



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

June 30, 2019

COPIAGUE UNION FREE SCHOOL DISTRICT
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis (MD&A)	3
Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Balance Sheet – Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Statement of Fiduciary Net Position – Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	22
Notes to Financial Statements	23
Required Supplementary Information other than MD&A:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	52
Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)	54
Schedule of District Pension Contributions	55
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	56
Other Supplementary Information:	
Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund	57
Schedule of Project Expenditures and Financing Resources – Capital Projects Fund	58
Net Investment in Capital Assets	59
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 <i>Government Auditing Standards</i>	60

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Copiague Union Free School District
Copiague, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of District's proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District's total OPEB liability and related ratios on pages 3 through 14 and 52 through 56, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Copiague Union Free School District's basic financial statements. The other supplementary information on pages 57 through 59 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2019 on our consideration of the Copiague Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Copiague 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 Copiague Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

October 8, 2019

**COPIAGUE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

1. FINANCIAL HIGHLIGHTS

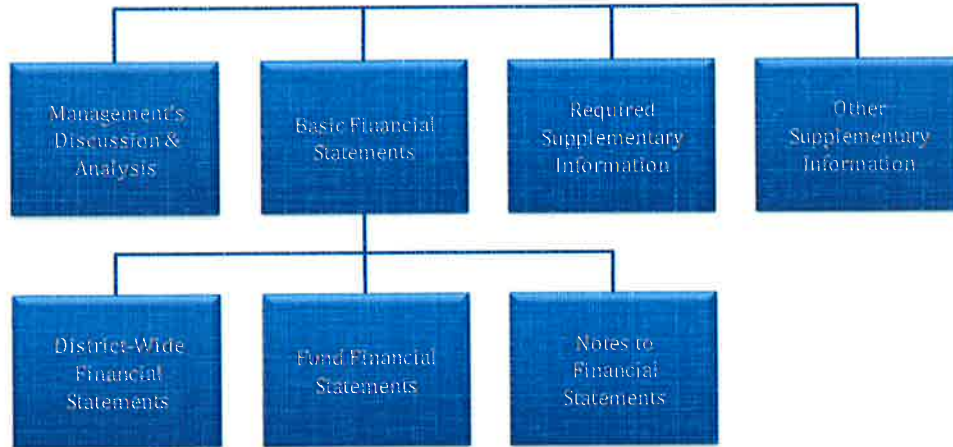
Key financial highlights for fiscal year 2019 are as follows:

- The District's total net position was a deficit of \$105,385,663 in the district-wide financial statements at June 30, 2019 compared to a deficit of \$99,769,017 at June 30, 2018. The deficit increased by \$5,616,646 over the prior year, as a result of expenses of \$141,035,055 exceeding revenues of \$135,418,409 based on the economic resources measurement focus and the accrual basis of accounting. The primary cause of this deficit was the \$133,187,013 adjustment for total other postemployment benefits as required by Government Accountant Standards Board (GASB) Statement 75. These rules drastically changed how state and local governments treat other postemployment (OPEBs), moving from a cash basis to an accrual basis. As a result of these national standards, it is common for state and local governments (including school districts) to reflect a significant deficit on the Statement of Net Position. See page 18 of these financial statements to see how the GASB Statement 75 treatment converted the \$9,388,121 total governmental fund balance to a \$105,385,663 net position (deficit).
- The general fund's total fund balance, as reflected in the fund financial statements is \$9,242,124. This was a decrease of \$659,266 compared to the prior year decrease of \$1,798,233. Actual expenditures and transfers out of \$128,208,007 exceeded actual revenues and transfers in of \$127,548,741, based on the current financial resources measurement focus and the modified accrual basis of accounting. The decrease was a combined result of:
 - General fund revenues (including transfers in) increasing \$8,654,035, primarily due to increases in state sources of \$5,225,343, and a combined increase in property taxes and PILOT of \$2,507,868, offset by a decrease in STAR revenues of \$479,911. Miscellaneous revenues also increased by \$831,196, primarily due to premiums received on obligations of \$561,143.
 - General fund expenditures (including transfers out) increased \$7,515,068. This was primarily due to increases in instruction expenditures of \$3,790,329. Within the instruction expenditures, programs for students with disabilities increased by \$1,505,111, teaching-regular school increased by \$996,279, and pupil services increased by \$779,778. Other areas that increased include debt service and employee benefits, which increased by \$1,866,013, and \$1,619,355, respectively.
- The 2018-2019 budget in the amount of \$129,306,488 was authorized by the District's residents by a 59% passing margin (557 yes and 392 no votes).
- The District's 2018-2019 property tax levy of \$62,465,062 was a 3.16% increase over the 2018 tax levy, which is equal to the District's property tax cap.
- In February 2019, the District obtained permanent financing and issued \$38,045,000 of general obligation bonds with an average interest rate of 4.33% to finance the construction of alterations and improvements for all District schools and sites. The proceeds from the sale of these bonds together with \$1,238,526 in available District funds and \$3,680,000 in the premiums on the issuance of the bonds were used to redeem the District's outstanding \$42,883,526 Bond Anticipation notes, which matured on February 20, 2019.

**COPIAGUE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



A. District-Wide Financial Statements

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

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

The Statement of Net Position

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

The Statement of Activities

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

COPIAGUE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

B. Fund Financial Statements

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

Governmental Funds

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

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

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

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

Fiduciary Funds

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

COPIAGUE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position decreased by \$5,616,646 between fiscal year 2019 and 2018. The decrease is due to expenses in excess of revenues based on the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2019	2018	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 21,565,360	\$ 35,967,743	\$ (14,402,383)	(40.04)%
Capital Assets, Net	58,984,100	49,360,675	9,623,425	19.50 %
Net Pension Asset - Proportionate Share	5,218,004	2,153,767	3,064,237	142.27 %
Total Assets	85,767,464	87,482,185	(1,714,721)	(1.96)%
Deferred Outflows of Resources	28,630,327	30,800,705	(2,170,378)	(7.05)%
Liabilities				
Current and Other Liabilities	12,026,874	56,602,333	(44,575,459)	(78.75)%
Long-Term Liabilities	54,435,830	13,920,174	40,515,656	291.06 %
Net Pension Liability - Proportionate Share	1,638,882	755,839	883,043	116.83 %
Total OPEB Obligation	133,187,013	137,996,749	(4,809,736)	(3.49)%
Total Liabilities	201,288,599	209,275,095	(7,986,496)	(3.82)%
Deferred Inflows of Resources	18,494,855	8,776,812	9,718,043	110.72 %
Net Position (Deficit)				
Net Investment in Capital Assets	17,635,093	12,825,064	4,810,029	37.50 %
Restricted	2,875,828	4,743,775	(1,867,947)	(39.38)%
Unrestricted (Deficit)	(125,896,584)	(117,337,856)	(8,558,728)	7.29 %
Total Net Position (Deficit)	\$ (105,385,663)	\$ (99,769,017)	\$ (5,616,646)	5.63 %

Current and other assets decreased by \$14,402,383, as compared to the prior year. The decrease is primarily due to a decrease in cash of \$17,402,490, offset by an increase in due from state and federal of \$2,759,684. The decrease in cash is the result of significant capital project expenditures in 2018-2019.

Capital assets, net increased by \$9,623,425, as compared to the prior year. This increase is primarily due to capital asset purchases and capital projects expenditures totaling of \$11,701,480 in excess of depreciation expense of \$1,695,996 and a loss on disposal of assets of \$382,059. The accompanying Notes to Financial Statements, Note 8 "Capital Assets" provides additional information.

COPIAGUE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Net pension asset – proportionate share has a balance of \$5,218,004, which increased by \$3,064,237 over the prior year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 12 "Pension Plans – New York State", provides additional information.

Deferred outflows of resources represents contributions to the pension plan subsequent to the measurement dates and actuarial adjustments of the pension plan that will be amortized in future years. This amount decreased \$2,170,378 from the prior year.

Current and other liabilities decreased by \$44,575,459, as compared to the prior year. This decrease was primarily due to the repayment of bond anticipation notes of \$42,883,526 and a decrease in accounts payable of \$3,105,791. This was offset by an increase to accrued liabilities of \$812,357, and due to teachers' retirement of \$607,659.

