



**COPIAGUE UNION FREE
SCHOOL DISTRICT**

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

June 30, 2020

COPIAGUE UNION FREE SCHOOL DISTRICT
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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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 50 through 54, 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 55 through 57 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 September 18, 2020 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

September 18, 2020

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

1. FINANCIAL HIGHLIGHTS

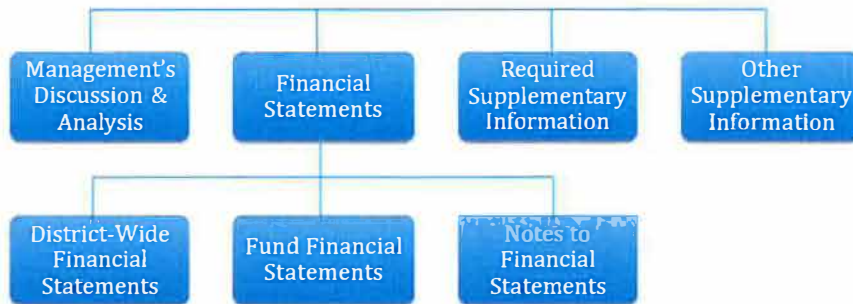
Key financial highlights for fiscal year 2020 are as follows:

- The District's total net position was a deficit of \$109,961,901 in the district-wide financial statements at June 30, 2020 compared to a deficit of \$105,385,663 at June 30, 2019. The deficit increased by \$4,576,238 over the prior year, as a result of expenses of \$144,884,261 exceeding revenues of \$140,308,023 using the economic resources measurement focus and the accrual basis of accounting. The primary cause of this deficit was the \$138,419,724 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 \$16,799,592 total governmental fund balance to a \$109,961,901 net position (deficit).
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$144,884,261. Of this amount, \$9,016,565 was offset by charges for services, operating and capital grants. General revenues of \$131,291,458 amount to 93.6% of total revenues, and were not adequate enough to cover the balance of program expenses.
- The general fund's total fund balance, as reflected in the fund financial statements is \$16,591,548. This was an increase of \$7,349,424 compared to the prior year decrease of \$659,266. Actual revenues and transfers in of \$130,857,854 exceeded actual expenditures and transfers out of \$123,508,430, using the current financial resources measurement focus and the modified accrual basis of accounting. The increase was a combined result of:
 - General fund revenues (including transfers in) increasing \$3,309,113, primarily due to increases in real property taxes of \$1,944,794, and state sources of \$2,268,824, offset by a decrease in other tax items of \$720,011, primarily due to a decrease in STAR revenues of \$844,436.
 - General fund expenditures (including transfers out) decreased \$4,699,577. This was primarily due to the decrease in transportation expenditures of \$3,375,933 primarily which resulted from the New York State Governor mandated closure of the District due to the COVID-19 pandemic.
- The 2019-2020 budget in the amount of \$131,906,869 was authorized by the District's residents by a 66% passing margin (467 yes and 243 no votes).
- The District's 2019-2020 property tax levy of \$63,565,410 was a 1.76% increase over the 2019 tax levy, which is equal to the District's property tax cap.

**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 financial statements, required supplementary information, and other supplementary information. The 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.

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.

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

Governmental Funds

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period when they become measurable and available. It recognizes expenditures in the period when the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, compensated absences, 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 funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Fiduciary Funds

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position decreased by \$4,576,238 between fiscal year 2020 and 2019. The decrease is due to expenses in excess of revenues using the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Assets				
Current and Other Assets	\$ 31,777,376	\$ 21,565,360	\$ 10,212,016	47.35 %
Capital Assets, Net	57,054,990	58,984,100	(1,929,110)	(3.27)%
Net Pension Asset - Proportionate Share	<u>7,608,950</u>	<u>5,218,004</u>	<u>2,390,946</u>	45.82 %
Total Assets	<u>96,441,316</u>	<u>85,767,464</u>	<u>10,673,852</u>	12.45 %
Deferred Outflows of Resources	<u>28,225,490</u>	<u>28,630,327</u>	<u>(404,837)</u>	(1.41)%

