

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

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT

TABLE OF CONTENTS

I. INDEPENDENT AUDITOR'S REPORT, MANAGEMENT'S DISCUSSION AND ANALYSIS AND BASIC FINANCIAL STATEMENTS

Independent Auditor's Report

<u>Exhibit Number</u>		<u>Page</u>
1	Management's Discussion and Analysis (Required Supplementary Information) (MD&A)	1 - 15
2	Statement of Net Position	16
3	Statement of Activities	17
4	Balance Sheet – Governmental Funds	18
5	Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	19
6	Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	20
7	Reconciliation of Governmental Fund Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	21
8	Statement of Fiduciary Net Position – Fiduciary Funds	22
10	Notes to the Financial Statements	23 – 60

II. REQUIRED SUPPLEMENTARY INFORMATION

SS1	Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	61- 62
SS2	Schedule of Changes in the District's Total OPEB Liability and Related Ratios	63
SS3	Schedule of District's Proportionate Share of the Net Pension Liability (Asset)	64
SS4	Schedule of District's Contributions	65

III. OTHER SUPPLEMENTARY INFORMATION

SS5	Schedule of Change from Adopted Budget to Final Budget and Section 1318 of Real Property Tax Law Limit Calculation	66
SS6	Schedule of Project Expenditures - Capital Projects Fund	67
SS7	Net Investment in Capital Assets	68

IV. 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*

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Central Islip Union Free School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in District's total OPEB liability, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 15 and 61 through 65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

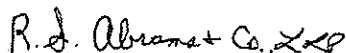
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2020 on our consideration of the Central Islip Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Central Islip Union Free School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Central Islip Union Free School District's internal control over financial reporting and compliance.



R.S. Abrams & Co., LLP
Islandia, NY
October 26, 2020

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

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

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2020 are as follows:

- On the District-Wide Financial Statements, revenues increased by 2.34% primarily as a result of an increase in state sources and real property tax revenue.
- The general fund – fund balance increased by \$7,016,234, primarily due to current year revenues exceeding current year expenditures and other financing uses.
- On June 9, 2020, the District's residents authorized the proposed 2020-2021 budget in the amount of \$220,487,829. This represents an increase of \$3,927,558 or 1.81% from the previous year's budget, which was primarily due to increase in personnel and employee benefits costs.
- The District continued to offer all programs, without reducing services.
- The District's total net position deficit, as reflected in the District-Wide Financial Statements, increased by \$38,254,693 on the accrual basis of accounting.
- On March 11, 2020, the World Health Organization declared coronavirus (COVID-19) disease as a global pandemic. Schools, along with all but essential businesses, were ordered closed by the State of New York, and remote learning was conducted for the remainder of the school year. The closure of schools resulted in some areas of savings, but also included unforeseen expenses such as personal protective equipment and cleaning of buildings.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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

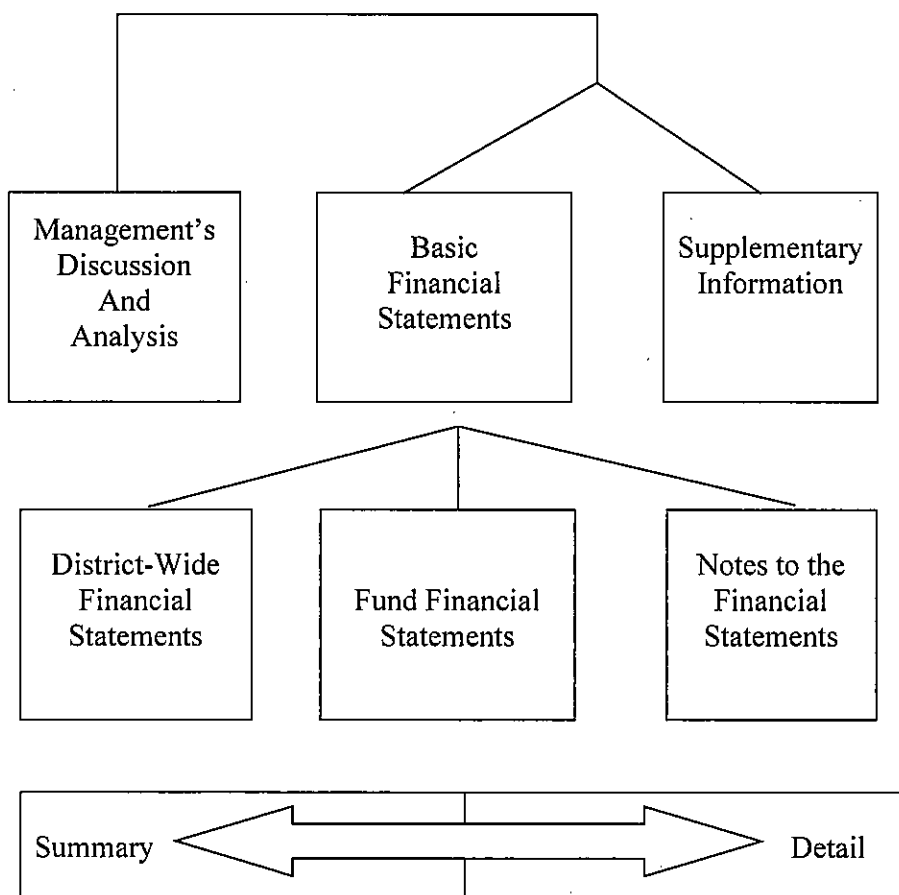
- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.

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

- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Statements.
 - The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short-term* as well as what remains for future spending.
 - *Fiduciary Funds Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of the 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 District’s budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

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



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

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

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

	District-Wide Financial Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Current assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All financial assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

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

A) District-Wide Financial Statements

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

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

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

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

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

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

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

B) Fund Financial Statements

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

The District has two kinds of funds:

i) Governmental funds:

Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Financial Statements, additional information in a separate reconciliation schedule explains the relationship (or differences) between them. In summary, the Government Fund Financial Statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special aid fund, school lunch fund, debt service fund, and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

ii) Fiduciary funds:

The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position. This report should be used to support the District’s own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position

The District’s total net deficit increased by \$38,254,693 in the fiscal year ended June 30, 2020, as detailed in Table A-3.

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

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

	Fiscal Year 2020	Fiscal Year 2019*	Increase/ (Decrease)	Total Percentage Change
Current assets and other assets	\$67,170,118	\$63,869,594	\$3,300,524	5.17%
Capital assets, net	91,320,368	92,299,837	(979,469)	-1.06%
Net pension asset-proportionate share	13,249,143	9,135,300	4,113,843	45.03%
Total assets	<u>171,739,629</u>	<u>165,304,731</u>	<u>6,434,898</u>	<u>3.89%</u>
Deferred outflows of resources	178,894,252	131,857,470	47,036,782	35.67%
Total assets and deferred outflows of resources	<u>350,633,881</u>	<u>297,162,201</u>	<u>53,471,680</u>	<u>17.99%</u>
Current liabilities	35,521,387	39,481,015	(3,959,628)	-10.03%
Long-term liabilities	558,591,114	461,646,477	96,944,637	21.00%
Total liabilities	<u>594,112,501</u>	<u>501,127,492</u>	<u>92,985,009</u>	<u>18.56%</u>
Deferred inflows of resources	46,117,303	47,375,939	(1,258,636)	-2.66%
Total liabilities and deferred inflows of resources	<u>640,229,804</u>	<u>548,503,431</u>	<u>91,726,373</u>	<u>16.72%</u>
Net position				
Net investment in capital assets	50,168,129	44,670,452	5,497,677	12.31%
Restricted	12,875,318	14,008,533	(1,133,215)	-8.09%
Unrestricted (deficit)	<u>(352,639,370)</u>	<u>(310,020,215)</u>	<u>(42,619,155)</u>	<u>-13.75%</u>
Total net position (deficit)	<u><u>(\$289,595,923)</u></u>	<u><u>(\$251,341,230)</u></u>	<u><u>(\$38,254,693)</u></u>	<u><u>-15.22%</u></u>

*As restated, see Note 20.

Current assets and other assets increased by \$3,300,524 primarily due to an increase in cash and an increase in federal and state aid receivables, which was partially offset by a decrease in due from other governments and a decrease in due from fiduciary fund. Capital assets (net of depreciation) decreased by \$979,469. This was attributable to current year depreciation and loss on disposals exceeding current year additions. The District reported a net pension asset – proportionate share for the teachers' retirement system in the amount of \$13,249,143 as a result of the actuarial valuation provided by the State. The change in deferred outflows of resources represents amortization of the pension and other post-employment benefits obligation related items and the change in the District's contributions subsequent to the measurement date, as discussed in Notes 14 and 16, as well as amortization on the deferred charges on refunding, as discussed in Note 13.

Current liabilities decreased by \$3,959,628, primarily due to decreases in due to fiduciary fund, accrued liabilities, due to teacher's retirement system, compensated absences and accrued interest payable. This was partially offset by an increase in due to other governments.

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

Long-term liabilities increased by \$96,944,637 primarily due to increases in total other post-employment benefits obligation and the net pension liability for the employees' retirement pension system as a result of the actuarial valuations provided by the state, in addition to an increase in compensated absences. This increase was partially offset by a decrease in bonds payable and a decrease in energy performance debt payable.

The changes in deferred inflows of resources represent amortization of pension and total other post-employment benefits obligation related items as described in Notes 14 and 16, and amortization on the gain on defeasance/premiums on bonds discussed in Note 13.

The net investment in capital assets, net of related debt, relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt. This number increased from the prior year by \$5,497,677 primarily due to a decrease in bond payable and a decrease in energy performance payable, partially offset by current year depreciation expense and loss on disposals exceeding current year additions.