Long-term liabilities increased by \$40,515,656, as compared to the prior year. This increase is primarily due to the District obtaining permanent financing for their capital projects by issuing serial bonds of \$38,045,000 plus a premium of \$3,680,000. Additionally, the compensated absences and workers' compensation liabilities increased by \$633,018 and \$144,642, respectively. These were offset by decreases to the retirement incentive liability of \$203,940 and the repayment of the principal on bond indebtedness of \$1,575,000.

Net pension liability – proportionate share increased by \$883,043 in the current year. This liability represents the District's share of the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 12 "Pension Plans – New York State", provides additional information.

Total other postemployment benefits (OPEB) obligation decreased by \$4,809,736, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 14 "Postemployment Healthcare Benefits", provides additional information.

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

The net investment in capital assets is calculated by taking the total cost of all asset acquisitions, net of accumulated depreciation and subtracting the amount of outstanding debt used for acquisitions. The total cost of these asset acquisitions includes expenditures to purchase land, construct and improve buildings and purchase vehicles, equipment and furniture to support District operations. This amount increased \$4,810,029 during the year.

The restricted amount of \$2,875,828, relates to the District's reserves. This number decreased from the prior year by \$1,867,947 based on the use of reserves, offset by interest income earned on the reserves.

The unrestricted deficit amount of \$125,896,584 relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the OPEB obligation.

COPIAGUE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

B. Changes in Net Position

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

	2019	2018	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 964,216	\$ 743,903	\$ 220,313	29.62 %
Operating Grants	7,753,826	7,576,555	177,271	2.34 %
General Revenues				
Property Taxes	55,154,088	52,763,432	2,390,656	4.53 %
STAR	7,310,988	7,790,899	(479,911)	(6.16)%
PILOT	1,025,813	908,601	117,212	12.90 %
State Sources	60,941,920	55,766,577	5,175,343	9.28 %
Other	2,267,558	1,638,316	629,242	38.41 %
Total Revenues	<u>135,418,409</u>	<u>127,188,283</u>	<u>8,230,126</u>	6.47 %
Expenses				
General Support	13,778,074	14,145,605	(367,531)	(2.60)%
Instruction	110,624,518	108,295,608	2,328,910	2.15 %
Pupil Transportation	11,956,379	11,596,746	359,633	3.10 %
Debt Service - Interest	1,838,629	1,162,835	675,794	58.12 %
Food Service Program	2,837,455	2,788,655	48,800	1.75 %
Total Expenses	<u>141,035,055</u>	<u>137,989,449</u>	<u>3,045,606</u>	2.21 %
Decrease in Net Position	<u>\$ (5,616,646)</u>	<u>\$(10,801,166)</u>	<u>\$ 5,184,520</u>	(48.00)%

The District's net position decreased by \$5,616,646 and \$10,801,166 for the years ended June 30, 2019 and June 30, 2018, respectively.

The District's revenues increased by \$8,230,126 or 6.47%. The primary factors that contributed to the increase were:

- Property taxes and STAR revenues increased by a net total of \$1,910,745.
- The District's state aid increased \$5,175,343 in the current year. This was due to an increase in aid in the state budget for the District.

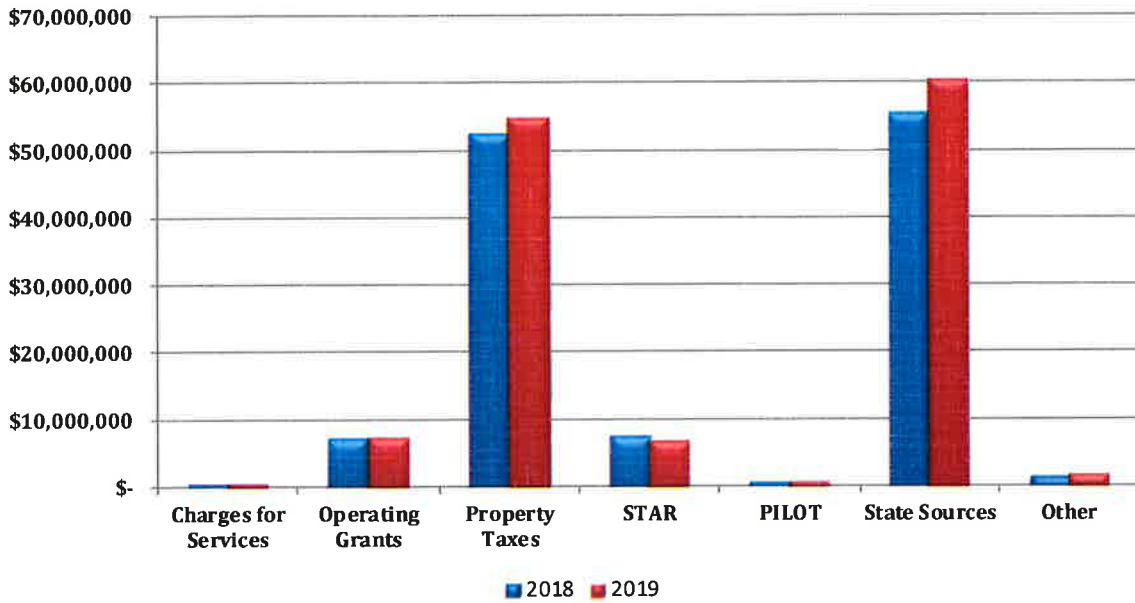
The District's expenses for the year increased by \$3,045,606 or 2.21%. This increase was primarily the result of increases within instruction expenses for programs for children with disabilities in the amount of \$1,597,939 and teaching – regular school in the amount of \$1,199,867; and debt service expense of \$675,794.

As indicated on the graphs that follow, state sources is the largest component of revenues recognized (i.e., 45.0% and 43.8% of the total for the years 2019 and 2018, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 78.4% and 78.5% of the total for the years 2019 and 2018, respectively).

**COPIAGUE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

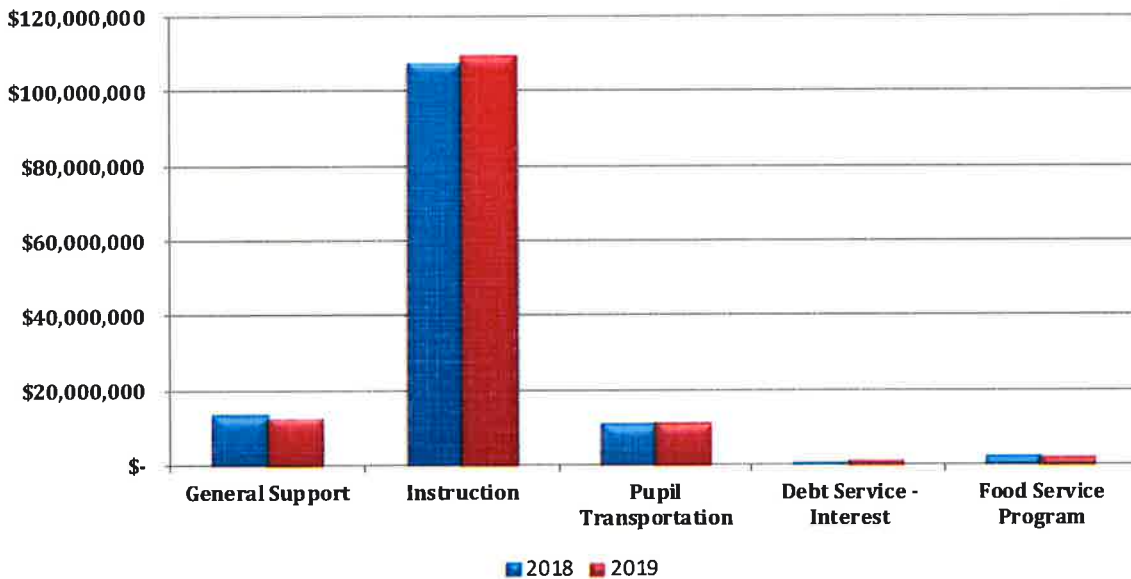
The graphs demonstrate that the components of revenues and expenses are relatively consistent for both years.