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

	2020	2019	Increase (Decrease)	Percentage Change
Liabilities				
Current and Other Liabilities	\$ 13,785,029	\$ 12,026,874	\$ 1,758,155	14.62 %
Long-Term Liabilities	53,390,715	54,435,830	(1,045,115)	(1.92)%
Net Pension Liability - Proportionate Share	6,311,244	1,638,882	4,672,362	285.09 %
Total OPEB Obligation	<u>138,419,724</u>	<u>133,187,013</u>	<u>5,232,711</u>	3.93 %
 Total Liabilities	 <u>211,906,712</u>	 <u>201,288,599</u>	 <u>10,618,113</u>	 5.28 %
 Deferred Inflows of Resources	 <u>22,721,995</u>	 <u>18,494,855</u>	 <u>4,227,140</u>	 22.86 %
Net Position (Deficit)				
Net Investment in Capital Assets	18,709,841	17,635,093	1,074,748	6.09 %
Restricted	3,654,654	2,875,828	778,826	27.08 %
Unrestricted (Deficit)	<u>(132,326,396)</u>	<u>(125,896,584)</u>	<u>(6,429,812)</u>	5.11 %
 Total Net Position (Deficit)	 <u>\$ (109,961,901)</u>	 <u>\$ (105,385,663)</u>	 <u>\$ (4,576,238)</u>	 4.34 %

The increase in current and other assets is primarily due to an increase in cash, as a result of current operations in the District's general fund.

The decrease in capital assets, net is due to depreciation expense in excess of capital asset additions. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

Net pension asset – proportionate share represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 13 "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 plans that will be amortized in future years.

The increase in current and other liabilities is primarily due to an increase in the District's accounts payable of as a result of the timing of when invoices were paid due to the mandated closure of the District due to the COVID-19 pandemic.

The decrease in long-term liabilities is primarily due to scheduled bond indebtedness payments and the amortization of deferred bond premiums, offset by an increase in the District's compensated absence liability.

Net pension liability – proportionate share represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 13 "Pension Plans – New York State", provides additional information.

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

Total other postemployment benefits (OPEB) obligation increased, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 15 "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 the investment in capital assets at cost, net of accumulated depreciation and related outstanding debt. The accompanying Other Supplementary Information, Schedule of Net Investment in Capital Assets provides additional information.

The restricted amount relates to the District's reserves. This number increased over the prior year principally due to transfers into the reserves in excess of the use of reserves.

The unrestricted deficit amount 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, certain unfunded liabilities will have the effect of reducing the District's unrestricted net position. One such liability is the total OPEB obligation. 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.

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, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenues				
Program Revenues				
Charges for Services	\$ 732,297	\$ 964,216	\$ (231,919)	(24.05)%
Operating Grants	8,255,285	7,753,826	501,459	6.47 %
Capital Grants	28,983		28,983	N/A
General Revenues				
Property Taxes	57,098,882	55,154,088	1,944,794	3.53 %
STAR	6,466,552	7,310,988	(844,436)	(11.55)%
PILOT	1,242,031	1,025,813	216,218	21.08 %
State Sources	64,083,507	60,941,920	3,141,587	5.16 %
Other	2,400,486	2,267,558	132,928	5.86 %
Total Revenues	<u>140,308,023</u>	<u>135,418,409</u>	<u>4,889,614</u>	3.61 %
Expenses				
General Support	14,055,209	13,778,074	277,135	2.01 %
Instruction	117,789,025	110,624,518	7,164,507	6.48 %
Pupil Transportation	8,580,031	11,956,379	(3,376,348)	(28.24)%
Debt Service - Interest	1,626,855	1,838,629	(211,774)	(11.52)%
Food Service Program	2,833,141	2,837,455	(4,314)	(0.15)%
Total Expenses	<u>144,884,261</u>	<u>141,035,055</u>	<u>3,849,206</u>	2.73 %
Decrease in Net Position	<u>\$ (4,576,238)</u>	<u>\$ (5,616,646)</u>	<u>\$ 1,040,408</u>	(18.52)%

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

The District's net position decreased by \$4,576,238 and \$5,616,646 for the years ended June 30, 2020 and June 30, 2019, respectively.