The restricted net position at June 30, 2020, is comprised of amounts with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Restricted net position decreased by \$1,133,215 from the prior year.

The unrestricted (deficit) relates to the balance of the District's net position. This deficit amount, (\$352,639,370), increased by \$42,619,155 from the prior year.

B) Changes in Net Position

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

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

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

	Fiscal Year 2020	Fiscal Year 2019	Increase/ (Decrease)	Total Percentage Change
Program revenues				
Charges for services	\$1,089,073	\$922,822	\$166,251	18.02%
Operating grants	13,088,636	15,388,639	(2,300,003)	-14.95%
General revenues				
Real property taxes (including other tax items)	99,157,311	97,206,534	1,950,777	2.01%
State sources	116,625,394	111,183,486	5,441,908	4.89%
Use of money and property	379,707	609,246	(229,539)	-37.68%
Other	3,236,333	2,921,171	315,162	10.79%
Total Revenues	<u>233,576,454</u>	<u>228,231,898</u>	<u>5,344,556</u>	2.34%
Expenses				
General support	\$49,573,626	\$38,570,615	\$11,003,011	28.53%
Instruction	203,595,729	188,611,092	14,984,637	7.94%
Pupil transportation	11,486,826	11,466,830	19,996	0.17%
Debts service - interest	1,213,752	1,708,085	(494,333)	-28.94%
Food service program	5,961,214	6,213,978	(252,764)	-4.07%
Total Expenses	<u>271,831,147</u>	<u>246,570,600</u>	<u>25,260,547</u>	10.24%
Increase (decrease) in net position	<u>(\$38,254,693)</u>	<u>(\$18,338,702)</u>	<u>(\$19,915,991)</u>	-108.60%

The District's total fiscal year 2020 revenues totaled \$233,576,454 (See Table A-4). Real property taxes (including other tax items) and state sources accounted for most of the District's revenue by contributing 42.45% and 49.93%, respectively of total District revenues (See Table A-5). The remainder came from fees charged for services, operating grants, use of money and property, and other miscellaneous sources.

The total cost of all programs and services totaled \$271,831,147 for fiscal year 2020 (See Table A-4). These expenses are predominantly related to instruction, which account for 74.90% of District expenses (See Table A-6). The District's general support activities accounted for 18.24% of total costs. Total expenses increased by \$25,260,547 or 10.24%.

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

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

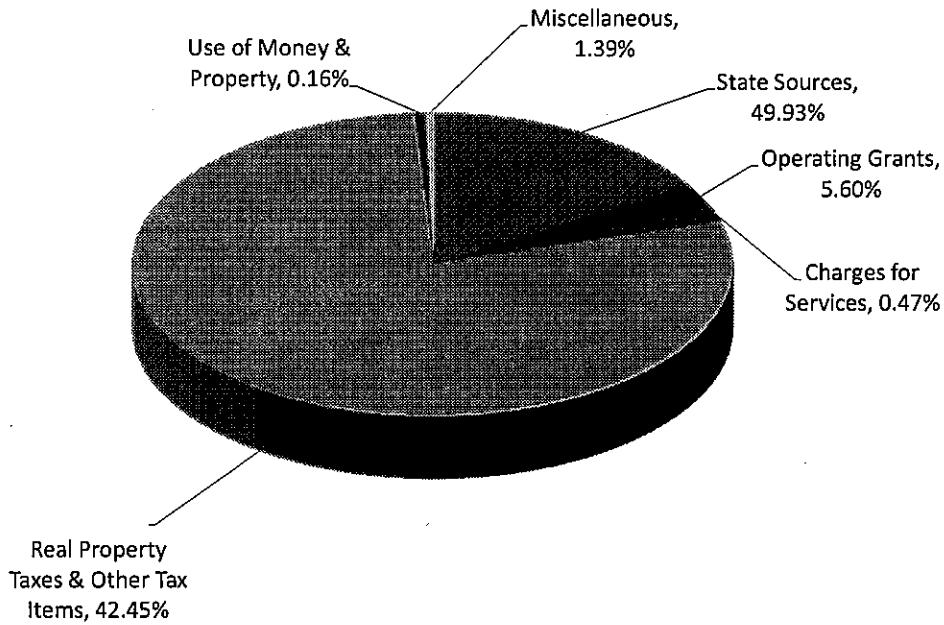
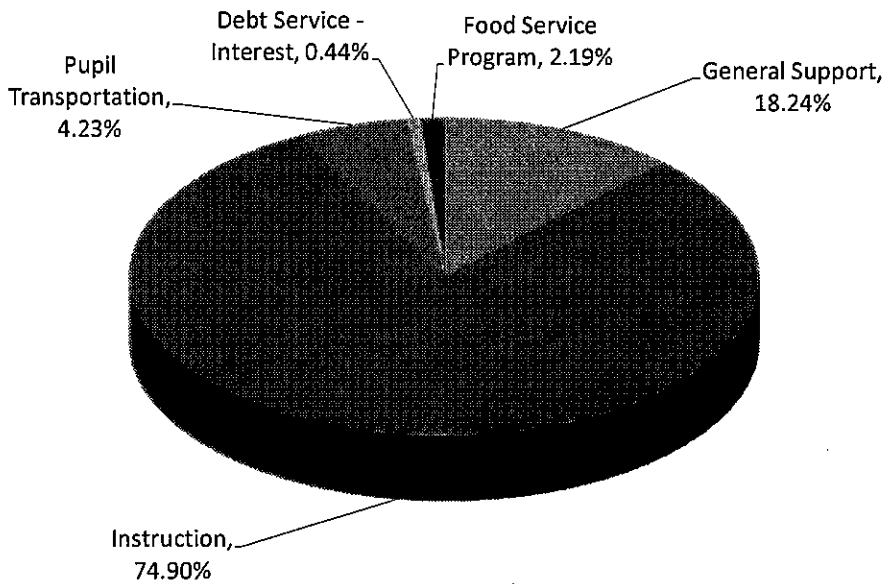


Table A-6: Expenses for Fiscal Year 2020 (See Tables A-4 and A-7)



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

C) Governmental Activities

Revenues for the District’s governmental activities totaled \$233,576,454 while total expenses equaled \$271,831,147, which resulted in an increase to the net position deficit of \$38,254,693. This was primarily due to the increase in other post-employment benefits obligation, as actuarially determined.

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

- Continued leadership of the District’s Board and administration;
- Strategic use of services from the Eastern Suffolk BOCES; and
- Improved curriculum and community support.

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

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2020	2019	2020	2019
General support	\$49,573,626	\$38,570,615	\$49,573,626	\$38,570,615
Instruction	203,595,729	188,611,092	194,017,540	178,712,222
Pupil transportation	11,486,826	11,466,830	11,486,826	11,466,830
Debt service - interest	1,213,752	1,708,085	1,213,752	1,708,085
Food service program	5,961,214	6,213,978	1,361,694	(198,613)
Total	\$271,831,147	\$246,570,600	\$257,653,438	\$230,259,139

- The cost of all governmental activities this year was \$271,831,147 (Statement of Activities, Expenses column-see Exhibit 3).
- The users of the District’s programs financed \$1,089,073 of the cost (Statement of Activities, Charges for Services column-see Exhibit 3).
- The federal and state governments subsidized certain programs with operating grants of \$13,088,636. (Statement of Activities, Operating Grants columns-see Exhibit 3)
- Most of the District’s net costs of \$257,653,438 were financed by District taxpayers and state and federal aid. (Statements of Activities, Net (Expense) Revenue and Changes in Net Position column-see Exhibit 3).

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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As of June 30, 2020, the District's combined governmental funds reported a total fund balance of \$30,407,031 which is an increase of \$5,822,065 from the prior year.

	Fiscal Year 2020	Fiscal Year 2019	Increase (Decrease)	% Change
General Fund				
Restricted for workers' compensation	\$1,835,368	\$1,830,746	\$4,622	0.25%
Restricted for employee benefit accrued liability	3,795,101	3,785,544	9,557	0.25%
Restricted for retirement contribution - ERS	5,971,067	5,956,030	15,037	0.25%
Restricted for capital	840,204	2,002,828	(1,162,624)	-58.05%
Restricted for liability	77,000	76,807	193	0.25%
Assigned - general support	227,968	48,097	179,871	373.98%
Assigned - instruction	558,570	22,780	535,790	2352.02%
Assigned - for next year's budget	1,000,000		1,000,000	N/A
Unassigned	14,846,219	8,412,431	6,433,788	76.48%
Total fund balance - general fund	<u>\$29,151,497</u>	<u>\$22,135,263</u>	<u>\$7,016,234</u>	31.70%
School Lunch Fund				
Non spendable for inventory	\$38,463	\$20,140	\$18,323	90.98%
Assigned-unappropriated	1,345,055	1,916,244	(571,189)	-29.81%
Total fund balance - school lunch fund	<u>\$1,383,518</u>	<u>\$1,936,384</u>	<u>(\$552,866)</u>	-28.55%
Capital Projects Fund				
Restricted for unspent bond proceeds	\$102,577	\$102,577	\$ -	0.00%
Unassigned for capital projects	(587,139)	54,164	(641,303)	1184.00%
Total fund balance (deficit) - capital projects fund	<u>(\$484,562)</u>	<u>\$156,741</u>	<u>(\$641,303)</u>	409.15%
Debt Service Fund				
Restricted for debt service	\$356,578	\$356,578	\$ -	0.00%
Total fund balance - debt service fund	<u>\$356,578</u>	<u>\$356,578</u>	<u>\$ -</u>	0.00%
Total fund balance - all funds	<u>\$30,407,031</u>	<u>\$24,584,966</u>	<u>\$5,822,065</u>	23.68%

The general fund – fund balance increased by \$7,016,234 primarily due to revenue exceeding expenditures and other financing uses.