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



	Charges for Services	Operating Grants	Property Taxes	STAR	PILOT	State Sources	Other
2018	0.6%	6.0%	41.5%	6.1%	0.7%	43.8%	1.3%
2019	0.7%	5.7%	40.7%	5.4%	0.8%	45.0%	1.7%

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2018	10.3%	78.5%	8.4%	0.8%	2.0%
2019	9.8%	78.4%	8.5%	1.3%	2.0%

COPIAGUE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2019, the District's governmental funds reported a combined fund balance of \$9,388,121, which is an increase of \$30,764,495 over the prior year. This increase is primarily due to the District obtaining permanent financing for capital projects, offset by an excess of expenditures over revenues. The governmental funds are based upon the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
General Fund			
Restricted:			
Workers' compensation	\$ 894,339	\$ 1,314,309	\$ (419,970)
Unemployment insurance		202,368	(202,368)
Retirement contribution - employees' retirement system	876,590	1,517,110	(640,520)
Employee benefit accrued liability	1,104,899	1,709,988	(605,089)
Assigned:			
Appropriated fund balance	1,100,000	1,100,000	-
Unappropriated fund balance	156,213	46,067	110,146
Unassigned: Fund balance	<u>5,110,083</u>	<u>4,011,548</u>	<u>1,098,535</u>
	<u>9,242,124</u>	<u>9,901,390</u>	<u>(659,266)</u>
School Food Service Fund			
Nonspendable: Inventory	31,547	40,315	(8,768)
Assigned: Unappropriated fund balance		24,571	(24,571)
Unassigned: Fund balance (deficit)	<u>(31,543)</u>	<u>(31,543)</u>	<u>(31,543)</u>
	<u>4</u>	<u>64,886</u>	<u>(64,882)</u>
Capital Projects Fund			
Restricted: Unspent bond proceeds	145,993		145,993
Unassigned: Fund balance (deficit)		<u>(31,342,650)</u>	<u>31,342,650</u>
	<u>145,993</u>	<u>(31,342,650)</u>	<u>31,488,643</u>
 Total Fund Balance (Deficit)	 <u>\$ 9,388,121</u>	 <u>\$(21,376,374)</u>	 <u>\$ 30,764,495</u>

A. General Fund

The general fund - fund balance decreased by \$659,266. This resulted from expenditures in excess of revenues.

During the year, the District utilized \$1,964,510 of reserves to fund expenditures relating to employee benefit accrued liabilities, employees' retirement system, and workers' compensation. On April 2, 2019, the Board of Education authorized the District to transfer the remaining balance of the unemployment insurance reserve fund to the reserve for retirement system contribution. The District allocated interest income of \$96,563 to the reserves.

**COPIAGUE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

B. School Food Service Fund

The net change in the school food service fund – fund balance is a decrease of \$64,822, which was the operating deficit of the food service program.

C. Capital Projects Fund

The net change in the capital projects fund – fund balance is an increase of \$31,488,643, due to proceeds from the issuance of general obligation bonds, BANs redeemed from appropriations, and a premium on obligations totaling \$42,963,526, exceeding capital outlay expenditures of \$11,306,921 and an interfund transfer to the general fund of \$167,962.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2018-2019 Budget

The District's general fund adopted budget for the year ended June 30, 2019 was \$129,306,488. This amount was increased by encumbrances carried forward from the prior year in the amount of \$46,067 and budget revisions in the amount of \$1,251,768 for contingent expenditures, for a total final budget of \$130,604,323.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$62,465,062 in estimated property taxes and STAR, and \$62,156,279 in estimated state aid.

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

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

Opening, Unassigned: Fund Balance	\$ 4,011,548
Revenues Over Budget	382,674
Expenditures and Encumbrances Under Budget	2,240,103
Unused Appropriated Reserves	(327,679)
Interest Income Allocated to Reserves	(96,563)
Appropriated for June 30, 2020 Budget	<u>(1,100,000)</u>
Closing, Unassigned: Fund Balance	<u>\$ 5,110,083</u>

Opening, Unassigned Fund Balance

The \$4,011,548 shown in the table is the portion of the District's June 30, 2018 fund balance that was retained as unassigned. This was 3.10% of the District's 2018-2019 approved operating budget of \$129,306,488 and was within the 4% maximum unassigned fund balance permitted by law.

Revenues Over Budget

The 2018-2019 final budget for revenues was \$127,166,067, while actual revenues recognized for the year were \$127,548,741, resulting in actual revenues exceeding the budget by \$382,674. This was primarily due to miscellaneous revenues, use of money and property, and Medicaid reimbursement in excess of the budgeted amounts, offset by state sources being less than the budgeted amount.

**COPIAGUE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

Expenditures and Encumbrances Under Budget

The 2018-2019 final budget for expenditures was \$130,604,323. Actual expenditures as of June 30, 2019 were \$128,208,007 and outstanding encumbrances were \$156,213. Combined, the expenditures plus encumbrances for 2018-2019 were \$128,364,220. The final budget was under expended by \$2,240,103. This under expenditure contributes to the change to the unassigned portion of the general fund fund balance from June 30, 2018 to June 30, 2019.

Interest Income Allocated to Reserves

The \$96,563 represents interest income earned and allocated to the District's reserves.

Appropriated Fund Balance

The District has chosen to use \$1,100,000 of the available June 30, 2019 unassigned fund balance to partially fund the 2019-2020 approved operating budget. As such, the June 30, 2019 unassigned fund balance has been reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2019 was \$5,110,083. This amount equals 3.87% of the 2019-2020 budget and is within the 4% statutory limit.

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

A. Capital Assets

At June 30, 2019, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$11,701,480 in excess of depreciation of \$1,695,996 and a loss on disposal of assets of \$382,059 recorded for the year ended June 30, 2019. A summary of the District's capital assets, net of depreciation at June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Land	\$ 5,427,300	\$ 5,427,300	\$ -
Construction work in progress		31,510,612	(31,510,612)
Buildings and improvements	52,524,693	10,962,485	41,562,208
Site improvements	514,688	1,006,599	(491,911)
Furniture and equipment	517,419	453,679	63,740
	<u>\$ 58,984,100</u>	<u>\$ 49,360,675</u>	<u>\$ 9,623,425</u>

B. Debt Administration

At June 30, 2019, the District had total long-term bonds payable of \$41,495,000 (par value), plus an unamortized premium of \$3,496,000 for a total liability of \$44,991,000. The bonds were issued for school building improvements, or issued on behalf of the Copiague Memorial Public Library for improvements. The increase in outstanding debt represents the issuance of bonds in the current year of \$38,045,000 less current

**COPIAGUE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

year principal payments of \$1,575,000. A summary of the outstanding debt (par value) at June 30, 2019 and 2018 is as follows:

Issue Date	Interest Rate	2019	2018	Increase (Decrease)
2008	3.75%	\$ 2,615,000	\$ 3,205,000	\$ (590,000)
2010	3.25%	835,000	940,000	(105,000)
2012	2.00%		880,000	(880,000)
2019	3.00- 5.00%	<u>38,045,000</u>		<u>38,045,000</u>
		<u>\$ 41,495,000</u>	<u>\$ 5,025,000</u>	<u>\$ 36,470,000</u>

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is A1. The District's outstanding serial bonds at June 30, 2019 are approximately 14.65% of the District's available debt limit.

C. Other Long-Term Liabilities

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

	2019	2018	Increase (Decrease)
Compensated absences	\$ 7,349,891	\$ 6,716,873	\$ 633,018
Workers' compensation	1,179,911	1,035,269	144,642
Retirement incentive	915,028	1,118,968	(203,940)
Net pension liability - proportionate share	1,638,882	755,839	883,043
Total OPEB obligation	<u>133,187,013</u>	<u>137,996,749</u>	<u>(4,809,736)</u>
	<u>\$ 144,270,725</u>	<u>\$ 147,623,698</u>	<u>\$ (3,352,973)</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 21, 2019, at a 66% margin (467 yes vs. 243 no), for the year ending June 30, 2020, is \$131,906,869. This is an increase of \$2,600,381 or 2.01% over the previous year's budget.

