>
Total Restricted	<u>\$11,875,546</u>

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

Assigned fund balance – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance in the general fund. Encumbrances reported in the general fund amounted to \$801,501. As of June 30, 2020, the School District's encumbrances were classified as follows:

General support	\$ 643,199
Instruction	92,147
Pupil transportation	<u>66,155</u>
Total encumbrances	<u>\$ 801,501</u>

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.



## MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2020

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New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds the School District can retain to no more than 4% of the School District's budget for the general fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

#### Order of Fund Balance Spending Policy

The School District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

### 3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS

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

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

Total fund balances of the School District's governmental funds differ from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

#### **Statements of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities**

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories:

- **Long-Term Revenue and Expense Differences**

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

- **Capital Related Differences**

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

## MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2020

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- **Long-Term Debt Transaction Differences**

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

- **Pension Differences**

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

- **OPEB Differences**

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

#### 4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

##### **Budgets**

The School District administrations prepare a proposed budget for approval by the Board of Education for the General Fund. The voters of the School District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

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

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

# MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

## Notes to the Financial Statements

June 30, 2020

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### Fund Balance

The District's unrestricted fund balance in its General Fund was in compliance with the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year.

Portions of fund balances are reserved and not available for current expenses or expenditures, as reported in the governmental funds balance sheet.

## 5. CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these Notes.

At June 30, 2020, the reported amount of the District's deposits was \$16,020,024 and the bank balance was \$16,204,846. Of the bank balance, \$500,000 was covered by federal depository insurance and \$11,076,896 was covered by collateral held in the District's name. The remaining balance was covered by a Letter of credit in the amount of \$5,100,000.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes.

Restricted cash consists of the following:

General fund	<u>\$ 9,313,295</u>
Capital fund	<u>\$ 3,675</u>
Special aid fund	<u>\$ 205,676</u>
Trust and agency funds:	
Cash on deposit for scholarships, private purpose trust funds, and extraclassroom activity funds	<u>\$ 246,791</u>

## 6. PARTICIPATION IN BOCES

During the year, the School District was billed \$1,696,782 for BOCES administrative and program costs. The School District's share of BOCES aid amounted to \$116,355. Financial statements for BOCES are available from the BOCES administrative office.

# MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

## Notes to the Financial Statements June 30, 2020

### 7. CAPITAL ASSETS, NET

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

	July 1, 2019		June 30, 2020	
	Balance	Additions	Deletions	Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 18,000	\$ -	\$ -	\$ 18,000
Construction in progress	<u>846,543</u>	<u>1,092,039</u>	<u>-</u>	<u>1,938,582</u>
Total non-depreciable cost	<u>864,543</u>	<u>1,092,039</u>	<u>-</u>	<u>1,956,582</u>
Capital assets that are depreciated:				
Buildings & improvements	54,088,445	6,643	-	54,095,088
Site improvements	2,596,594	10,247	-	2,606,841
Furniture & Equipment	<u>8,468,696</u>	<u>150,930</u>	<u>-</u>	<u>8,619,626</u>
Total depreciable historical cost	<u>65,153,735</u>	<u>167,820</u>	<u>-</u>	<u>65,321,555</u>
Less accumulated depreciation:				
Buildings & improvements	22,741,013	1,034,440	-	23,775,453
Site improvements	1,401,945	94,738	-	1,496,683
Furniture & Equipment	<u>6,132,970</u>	<u>472,271</u>	<u>-</u>	<u>6,605,241</u>
Total accumulated depreciation	<u>30,275,928</u>	<u>1,601,449</u>	<u>-</u>	<u>31,877,377</u>
Total depreciable cost, net	<u>\$34,877,807</u>	<u>\$ (1,433,629)</u>	<u>\$ -</u>	<u>33,444,178</u>
Total capital assets	<u>\$ 35,742,350</u>	<u>\$ (341,590)</u>	<u>\$ -</u>	<u>\$ 35,400,760</u>

Depreciation expense for the year ended June 30, 2020, was allocated to specific functions as follows:

General support	\$ 185,134
Instruction	1,337,085
Transportation	56,261
Community service	<u>22,969</u>
Total Depreciation	<u>\$1,601,449</u>

**MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT**

**Notes to the Financial Statements**

**June 30, 2020**

**8. LONG-TERM DEBT**

Interest on all debt for the year was composed of:

Interest paid	\$ 761,591
Less: interest accrued in prior year	(280,841)
Less: premium amortization	(202,667)
Plus: amortization on loss on refunding	92,888
Plus: interest accrued in current year	<u>264,991</u>
 Total expense	 <u>\$ 635,962</u>

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

	Beginning			Ending	Amounts
	Balance	Additions	Deletions	Balance	Due Within
					One Year
<u>Government activities</u>					
Bonds payable:					
General obligation debt:					
Bonds payable	\$ 13,150,000	\$ -	\$ 1,150,000	\$ 12,000,000	\$ 1,080,000
Unamortized premium on bonds	<u>1,218,131</u>	<u>-</u>	<u>202,667</u>	<u>1,015,464</u>	<u>-</u>
Total Bonds	14,368,131	-	1,352,667	13,015,464	1,080,000
Energy performance contract	<u>1,752,512</u>	<u>-</u>	<u>80,449</u>	<u>1,672,063</u>	<u>100,864</u>
Other liabilities:					
Compensated absences	1,120,590	50,360	-	1,170,950	-
Workers' compensation	304,659	76,820	-	381,479	-
Net pension liability	586,624	1,609,959	-	2,196,583	-
Total Other postemployment benefits	<u>76,855,162</u>	<u>10,192,392</u>	<u>2,364,299</u>	<u>84,683,255</u>	<u>-</u>
Total other liabilities	<u>78,867,035</u>	<u>11,929,531</u>	<u>2,364,299</u>	<u>88,432,267</u>	<u>-</u>
 Total long-term liabilities	 <u>\$ 94,987,678</u>	 <u>\$ 11,929,531</u>	 <u>\$ 3,797,415</u>	 <u>\$103,119,794</u>	 <u>\$ 1,180,864</u>

# MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

## Notes to the Financial Statements

June 30, 2020

Issue dates, maturities, and interest rates on outstanding debt are as follows:

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>June 30, 2020 Balance</u>
Construction serial bond	2014	2029	2.625-3.125%	\$ 640,000
Refunding bonds	2015	2029	2.00-500%	<u>11,360,000</u>
Total				<u>\$ 12,000,000</u>

The following is a summary of the maturities of bonds payable:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending June 30,			
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	1,170,000	290,330	1,460,330
2026-2030	<u>6,430,000</u>	<u>593,665</u>	<u>7,023,665</u>
Total	<u>\$ 12,000,000</u>	<u>\$ 2,592,046</u>	<u>\$ 14,592,046</u>

The following is a summary of the maturities of energy performance contract:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending June 30,			
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	114,476	38,929	153,405
2026-2030	630,017	137,005	767,022
2031-2034	<u>504,236</u>	<u>32,679</u>	<u>536,915</u>
Total	<u>\$ 1,672,063</u>	<u>\$ 398,897</u>	<u>\$ 2,070,960</u>

# MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

## Notes to the Financial Statements

June 30, 2020

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:

Fiscal Year Ending June 30,	Amortization of premium	Amortization of deferred charges	Interest expense increase / (decreases)
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	(113,548)	52,043	(61,505)
2026-2030	(268,123)	122,891	(145,232)
Total	<u>\$ (1,015,464)</u>	<u>\$ 465,424</u>	<u>\$ (550,040)</u>

### 9. INTERFUND BALANCES AND ACTIVITY

	Interfund		Interfund	
	Receivable	Payable	Revenue	Expenditure
General fund	\$ 891,528	\$ 2,955,579	\$ -	\$ 650,000
Special aid fund	104,314	352,276	-	-
School lunch fund	62,211	-	-	-
Capital project fund	3,001,020	360,637	650,000	-
Fiduciary funds	-	390,581	-	-
Total governmental activities	<u>\$ 4,059,073</u>	<u>\$ 4,059,073</u>	<u>\$ 650,000</u>	<u>\$ 650,000</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

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

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

# MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

## Notes to the Financial Statements

June 30, 2020

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### 10. PENSION PLANS

#### New York State and Local Retirement System

The School District participates in the New York State and Local Retirement System (ERS). ERS is a cost-sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), established to hold all net assets and record changes in plan net position allocated to ERS. ERS benefits are established under the provisions of the New York Retirement and Social Security Law (RSSL). Once an employer elects to participate in 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 School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The system is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

#### *Contributions*

ERS is noncontributory except for employees who joined ERS after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute between 3 to 6 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2020	\$ 402,689
2019	\$ 413,462
2018	\$ 445,933

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2020, the School District reported a net pension liability of \$2,196,583 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2019. The School District's proportion of the net pension liability was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2020, the School District's proportion was 0.0082951 percent, which was a decrease of 0.0000157 percent from its proportion measured the prior year.



## MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2020

For the year ended June 30, 2020, the School District recognized pension expense of \$820,426. At June 30, 2020 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 129,278	\$ -
Change of Assumptions	44,229	38,191
Net difference between projected and actual earnings on pension plan investments	1,126,075	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	172,041	28,440
Contributions subsequent to the measurement date	99,086	-
	<u>\$ 1,570,709</u>	<u>\$ 66,631</u>

The District recognized \$99,086 as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions that will be recognized in pension expense as follows:

Plan's Year Ended June 30,	
2021	\$ 267,894
2022	361,993
2023	431,912
2024	343,193
Thereafter	-
	<u>\$ 1,404,992</u>

#### Actuarial Assumptions

The total pension liability at March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020.

The actuarial valuation used the following actuarial assumptions:

Inflation	2.50%
Salary scale	4.2% indexed by service
Cost-of-living adjustments	1.3%
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2018
Investment Rate of Return	6.8% compounded annually, net of investment expenses

## MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2020

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 returns, 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 previous actuarial valuation as of April 1, 2018 used a long-term expected rate of return of 7.0%.

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

<u>Asset Class</u>	<u>Target Allocation in %</u>	<u>Long-Term Expected Real Rate of Term in %</u>
Domestic Equities	36	4.05
International Equities	14	6.15
Private equity	10	6.75
Real Estate	10	4.95
Absolute return strategies	2	3.25
Opportunistic portfolio	3	4.65
Real assets	3	5.95
Bonds and mortgages	17	0.75
Cash	1	0.00
Inflation-indexed bonds	<u>4</u>	0.50
	<u>100</u>	

#### Discount Rate

The discount rate used to measure the total pension liability was 6.8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.8%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease	Current Assumption	1% Increase
	<u>5.80%</u>	<u>6.80%</u>	<u>7.80%</u>
Proportionate Share of Net Pension Liability (Asset)	<u>\$4,031,349</u>	<u>\$2,196,583</u>	<u>\$ 506,755</u>

## MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2020

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#### **Pension Plan Fiduciary Net Position**

The components of the current-year net pension (asset) of the employers plan as of June 30, 2020 were as follows:

	<u>Pension Plan's Fiduciary Net Position</u>
Total pension liability	\$ 194,596,261
Net position	<u>(168,115,682)</u>
Net pension liability	<u>\$ 26,480,579</u>
Fiduciary net position as a percentage of total pension liability	86.39%

#### ***New York State Teachers' Retirement System***

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

The New York State Teachers' Retirement Board administers NYSTRS. NYSTRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

#### **Contributions**

NYSTRS is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the NYSTRS after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

## MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2020

The District is required to contribute at an actuarially determined rate. The District contributions made to NYSTRS were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	<u>TRS</u>
2020	\$ 1,427,243
2019	\$ 1,723,180
2018	\$ 1,622,511

#### **Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions**

At June 30, 2020, the District reported a net pension asset of \$2,525,501 for its proportionate share of the TRS net pension asset. The net pension asset was measured as of June 30, 2020, and the total pension asset used to calculate the net pension asset was determined by the actuarial valuation as of that date. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2020 the District's proportionate share was 0.097209%, which was a decrease of 0.004432% from its proportionate share at June 30, 2019.

For the year ended June 30, 2020, the District recognized pension expense of \$3,226,576. At June 30, 2020 the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$1,711,468	\$ 187,801
Changes of assumptions	4,771,013	1,163,307
Net difference between projected and actual earnings on pension plan investments		- 2,025,324
Changes in proportion and differences between the District's contributions and proportionate share of contributions	510,287	-
Contributions subsequent to the measurement date	<u>1,501,961</u>	<u>-</u>
Total	<u>\$8,494,729</u>	<u>\$3,376,432</u>

The District recognized \$1,501,961 as a deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date of June 30, 2019, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

## MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2020

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Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended June 30:

2020	\$ 1,245,931
2021	175,858
2022	1,241,790
2023	836,291
2024	148,729
Thereafter	<u>(32,266)</u>
Total	<u>\$ 3,616,333</u>

#### Actuarial Assumptions

The total pension liability at the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. These actuarial valuations used the following actuarial assumptions:

Inflation	2.20%
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLAs	1.3% compounded annually
Investment Rate of Return	7.10% compounded annually, net of pension plan investment expense, including inflation.