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

The net change in the school lunch fund - fund balance is a decrease of \$552,866. This was attributable to the current year’s operating loss as a result of a reduction in revenue due to school closures during the COVID-19 pandemic.

The capital projects fund – fund balance decreased by \$641,303 as a result of capital outlay exceeding other financing sources.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2019-2020 Budget

The District’s general fund adopted budget for the year ended June 30, 2020 was \$216,560,271. This amount was increased by encumbrances carried forward from the prior year in the amount of \$70,877 and for voter approved transfers from the capital reserve in the amount of \$964,740. This resulted in a final budget of \$217,595,888. The majority of the funding was real property taxes, including other tax items of \$97,379,258 and state aid of \$114,431,013.

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

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

Opening, unassigned fund balance	\$8,412,431
Revenues over budget	2,504,954
Expenditures and encumbrances under budget	4,760,359
Transfer from capital reserve	200,000
Assigned appropriated for June 30, 2021 budget	(1,000,000)
Interest allocated to reserves	(31,525)
Closing, unassigned fund balance	<u>\$14,846,219</u>

The opening unassigned fund balance of \$8,412,431 is the June 30, 2019 unassigned fund balance.

The revenues over budget of \$2,504,954 were primarily in other real property tax items and state sources (See Supplemental Schedule 1 for detail).

The expenditures and encumbrances under budget of \$4,760,359 reflected savings across the budget, but were predominantly in employee benefits, central services and instruction. (See Supplemental Schedule 1 for details).

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

Interest earned and allocated to reserves totaled \$31,525 and consisted of \$4,622 to the workers' compensation reserve, \$9,557 to the employee benefit accrued liability reserve, \$15,037 to the retirement contribution reserve, \$2,116 to the capital reserve and \$193 to the liability reserve.

The District received voter approval to utilize \$964,740 from the capital reserve fund, which is recorded as a budget revision and has no net effect on unassigned fund balance. In addition, a prior year board authorized transfer in the amount of \$200,000 from the general fund to the capital reserve was rescinded by the board of education, and returned to unassigned fund balance.

The board authorized \$1,000,000 of unassigned fund balance to fund part of the 2020-21 budget.

The District closed the 2019-20 fiscal year with \$14,846,219 in unassigned fund balance. NYS Real Property Tax Law §1318 restricts this number to an amount not greater than 4% of the District's budget for the ensuing fiscal year. The District's unassigned fund balance is over the legal limit.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets

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

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

Category	Fiscal Year 2020	Fiscal Year 2019*	Increase (Decrease)	Percentage Change
Land	\$604,390	\$539,650	64,740	12.00%
Construction in progress	971,605	318,796	652,809	204.77%
Buildings & building improvements	140,024,497	139,124,495	900,002	0.65%
Furniture & equipment	3,559,783	3,468,306	91,477	2.64%
Land improvements	3,265,655	3,170,832	94,823	2.99%
Subtotal	<u>148,425,930</u>	<u>146,622,079</u>	<u>1,803,851</u>	1.23%
Less: accumulated depreciation	<u>57,105,562</u>	<u>54,322,242</u>	<u>2,783,320</u>	5.12%
Total net capital assets	<u><u>\$91,320,368</u></u>	<u><u>\$92,299,837</u></u>	<u><u>(\$979,469)</u></u>	-1.06%

The District spent \$1,606,043 in the capital projects fund. The District's remaining additions to furniture and equipment and land improvements of \$245,652 were provided by the general fund and the special aid fund. Depreciation expense and loss on disposals for the current year totaled \$2,830,933 and \$231, respectively. The District disposed of capital assets with a total cost of \$47,844 and accumulated depreciation of \$47,613.

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

B) Long-Term Debt

At June 30, 2020, the District had total bonds payable of \$34,230,000 and obligation under an energy performance debt agreement of \$6,011,065. A summary of outstanding debt at June 30, 2020 follows. More detailed information about the District’s long-term debt is presented in the Notes to the Financial Statements (see Note 12).

	2020	2019	Increase (Decrease)	Percentage Change
Serial bonds	\$34,230,000	\$39,465,000	(\$5,235,000)	-13.26%
Energy performance debt	6,011,065	6,835,160	(824,095)	-12.06%
	<u>\$40,241,065</u>	<u>\$46,300,160</u>	<u>(\$6,059,095)</u>	-13.09%

7. FACTORS BEARING ON THE DISTRICT’S FUTURE

- A) On October 8, 2020 the District’s voters approved \$4,250,000 in capital improvements to the District facilities. The projects is to be financed using \$838,128 from the capital reserve fund and with the issuance of \$3,411,872 in long term debt. The District’s voters also approved \$8,655,952 in energy conservation improvements to District facilities, which will be financed through an energy performance contract.
- B) The general fund budget for the 2020-2021 school year was approved by the voters in the amount of \$220,487,829. This is an increase of \$3,927,558 or 1.81% from the previous year’s budget. The increase was primarily due to increase in personnel and employee benefits costs. The tax cap discussed below, as well as uncertainty in state aid and federal funds, as well as potential operating adjustments that may be needed due to COVID-19 may impact the District’s future budgets.
- C) The NYS Legislature has introduced and approved a property tax cap beginning in the 2012-2013 school year, which was made permanent. This bill limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year’s levy. If the tax levy proposed to the voters is within the district’s tax levy cap, then a majority vote would be required for approval. If the proposed tax levy exceeds the district’s tax levy cap, the threshold required for approval would be 60 percent of the vote.

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

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Central Islip Union Free School District
Sharon Dungee
Superintendent of Schools
50 Wheeler Road
Central Islip, New York 11722
631-348-5112

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS	
Cash	
Unrestricted	\$39,779,159
Restricted	12,977,895
Receivables	
State and federal aid	9,103,612
Due from other governments	4,248,104
Due from fiduciary funds	1,015,174
Accounts receivable	7,711
Inventories	38,463
Capital assets	
Not being depreciated	1,575,995
Being depreciated, net of accumulated depreciation	89,744,373
Net pension asset-proportionate share-teachers' retirement system	13,249,143
TOTAL ASSETS	<u>171,739,629</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	56,792,521
Other post-employment benefits obligation	121,945,495
Deferred charge on refunding	156,236
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>178,894,252</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>350,633,881</u>
LIABILITIES	
Payables	
Accounts payable	2,332,342
Accrued liabilities	14,943,433
Accrued interest payable	515,665
Due to fiduciary funds	804,915
Due to other governments	2,820,100
Due to teachers' retirement system	8,838,184
Due to employees' retirement system	1,235,425
Compensated absences payable	3,998,717
Unearned credits	
Collections in advance	32,606
Long-term liabilities	
Due and payable within one year	
Bonds payable	5,510,000
Energy performance debt payable	849,462
Due and payable after one year	
Bonds payable	28,720,000
Energy performance debt payable	5,161,603
Compensated absences payable	65,884,876
Workers' compensation claims payable	2,669,148
Net pension liability-proportionate share-employees' retirement system	20,020,906
Total other post-employment benefits obligation	429,775,119
TOTAL LIABILITIES	<u>594,112,501</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	19,757,915
Other post-employment benefits obligation	25,189,401
Gain on defeasance/premium	1,169,987
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>46,117,303</u>
NET POSITION	
Net investment in capital assets	50,168,129
Restricted	
Workers' compensation	1,835,368
Employee benefit accrued liability	3,795,101
Retirement contribution - ERS	5,971,067
Capital	840,204
Property loss and liability	77,000
Debt service	356,578
	<u>12,875,318</u>
Unrestricted (deficit)	<u>(352,639,370)</u>
TOTAL NET POSITION (DEFICIT)	<u>(\$289,595,923)</u>

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS / PROGRAMS				
General support	(\$49,573,626)			(\$49,573,626)
Instruction	(203,595,729)	\$755,424	\$8,822,765	(194,017,540)
Pupil transportation	(11,486,826)			(11,486,826)
Debt service - interest	(1,213,752)			(1,213,752)
Food service program	(5,961,214)	333,649	4,265,871	(1,361,694)
TOTAL FUNCTIONS AND PROGRAMS	<u>(\$271,831,147)</u>	<u>\$1,089,073</u>	<u>\$13,088,636</u>	<u>(257,653,438)</u>
GENERAL REVENUES				
Real property taxes				85,579,349
Other tax items - including STAR reimbursement				13,577,962
Use of money and property				379,707
Sale of property and compensation for loss				1,083,744
Miscellaneous				1,506,240
State sources				116,625,394
Medicaid reimbursement				646,349
TOTAL GENERAL REVENUES				<u>219,398,745</u>
CHANGE IN NET POSITION				(38,254,693)
TOTAL NET POSITION - BEGINNING OF YEAR, AS RESTATED (SEE NOTE 20)				<u>(251,341,230)</u>
TOTAL NET POSITION - END OF YEAR				<u>(\$289,595,923)</u>