The District's revenues increased by \$4,889,614 or 3.61%. The primary factors that contributed to the increase were:

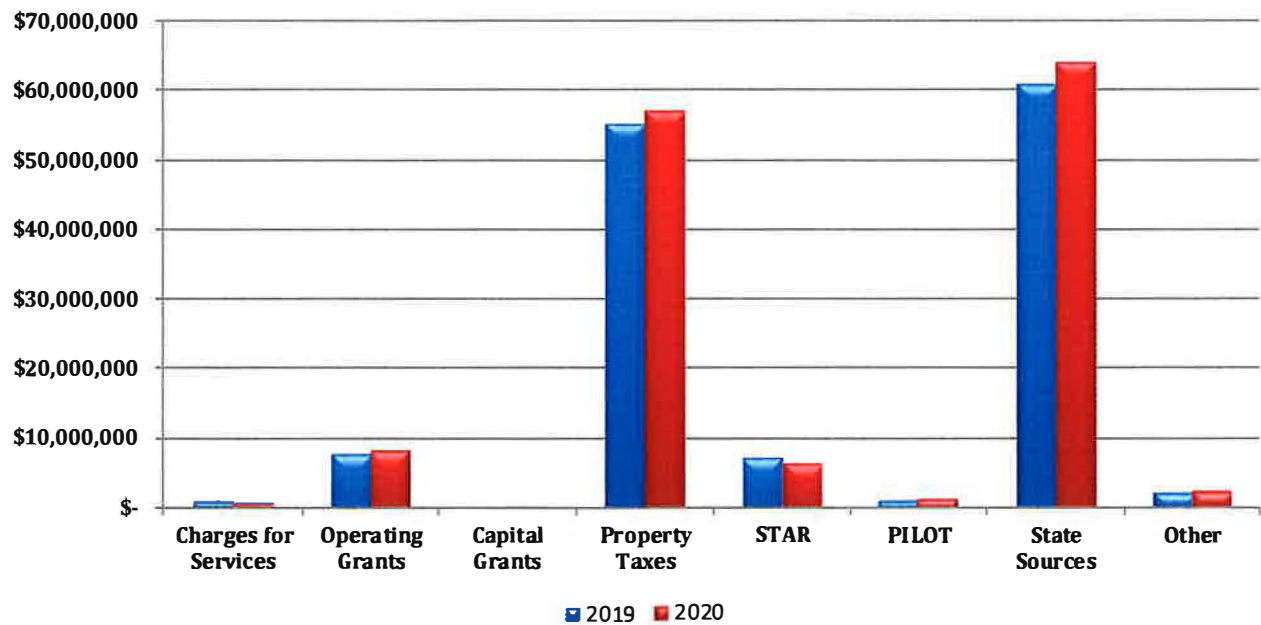
- Property taxes and STAR revenues increased by a net total of \$1,100,358.
- The District received more state aid in the current year than during the prior year.
- Operating grants increased as the District began serving free meals funded by the Community Eligibility Program in the school food service program.

The District's expenses for the year increased by \$3,849,206 or 2.73%. This increase was primarily the result of an increase in instruction due to the impact of the net change in other postemployment benefits and pension costs from the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System allocated. The increase was offset by the pupil transportation decrease, as a result of the State government mandated closure due to the COVID-19 pandemic.