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2018, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions were based on the results of an actuarial experience study for the period of July 1, 2009 to June 30, 2014.

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 expect 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-CUTCHOQUE UNION FREE SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2020

The Long Term Expected Real Rates of Return are presented by asset allocation classification, which differs from the financial statement presentation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the measurement date of June 30, 2019 are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocation in %</u>	<u>Long-Term Expected Real Rate of Return in %</u>
Domestic equity	33	6.3
International equity	16	7.8
Global equity	4	7.2
Real estate equity	11	4.6
Private equity	8	9.9
Domestic fixed income	16	1.3
Global bonds	2	0.9
High-yield bonds	1	3.6
Private debt	1	6.5
Real estate debt	7	2.9
Cash equivalents	1	0.3
	<u>100%</u>	

#### Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate

The following presents the net pension liability (asset) of the school districts calculated using the discount rate of 7.10 percent, as well as what the school districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease	Current Assumption	1% Increase
	<u>6.10%</u>	<u>7.10%</u>	<u>8.10%</u>
Proportionate Share of Net Pension Liability (asset)	<u>\$ 11,399,850</u>	<u>\$ (2,525,501)</u>	<u>\$ (14,207,300)</u>

## MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2020

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#### Pension Plan Fiduciary Net Position (000's)

The components of the current year net pension liability of the employers as of June 30, 2019, were as follows:

Total pension liability	\$	119,879,473
Net position		<u>(122,477,480)</u>
Net pension liability (asset)	\$	<u>(2,598,007)</u>
NYSTRS net position as a percentage of total pension liability		-102.17%

#### Payables to the Pension Plans

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

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

	<u>June 30, 2020</u>
ERS Liability	\$ 99,087
TRS Liability	<u>\$ 1,501,961</u>

## 11. OTHER POST EMPLOYMENT BENEFITS

#### Plan Description

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.

The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. 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.

## MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2020

At the valuation date of July 1, 2019, the number of employees covered by School District's OPEB plan:

Inactive employees or beneficiaries currently receiving benefits	213
Active employees	163
Survivors	<u>2</u>
Total participant	<u><u>378</u></u>

#### Total OPEB Liability

The District's total OPEB liability of \$84,683,255 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019. The July 1, 2019 total OPEB liability was increased by service cost and interest, decreased by benefits payments and adjusted to reflect any material plan changes to arrive at the total OPEB liability at the measurement date. The changes in the OPEB liability are as follows:

Balance at June 30, 2019	\$76,855,162
Changes for the Year -	
Service cost	2,240,678
Interest	2,345,863
Changes of benefit terms	-
Changes in assumptions or other inputs	2,984,867
Differences between expected and actual experience	2,620,984
Benefit payments	<u>(2,364,299)</u>
Net changes	<u>7,828,093</u>
Balance at June 30, 2020	<u><u>\$84,683,255</u></u>

#### Actuarial Assumptions and Other Inputs

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

Salary increase	2.5 Percent per year		
Discount Rate	2.4 percent as of June 30, 2020		
Healthcare Cost Trend Rates	<u>Trend Rates Applicable to Premiums</u>		
		Medicare	
		NY44	Part B
	<u>Year</u>	<u>Premiums</u>	<u>Premiums</u>
	2020	7.25%	4.50%
	2021	6.50%	4.50%
	2022	6.00%	4.50%
	2023	5.25%	4.50%
	2024	5.00%	4.50%
	2025	4.75%	4.50%
	2026 & After	4.50%	4.50%

The discount rate was based on the 20 year Municipal GO AA Bond Index, as of June 30, 2020.



**MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT**

**Notes to the Financial Statements**

**June 30, 2020**

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.

The actuarial assumptions used in the July 1, 2019 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the School district. The plan does not have sufficient data on which to perform an experience study.