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Special Aid	School Lunch	Capital Projects	Debt Service	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$39,536,558	\$194,765	\$47,836			\$39,779,159
Restricted	12,916,202			\$61,693		12,977,895
Receivables						
State and federal aid	3,715,342	5,298,441	89,829			9,103,612
Due from other governments	4,248,104					4,248,104
Due from other funds	5,279,397		1,688,982		\$356,578	7,324,957
Accounts receivable	7,711					7,711
Inventories			38,463			38,463
TOTAL ASSETS	\$65,703,314	\$5,493,206	\$1,865,110	\$61,693	\$356,578	\$73,479,901
LIABILITIES						
Payables						
Accounts payable	\$2,252,336	\$66,420	\$13,586			\$2,332,342
Accrued liabilities	13,961,559	592,484	389,390			14,943,433
Due to other governments	2,819,249		851			2,820,100
Due to other funds	1,688,982	4,806,335	73,126	\$546,255		7,114,698
Due to teachers' retirement system	8,838,184					8,838,184
Due to employees' retirement system	1,235,425					1,235,425
Compensated absences	3,998,717					3,998,717
Unearned credits						
Collections in advance		27,967	4,639			32,606
TOTAL LIABILITIES	34,794,452	5,493,206	481,592	546,255	-	41,315,505
DEFERRED INFLOWS OF RESOURCES						
New York State supplemental aid	486,939					486,939
New York State aid withholding	895,685					895,685
Foster tuition	374,741					374,741
TOTAL DEFERRED INFLOWS OF RESOURCES	1,757,365	-	-	-	-	1,757,365
FUND BALANCES						
Nonspendable:						
Inventories			38,463			38,463
Restricted:						
Workers' compensation	1,835,368					1,835,368
Employee benefit accrued liability	3,795,101					3,795,101
Retirement contribution - ERS	5,971,067					5,971,067
Capital	840,204					840,204
Property loss and liability	77,000					77,000
Debt service					\$356,578	356,578
Unspent bond proceeds				102,577		102,577
Assigned:						
Appropriated	1,000,000					1,000,000
Unappropriated	786,538		1,345,055			2,131,593
Unassigned	14,846,219			(587,139)		14,259,080
TOTAL FUND BALANCES	29,151,497	-	1,383,518	(484,562)	356,578	30,407,031
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$65,703,314	\$5,493,206	\$1,865,110	\$61,693	\$356,578	\$73,479,901

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

Total Governmental Fund Balances \$30,407,031

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

The cost 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. The Statement of Net Position include 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	\$148,425,930	
Accumulated depreciation	<u>(57,105,562)</u>	91,320,368

Certain disbursements previously expended in the governmental funds relating to pensions are treated as long term assets and increase net position. The net pension asset-proportionate share for TRS at year-end was: 13,249,143

Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Deferred outflows of resources - Charges on refunding	\$156,236	
Deferred inflows of resources - Gain on defeasance/premium	<u>(1,169,987)</u>	(1,013,751)

Deferred inflows of resources- state aid, supplemental aid and foster tuition. The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual. 1,757,365

Deferred inflows of resources-The Statement of Net Position recognized revenues and expenditures received under the full accrual method. Governmental funds recognize revenue and expenditures under the modified accrual method. Deferred inflows related to pensions and other post-employment benefits obligation that will be recognized as a reduction in expense in future periods amounted to: (44,947,316)

Deferred outflows of resources-The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions and other post-employment benefits obligation that will be recognized as expenditures in future periods amounted to: 178,738,016

Payables that are associated with long-term liabilities that are not due and payable in the current period are not reported as liabilities in the funds.

Accrued interest payable		(515,665)
--------------------------	--	-----------

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

Bonds payable	(\$34,230,000)	
Energy performance debt payable	(6,011,065)	
Compensated absences payable	(65,884,876)	
Workers' compensation claims payable	(2,669,148)	
Net pension liability-proportionate share - ERS	(20,020,906)	
Total other post-employment benefits obligation	<u>(429,775,119)</u>	<u>(558,591,114)</u>

Total Net Position (deficit) (\$289,595,923)

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

	General	Special Aid	School Lunch	Capital Projects	Debt Service	Total Governmental Funds
REVENUES						
Real property taxes	\$85,579,349					\$85,579,349
Other tax items - including STAR reimbursement	13,577,962					13,577,962
Charges for services	574,911					574,911
Use of money and property	379,257		\$450			379,707
Sale of property and compensation for loss	1,083,744					1,083,744
Miscellaneous	1,479,535		26,705			1,506,240
Interfund revenues	14,409					14,409
Local sources		\$25,735				25,735
State sources	115,729,709	4,271,099	119,179			120,119,987
Medicaid reimbursement	646,349					646,349
Federal sources		4,525,931	4,055,424			8,581,355
Surplus food			91,268			91,268
Sales			333,649			333,649
TOTAL REVENUES	<u>219,065,225</u>	<u>8,822,765</u>	<u>4,626,675</u>	<u>-</u>	<u>-</u>	<u>232,514,665</u>
EXPENDITURES						
General support	22,451,819					22,451,819
Instruction	113,239,162	7,979,911				121,219,073
Pupil transportation	11,111,249	375,577				11,486,826
Employee benefits	55,851,229	845,282				56,696,511
Debt service - principal	6,059,095					6,059,095
Debt service - interest	1,993,692					1,993,692
Cost of sales			5,179,541			5,179,541
Capital outlay				\$1,606,043		1,606,043
TOTAL EXPENDITURES	<u>210,706,246</u>	<u>9,200,770</u>	<u>5,179,541</u>	<u>1,606,043</u>	<u>-</u>	<u>226,692,600</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>8,358,979</u>	<u>(378,005)</u>	<u>(552,866)</u>	<u>(1,606,043)</u>	<u>-</u>	<u>5,822,065</u>
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in		378,005		964,740		1,342,745
Operating transfers (out)	(1,342,745)					(1,342,745)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>(1,342,745)</u>	<u>378,005</u>	<u>-</u>	<u>964,740</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE)	7,016,234	-	(552,866)	(641,303)	-	5,822,065
FUND BALANCES - BEGINNING OF YEAR	<u>22,135,263</u>		<u>1,936,384</u>	<u>156,741</u>	<u>\$356,578</u>	<u>24,584,966</u>
FUND BALANCES - END OF YEAR	<u>\$29,151,497</u>	<u>\$ -</u>	<u>\$1,383,518</u>	<u>(\$484,562)</u>	<u>\$356,578</u>	<u>\$30,407,031</u>

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

Net Change in Fund Balances		\$5,822,065
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
Deferred inflows of resources - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual.		1,076,198
In the Statement of Activities, compensated absences (vacation and sick days) are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used.		(4,996,182)
Workers' compensation claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Accrued claims payable from June 30, 2019 to June 30, 2020 changed by:		387,074
Changes in the proportionate share of net pension asset/liability, and total other post-employment benefits obligation and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.		
	Teachers' retirement system	(\$8,697,351)
	Employees' retirement system	(3,695,095)
	Other post-employment benefits obligation	<u>(34,010,968)</u>
		(46,403,414)
Long-Term Debt Transactions		
Repayment of bond and energy performance debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		6,059,095
Interest on debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2019 to June 30, 2020 changed by:		361,889
Governmental funds report the premiums, discounts and similar items on the refunded debt when the debt is first issued. These amounts are deferred and amortized in the Statement of Activities. Amortization for the fiscal year ended June 30, 2020 was:		418,051
Capital Related Items		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. For governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.		
	Capital outlays	\$1,851,695
	Depreciation expense	(2,830,933)
	Loss on disposals	<u>(231)</u>
		<u>(979,469)</u>
Change in Net Position of Governmental Activities		<u><u>(\$38,254,693)</u></u>

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2020**

	<u>Agency Funds</u>
ASSETS	
Cash - restricted	\$495,600
Due from other funds	804,915
TOTAL ASSETS	<u>\$1,300,515</u>
LIABILITIES	
Extraclassroom activity funds	\$105,894
Due to general fund	1,015,174
Other liabilities	179,447
TOTAL LIABILITIES	<u>\$1,300,515</u>

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

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

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

A) Reporting entity:

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

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

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

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

Extraclassroom Activity Funds

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

B) Joint venture:

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

BOCES are organized under §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.

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

C) Basis of presentation:

i) District-Wide Financial Statements

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

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

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

ii) Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

Capital projects fund: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Debt service fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

The District reports the following fiduciary funds:

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

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

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

D) Measurement focus and basis of accounting:

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

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

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

E) Real property taxes:

i) Calendar

Real property taxes are levied annually by the Board of Education no later than October 1, and become a line on December 1. The District's tax levy is collected by the Town of Islip. Tax collections are remitted to the District and Town Comptrollers until their respective tax levies are satisfied.

ii) Enforcement

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

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

F) Restricted resources:

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

G) Interfund transactions:

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

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

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

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

H) Estimates:

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

I) Cash and investments:

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

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

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

J) Receivables:

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

K) Inventories and prepaid items:

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Non-spendable fund balance for these non-liquid assets (inventories) has been recognized in the school lunch fund to signify that a portion of fund balance is not available for other subsequent expenditures. The District has inventory of \$38,463 recorded as non-spendable fund balance as of June 30, 2020.

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

L) Capital assets:

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building & building improvements	\$500,000	Straight-line	50-25 years
Site improvements	\$25,000	Straight-line	20 years
Furniture & equipment	\$5,000	Straight-line	5-20 years

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

M) Collections in advance:

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded. Collections in advance consists of amounts for pre-paid student meals in the school lunch fund, and grant monies received in advance in the special aid fund.

N) Deferred outflows and inflows of resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualifies for reporting in this category. The first is the financial effect of deferred charges on advance refunding of general obligation serial bonds. The District reported \$156,236 of deferred outflows of resources that resulted from the difference in the net carrying value of the refunded debt over its reacquisition price, detailed further in Note 13. The other two items in this category are related to pensions and other post-employment benefits obligation, which are reported in the District-Wide Statement of Net Position, and are detailed further in Notes 14 and 16, respectively.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. One is premiums/gain on defeasance on refundings which resulted from a difference in carrying value of the refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt, detailed further in Note 13. The other two items are related to pensions and other post-employment benefits obligation, which are reported in the District-Wide Statement of Net Position, and are detailed further in Notes 14 and 16, respectively.

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

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

O) Vested employee benefits:

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

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

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

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

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

P) Other benefits:

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 plans established under Internal Revenue Code Section 403(b) and 457.