As indicated on the graphs that follow, state sources is the largest component of revenues recognized (i.e., 45.7% and 45.0% of the total for the years 2020 and 2019, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 81.3% and 78.4% of the total for the years 2020 and 2019, respectively). The graphs demonstrate that the components of revenues and expenses are relatively consistent for both years.

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

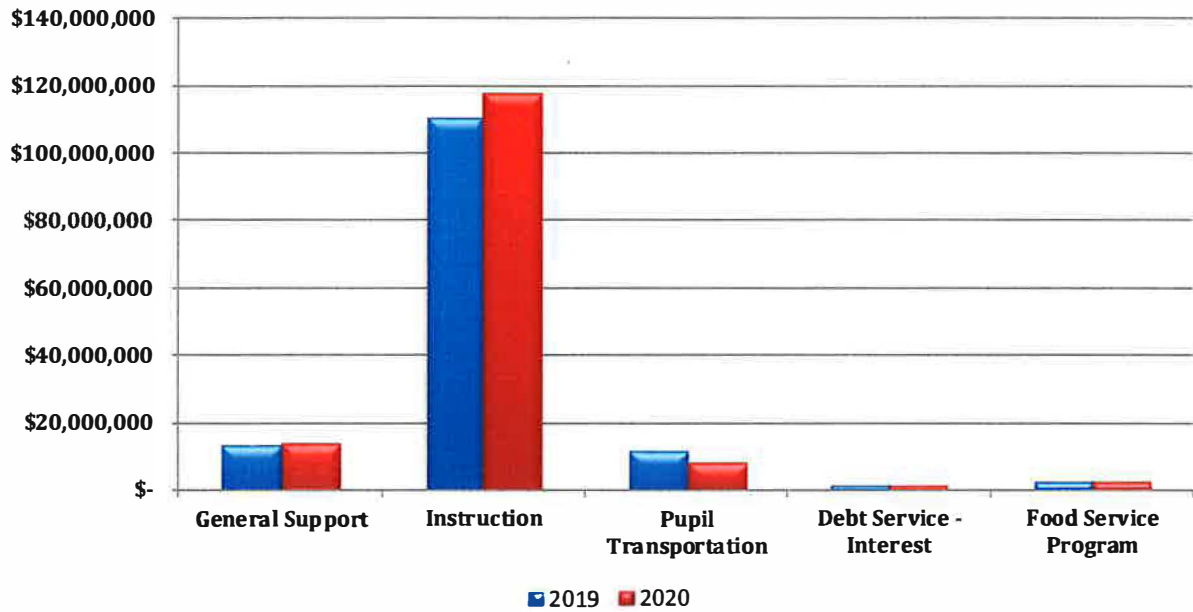
A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants	Capital Grants	Property Taxes	STAR	PILOT	State Sources	Other
2019	0.7%	5.7%	0.0%	40.7%	5.4%	0.8%	45.0%	1.7%
2020	0.5%	5.9%	0.0%	40.7%	4.6%	0.9%	45.7%	1.7%

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

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2019	9.8%	78.4%	8.5%	1.3%	2.0%
2020	9.7%	81.3%	5.9%	1.1%	2.0%

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2020, the District's governmental funds reported a combined fund balance of \$16,799,592, which is an increase of \$7,411,471 over the prior year. This increase is primarily due to an excess of revenues and other financing sources over expenditures and other financing uses using current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in the components of fund balance by fund is as follows:

	2020	2019	Increase (Decrease)
General Fund			
Restricted:			
Workers' compensation	\$ 948,764	\$ 894,339	\$ 54,425
Retirement contribution -			
Teachers' retirement system	475,000		475,000
Employees' retirement system	1,077,352	876,590	200,762
Employee benefit accrued liability	1,153,538	1,104,899	48,639
Assigned:			
Appropriated fund balance	1,823,450	1,100,000	723,450
Unappropriated fund balance	243,814	156,213	87,601
Unassigned: Fund balance	10,869,630	5,110,083	5,759,547
	<u>16,591,548</u>	<u>9,242,124</u>	<u>7,349,424</u>