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

The following presents the total OPEB liability of the School 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 or 1 percentage point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>1.40%</u>	<u>2.40%</u>	<u>3.40%</u>
Total OPEB Liability	<u>\$ 101,179,803</u>	<u>\$ 84,683,255</u>	<u>\$ 71,822,559</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 (6.5% decreasing to 3.50%) or 1 percentage point higher (8.50% decreasing to 5.5%) than the current healthcare cost trend rate (7.25% decreasing to 4.50%):

	3.5 - 6.5% Decrease	4.5 - 7.25 % Current Trend Rate	5.5 - 8.25% Increase
	<u>1.40%</u>	<u>2.40%</u>	<u>3.40%</u>
Total OPEB Liability	<u>\$ 69,854,943</u>	<u>\$ 84,683,255</u>	<u>\$ 104,332,134</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2020, the District recognized OPEB expense of \$6,536,870. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ -
Changes in assumptions	<u>8,735,626</u>
<b>Total</b>	<u><b>\$ 8,735,626</b></u>

## MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2020

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

<u>Fiscal Year Ending June 30:</u>	<u>Amount</u>
2021	\$ 1,950,329
2022	1,950,329
2023	1,950,329
2024	1,950,328
2025	934,311
Thereafter	-
	<u>\$ 8,735,626</u>

#### 12. RISK MANAGEMENT

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

The District participates in the East End Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The District's undiscounted share of the liability for IBNR and open claims is \$381,479.

#### 13. 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 \$19,482. The District received payment in lieu of tax (PILOT) payments totaling \$14,640.

#### 14. CONTINGENCIES AND COMMITMENTS

##### General Information

The School 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 School District's administration believes disallowances, if any, will be immaterial.

## MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2020

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#### 15. PRIOR PERIOD ADJUSTEMENT - CORRECTION OF AN ERROR

During fiscal year June 30, 2020, the District recorded a deferred inflow related to property taxes not received within the period of availability of 60 days after year-end in the governmental funds financial statements. This resulted in the following changes:

	<u>General Fund</u>
Fund balance / Net position—June 30, 2019, as previously stated	\$ 10,720,818
To record taxes not collected in the period of availability (deferred inflows)	<u>(718,775)</u>
Fund balance / Net position—June 30, 2019, as restated	<u>\$ 10,002,043</u>

#### 16. SUBSEQUENT EVENTS

As of the date of this report, the United States is in the midst of a national health emergency related to a virus, commonly known as novel coronavirus (COVID-19). In August 2020, the New York State Department of Education notified all school districts that effective immediately various state aid payments will be reduced by a 20% withholding. As a result, the School District has recorded a deferred inflow to reflect certain payments that have been delayed. At this time, it is uncertain as to when these payments will be received. As a result, at June 30, 2020, the School District has recorded a deferred inflow of resources in the amount of \$11,924 in the General fund.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**MATTITUCK - CUTCHOGUE UNION FREE SCHOOL DISTRICT**

**Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund (Unaudited)  
June 30, 2020**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Final Budget Variance with Budgetary Actual
<b>REVENUE</b>					
LOCAL SOURCES:					
Real property taxes	\$ 35,600,048	\$ 35,600,048	\$ 34,934,818	\$ -	\$ (665,230)
Other tax items	1,250,000	1,250,000	1,117,597	-	(132,403)
Charges for services	172,000	172,000	350,699	-	178,699
Use of money and property	73,000	73,000	209,079	-	136,079
Sale of property and compensation for loss	-	-	8,179	-	8,179
Miscellaneous	1	-	164,449	-	164,449
Medicaid reimbursement	5,000	5,000	6,354	-	1,354
Total local sources	37,100,049	37,100,048	36,791,175	-	(308,873)
State sources	2,950,000	2,950,000	2,616,866	-	(333,134)
Total revenue	\$ 40,050,049	\$ 40,050,048	\$ 39,408,041	\$ -	\$ (642,007)
<b>EXPENDITURES</b>					
GENERAL SUPPORT:					
Board of education	\$ 57,549	\$ 57,549	\$ 50,787	\$ 11	\$ 6,751
Central administration	296,763	343,731	334,643	5	9,083
Finance	481,090	521,201	456,654	46,927	17,620
Staff	121,350	125,205	98,446	-	26,759
Central services	4,153,667	4,936,229	4,097,457	596,256	242,516
Special items	387,587	409,908	409,908	-	-
Total general support	5,498,006	6,393,823	5,447,895	643,199	302,729
INSTRUCTION:					
Instruction, administration, and improvement	1,087,826	1,114,940	1,024,355	31,817	58,768
Teaching - Regular school	11,846,201	12,097,071	11,563,538	39,701	493,832
Programs for children with handicapping conditions	4,555,319	4,573,712	4,559,283	182	14,247
Occupational education	-	-	-	-	-
Instructional media	676,527	695,860	653,969	6,858	35,033
Pupil services	2,390,438	2,404,793	2,181,932	13,589	209,272
Total instruction	20,556,311	20,886,376	19,983,077	92,147	811,152
Pupil transportation	1,477,350	1,479,316	1,070,162	66,155	342,999
Community services	19,500	10,500	7,788	-	2,712
Employee benefits	11,171,000	10,709,730	9,355,146	-	1,354,584
Debt service - Principal	1,230,449	1,230,449	1,230,449	-	-
Debt service - Interest	815,688	815,687	761,591	-	54,096
Total expenditures	40,768,304	41,525,881	37,856,108	801,501	2,868,272
<b>OTHER FINANCING USES</b>					
Transfers to other funds	19,245	19,245	650,000	-	(630,755)
Total expenditures and other uses	40,787,549	41,545,126	38,506,108	801,501	2,237,517
NET CHANGE IN FUND BALANCES	\$ (737,500)	\$ (1,495,078)	901,933	\$ 801,501	\$ 1,595,510
FUND BALANCE - beginning of year, as restated			10,002,043		
FUND BALANCE - end of year			\$ 10,903,976		