The District budgeted revenues other than property taxes at an increase of \$1,900,033 over the prior year's estimate. This increase is principally due to an estimated increase in state aid. The assigned, appropriated fund balance applied to the June 30, 2020 budget in the amount of \$1,100,000, is the same as the prior year. The District also anticipates appropriating \$800,000 from the retirement contribution reserve and \$450,000

COPIAGUE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

from the workers' compensation reserve to fund the budget. The District increased its estimated tax levy by 1.76% over the prior year.

The District has established various committees, which are charged with goals of reducing health care costs and transportation costs. The District also initiated changes in the budget process that are expected to result in enhanced cost accountability and limited budget increases.

B. Future Budgets

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

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2019-2020 is 1.76%. The District's 2019-2020 property tax increase was equal to the tax cap and did not require an override vote.

D. Property Tax Relief Credit

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

8. CONTACTING THE DISTRICT

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

Mr. Jeffrey White
Assistant Superintendent for Finance and Operations
Copiague Union Free School District
2650 Great Neck Road
Copiague, NY 11726

COPIAGUE UNION FREE SCHOOL DISTRICT
Statement of Net Position
June 30, 2019

ASSETS	
Cash	
Unrestricted	\$ 8,155,265
Restricted	3,021,821
Receivables	
Accounts receivable	203,733
Due from fiduciary funds	1,234
Due from state and federal	6,831,588
Due from other governments	3,320,172
Inventory	31,547
Capital assets:	
Not being depreciated	5,427,300
Being depreciated, net of accumulated depreciation	53,556,800
Net pension asset - proportionate share	<u>5,218,004</u>
Total Assets	<u>85,767,464</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>28,630,327</u>
LIABILITIES	
Payables	
Accounts payable	3,977,608
Accrued liabilities	2,185,077
Due to other governments	954
Due to teachers' retirement system	5,502,160
Due to employees' retirement system	291,767
Unearned credits	
Collections in advance	69,308
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	3,575,264
Compensated absences payable	190,992
Retirement incentive payable	416,013
Due and payable after one year	
Bonds payable, net	41,415,736
Compensated absences payable	7,158,899
Workers' compensation liabilities	1,179,911
Retirement incentive payable	499,015
Net pension liability - proportionate share	1,638,882
Total other postemployment benefits obligation	<u>133,187,013</u>
Total Liabilities	<u>201,288,599</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	7,609,933
Other postemployment benefits	<u>10,884,922</u>
Total Deferred Inflows of Resources	<u>18,494,855</u>
NET POSITION (DEFICIT)	
Net investment in capital assets	<u>17,635,093</u>
Restricted	
Workers' compensation	894,339
Retirement contribution - employees' retirement system	876,590
Employee benefit accrued liability	<u>1,104,899</u>
	<u>2,875,828</u>
Unrestricted (deficit)	<u>(125,896,584)</u>
Net Position (Deficit)	<u>\$ (105,385,663)</u>

COPIAGUE UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2019

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS				
General support	\$ 13,778,074	\$	\$	\$ (13,778,074)
Instruction	110,624,518	446,549	5,529,964	(104,648,005)
Pupil transportation	11,956,379			(11,956,379)
Debt service - interest	1,838,629			(1,838,629)
Food service program	2,837,455	517,667	2,223,862	(95,926)
Total Functions and Programs	\$ 141,035,055	\$ 964,216	\$ 7,753,826	(132,317,013)
 GENERAL REVENUES				
Real property taxes				55,154,088
Other tax items				8,336,801
Use of money and property				449,360
Sale of property and compensation for loss				12,238
Miscellaneous				1,460,134
State sources				60,941,920
Medicaid reimbursement				345,826
Total General Revenues				126,700,367
Change in Net Position				(5,616,646)
Total Net Position (Deficit) - Beginning of Year				(99,769,017)
Total Net Position (Deficit) - End of Year				\$ (105,385,663)

COPIAGUE UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2019

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash					
Unrestricted	\$ 6,356,855	\$ 510,074	\$ 1,028,555	\$ 259,781	\$ 8,155,265
Restricted	2,875,828			145,993	3,021,821
Receivables					
Accounts receivable	203,733				203,733
Due from other funds	3,698,662	344	38,407	103,135	3,840,548
Due from state and federal	4,906,375	1,753,512	171,701		6,831,588
Due from other governments	3,320,172				3,320,172
Inventory			31,547		31,547
Total Assets	<u>\$ 21,361,625</u>	<u>\$ 2,263,930</u>	<u>\$ 1,270,210</u>	<u>\$ 508,909</u>	<u>\$ 25,404,674</u>
LIABILITIES					
Payables					
Accounts payable	\$ 3,858,239	\$ 5,285	\$ 4,787	\$ 109,297	\$ 3,977,608
Accrued liabilities	1,552,561	3,613	19,505		1,575,679
Due to other funds	155,011	2,201,346	1,229,338	253,619	3,839,314
Due to other governments			954		954
Due to teachers' retirement system	5,502,160				5,502,160
Due to employees' retirement system	291,767				291,767
Unearned credits					
Collections in advance		53,686	15,622		69,308
Total Liabilities	<u>11,359,738</u>	<u>2,263,930</u>	<u>1,270,206</u>	<u>362,916</u>	<u>15,256,790</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	<u>759,763</u>				<u>759,763</u>
FUND BALANCES					
Nonspendable: Inventory			31,547		31,547
Restricted:					
Workers' compensation	894,339				894,339
Retirement contribution - employees' retirement system	876,590				876,590
Employee benefit accrued liability	1,104,899				1,104,899
Unspent bond proceeds				145,993	145,993
Assigned:					
Appropriated fund balance	1,100,000				1,100,000
Unappropriated fund balance	156,213				156,213
Unassigned: Fund balance (deficit)	<u>5,110,083</u>		<u>(31,543)</u>		<u>5,078,540</u>
Total Fund Balances	<u>9,242,124</u>	<u>-</u>	<u>4</u>	<u>145,993</u>	<u>9,388,121</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 21,361,625</u>	<u>\$ 2,263,930</u>	<u>\$ 1,270,210</u>	<u>\$ 508,909</u>	<u>\$ 25,404,674</u>

COPIAGUE UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Total Governmental Fund Balances		\$ 9,388,121
Amounts reported for governmental activities in the Statement of Net Position are different because:		
<p>The costs of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.</p>		
Original cost of capital assets	\$ 94,831,769	
Accumulated depreciation	<u>(35,847,669)</u>	58,984,100
<p>Proportionate share of long-term asset, liability and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.</p>		
Net pension asset - teachers' retirement system	5,218,004	
Deferred outflows of resources	28,630,327	
Net pension liability - employees' retirement system	(1,638,882)	
Deferred inflows of resources	<u>(7,609,933)</u>	24,599,516
<p>Total other postemployment benefits obligation and deferred inflows related to providing benefits in retirement are not a current financial resource or obligation and are not reported in the funds.</p>		
Total other postemployment benefits obligation	(133,187,013)	
Deferred inflows of resources	<u>(10,884,922)</u>	(144,071,935)
<p>Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.</p>		
		759,763
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:</p>		
Accrued interest on bonds payable	(609,398)	
Bonds payable, net	(44,991,000)	
Compensated absences payable	(7,349,891)	
Workers' compensation liabilities	(1,179,911)	
Retirement incentive payable	<u>(915,028)</u>	(55,045,228)
Total Net Position (Deficit)		<u><u>\$ (105,385,663)</u></u>