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

	2020	2019	Increase (Decrease)
School Food Service Fund			
Nonspendable: Inventory	\$ 59,915	\$ 31,547	\$ 28,368
Assigned: Unappropriated fund balance	157,262		157,262
Unassigned: Fund balance (deficit)		(31,543)	31,543
	<u>217,177</u>	<u>4</u>	<u>217,173</u>
Capital Projects Fund			
Restricted: Unspent bond proceeds	19,851		19,851
Unassigned: Fund balance (deficit)	(28,984)	145,993	(174,977)
	<u>(9,133)</u>	<u>145,993</u>	<u>(155,126)</u>
Total Fund Balance	<u>\$ 16,799,592</u>	<u>\$ 9,388,121</u>	<u>\$ 7,411,471</u>

A. General Fund

The net change in the general fund - fund balance is an increase of \$7,349,424. This resulted from revenues and other financing sources in excess of expenditures and other financing uses.

The District's revenues and other financing sources increased by \$3,309,113 or 2.59%, as compared to the prior year. This increase is primarily attributable to increases in state sources and property taxes and STAR. The increase in state sources is the result of the District receiving more state aid than it had in the prior year. The increase in property taxes and STAR is due to an increase in the tax levy in accordance with the 2019-2020 budget.

Expenditures and other financing uses decreased by \$4,699,577 or 3.67% as compared to the prior year. This decrease was primarily due to decreases in pupil transportation, instruction, employee benefits, and general support, offset by an increase in debt service. The decrease in pupil transportation of \$3,375,933 was primarily the result of the State mandated closure of the District, as a result of the COVID-19 pandemic.

The following is a summary of the District's general fund restricted fund balance activity:

	Balance @ June 30, 2019	Use of Reserves	Interest	Funding	Balance @ June 30, 2020	Appropriated for June 30, 2021
Workers' compensation	\$ 894,339	\$ (450,000)	\$ 4,425	\$ 500,000	\$ 948,764	\$ 450,000
Retirement contribution - TRS				475,000	475,000	
ERS	876,590	(800,000)	762	1,000,000	1,077,352	76,550
EBALR	1,104,899	(749,604)	3,538	794,705	1,153,538	650,000
	<u>\$ 2,875,828</u>	<u>\$ (1,999,604)</u>	<u>\$ 8,725</u>	<u>\$ 2,769,705</u>	<u>\$ 3,654,654</u>	<u>\$ 1,176,550</u>

B. School Food Service Fund

The net change in the school food service fund - fund balance is an increase of \$217,173, which was the operating profit of the food service program.

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

C. Capital Projects Fund

The net change in the capital projects fund – fund balance is a decrease of \$155,126, due to expenditures from ongoing capital improvement projects of \$170,351 offset by state sources from the District's approved SMART schools bond act improvement projects of \$15,225.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2019-2020 Budget

The District's general fund adopted budget for the year ended June 30, 2020 was \$131,906,869. This amount was increased by encumbrances carried forward from the prior year in the amount of \$156,213 and budget revisions in the amount of \$896,090 for a total final budget of \$132,959,172.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$63,565,410 in estimated property taxes and STAR, and \$63,544,777 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	\$ 5,110,083
Revenues Over Budget	1,154,499
Expenditures and Encumbrances Under Budget	9,206,928
Allocation to Reserves	(2,778,430)
Appropriated for June 30, 2021 Budget	<u>(1,823,450)</u>
Closing, Unassigned: Fund Balance	<u>\$ 10,869,630</u>

Opening, Unassigned Fund Balance

The \$5,110,083 shown in the table is the portion of the District's June 30, 2019 fund balance that was retained as unassigned.