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

Q) Short-term debt:

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The

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

RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

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

R) Accrued liabilities and long-term obligations:

Payables, accrued liabilities and long-term obligations are reported in the District-Wide Financial Statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, pension liability, other post-employment benefit obligations 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 District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

S) Equity classifications:

i) District-Wide Financial Statements

In the District-Wide Financial Statements, there are three classes of net position:

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets, net of any unspent proceeds and including any unamortized items (discounts, premiums, gain on refunding).

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

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

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

ii) Fund Financial Statements

There are five classifications of fund balance as detailed below; however, in the Fund Financial Statements there are four classifications of fund balance presented:

- (1) **Nonspendable 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. Nonspendable fund balance includes the inventory recorded in the school lunch fund of \$38,463.
- (2) **Restricted fund balance** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The District has classified the following as restricted:

Workers' Compensation Reserve

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

Employee Benefit Accrued Liability Reserve

Employee benefit accrued liability reserve (GM §6-p), this must be used 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. This reserve is accounted for in the general fund under restricted fund balance.

Retirement Contribution Reserve

Retirement Contribution Reserve (GML§6-r), must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. In addition, a subfund of this reserve may also be created to

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

allow for financing retirement contributions to the New York State Teachers' Retirement System. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the fund must be provided to the Board. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. The Teachers' Retirement System subfund is subject to contribution limits. This reserve is accounted for in the general fund under restricted fund balance.

Capital Reserve

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

Property Loss and Liability Reserve

Property loss and liability reserve (GML §6-h) must be 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.

Debt Service

The unexpected balances of proceeds from borrowings for capital projects, interest and earnings from investing proceeds of borrowings, and borrowing premiums can be recorded as amounts restricted for debt service. These restricted funds are accounted for in the debt service fund.

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

Restricted for Unspent Bond Proceeds

Unspent bond proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. This restricted fund balance is accounted for in the capital projects fund.

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

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District’s budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in assigned fund balance are also excluded from the 4% limitation. The District’s unassigned fund balance at June 30, 2020 exceeded the legal limit. See Supplemental Schedule #5 for more information.

The unassigned deficit fund balance in the capital projects fund of \$587,139 will be eliminated once NYS Smart Bonds funds are received.

Order of Use of Fund Balance

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

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

T) Future changes in accounting standards:

GASB has issued Statement No. 84, Fiduciary Activities, effective for the fiscal year ended June 30, 2021. It provides guidance for identifying fiduciary activities, primarily based on whether the government is controlling the assets, and the beneficiaries with whom the fiduciary relationship exists, and on how different fiduciary activities should be reported.

GASB has issued Statement No. 87, Leases, effective for fiscal year ended June 30, 2022. This Statement establishes a single model for lease accounting based on the idea that leases are financings of the right-to-use an underlying asset. As such, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources.

These are the statements that the District feels may have an impact on these financial statements and are not an all-inclusive list of GASB statements issued. The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS:

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

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

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

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

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

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

i) Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accruals basis, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) Long-term debt transaction differences:

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

iii) Capital related differences:

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

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

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

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

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

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

B) Encumbrances:

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

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash:

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

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

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

All of the District's aggregate bank balances were covered by depository insurance or collateralized with securities held by the pledging financial institution in the District's name at year end.

Restricted cash:

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 at June 30, 2020 included \$12,977,895 in the general fund for general reserve, debt service, and capital purposes and \$495,600 in the fiduciary funds.

B) Investments:

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

C) Investment Pool:

The District participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents.

Total investments of the cooperative as of year-end are \$141,282,022 which consists of \$69,553,000 in repurchase agreements, \$56,712,500 in U.S. Treasury Securities, \$15,016,100 in collateralized bank products with various interest rates and due dates and \$422 in cash.

At June 30, 2020 the District held \$280,358 in investments consisting of various investments in securities issued by the United States and its agencies.

The following amounts are included as cash:

Fund	Carrying Amount
General fund	\$225,690
Capital projects fund	54,668
	\$280,358

The above amounts represent the cost of the investment pool shares, and are considered to approximate market value. New York Liquid Asset Fund (NYLAF) is rated AAAM by Standard and Poor's Ratings Agency. Additional information concerning the cooperative is presented in the annual report of the NYLAF, which may be obtained from their website, www.nylaf.org.

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

NOTE 5 – PARTICIPATION IN BOCES:

During the fiscal year, the District was billed \$20,046,722 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$3,212,035. Financial statements for the BOCES are available from the BOCES administrative office at Eastern Suffolk Board of Cooperative Educational Services, James Hines Administration Center, 201 Sunrise Highway Patchogue, NY 11772.

NOTE 6 – STATE AND FEDERAL AID RECEIVABLES:

State and federal aid receivables at June 30, 2020 consisted of the following:

Description	General Fund	Special Aid Fund	School Lunch Fund	Total
State aid-excess cost	\$3,376,995			\$3,376,995
State aid-general	314,308			314,308
State worker compensation	24,039			24,039
State & local grants		\$3,600,646		3,600,646
Federal grants		1,697,795		1,697,795
Breakfast-federal			\$33,717	33,717
Lunch-federal			53,641	53,641
Breakfast - state			1,553	1,553
Lunch - state			918	918
Total	<u>\$3,715,342</u>	<u>\$5,298,441</u>	<u>\$89,829</u>	<u>\$9,103,612</u>

The general fund state aid receivable includes \$1,064,950 of unavailable revenues, which is included in deferred inflows of resources on the balance sheet.

District management has deemed the amounts to be fully collectible.

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

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

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

Foster tuition and health services	\$590,184
Services to non-resident students	30,245
Town of Islip payment in lieu of property taxes	87,536
BOCES refund for homeless student transportation	10,430
BOCES aid	3,529,709
Total	<u>\$4,248,104</u>

District management has deemed these amounts to be fully collectible.

The general fund due from other governments for BOCES aid includes \$317,674 of unavailable revenues, and the general fund due from other governments for foster tuition and health services includes \$374,741 of unavailable revenues, which are included in deferred inflows of resources on the balance sheet.

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8 - CAPITAL ASSETS:

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

	Beginning Balance*	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$539,650	\$64,740		\$604,390
Construction in progress	318,796	661,464	(\$8,655)	971,605
Total nondepreciable capital assets	<u>858,446</u>	<u>726,204</u>	<u>(8,655)</u>	<u>1,575,995</u>
Capital assets being depreciated				
Building & building improvement	139,124,495	891,347	8,655	140,024,497
Furniture and equipment	3,468,306	139,321	(47,844)	3,559,783
Land improvement	3,170,832	94,823		3,265,655
Total depreciable capital assets	<u>145,763,633</u>	<u>1,125,491</u>	<u>(39,189)</u>	<u>146,849,935</u>
Less accumulated depreciation:				
Building & building improvement	49,595,110	2,546,676		52,141,786
Furniture and equipment	2,412,282	163,685	(47,613)	2,528,354
Land improvement	2,314,850	120,572		2,435,422
Total accumulated depreciation	<u>54,322,242</u>	<u>2,830,933</u>	<u>(47,613)</u>	<u>57,105,562</u>
Total capital assets being depreciated, net	<u>91,441,391</u>	<u>(1,705,442)</u>	<u>8,424</u>	<u>89,744,373</u>
Total capital assets, net	<u>\$92,299,837</u>	<u>(\$979,238)</u>	<u>(\$231)</u>	<u>\$91,320,368</u>

* As restated, see Note 20.

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

Instruction	\$2,652,599
General support	169,294
Food service	9,271
	<u>\$2,831,164</u>

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

NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$5,279,397	\$1,688,982		\$1,342,745
Special aid fund	-	4,806,335	\$378,005	
School lunch fund	1,688,982	73,126		
Debt service fund	356,578			
Capital projects fund	-	546,255	964,740	
Total government activities	<u>7,324,957</u>	<u>\$7,114,698</u>	<u>1,342,745</u>	<u>1,342,745</u>
Fiduciary agency fund	804,915	1,015,174		
Totals	<u>\$8,129,872</u>	<u>\$8,129,872</u>	<u>\$1,342,745</u>	<u>\$1,342,745</u>

The District typically transfers from the general fund to the special aid fund to fund the District's local share of summer school handicap expenses required by New York State Law, to fund the preschool program and to fund the State Supported Section 4201 schools. Beginning in the 2011-2012 school year, the State Supported Section 4201 schools were authorized under Chapter 58 of the Laws of 2011 to bill the District at time of initial admission for the cost of the 10-month school year education. The District also transferred \$964,740 from the capital reserve to the capital projects fund to fund ongoing projects and to purchase land.

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

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

NOTE 10 – DUE TO OTHER GOVERNMENTS:

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

General Fund	
NYS governmental agencies	\$245,091
Suffolk County governmental agencies	156,169
Town of Islip	2,235
NYS Education Department-Medicaid funds received	11,994
NYS aid overpayment	32,240
Due to BOCES & NYS public schools	<u>2,371,520</u>
Total General Fund	<u>2,819,249</u>
School Lunch Fund	
Due to NYS Department of Taxation - sales tax	851
Total School Lunch Fund	<u>851</u>
Total All Funds	<u>\$2,820,100</u>

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

NOTE 11 - SHORT-TERM DEBT:

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
TAN	6/25/2020	2.00%	\$ -	\$16,000,000	\$16,000,000	\$ -
			\$ -	16,000,000	16,000,000	\$ -

The Tax Anticipation Note (TAN) was issued for interim financing of general fund operations. Interest on short term debt for the year amounted to \$214,222.