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**

**Schedule of Proportionate Share of Net Pension Liability (Asset) (Unaudited)  
For the Year Ended June 30, 2020**

<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>	Last 10 Fiscal Years (Dollar amounts displayed in thousands) *					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.0082951%	0.827940%	0.009043%	0.010000%	0.924920%	0.927470%
Proportionate share of the net pension liability (asset)	\$ 2,196.6	\$ (586.6)	\$ (291.9)	\$ (829.1)	\$ (1,484.5)	\$ (313.3)
Covered-employee payroll	\$ 2,811.6	\$ 2,811.4	\$ 2,814.8	\$ 2,966.5	\$ 2,762.1	\$ 2,720.3
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	78.13%	-20.87%	-10.37%	-27.95%	-53.75%	-11.52%
Plan fiduciary net position as a percentage of the total pension liability (asset)	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%

<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>	Last 10 Fiscal Years (Dollar amounts displayed in thousands) *					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.097209%	0.1016410%	0.1028000%	0.1043430%	0.1074690%	0.1081780%
Proportionate share of the net pension liability (asset)	\$ (2,525.5)	\$ (1,837.9)	\$ 781.4	\$ (1,117.6)	\$ 11,162.6	\$ 12,050.4
Covered-employee payroll	\$ 16,108.8	\$ 16,634.3	\$ 16,476.3	\$ 16,294.0	\$ 16,191.3	\$ 16,280.1
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-15.68%	-11.05%	4.74%	-6.86%	68.94%	74.02%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.20%	101.53%	99.01%	110.46%	110.46%	111.48%

\* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**

**Schedule of Contributions - Pension Plans (Unaudited)**

**For the Year Ended June 30, 2020**

<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>	Last 10 Plan Years (Dollar amounts displayed in thousands) *					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 402.7	\$ 413.4	\$ 445.9	\$ 418.6	\$ 476.5	\$ 490.1
Contributions in relation to the contractually required contribution	<u>402.7</u>	<u>413.4</u>	<u>445.9</u>	<u>418.6</u>	<u>476.5</u>	<u>490.1</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,812	\$ 2,811	\$ 2,815	\$ 2,966	\$ 2,762	\$ 2,720
Contributions as a percentage of covered-employee payroll	14.32%	14.70%	15.84%	14.11%	17.25%	18.02%

<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>	Last 10 Plan Years (Dollar amounts displayed in thousands) *					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,427.2	\$ 1,723.2	\$ 1,622.5	\$ 1,909.2	\$ 2,135.0	\$ 2,830.3
Contributions in relation to the contractually required contribution	<u>1,427.2</u>	<u>1,723.2</u>	<u>1,622.5</u>	<u>1,909.2</u>	<u>2,135.0</u>	<u>2,830.3</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 16,108.8	\$ 16,634.3	\$ 16,476.3	\$ 16,294.0	\$ 16,191.3	\$ 16,280.1
Contributions as a percentage of covered-employee payroll	8.86%	10.36%	9.85%	11.72%	13.19%	17.39%

\* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

**MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT**

**Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)  
For the Year Ended June 30, 2020**

(Amounts in thousands)	Last Ten Fiscal Years *		
	2020	2019	2018
<b>Total OPEB Liability</b>			
Service cost	\$ 2,241	\$ 2,082	\$ 1,982
Interest	2,346	2,427	2,388
Differences between expected and actual experience	2,621	-	-
Changes in assumptions	2,985	6,096	-
Benefit payments	(2,364)	(2,337)	(2,123)
Total change in total OPEB liability	7,828	8,268	2,247
Total OPEB liability - beginning	76,854	68,586	66,340
Total OPEB liability - ending	\$ 84,682	\$ 76,854	\$ 68,586
Covered-employee payroll	\$ 18,005	\$ 19,594	\$ 16,559
Total OPEB liability as a percentage of covered-employee payroll	470.3%	392.2%	414.2%

**Notes to schedule:**

**Changes of assumptions:** Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following reflects the discount rate used each period:

	2020	2019	2018
Discount rate	2.40%	3.10%	3.60%

The actuarial cost method has been updated from Projected Unit Credit to Entry Age Normal, which caused a decrease in liabilities.

The healthcare trend cost rates have been reset to an initial rate of 7.25% decreasing annually to an ultimate rate of 4.5% in 2025 and beyond, which caused an increase in liabilities.

**Plan Assets:** No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits: Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable. Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms. Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

\* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.



## **SUPPLEMENTARY INFORMATION**

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**

**Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2020**

	Special Aid Fund	School Lunch Fund	Total Nonmajor Governmental Funds
<b>ASSETS:</b>			
Cash and cash equivalents - unrestricted	\$ -	\$ 13,268	\$ 13,268
Cash and cash equivalents - restricted	205,676	-	205,676
Accounts receivable	60,831	-	60,831
Due from other funds	104,314	62,211	166,525
Inventories	-	8,495	8,495
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 370,821</u>	<u>\$ 83,974</u>	<u>\$ 454,795</u>
<b>LIABILITIES:</b>			
Liabilities			
Due to other governments	\$ -	\$ 9	\$ 9
Due to other funds	352,276	-	352,276
Unearned revenue	18,545	5,776	24,321
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	<u>\$ 370,821</u>	<u>\$ 5,785</u>	<u>\$ 376,606</u>
<b>FUND BALANCES:</b>			
Nonspendable	-	8,495	8,495
	<u>          </u>	<u>          </u>	<u>          </u>
Assigned:			
Appropriated fund balance	-	-	-
Unappropriated fund balance	-	69,694	69,694
	<u>          </u>	<u>          </u>	<u>          </u>
Total assigned fund balance	-	69,694	69,694
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL FUND BALANCE	<u>-</u>	<u>78,189</u>	<u>78,189</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 370,821</u>	<u>\$ 83,974</u>	<u>\$ 454,795</u>

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds  
For the Year Ended June 30, 2020**

	Special Aid Fund	School Lunch Fund	Total Nonmajor Governmental Funds
<b>REVENUE:</b>			
State sources	\$ 127,725	\$ 2,758	\$ 130,483
Federal sources	232,167	83,528	315,695
Sales - School lunch	-	83,940	83,940
	<u>359,892</u>	<u>170,226</u>	<u>530,118</u>
<b>Total revenue</b>			
<b>EXPENDITURES:</b>			
Instruction	355,752	-	355,752
Pupil transportation	4,140	-	4,140
Cost of sales	-	162,634	162,634
	<u>359,892</u>	<u>162,634</u>	<u>522,526</u>
<b>Total expenditures</b>			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>7,592</u>	<u>7,592</u>
<b>FUND BALANCE - beginning of year</b>	<u>-</u>	<u>70,597</u>	<u>70,597</u>
<b>FUND BALANCE - end of year</b>	<u>-</u>	<u>78,189</u>	<u>78,189</u>

**OTHER INFORMATION (UNAUDITED)**

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**

**Schedule of Change from Original Budget to Revised Budget and Use of Unassigned Fund Balance - General Fund  
(Unaudited)**

**For the Year Ended June 30, 2020**

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**CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET**

Adopted budget	\$ 40,787,549
Add: Prior year's encumbrances	<u>757,579</u>
Original budget	41,545,128
Budget revision	<u>(2)</u>
Final budget	<u>\$ 41,545,126</u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2020-21 voter-approved expenditure budget	\$ 41,418,100	
Maximum allowed (4% of 2020-21 budget)		<u>1,656,724</u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law *:		
Total fund balance:	<u>\$ 10,903,976</u>	
Less:		
Restricted fund balance	9,313,295	
Assigned fund balance:		
Appropriated fund balance	801,500	
Encumbrances included in committed and assigned fund balance	<u>250,000</u>	
Total adjustments		<u>\$ 10,364,795</u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law		<u>\$ 539,181</u>
Actual percentage		1.30%