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

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
REVENUES					
Real property taxes	\$ 55,154,088	\$	\$	\$	\$ 55,154,088
Other tax items	8,336,801				8,336,801
Charges for services	396,549				396,549
Use of money and property	447,555		1,805		449,360
Sale of property and compensation for loss	12,238				12,238
Miscellaneous	1,543,512				1,543,512
Intergovernmental revenue	137,581				137,581
State sources	60,941,920	2,693,196	61,081		63,696,197
Medicaid reimbursement	345,826				345,826
Federal sources	64,709	2,836,768	2,162,781		5,064,258
Sales			517,667		517,667
Total Revenues	127,380,779	5,529,964	2,743,334	-	135,654,077
EXPENDITURES					
General support	10,716,504	5,000			10,721,504
Instruction	78,163,843	5,431,460			83,595,303
Pupil transportation	11,486,669	404,540			11,891,209
Employee benefits	23,083,239		472,221		23,555,460
Debt service					
Principal	2,813,526				2,813,526
Interest	1,626,408				1,626,408
Food service program			2,342,777		2,342,777
Capital outlay				11,306,921	11,306,921
Total Expenditures	127,890,189	5,841,000	2,814,998	11,306,921	147,853,108
Deficiency of Revenues Over Expenditures	<u>(509,410)</u>	<u>(311,036)</u>	<u>(71,664)</u>	<u>(11,306,921)</u>	<u>(12,199,031)</u>
OTHER FINANCING SOURCES AND (USES)					
Proceeds from serial bonds				38,045,000	38,045,000
Proceeds from BANs redeemed from appropriations				1,238,526	1,238,526
Premium on obligation				3,680,000	3,680,000
Operating transfers in	167,962	311,036	6,782		485,780
Operating transfers (out)	<u>(317,818)</u>			<u>(167,962)</u>	<u>(485,780)</u>
Total Other Financing Sources and (Uses)	(149,856)	311,036	6,782	42,795,564	42,963,526
Net Change in Fund Balances	(659,266)	-	(64,882)	31,488,643	30,764,495
Fund Balances (Deficit) - Beginning of Year	9,901,390		64,886	(31,342,650)	(21,376,374)
Fund Balances - End of Year	\$ 9,242,124	\$ -	\$ 4	\$ 145,993	\$ 9,388,121

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

Net Change in Fund Balances \$ 30,764,495

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

Long-Term Revenue and Expense Differences

Certain revenues are recognized in the governmental funds when they provide current financial resources. However, these revenues were recognized in the Statement of Activities in prior years when they were earned.

Change in unavailable revenues \$ (235,668)

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

Decrease in retirement incentive payable 203,940

Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.

Increase in compensated absences liability (633,018)
Increase in workers' compensation liability (144,642)

(809,388)

Capital Related Differences

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

Capital outlays 11,701,480
Loss on disposal (382,059)
Depreciation expense (1,695,996)

9,623,425

Long-Term Debt Transactions Differences

The amortization of the deferred premium, net of the amortization of the deferred charges on the advance refunding of bonds, decreases interest expense in the Statement of Activities.

143,530

Proceeds and premiums from the issuance of bonds is an other financing source in the governmental funds, but it increase long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

(41,725,000)

Proceeds from BANs redeemed from appropriations is an other financing source in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

(1,238,526)

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

Repayment of bond principal 1,575,000
Repayment of BAN principal 1,238,526

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

(355,751)

(40,362,221)

Pension and Other Postemployment Benefits Differences

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

Teachers' Retirement System 1,237,991
Employees' Retirement System (153,694)
Other postemployment benefits (5,917,254)

(4,832,957)

Change in Net Position of Governmental Activities

\$ (5,616,646)

COPIAGUE UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2019

	Agency	Private Purpose Trust
ASSETS		
Cash - Unrestricted	\$ 82,775	\$
Due from governmental funds		4,540
Total Assets	\$ 82,775	4,540
 LIABILITIES		
Extraclassroom activity balances	\$ 72,611	
Other liabilities	4,390	
Due to governmental funds	5,774	
Total Liabilities	\$ 82,775	-
 NET POSITION		
Restricted for scholarships		\$ 4,540

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

	<u>Private Purpose Trust</u>
ADDITIONS	
Contributions	\$ 1,775
 DEDUCTIONS	
Scholarships and awards	<u>2,200</u>
Change in Net Position	(425)
Net Position - Beginning of Year	<u>4,965</u>
Net Position - End of Year	<u><u>\$ 4,540</u></u>

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

Extraclassroom Activity Funds

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

B. Joint Venture

The District is a component district in the Board of Cooperative Educational Services of Western Suffolk (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under Section §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under Section §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Basis of Presentation

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

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

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

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

E. Real Property Taxes

Calendar

Real property taxes are levied annually by the Board no later than October 15th and become a lien on December 1st. Taxes are collected by the Town of Babylon and remitted to the District from December to June.

Enforcement

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

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Restricted Resources

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

G. Interfund Transactions

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

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

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

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

H. Use of Estimates

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

I. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition. This includes amounts in the New York Liquid Asset Fund (NYLAF) that are considered cash equivalents.

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

J. Receivables

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

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

K. Inventory

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

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

A portion of fund balance has been classified as nonspendable to indicate that inventory does not constitute available spendable resources.

L. Capital Assets

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

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 15,000	15 - 50 years
Site improvements	15,000	15 - 30 years
Furniture, equipment and vehicles	5,000	5 - 20 years

M. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. First is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The second item is the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date.

N. Collections in Advance

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

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

O. Deferred Inflows of Resources

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

P. Employee Benefits - Compensated Absences

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

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

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

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

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

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

Q. Employee Benefits - Retirement Incentive

Retirement incentive consists of first year eligible retirement incentive payments based on years of service as specified in collective bargaining agreements. The payments are due annually over a five year period.

In the fund financial statements, expenditures are recognized as the liabilities mature (come due for payment).

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

R. Other Benefits

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

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

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

S. Short-Term Debt

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

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

T. Equity Classifications

District-Wide Statements

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

Net investment in capital assets – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction and improvements of those assets.

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

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

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Statements

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

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

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

Workers' Compensation Reserve

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

Unemployment Insurance Reserve

Unemployment Insurance Reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is accounted for in the general fund. As of June 30, 2019, the balance of this reserve was transferred to the Retirement Contribution Reserve by authorization of the Board.

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. Effective April 1, 2019, a board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. The reserve is accounted for in the general fund. As of June 30, 2019, the sub-fund has not been funded by the District.

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Employee Benefit Accrued Liability Reserve

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

Restricted – Unspent Bond Proceeds

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

Restricted for Scholarships

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

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

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

Fund Balance Classification

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

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

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the Board will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classification will be charged.

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Pension and Other Postemployment Benefits Differences

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

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

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

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

Compensated absence payouts funded by	
employee benefit accrued liability reserve	\$ 642,190
Instructional expenditures funded by:	
Legislative grant	125,000
Miscellaneous revenues	41,109
Premiums received upon issuance of debt for debt service	<u>443,469</u>
	<u>\$ 1,251,768</u>

Budgets are adopted annually on a basis consistent with GAAP.

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

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Encumbrances

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

C. School Food Service Fund Deficit

The school food service fund has an unassigned fund balance deficit of \$31,543. The District will provide an additional general fund subsidy in 2019-2020 to eliminate the deficit.

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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

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

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

Investment pool:

The District participates in the New York Liquid Asset Fund (NYLAF), a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 3-A and 5-G, 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. All NYLAF investment and collateral policies are in accordance with General Municipal Law, Sections 10 and 11.

Total investments of the cooperative at June 30, 2019 are \$127,200,266 which consisted of \$96,917,000 in repurchase agreements, \$19,944,267 in U.S. Treasury Securities, \$10,338,999 in collateralized bank deposits, with various interest rates and due dates.

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The following amounts are included as cash:

Fund	Carrying Amount
General	\$ 765,018
Capital	320,065
	<u>\$ 1,085,083</u>

The above amounts represent the fair value of the investment pool shares. The Lead Agent of NYLAF is the Red Hook Central School District. Additional information concerning NYLAF, including the annual report, can be found on its website at www.nylaf.org.

5. PARTICIPATION IN BOCES

During the year ended June 30, 2019, the District was billed \$23,877,714 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$2,626,323. Financial statements for the BOCES are available from the BOCES administrative offices at 507 Deer Park Road, P.O. Box 8007, Huntington Station, New York 11746-9007.