NOTE 12 – LONG – TERM LIABILITIES:

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term debt:					
Bonds payable	\$39,465,000		\$5,235,000	\$34,230,000	\$5,510,000
Energy performance debt payable	6,835,160		824,095	6,011,065	849,462
Other long-term liabilities:					
Compensated absences payable	60,888,694	\$8,994,899	3,998,717	65,884,876	
Claims payable	3,056,222	486,701	873,775	2,669,148	
Net pension liability-proportionate share	5,569,448	22,119,569	7,668,111	20,020,906	
Total OPEB obligation	345,831,953	91,791,445	7,848,279	429,775,119	
Total long-term liabilities	<u>\$461,646,477</u>	<u>\$123,392,614</u>	<u>\$26,447,977</u>	<u>\$558,591,114</u>	<u>\$6,359,462</u>

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

Authorized but Unissued Debt

On April 7, 2014 the voters approved a Capital Projects Bond Proposition authorizing the construction of infrastructure improvements and alterations to District school buildings and sites. This voter approval also included the authorized issuance of serial bonds up to an amount not to exceed \$24,890,000. The principal and interest of said serial bonds shall be paid through the levy and collection of taxes on all taxable real property in the District in addition to the authorization of up to \$5,202,010 to be expended from the District's capital reserve to pay for a portion of the capital projects' cost and any such monies so expended shall reduce the amounts of bonds issued. Bonds were issued on August 16, 2018 in the amount of \$17,900,000, which leaves \$1,787,990 of authorized but unissued debt as of June 30, 2020. Additional details surrounding these outstanding bonds as of June 30, 2020 can be found below.

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

A) Bonds payable:

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

<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at Year End</u>
5/17/2013	7/15/2023	2.0 - 5.0%	\$ 9,630,000
9/13/2012	9/1/2028	4.20%	2,800,000
9/12/2014	9/1/2028	2.0 - 3.0%	5,000,000
8/16/2018	8/15/2033	2.5 - 3.0%	16,800,000
			<u>\$ 34,230,000</u>

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

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 5,510,000	\$ 1,089,050	\$ 6,599,050
2022	5,105,000	874,125	5,979,125
2023	5,240,000	673,775	5,913,775
2024	2,100,000	538,650	2,638,650
2025	2,125,000	471,075	2,596,075
2026-2030	9,350,000	1,374,150	10,724,150
2031-2034	4,800,000	288,000	5,088,000
	<u>\$ 34,230,000</u>	<u>\$ 5,308,825</u>	<u>\$ 39,538,825</u>

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

B) Energy performance debt payable:

Energy performance debt is comprised of the following:

<u>Description</u>	<u>Date</u>	<u>Maturity</u>	<u>Rate</u>	<u>at Year End</u>
Energy performance debt	7/15/2011	10/15/2026	3.05%	\$6,011,065
				<u>\$6,011,065</u>

The following is a summary of debt service requirement for energy performance debt:

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

Fiscal Year Ended			
June 30,	Principal	Interest	Total
2021	\$849,462	\$177,188	\$1,026,650
2022	875,610	151,040	1,026,650
2023	902,562	124,088	1,026,650
2024	930,345	96,306	1,026,651
2025	958,982	67,669	1,026,651
2026-2027	1,494,104	45,872	1,539,976
	<u>\$6,011,065</u>	<u>\$662,163</u>	<u>\$6,673,228</u>

C) Long-term interest:

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

	<u>Total</u>
Interest paid	\$1,779,470
Less interest accrued in the prior year	(877,554)
Plus interest accrued in the current year	515,665
Less amortization of deferred amounts	<u>(418,051)</u>
Total expense	<u><u>\$999,530</u></u>

NOTE 13 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES:

The deferred charges on refunding and the gain on defeasance/bond premium pertaining to the 2013 refunding, the 2014 and 2018 bond issuance are recorded in the District-Wide Financial Statements as deferred outflows/inflows of resources at June 30, 2020, and consisted of the following:

	<u>Balance at</u>	<u>Current Year</u>	<u>Balance at</u>
	<u>June 30, 2019</u>	<u>Amortization</u>	<u>June 30, 2020</u>
Deferred charge on refunding	231,229	(74,993)	156,236
Gain on defeasance/bond premium	(1,663,031)	493,044	(1,169,987)

The deferred charge on refunding and the gain on defeasance are being amortized on the District-Wide Financial Statements using the straight-line method over 12 years, the time to maturity of the refunded bonds, at the point of refunding. The bond premium on the 2014 issuance is being amortized over 14 years and the 2018 bond premium is being amortized over 15 years, for the life of the new bonds from the date of issuance. Amortization is included as a component of interest expense.

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

NOTE 14 – PENSION PLANS:

A) Plan Description and Benefits Provided:

i) Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State 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 which can be found on the System's website at www.nystrs.org.

ii) Employees' Retirement System

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

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

B) Funding Policies:

The Systems are noncontributory, except as follows:

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

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

For ERS, the Comptroller annually certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund, for the ERS' fiscal year ended March 31. The District's average contribution rate for ERS' fiscal year ended March 31, 2020, by tier, of covered payroll was as follows:

Tier 1	0.0%
Tier 2	19.6%
Tier 3	15.9%
Tier 4	15.9%
Tier 5	13.3%
Tier 6	9.4%

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

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

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

	<u>NYSERS</u>	<u>NYSTRS</u>
2020	\$ 3,993,017	\$ 7,451,026
2019	\$ 4,034,883	\$ 9,039,621
2018	\$ 4,158,078	\$ 8,062,837

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

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2020	June 30, 2019
Net pension asset/(liability)	\$ (20,020,906)	\$ 13,249,143
District's portion of the Plan's total net pension asset/(liability)	0.0756060%	0.5099730%
Change in proportion since prior measurement date.	-0.0000300%	0.0000478%

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$7,688,111 for ERS and \$16,158,978 for TRS. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 1,178,311	\$ 8,978,606		\$ 985,232
Changes of assumptions	403,126	25,029,404	\$ 348,093	6,102,877
Net difference between projected and actual earnings on pension plan investments	10,263,690			10,625,130
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,949,723	303,210	358,406	1,338,177
District's contributions subsequent to the measurement date	1,235,425	7,451,026		
	<u>\$ 15,030,275</u>	<u>\$ 41,762,246</u>	<u>\$ 706,499</u>	<u>\$ 19,051,416</u>

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

	<u>ERS</u>	<u>TRS</u>
Plan Year ended:		
2020		\$ 5,768,231
2021	\$ 2,568,646	154,472
2022	3,363,356	5,746,505
2023	3,997,418	3,695,847
2024	3,158,931	382,657
Thereafter	-	(487,908)
	<u>\$ 13,088,351</u>	<u>\$ 15,259,804</u>

Actuarial Assumptions

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

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

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

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

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

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

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

<u>Valuation Date</u>	<u>ERS</u>		<u>TRS</u>	
	<u>April 1, 2019</u>		<u>June 30, 2018</u>	
<u>Asset type</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	36%	4.05%	33%	6.3%
International equity	14%	6.15%	16%	7.8%
Global equity			4%	7.2%
Private equity	10%	6.75%	8%	9.9%
Real estate	10%	4.95%	11%	4.6%
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	4%	0.50%		
Domestic fixed income securities			16%	1.3%
Global fixed income securities			2%	0.9%
High-yield fixed income securities			1%	3.6%
Private debt			1%	6.5%
Real estate debt			7%	2.9%
Short-term			1%	0.3%
	<u>100%</u>		<u>100%</u>	

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

Discount Rate

The discount rate used to calculate the total pension liability was 6.80% for ERS and 7.10% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 6.80% for ERS and 7.10% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

be if it were calculated using a discount rate that is 1-percentagepoint lower (5.80% for ERS and 6.10% for TRS) or 1-percentagepoint higher (7.80% for ERS and 8.10% for TRS) than the current rate:

ERS	1% Decrease (5.80%)	Current Assumption (6.80%)	1% Increase (7.80%)
District's proportionate share of the net pension asset (liability)	(\$36,744,016)	(\$20,020,906)	(\$4,618,852)
TRS	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension asset (liability)	(\$59,805,250)	\$13,249,143	\$74,533,536

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$1,235,425.

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

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

intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020 amounted to \$8,838,184.

NOTE 15 – OTHER RETIREMENT PLANS:

A) Tax Sheltered Annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the fiscal year ended June 30, 2020, totaled \$86,775 and \$5,818,098 respectively.

B) Deferred Compensation Plan:

The District established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the fiscal year ended June 30, 2020 totaled \$1,305,582.

NOTE 16 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

A) General Information about the OPEB Plan:

Plan Description

The District provides primarily post-employment health insurance coverage (the Healthcare Plan) to retired employees and their spouses in accordance with the provisions of various employment contracts. Benefits are provided through the New York State Health Insurance Program Empire Plan (NYSHIP) (the "Plan"), which is a single-employer defined benefit healthcare plan administered by New York State and the United Public Service Employees' Union Benefit Plan (UPSEU) (the "Plan"), which is a fully insured, community rated plan maintained by Local 74 of the United Service Workers Union. The Plan does not issue a stand-alone, publicly available report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Benefits Provided

The Plan provides medical and Medicare Part B benefits for retired employees and their eligible dependents. The benefit levels, employee contributions and employer contributions are governed by the District’s contractual agreements. Plan members receiving benefits contributed either a fixed annual amount ranging between \$200 and \$900 or 0% - 15% of the health insurance premium. The District recognizes the cost of the Plan annually as expenditures in the fund financial statements as payments are accrued. For fiscal year 2020, the District contributed an estimated \$7,848,279 to the Plan, including \$7,848,279 for current premiums and \$0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund OPEB by any other means than the “pay as you go” method.