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

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT**

**Schedule of Project Expenditures - Capital Projects Fund (Unaudited)  
For the Year Ended June 30, 2020**

Project Title	SED Project #	Budget	Expenditures			Available Balance
			Prior Years	Current Year	Total	
Stage Lighting	N/A	\$ 67,565	\$ 61,899	\$ -	\$ 61,899	\$ 5,666
Computer Equipment	N/A	3,017,444	3,000,206	-	3,000,206	17,238
Playground Cutchogue East	N/A	99,520	98,226	-	98,226	1,294
HS Building Renovation	N/A	2,324,165	2,293,368	-	2,293,368	30,797
HS Tennis Courts	N/A	53,000	50,998	-	50,998	2,002
Smart Schools Bond Act	N/A	265,790	261,471	-	261,471	4,319
High School Pole Barn	N/A	130,000	126,736	-	126,736	3,264
High School Columns	N/A	150,000	106,011	-	106,011	43,989
Energy Performance Contract (High School)	58-10-12-02-0-001-007	730,539	391,512	339,027	730,539	-
Energy Performance Contract (Cutchogue East)	58-10-12-02-0-007-007	1,008,316	409,905	598,411	1,008,316	-
Energy Performance Contract (Cutchogue West)	58-10-12-02-1-009-002	13,657	8,827	4,830	13,657	-
Capital Improvement Program (Cutchogue East)	58-10-12-02-0-007-008	980,000	-	112,772	112,772	867,228
Capital Improvement Program (High School)	58-10-12-02-0-001-009	980,000	-	36,761	36,761	943,239
Capital Reserve Proposition	58-10-12-02-0-009-003	650,000	-	-	-	650,000
		<u>\$ 10,469,996</u>	<u>\$ 6,809,159</u>	<u>\$ 1,091,801</u>	<u>\$ 7,900,960</u>	<u>\$ 2,569,036</u>

**MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT**

**Schedule of Net Investment in Capital Assets (Unaudited)**

**June 30, 2020**

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Capital assets, net		\$ 35,400,760
Deduct:		
Short - term portion of bonds payable	1,080,000	
Long - Term portion of bonds payable	10,920,000	
Short-term portion of energy performance contract payable	100,864	
Long-term portion of energy performance contract payable	1,571,199	
		<u>13,672,063</u>
Net investment in capital assets		<u>\$ 21,728,697</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**

October 13, 2020

To the Board of Directors of  
Mattituck-Cutchogue Union Free School District

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 aggregate remaining fund information of the Mattituck-Cutchogue Union Free School District (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 13, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a significant deficiency.



**Compliance and Other Matters**

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

**District's Responses to Findings**

The District's response to the finding identified in our engagement is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the engagement to audit 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT**

**Schedule of Finding and Response  
For the Year Ended June 30, 2020**

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**1. FINANCIAL STATEMENT FINDING:**

Significant Deficiency

2020 - 001: Prior Period Adjustment - Property Tax Revenue

*Criteria:* The District, in accordance with its revenue recognition policy, should only recognize property tax revenue within the General Fund within 60 days after year end.

*Condition:* The District did not properly record taxes collected after the 60 day period of availability as a deferred inflow. This resulted in a prior period adjustment reducing property tax revenue of \$718,775.

*Cause:* Based on the policy of the District and requirements of GASB 65, this amount should have been deferred in previous years, however, due to the delay in tax payments received because of the COVID-19 pandemic, it was material in the current year. The internal control at the District did not correct this deferral. This may not have been a material amount in previous years.

*Effect :* A prior period adjustment to reduce General Fund - fund balance and reflect property taxes deferred at June 30, 2019 was required in the amount of \$718,775.

*Recommendation:* We recommend that the District review the amount of property taxes received within the 60 day period after year end to properly determine amounts to be deferred at year end.

*Management's Response:* In accordance to the recommendation from the external auditors, Bonadio & Co. LLP, throughout the year we will monitor the timely receipt of the amount of property taxes received. Special attention given to the proper recording of taxes within the 60 days after year end will ensure compliance with the revenue recognition policy.