6. DUE FROM STATE AND FEDERAL

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

General Fund	
New York State - general aid	\$ 1,309,829
New York State - excess cost aid	3,246,546
New York State - homeless aid	350,000
	<u>4,906,375</u>
Special Aid Fund	
Federal and state grants	1,753,512
School Food Service Fund	
Federal and state food service program reimbursements	171,701
	<u>\$ 6,831,588</u>

7. DUE FROM OTHER GOVERNMENTS

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

General Fund	
BOCES aid	\$ 2,626,323
Other districts - charges for services	693,849
	<u>\$ 3,320,172</u>

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

8. CAPITAL ASSETS

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

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,427,300	\$	\$	\$ 5,427,300
Construction work in progress	31,510,612		(31,510,612)	-
Total capital assets not being depreciated	36,937,912	-	(31,510,612)	5,427,300
Capital assets being depreciated				
Buildings and improvements	42,797,405	42,963,526		85,760,931
Site improvements	4,469,513	100,433	(2,437,046)	2,132,900
Furniture, equipment, and vehicles	1,362,505	148,133		1,510,638
Total capital assets being depreciated	48,629,423	43,212,092	(2,437,046)	89,404,469
Less accumulated depreciation for:				
Buildings and improvements	31,834,920	1,401,318		33,236,238
Site improvements	3,462,914	210,285	(2,054,987)	1,618,212
Furniture, equipment, and vehicles	908,826	84,393		993,219
Total accumulated depreciation	36,206,660	1,695,996	(2,054,987)	35,847,669
Total capital assets, being depreciated, net	12,422,763	41,516,096	(382,059)	53,556,800
Capital assets, net	<u>\$ 49,360,675</u>	<u>\$ 41,516,096</u>	<u>\$ (31,892,671)</u>	<u>\$ 58,984,100</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 18,450
Instruction	1,654,564
Food service program	<u>22,982</u>
Total depreciation expense	<u>\$ 1,695,996</u>

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

9. INTERFUND TRANSACTIONS

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

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 3,698,662	\$ 155,011	\$ 167,962	\$ 317,818
Special Aid Fund	344	2,201,346	311,036	
School Food Service Fund	38,407	1,229,338	6,782	
Capital Projects Fund	103,135	253,619		167,962
Total Governmental Funds	<u>3,840,548</u>	<u>3,839,314</u>	<u>\$ 485,780</u>	<u>\$ 485,780</u>
Fiduciary Funds	<u>4,540</u>	<u>5,774</u>		
Total	<u>\$ 3,845,088</u>	<u>\$ 3,845,088</u>		

The District typically transfers from the general fund to the special aid fund for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools.

The transfer to the general fund from the capital projects fund was for a premium received on the bond anticipation note that was transferred to the general fund in the current year to fund the interest payment associated with the note. The transfer to the school food service fund was to provide support for the program per the approved budget.

10. SHORT-TERM DEBT

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

	Maturity	Stated Interest Rate	Balance June 30, 2018	Issued	Redeemed	Balance June 30, 2019
TAN	6/25/2019	2.75%	\$ -	\$ 23,000,000	\$ (23,000,000)	\$ -
BAN	2/20/2019	2.50%	42,883,526		(42,883,526)	-
			<u>\$ 42,883,526</u>	<u>\$ 23,000,000</u>	<u>\$ (65,883,526)</u>	<u>\$ -</u>

The District issued tax anticipation notes on September 6, 2018 in the amount of \$23,000,000 at an interest rate of 2.75%, which was repaid on June 25, 2019. The District received a premium of \$152,720 (recognized in miscellaneous revenue) and paid interest expense of \$507,757. The effective interest rate of borrowing on the notes was 1.9229%.

The District issued bond anticipation notes on March 29, 2018, in the amount of \$42,883,526 at an interest rate of 2.50%, which was repaid on February 20, 2019. The District received a premium of \$290,750 (recognized in miscellaneous revenue) and paid interest expense of \$955,945. The effective interest rate of borrowing on the notes was 1.7396%.

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Interest paid	\$ 1,463,702
Less interest accrued in the prior year	<u>(238,986)</u>
 Total interest expense on short-term debt	 <u>\$ 1,224,716</u>

11. LONG-TERM LIABILITIES

A. Changes

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

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 5,025,000	\$ 38,045,000	\$ (1,575,000)	\$ 41,495,000	\$ 3,130,000
Plus:					
Premium on bonds	-	3,680,000	(184,000)	3,496,000	445,264
Premium on refunding	<u>24,064</u>		<u>(24,064)</u>	-	-
	<u>5,049,064</u>	<u>41,725,000</u>	<u>(1,783,064)</u>	<u>44,991,000</u>	<u>3,575,264</u>
 Other long-term liabilities					
Compensated absences	6,716,873	633,018		7,349,891	190,992
Workers' compensation	1,035,269	670,854	(526,212)	1,179,911	-
Retirement incentive	<u>1,118,968</u>	<u>266,202</u>	<u>(470,142)</u>	<u>915,028</u>	<u>416,013</u>
	<u>\$ 13,920,174</u>	<u>\$ 43,295,074</u>	<u>\$ (2,779,418)</u>	<u>\$ 54,435,830</u>	<u>\$ 4,182,269</u>

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

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2019
Serial bonds	6/17/2008	12/1/2022	3.75%	\$ 2,615,000
Serial bonds - Library	12/15/2010	2/15/2025	3.25%	835,000
Serial bonds	2/19/2019	2/15/2034	3.00- 5.00%	<u>38,045,000</u>
				<u>\$ 41,495,000</u>

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,130,000	\$ 1,718,102	\$ 4,848,102
2021	2,670,000	1,588,713	4,258,713
2022	2,795,000	1,463,613	4,258,613
2023	2,935,000	1,331,400	4,266,400
2024	2,350,000	1,206,750	3,556,750
2025-2029	13,130,000	4,224,100	17,354,100
2029-2034	14,485,000	1,350,650	15,835,650
Total	<u>\$ 41,495,000</u>	<u>\$ 12,883,328</u>	<u>\$ 54,378,328</u>

On November 23, 2015, the majority of voters in the District approved the issuance of \$42,963,526 of serial bonds to finance the construction of alterations and improvements to all District school buildings and sites. Funding for this construction was obtained through the issuance of bond anticipation notes until permanent financing was obtained. In February 2019, the District obtained permanent financing from bonds to finance the construction of alterations and improvements for all District schools and sites. The proceeds from the sale of these, together with \$1,238,526 in available District funds and \$3,680,000 in the premiums on the issuance, were used to redeem the District's outstanding \$42,883,526 bond anticipation notes, which matured on February 20, 2019.

The Library bond issue is the legal obligation of the District; however, the Library Board has committed to raise sufficient funds through the Library's annual budgeted tax levy to transfer to the District for the debt service payments. During 2018-2019 the District received and recorded intergovernmental revenue of \$137,581 from the Library.

C. Premiums on Bond Issuance

The District received a \$3,680,000 premium on the February 2019 bond issuance. The premium amount is being amortized as a component of interest expense on a weighted average basis as follows:

<u>Year Ending June 30,</u>	<u>Amortization of Premium</u>
2020	\$ (445,264)
2021	(416,783)
2022	(390,052)
2023	(361,998)
2024	(332,483)
2025-2029	(1,173,331)
2030-2034	<u>(376,089)</u>
Total	<u>\$ (3,496,000)</u>

During the fiscal year ending June 30, 2019, the District amortized \$184,000.

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Interest Expense

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

Interest paid	\$ 162,706
Less interest accrued in the prior year	(14,661)
Plus interest accrued in the current year	609,398
Less net amortization of premium and deferred charge from advanced refunding	<u>(143,530)</u>
 Total interest expense on long-term debt	 <u><u>\$ 613,913</u></u>

E. Retirement Incentive

Pursuant to agreements with the District's bargaining units, the District has offered retirement incentives to employees who meet certain criteria stated in the agreements. The payments are due in annual installments over five years and are paid to the retirees' deferred compensation account.

The following is a summary of the retirement incentive payment obligations still remaining by fiscal year:

Year Ending June 30,	6/30/2016	6/30/2017	6/30/2018	6/30/2019	Total
2020	\$ 88,560	\$ 70,893	\$ 169,720	\$ 86,840	\$ 416,013
2021		70,893	169,720	30,840	271,453
2022			169,721	30,841	200,562
2023				27,000	27,000
Total	<u><u>\$ 88,560</u></u>	<u><u>\$ 141,786</u></u>	<u><u>\$ 509,161</u></u>	<u><u>\$ 175,521</u></u>	<u><u>\$ 915,028</u></u>

12. PENSION PLANS – NEW YORK STATE

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

enactment of a State statute. Additional information regarding the TRS may be found on the TRS website at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

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

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 9.80% of covered payroll for the TRS' fiscal year ended June 30, 2018. The District's average contribution rate was 14.39% of covered payroll for the ERS' fiscal year ended March 31, 2019.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2019 was \$5,191,093 for TRS and \$1,010,436 for ERS.