Employee Covered by Benefit Terms

At July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	828
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	954
Total	1,782

B) Total OPEB Liability:

The District’s total OPEB Liability of \$429,775,119 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2018. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions and Other Inputs

The total OPEB Liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal
Salary increases including inflation	2.60%
Discount rate	2.21%
Health cost trend rates	6.1% to 4.1% decreasing over 57 years

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index as of June 30, 2020.

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

Mortality rates were based on the RP-2014 adjusted to 2006 Total Database Mortality Table generationally projected using Scale MP-2018. This assumption includes a margin for future improvements in longevity.

Turnover rates and retirement rates were commensurate with the combined experience of the New York State Employees and Teachers Retirement Systems.

C) Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>
Balance at June 30, 2019	\$ 345,831,953
Changes for the fiscal year:	
Service cost	11,265,534
Interest	12,362,248
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	68,163,663
Benefit payments	(7,848,279)
Net changes	<u>83,943,166</u>
Balance at June 30, 2020	<u>\$ 429,775,119</u>

Changes of Assumptions

The discount rate was changed from 3.50% as of June 30, 2019 to 2.21% as of June 30, 2020.

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

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

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	<u>\$512,241,414</u>	<u>\$429,775,119</u>	<u>\$364,485,057</u>

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

Sensitivity of the Total OPEB Liability to Changes in the 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 (5.1%) or 1 percentage higher (7.1%) than the current healthcare cost trend rate:

	1% Decrease (5.1% decreasing to 3.1%)	Healthcare Cost Trend Rates (6.1% decreasing to 4.1%)	1% Increase (7.1% decreasing to 5.1%)
Total OPEB liability	<u>\$347,652,367</u>	<u>\$429,775,119</u>	<u>\$538,350,187</u>

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

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$41,859,247. At June 30, 2020, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 25,189,401
Changes of assumptions or other inputs	<u>121,945,495</u>	<u>-</u>
	<u>\$ 121,945,495</u>	<u>\$ 25,189,401</u>

Amounts reported as deferred inflows of resources and deferred outflows of resources related to other post-employment benefits will be recognized in OPEB expense as follows:

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 18,231,465
2022	18,231,465
2023	18,231,465
2024	19,475,258
2025	19,340,552
Thereafter	<u>3,245,889</u>
	<u>\$ 96,756,094</u>

NOTE 17 – RISK MANAGEMENT:

A) General:

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

B) Consortiums and Self Insured Plans:

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported claims which were incurred on or before year-end but not paid. As of June 30, 2020, the District has incurred but unpaid claims liability in the amount of \$2,669,148 and has a restricted fund balance for workers' compensation in the amount of \$1,835,368.

Claims activity for the current and preceding year is summarized below:

	<u>2020</u>	<u>2019</u>
Unpaid claims at beginning of year	\$3,056,222	\$3,044,250
Incurred claims and claim adjustment expenses	486,701	1,038,487
Claims payments	<u>(873,775)</u>	<u>(1,026,515)</u>
Unpaid claims at year end	<u>\$2,669,148</u>	<u>\$3,056,222</u>

NOTE 18 – COMMITMENTS AND CONTINGENCIES:

A) Encumbrances:

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

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

General Fund	
General support	\$ 227,968
Instruction	558,570
Total General Fund	<u>\$ 786,538</u>

B) Grants:

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

C) Building Aid Penalty:

Section 31 of Chapter 57 of the Laws of 2012 provides for amnesty for late filed construction final cost reports. Under this provision, rather than losing all aid associated with projects, a late filing penalty is assessed. By Memorandum and Order dated October 30, 2014, the Appellate Division found that the District would be allowed to receive building aid but would be subject to the 2012 Amnesty Legislation that imposes a penalty provision. The total estimated loss of building aid will be approximately \$3,929,000. The June 2014 State aid payment was reduced by \$2,104,606 as a lump sum recoupment of prior year revisions through June 30, 2013. For fiscal year ending June 30, 2016, building aid was reduced by an estimated \$187,000. For fiscal year ending June 30, 2017, building aid was reduced by an estimated \$271,000. For fiscal years ending June 30, 2018 through June 30, 2020, building aid was reduced by an estimated \$300,000 per year. The balance of payments due will be recouped on an amortized basis from future aid payments. The remaining balance owed at June 30, 2020 is approximately \$466,394. The final recoupment payment scheduled to be made is in fiscal year 2023-24.

D) Litigation:

The District is involved in lawsuits arising from the normal conduct of its affairs. Some of these lawsuits seek damages which may be in excess of the District's insurance coverage. However, it is not possible to determine the District's potential exposure, if any, at this time.

E) Operating Leases:

The District leases various equipment under non-cancelable leases. Lease expense for the fiscal year was approximately \$312,335. The following is a summary of obligations of government activities under operating lease payments:

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

Fiscal Year Ended	Total
June 30,	
2021	\$ 339,607
2022	338,484
2023	337,392
2024	277,768
2025	77,700
Total Lease Payments	<u><u>\$ 1,370,951</u></u>

NOTE 19 – TAX ABATEMENTS:

Suffolk County Industrial Development Agency and the Town of Islip Industrial Development Agency, established by Article 18-A of General Municipal Law of New York State, under the authority of New York State General Municipal Law Section 911-a and 898-b, respectively, entered into various property tax abatement programs for the purpose of economic development, and general prosperity and economic welfare of the County and Town.

Related to agreements with the Town of Islip IDA, the District’s property tax revenue was reduced by \$5,274,885 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$4,995,652 for these programs.

Related to agreements with the Suffolk County IDA, the District’s property tax revenue was reduced by \$803,909 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$624,315 for these programs during the fiscal year.

NOTE 20 – RESTATEMENT OF NET POSITION:

	Government-Wide Net Position
Balance as of July 1, 2019, as reported	\$ (249,369,887)
Decrease to opening capital assets	<u>(1,971,343)</u>
Balance as of July 1, 2019, as restated	<u><u>\$ (251,341,230)</u></u>

Adjustments were made as a result of differences identified between the District’s records and the capital asset full appraisal report prepared by the outside appraisal company for the fiscal year ending June 30, 2019, which resulted in a decrease to opening construction in progress and a decrease to opening net position of \$1,971,343.

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

NOTE 21 – SUBSEQUENT EVENTS:

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management evaluated the activity of the District through the date of this report and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

- On March 11, 2020, the World Health Organization declared coronavirus (COVID-19) disease as a global pandemic, due to the rapid increase in global exposure. The full impact of this pandemic is still evolving as of the date of this report; however, COVID-19 has interrupted District operations and financial performance. The future performance both operationally and financially will depend upon the duration and spread of the disease, the effect on students, employees, residents, and vendors, as well as federal and state funding, all of which are uncertain and cannot be estimated at this time.
- On August 13, 2020, the Division of the Budget (DOB) issued their “FY 2021 First Quarterly State Budget Financial Plan Update” which notes that the DOB approved payment at 80% for accrued General Aid, Excess Cost Aid and BOCES Aid payments. These financial statements reflect revenue at 80% of the accrued amounts for Excess Cost and BOCES aid in the general fund. The remaining 20% is included in deferred inflows of resources and will be recognized as revenue upon such time this deferred aid is received.
- On October 8, 2020 the District’s voters approved \$4,250,000 in capital improvements to the District facilities. The projects is to be financed using \$838,128 from the capital reserve fund and with the issuance of \$3,411,872 in long term debt. The District’s voters also approved \$8,655,952 in energy conservation improvements to District facilities, which will be financed through an energy performance contract.

SUPPLEMENTARY INFORMATION

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local Sources				
Real property taxes	\$93,529,258	\$85,571,263	\$85,579,349	\$8,086
Other real property tax items	3,850,000	13,057,995	13,577,962	519,967
Charges for services	4,055,000	568,813	574,911	6,098
Use of money & property		390,696	379,257	(11,439)
Sale of property				
& compensation for loss	100,000	976,187	1,083,744	107,557
Miscellaneous		1,355,317	1,479,535	124,218
Interfund revenues		15,000	14,409	(591)
State Sources				
Basic formula	114,431,013	78,870,245	79,635,438	765,193
Excess cost aid		14,000,000	14,756,858	756,858
Lottery grant		16,104,849	16,104,849	-
BOCES aid		3,505,000	3,212,035	(292,965)
Tuition			67,108	67,108
Textbook aid		473,922	473,922	-
Computer software aid		272,553	272,553	-
Library A/V loan program aid		49,431	49,431	-
Other state aid		800,000	1,157,515	357,515
Federal Sources				
Medicaid reimbursement	595,000	549,000	646,349	97,349
TOTAL REVENUES	<u>216,560,271</u>	<u>216,560,271</u>	<u>219,065,225</u>	<u>\$2,504,954</u>
Appropriated Fund Balance				
Appropriated Reserves	70,877	1,035,617		
TOTAL REVENUES, APPROPRIATED FUND BALANCE & RESERVES	<u>\$216,631,148</u>	<u>\$217,595,888</u>		