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2018	March 31, 2019
District's proportionate share of the net pension asset/(liability)	\$ 5,218,004	\$ (1,638,882)
District's portion of the Plan's total net pension asset/(liability)	0.2885640%	0.0231307%
Change in proportion since the prior measurement date	0.0052110	(0.0002884)

For the year ended June 30, 2019, the District recognized pension expense of \$3,955,400 for TRS and \$1,152,455 for ERS. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 3,899,372	\$ 322,730	\$ 706,328	\$ 110,015
Change of assumptions	18,240,347	411,948		
Net difference between projected and actual earnings on pension plan investments			5,792,382	420,628
Changes in proportion and differences between the District's contributions and proportionate share of contributions	72,975	200,095	540,255	40,325
District's contributions subsequent to the measurement date	<u>5,191,093</u>	<u>291,767</u>		
Total	<u>\$ 27,403,787</u>	<u>\$ 1,226,540</u>	<u>\$ 7,038,965</u>	<u>\$ 570,968</u>

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Year Ending June 30,	TRS	ERS
2020	\$ 5,135,906	\$ 406,819
2021	3,456,714	(285,231)
2022	280,214	3,590
2023	3,444,420	238,627
2024	2,344,375	
Thereafter	512,100	
	<u>\$ 15,173,729</u>	<u>\$ 363,805</u>

Actuarial Assumptions

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

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

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

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

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

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

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

Discount Rate

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

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

TRS	1% Decrease (6.25)%	Current Assumption (7.25)%	1% Increase (8.25)%
District's proportionate share of the net pension asset (liability)	\$ (35,848,538)	\$ 5,218,004	\$ 39,620,354
ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	\$ (7,165,455)	\$ (1,638,882)	\$ 3,003,831

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019, are paid to the system in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019, represent employer and employee contributions for the fiscal year ended June 30, 2019, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2019 amounted to \$5,191,093 of employer contributions and \$311,067 of employee contributions.

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

For ERS, employer contributions are paid annually based on the system’s fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2019, represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS covered wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$291,767 of employer contributions. Employee contributions are remitted monthly.

13. PENSION PLANS - OTHER

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 compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2019, totaled \$470,142 and \$2,883,449, respectively.

B. Deferred Compensation Plan

The District has 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 year ended June 30, 2019 totaled \$412,600.

14. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District’s defined benefit OPEB plan, provides OPEB to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The District provides healthcare and Medicare Part B benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

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

Inactive employees or beneficiaries currently receiving benefit payments	461
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	518
	979

B. Total OPEB Liability

The District’s total OPEB liability of \$133,187,013 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017. Update procedures were used to roll forward the total OPEB liability to the measurement date.

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Inflation	2.60%	
Salary increases	2.60%	average, including inflation
Discount rate	3.50%	
Healthcare cost trend rates	7.50%	for 2018, decreasing 0.5% per year to an ultimate rate of 4.5% for 7 years
Retirees' share of benefit-related costs	25.00%	of projected health insurance individual premium for retirees

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table, as appropriate, with adjustments for mortality improvements based on Scale MP 2017.

The selections of all assumptions used in determining the total OPEB liability were made in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The actuarial assumptions used in the valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. The plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

C. Changes in the Total OPEB Liability

Balance at June 30, 2018	<u>\$ 137,996,749</u>
Changes for the year	
Service cost	6,080,325
Interest	4,278,970
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(12,258,078)
Benefit payments	<u>(2,910,953)</u>
	<u>(4,809,736)</u>
Balance at June 30, 2019	<u><u>\$ 133,187,013</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.0% in 2018 to 3.50% in 2019.

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.5%) or 1 percentage point higher (4.5%) than the current discount rate:

OPEB	1% Decrease 2.50 %	Discount Rate 3.50 %	1% Increase 4.50 %
Total OPEB liability	<u>\$ 159,302,876</u>	<u>\$ 133,187,013</u>	<u>\$ 112,643,521</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current healthcare cost trend rate:

OPEB	1% Decrease 6.50 % decreasing to 3.50 %	Healthcare Cost Trend Rates 7.50 % decreasing to 4.50 %	1% Increase 8.50 % decreasing to 5.50 %
Total OPEB liability	<u>\$ 110,610,051</u>	<u>\$ 133,187,013</u>	<u>\$ 165,970,849</u>

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$8,828,207. At June 30, 2019, the District reported deferred inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$	\$ 140,187
Changes of assumptions		10,744,735
District’s contributions subsequent to the measurement date		
Total	<u>\$ -</u>	<u>\$ 10,884,922</u>

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Year Ending June 30,	Amount
2020	\$ (1,531,088)
2021	(1,531,088)
2022	(1,531,088)
2023	(1,531,088)
2024	(1,531,088)
Thereafter	(3,229,482)
	\$(10,884,922)

15. RISK MANAGEMENT

A. General Information

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

B. Risk Retention

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unreported claims which were incurred on or before year end but not reported (IBNR). Claims activity is summarized below:

	2018	2019
Unpaid claims at beginning of year	\$ 562,588	\$ 1,035,269
Incurred claims and claim adjustment expenses	777,828	670,854
Claim payments	(305,147)	(526,212)
Unpaid claims at year end	\$ 1,035,269	\$ 1,179,911

16. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$1,100,000 has been appropriated to reduce taxes for the year ending June 30, 2020.

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

17. RESTRICTED FUND BALANCE - APPROPRIATED RESERVES

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

Workers' Compensation	\$ 450,000
Retirement Contributions	<u>800,000</u>
	<u>\$ 1,250,000</u>

18. TAX ABATEMENTS

The Town of Babylon Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was reduced \$2,415,678. The District received payment in lieu of taxes (PILOT) payments totaling \$1,025,813.

19. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All of the District's encumbrances are classified as restricted and assigned fund balance. At June 30, 2019, the District encumbered the following amounts:

Restricted:	
Capital Projects Fund	
Capital projects	<u>\$ 104,318</u>
Assigned: Unappropriated Fund Balance	
General Fund	
General support	72,842
Instruction	<u>83,371</u>
	<u>156,213</u>
	<u>\$ 260,531</u>

B. Grants

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

C. Litigation

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

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$282,913. The minimum remaining operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 160,832
2021	<u>34,563</u>
	<u>\$ 195,395</u>

20. SUBSEQUENT EVENTS

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

Issuance of TANs

On September 11, 2019, the District issued tax anticipation notes in the amount of \$25,000,000, which are due June 25, 2020 and bear interest at a rate of 2.00%. The District received a premium of \$139,500 with the borrowing to yield an effective interest rate of 1.2927%.

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

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 54,665,062	\$ 55,154,074	\$ 55,154,088	\$ 14
Other tax items	8,870,600	8,381,588	8,336,801	(44,787)
Charges for services	288,500	288,500	396,549	108,049
Use of money and property	103,000	103,000	447,555	344,555
Sale of property and compensation for loss	20,000	20,000	12,238	(7,762)
Miscellaneous	291,000	775,579	1,543,512	767,933
Intergovernmental revenue	137,581	137,581	137,581	-
Total Local Sources	64,375,743	64,860,322	66,028,324	1,168,002
State Sources	62,031,279	62,156,279	60,941,920	(1,214,359)
Medicaid Reimbursement	149,466	149,466	345,826	196,360
Federal Sources			64,709	64,709
Total Revenues	126,556,488	127,166,067	127,380,779	214,712
OTHER FINANCING SOURCES				
Operating Transfers In	-	-	167,962	167,962
Total Revenues and Other Sources	126,556,488	127,166,067	127,548,741	\$ 382,674
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	1,100,000	1,100,000		
Prior Year's Encumbrances	46,067	46,067		
Appropriated Reserves	1,650,000	2,292,189		
Total Appropriated Fund Balance	2,796,067	3,438,256		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 129,352,555	\$ 130,604,323		

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.