Note to Required Supplementary Information

Budget Basis of accounting

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
General Support					
Board of education	\$57,043	\$87,350	\$84,851		\$2,499
Central administration	579,724	522,832	516,069	\$3,219	3,544
Finance	1,757,806	1,725,879	1,678,502	34,365	13,012
Staff	1,126,687	1,052,766	1,050,105		2,661
Central services	19,333,325	18,417,092	17,641,142	190,384	585,566
Special items	1,466,993	1,481,150	1,481,150		-
Total General Support	<u>24,321,578</u>	<u>23,287,069</u>	<u>22,451,819</u>	<u>227,968</u>	<u>607,282</u>
Instructional					
Instruction, adm. & imp.	7,728,942	7,313,226	7,151,323	4,131	157,772
Teaching - regular school	48,414,417	49,607,733	48,770,724	324,092	512,917
Programs for children with handicapping conditions	38,590,202	37,240,653	35,916,681		1,323,972
Programs for english language learners	9,116,988	7,690,484	7,638,425		52,059
Occupational education	1,906,347	1,974,726	1,922,290		52,436
Teaching special schools	509,500	536,151	486,224		49,927
Instructional media	2,617,843	3,338,261	3,080,233	226,725	31,303
Pupil services	8,870,062	8,602,675	8,273,262	3,622	325,791
Total Instructional	<u>117,754,301</u>	<u>116,303,909</u>	<u>113,239,162</u>	<u>558,570</u>	<u>2,506,177</u>
Pupil transportation	12,234,103	11,306,026	11,111,249	-	194,777
Community services	5,000	-	-	-	-
Employee benefits	53,898,519	57,303,349	55,851,229	-	1,452,120
Debt service principal	6,059,096	6,086,520	6,059,095		27,425
Debt service - interest	2,076,550	1,966,270	1,993,692		(27,422)
Total Debt Service	<u>8,135,646</u>	<u>8,052,790</u>	<u>8,052,787</u>	<u>-</u>	<u>3</u>
TOTAL EXPENDITURES	<u>216,349,147</u>	<u>216,253,143</u>	<u>210,706,246</u>	<u>786,538</u>	<u>4,760,359</u>
Other Financing Uses					
Transfers to other funds	282,001	1,342,745	1,342,745	-	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$216,631,148</u>	<u>\$217,595,888</u>	<u>212,048,991</u>	<u>\$786,538</u>	<u>\$4,760,359</u>
Change in fund balances			7,016,234		
Fund balances - beginning of year			<u>22,135,263</u>		
Fund balances - end of year			<u>\$29,151,497</u>		

Note to Required Supplementary Information

Budget Basis of accounting

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

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 11,265,534	\$ 7,569,244	\$ 8,507,037
Interest	12,362,248	10,582,023	9,867,545
Changes of benefit terms	-	-	-
Differences between expected and actual experience		(25,642,346)	(13,147,177)
Changes of assumptions or other inputs	68,163,663	90,969,403	-
Benefit payments	<u>(7,848,279)</u>	<u>(6,962,728)</u>	<u>(6,067,492)</u>
Net change in total OPEB liability	83,943,166	76,515,596	(840,087)
Total OPEB liability - beginning	<u>345,831,953</u>	<u>269,316,357</u>	<u>270,156,444</u>
Total OPEB liability - ending	<u>\$ 429,775,119</u>	<u>\$ 345,831,953</u>	<u>\$ 269,316,357</u>
Covered-employee payroll	\$ 103,915,462	\$ 103,915,462	\$ 76,457,106
Total OPEB liability as a percentage of covered-employee payroll	413.58%	332.80%	352.25%

Notes to Schedule:*Trust Assets*

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

Changes of Assumptions

The discount rate was 2.21% as of June 30, 2020.

The discount rate was 3.50% as of June 30, 2019.

The discount rate was 3.87% as of June 30, 2018.

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

NYSERS Pension Plan		2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension (liability)		0.0756060%	0.0786056%	0.0850106%	0.0833981%	0.0824660%	0.0797316%	0.0797316%
District's proportionate share of the net pension (liability)		\$ (20,020,906)	\$ (5,569,448)	\$ (2,743,669)	\$ (7,836,274)	\$ (13,236,016)	\$ (2,693,528)	\$ (3,602,959)
District's covered payroll		\$ 25,801,370	\$ 26,441,953	\$ 26,364,176	\$ 27,067,398	\$ 25,702,853	\$ 24,176,941	\$ 22,920,445
District's proportionate share of the net pension (liability) as a percentage of its covered payroll		77.60%	21.06%	10.41%	28.95%	51.50%	11.14%	15.72%
Plan fiduciary net position as a percentage of the total pension (liability)		86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%
NYTRS Pension Plan		2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset (liability)		0.509973%	0.505197%	0.506470%	0.492860%	0.500747%	0.475596%	0.446103%
District's proportionate share of the net pension asset (liability)		\$ 13,249,143	\$ 9,135,300	\$ 3,849,673	\$ (5,278,734)	\$ 52,011,658	\$ 52,978,484	\$ 2,936,488
District's covered payroll		\$ 85,676,537	\$ 82,702,105	\$ 81,519,061	\$ 76,559,914	\$ 75,523,165	\$ 70,952,614	\$ 65,955,700
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll		15.46%	11.05%	4.72%	6.89%	68.87%	74.67%	4.45%
Plan fiduciary net position as a percentage of the total pension asset (liability)		102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

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

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

	NYSERS Pension Plan										
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	
Contractually required contribution	\$ 3,993,017	\$ 4,034,883	\$ 4,158,078	\$ 3,991,824	\$ 4,629,915	\$ 4,690,236	\$ 4,776,707	\$ 4,864,099	\$ 3,044,612	\$ 2,554,979	
Contributions in relation to the contractually required contribution	3,993,017	4,034,883	4,158,078	3,991,824	4,629,915	4,690,236	4,776,707	4,864,099	3,044,612	2,554,979	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
District's covered payroll	25,667,998	26,640,220	26,129,100	27,035,672	26,183,395	24,685,374	23,029,198	22,580,979	21,042,554	20,161,094	
Contributions as a percentage of covered payroll	15.56%	15.15%	15.91%	14.77%	17.68%	19.00%	20.74%	21.54%	14.47%	12.67%	

	NYTRS Pension Plan										
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	
Contractually required contribution	\$ 7,451,026	\$ 9,039,621	\$ 8,062,837	\$ 9,383,918	\$ 10,079,951	\$ 13,185,891	\$ 11,416,114	\$ 7,736,778	\$ 6,894,879	\$ 5,787,950	
Contributions in relation to the contractually required contribution	7,451,026	9,039,621	8,062,837	9,383,918	10,079,951	13,185,891	11,416,114	7,736,778	6,894,879	5,787,950	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
District's covered payroll	\$ 84,689,267	\$ 85,676,537	\$ 82,702,105	\$ 81,519,061	\$ 76,559,914	\$ 75,523,165	\$ 70,952,614	\$ 65,955,700	\$ 62,236,599	\$ 66,595,541	
Contributions as a percentage of covered payroll	8.80%	10.55%	9.75%	11.51%	13.17%	17.46%	16.09%	11.73%	11.08%	8.69%	

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$216,560,271
Add: Prior year's encumbrances	<u>70,877</u>
Original Budget	216,631,148
Budget revisions:	
Appropriated reserves - capital	<u>964,740</u>
Final Budget	<u><u>\$217,595,888</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-21 voter approved expenditure budget	<u><u>\$220,487,829</u></u>
Maximum allowed (4% of the 2020-2021 budget)	<u><u>\$8,819,513</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$1,786,538
Unassigned fund balance	<u>14,846,219</u>
Total unrestricted fund balance	\$16,632,757
Less:	
Appropriated fund balance	\$1,000,000
Encumbrances included in assigned fund balance	<u>786,538</u>
Total adjustments	<u>1,786,538</u>
General fund fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$14,846,219</u></u>
Actual percentage	6.73%

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
 JUNE 30, 2020

Project Title	Original Appropriation	Revised Appropriation	Expenditures to Date			Unexpended Balance	Proceeds of Obligations	Methods of Financing		Fund Balance June 30, 2020
			Prior Year's	Current Year	Total			State Aid	Local Sources	
Non-aidable	\$511,467	\$511,467	\$408,890		\$408,890	\$102,577	\$511,467			\$102,577
Non-aidable	516,019	516,019	516,019		516,019	-	516,019	\$516,019		-
Emergency capital project	65,608	65,608	65,608		65,608	-	65,608	65,608		-
High school middle school roof	900,000	900,000	20,161	\$879,839	900,000	-	900,000	900,000		-
Land Purchase	64,740	64,740		64,740	64,740	-	64,740	64,740		-
Capital project--Smart Bond			303,392	661,464	964,856	(964,856)	-	-		(964,856) *
Capital project	16,800,000	16,800,000	16,406,107		16,406,107	393,893	12,525,000	850,005	16,691,285	283,178
Capital project	24,890,000	24,890,000	23,910,950		23,910,950	979,050	17,900,000	6,103,489	24,003,489	92,539
TOTAL	\$43,747,834	\$43,747,834	\$41,631,127	\$1,606,043	\$43,237,170	\$510,664	\$30,936,467	\$3,316,280	\$8,499,861	\$42,752,608

* The negative fund balance will be eliminated once NYS Smart School Bond Act monies are received.

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2020**

Capital assets, net		\$91,320,368
Add:		
Unamortized deferred charge on refunding		156,236
Deduct:		
Short-term portion of bonds payable	\$5,510,000	
Long-term portion of bonds payable	28,720,000	
Less: unspent bond proceeds	<u>(102,577)</u>	34,127,423
Unamortized gain on defeasance/premium		1,169,987
Short-term portion of energy performance debt	\$849,462	
Long-term portion of energy performance debt	<u>5,161,603</u>	<u>6,011,065</u>
Net investment in capital assets		<u><u>\$50,168,129</u></u>



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

To the Board of Education
Central Islip Union Free School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary fund of Central Islip Union Free School District, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Central Islip Union Free School District's basic financial statements, and have issued our report thereon dated October 26, 2020

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

ISLANDIA: 3033 EXPRESS DRIVE NORTH, SUITE 100 • ISLANDIA, NY 11749
WHITE PLAINS: 50 MAIN STREET, SUITE 1000 • WHITE PLAINS, NY 10606
PHONE: (631) 234-4444 • FAX: (631) 234-4234

Purpose of this Report

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

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 26, 2020