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

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 39,100	\$ 39,100	\$ 24,026	\$	\$ 15,074
Central administration	383,088	418,570	415,659	2,502	409
Finance	975,847	1,017,490	993,184		24,306
Staff	739,778	906,374	861,641		44,733
Central services	8,082,724	8,253,260	7,523,937	70,340	658,983
Special items	883,640	917,266	898,057		19,209
Total General Support	11,104,177	11,552,060	10,716,504	72,842	762,714
Instruction					
Administration & improvement	4,312,454	4,395,036	4,287,775	3,277	103,984
Teaching - regular school	34,797,977	34,984,975	34,627,790	41,220	315,965
Programs for students with disabilities	28,029,512	28,845,888	28,587,403	38	258,447
Occupational education	1,602,150	1,602,150	1,597,350	14	4,786
Teaching - special schools	284,000	263,852	258,536		5,316
Instructional media	2,607,513	2,741,659	2,662,734	31,055	47,870
Pupil services	6,055,452	6,219,191	6,142,255	7,767	69,169
Total Instruction	77,689,058	79,052,751	78,163,843	83,371	805,537
Pupil Transportation	11,444,834	11,533,219	11,486,669		46,550
Employee Benefits	23,425,001	23,454,861	23,083,239		371,622
Debt Service					
Principal	4,258,526	3,067,204	2,813,526		253,678
Interest	1,130,959	1,626,410	1,626,408		2
Total Debt Service	5,389,485	4,693,614	4,439,934	-	253,680
Total Expenditures	129,052,555	130,286,505	127,890,189	156,213	2,240,103
OTHER USES					
Operating Transfers Out	300,000	317,818	317,818		-
Total Expenditures and Other Uses	\$ 129,352,555	\$ 130,604,323	128,208,007	\$ 156,213	\$ 2,240,103
Net Change in Fund Balance			(659,266)		
Fund Balance - Beginning of Year			9,901,390		
Fund Balance - End of Year			<u>\$ 9,242,124</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.

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

Teachers' Retirement System

	2019	2018	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.2885640%	0.2833530%	0.2821320%	0.2780280%	0.2816610%
District's proportionate share of the net pension asset/(liability)	\$ 5,218,004	\$ 2,153,767	\$ (3,021,754)	\$ 28,878,198	\$ 31,375,262
District's covered payroll	\$ 47,255,469	\$ 45,124,139	\$ 43,700,713	\$ 42,102,886	\$ 41,931,022
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	11.04 %	4.77 %	(6.91)%	68.59 %	74.83 %
Plan fiduciary net position as a percentage of the total pension liability	101.53%	100.66%	99.01%	110.48%	111.48%

Employees' Retirement System

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0231307%	0.0234191%	0.0236670%	0.0248688%	0.0232184%
District's proportionate share of the net pension liability	\$ (1,638,882)	\$ (755,839)	\$ (2,223,800)	\$ (3,991,516)	\$ (784,375)
District's covered payroll	\$ 7,372,067	\$ 7,091,289	\$ 5,133,926	\$ 6,844,526	\$ 6,857,275
District's proportionate share of the net pension liability as a percentage of its covered payroll	22.23 %	10.66 %	43.32 %	58.32 %	11.44 %
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.68%	97.95%

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

Note to Required Supplementary Information

Teachers' Retirement System

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

Employees' Retirement System

The discount rate decreased from 7.5% to 7.0% as reflected in 2015 and 2016 above.

COPIAGUE UNION FREE SCHOOL DISTRICT
Schedule of District Pension Contributions
Last Ten Fiscal Years

Teachers' Retirement System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 5,191,093	\$ 4,606,474	\$ 5,275,345	\$ 5,760,591	\$ 7,321,627	\$ 6,760,925	\$ 4,901,592	\$ 4,336,177	\$ 3,418,376	\$ 2,407,160
Contributions in relation to the contractually required contribution	5,191,093	4,606,474	5,275,345	5,760,591	7,321,627	6,760,925	4,901,592	4,336,177	3,418,376	2,407,160
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	49,117,524	47,255,469	45,124,139	43,700,713	42,102,886	41,931,022	42,209,585	39,679,144	40,353,809	39,730,020
Contributions as a percentage of covered payroll	11%	10%	12%	13%	17%	16%	12%	11%	8%	6%

Employees' Retirement System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 1,010,436	\$ 1,028,789	\$ 1,022,229	\$ 1,132,983	\$ 1,162,921	\$ 1,346,598	\$ 1,371,697	\$ 980,261	\$ 746,934	\$ 424,606
Contributions in relation to the contractually required contribution	1,010,436	1,028,789	1,022,229	1,132,983	1,162,921	1,346,598	1,371,697	980,261	746,934	424,606
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	7,388,467	7,162,729	7,051,092	6,891,961	6,872,764	6,921,806	7,259,415	6,764,754	6,543,157	6,442,552
Contributions as a percentage of covered payroll	14%	14%	14%	16%	17%	19%	19%	14%	11%	7%

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

	2019	2018
Total OPEB liability		
Service cost	\$ 6,080,325	\$ 5,903,228
Interest	4,278,970	4,062,966
Changes in benefit terms	-	-
Differences between expected and actual experience	-	(175,677)
Changes of assumptions or other inputs	(12,258,078)	-
Benefit payments	(2,910,953)	(2,626,071)
Net change in total OPEB liability	(4,809,736)	7,164,446
Total OPEB liability, beginning	137,996,749	130,832,303
Total OPEB liability, ending	\$ 133,187,013	\$ 137,996,749
Covered employee payroll	\$ 48,454,265	\$ 48,454,265
Total OPEB liability as a percentage of covered employee payroll	274.87%	284.80%

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

Note to Required Supplementary Information

The discount rate increased from 3.0% to 3.5% as reflected in 2018 and 2019 above.

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

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 129,306,488
Additions:		
Prior year's encumbrances		<u>46,067</u>
Original Budget		129,352,555
Budget revision		<u>1,251,768</u>
Final Budget		<u><u>\$ 130,604,323</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-2020 voter-approved expenditure budget		<u><u>\$ 131,906,869</u></u>
Maximum allowed (4% of 2019-2020 budget)		<u><u>\$ 5,276,275</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 1,256,213	
Unassigned fund balance	<u>5,110,083</u>	
		\$ 6,366,296
Less:		
Appropriated fund balance	1,100,000	
Encumbrances	<u>156,213</u>	
Total adjustments		<u>1,256,213</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		<u><u>\$ 5,110,083</u></u>
Actual Percentage		3.87%

COPIAGUE UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources -
Capital Projects Fund
For The Year Ended June 30, 2019

PROJECT TITLE	Budget		Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2019	
	June 30, 2018	June 30, 2019	Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		Total
2015-16 Proposition											
Great Neck Road	\$ 1,293,518	\$ 1,695,252	\$ 1,402,598	\$ 292,653	\$ 1,695,251	\$ 1	\$ 1,695,252	\$	\$ 1,695,252	\$ 1	
Deauville Gardens	18,380,013	23,423,349	17,723,105	5,693,563	23,416,668	6,681	23,423,349		23,423,349	6,681	
Susan E. Wiley	2,856,530	2,487,197	866,028	1,532,739	2,398,767	88,430	2,487,197		2,487,197	88,430	
Middle School	7,859,318	5,247,803	4,959,468	262,423	5,221,891	25,912	5,247,803		5,247,803	25,912	
High School	12,574,147	10,109,925	6,559,413	3,525,543	10,084,956	24,969	10,109,925		10,109,925	24,969	
Totals	\$ 42,963,526	\$ 42,963,526	\$ 31,510,612	\$ 11,306,921	\$ 42,817,533	\$ 145,993	\$ 42,963,526	\$ -	\$ -	\$ 42,963,526	\$ 145,993

COPIAGUE UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2019

Capital assets, net	<u>\$ 58,984,100</u>
Short-term portion of bonds payable	3,130,000
Long-term portion of bonds payable	38,365,000
Less: Unspent bond proceeds	<u>(145,993)</u>
	<u>41,349,007</u>
Net investment in capital assets	<u>\$ 17,635,093</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
Copiague Union Free School District
Copiague, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Copiague Union Free School District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 8, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Copiague Union Free School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Copiague Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Copiague 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. 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 Copiague Union Free School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the in a separate letter dated October 8, 2019.

Purpose of this Report

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

Cullen & Danowski, LLP

October 8, 2019