Revenues Over Budget

The 2019-2020 final budget for revenues was \$129,703,355. Actual revenues recognized for the year were \$130,857,854. The excess of actual revenue over estimated or budgeted revenue was \$1,154,499, which contributes directly to the general fund unassigned fund balance from June 30, 2019 to June 30, 2020. The additional unanticipated revenues resulted from \$990,518 in increased miscellaneous revenues and \$418,569 in increased Medicaid reimbursement. Miscellaneous revenues included refund of prior year BOCES expenditures (whereby amounts billed in excess of cost for services for prior years is reimbursed back to districts by their proportionate level of participation) and adjustments of prior year foster tuition accruals. The rise in Medicaid is due to NY State resolving cost settlement payments for 2014/15, 2015/16 and 2016/17, aggressive follow-up with service providers to ensure all required documentation are timely and complete, and securing the parental consent needed to release medical records as required to obtain Medicaid reimbursement. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

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

Expenditures and Encumbrances Under Budget

The 2019-2020 budget for expenditures, including prior year open encumbrances as of June 30, 2019, was \$132,959,172. Actual expenditures as of June 30, 2020 were \$123,508,430 and outstanding encumbrances were \$243,814. Combined, the expenditures plus encumbrances for 2019-2020 were \$123,752,244. The final budget variance was \$9,206,928, which contributes to the change to the unassigned portion of the general fund unassigned fund balance from June 30, 2019 to June 30, 2020. The expenditure variance largely resulted from the unexpected school closings in mid-March, due to the COVID-19 pandemic coupled with fewer than anticipated out of district special education placements. Consequently, student transportation expenses and special education tuitions were significantly less than budgeted. It is important to note that state transportation aid is an expenditure driven grant. Districts spend the money in one year and are reimbursed the ensuing year at each district's respective transportation reimbursement rate. Since the governor's executive orders closed schools in mid-March the District underspent the transportation budget by approximately \$1.1 million per month as no students were being transported. While the reduction in transportation expenditures represents a savings in the current year (19/20), the District will not be recouping the 83% transportation aid in the revenue portion of the 2020/21 adopted state budget. Simply put, 83% of the surplus caused by savings in transportation expenditures will have to be earmarked to offset the shortfall in state transportation aid revenue in 2020/21. Other savings included diminution of employee benefits principally attributable to a 2% decline in health insurance rates, reduced overtime and extra services and purchasing related to COVID-19 closures. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Interest Income Allocated to Reserves

Monies transferred into authorized reserves do not affect total fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers. The table in §4.A. of this Management's Discussion and Analysis details the allocation of interest earnings and funding transfers to the reserves.

Appropriated Fund Balance

The District has chosen to use \$1,823,450 of the available June 30, 2020 unassigned fund balance to partially fund the 2020-2021 approved operating budget. As such, the June 30, 2020 unassigned fund balance has been reduced by this amount.

Closing Unassigned Fund Balance

Based upon the summary changes shown in the previous table, the unassigned fund balance at June 30, 2020 was \$10,869,630. The unassigned portion is \$5,496,980 (8.09%) over the 4% statutory limit. The overage is due to the factors explained above in the sections Revenues Over Budget and Expenditures and Encumbrances Under Budget.

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

A. Capital Assets

At June 30, 2020, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation expense of \$2,137,897 in excess of capital additions of \$207,787. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2020 and 2019 is as follows:

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

	2020	2019	Increase (Decrease)
Land	\$ 5,427,300	\$ 5,427,300	\$ -
Buildings and improvements	50,601,242	52,524,693	(1,923,451)
Site improvements	530,748	514,688	16,060
Furniture and equipment	495,700	517,419	(21,719)
Capital assets, net	<u>\$ 57,054,990</u>	<u>\$ 58,984,100</u>	<u>\$ (1,929,110)</u>

B. Debt Administration

At June 30, 2020, the District had total long-term bonds payable of \$38,365,000. The bonds were issued for school building improvements, or issued on behalf of the Copiague Memorial Public Library for improvements. The decrease in outstanding debt represents principal payments. There were no new issuances of long-term debt during the year ended June 30, 2020. A summary of the outstanding debts at June 30, 2020 and 2019 is as follows:

Issue Date	Interest Rate	2020	2019	Increase (Decrease)
2008	3.75%	\$ 2,000,000	\$ 2,615,000	\$ (615,000)
2010	3.25%	725,000	835,000	(110,000)
2019	3.00- 5.00%	35,640,000	38,045,000	(2,405,000)
		<u>\$ 38,365,000</u>	<u>\$ 41,495,000</u>	<u>\$ (3,130,000)</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, 2020 are approximately 13.54% 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, net pension liability - proportionate share, and total other postemployment benefits obligation are based on actuarial valuations.

	2020	2019	Increase (Decrease)
Compensated absences	\$ 9,923,131	\$ 7,349,891	\$ 2,573,240
Workers' compensation	1,336,833	1,179,911	156,922
Retirement incentive	715,015	915,028	(200,013)
Net pension liability - proportionate share	6,311,244	1,638,882	4,672,362
Total OPEB obligation	<u>138,419,724</u>	<u>133,187,013</u>	<u>5,232,711</u>
	<u>\$ 156,705,947</u>	<u>\$ 144,270,725</u>	<u>\$ 12,435,222</u>

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

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 June 9, 2020, at a 67% margin (1,980 yes vs. 968 no), for the year ending June 30, 2021, is \$134,316,244. This is an increase of \$2,409,375 or 1.83% over the previous year's budget.

The District budgeted revenues other than property taxes and STAR at an increase of \$80,131 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, 2021 budget in the amount of \$1,823,450, is a \$723,450 increase over the prior year. Additionally, the District has elected to appropriate \$1,176,550 of reserves towards next year's budget, which is a decrease of \$73,450 from the prior year. A property tax increase of \$1,679,244 (2.64%), levy to levy, was needed to meet the funding shortfall and cover the increase in appropriations.

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

The property tax cap and uncertainty in state aid and federal funds, as well as operating adjustments attributed to COVID-19, may 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 2020-2021 is 2.64%. The District's 2020-2021 property tax increase was equal to the tax cap and did not require an override vote.

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, 2020

ASSETS

Cash	
Unrestricted	\$ 17,399,940
Restricted	3,674,505
Receivables	
Accounts receivable	234,975
Due from fiduciary funds	1,645
Due from state and federal	6,495,854
Due from other governments	3,910,542
Inventory	59,915
Capital assets:	
Not being depreciated	5,427,300
Being depreciated, net of accumulated depreciation	51,627,690
Net pension asset - proportionate share	<u>7,608,950</u>
Total Assets	<u>96,441,316</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	<u>28,225,490</u>
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LIABILITIES

Payables	
Accounts payable	6,024,197
Accrued liabilities	1,955,072
Due to teachers' retirement system	4,682,886
Due to employees' retirement system	285,853
Compensated absences payable	749,604
Unearned credits	
Collections in advance	87,417
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	3,086,783
Compensated absences payable	237,543
Retirement incentive payable	325,454
Due and payable after one year	
Bonds payable, net	38,328,953
Compensated absences payable	9,685,588
Workers' compensation liabilities	1,336,833
Retirement incentive payable	389,561
Net pension liability - proportionate share	6,311,244
Total other postemployment benefits	<u>138,419,724</u>
Total Liabilities	<u>211,906,712</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	11,012,464
Other postemployment benefits	<u>11,709,531</u>
Total Deferred Inflows of Resources	<u>22,721,995</u>

NET POSITION (DEFICIT)

Net investment in capital assets	<u>18,709,841</u>
Restricted	
Workers' compensation	948,764
Retirement contribution	
Teachers' retirement system	475,000
Employees' retirement system	1,077,352
Employee benefit accrued liability	<u>1,153,538</u>
	<u>3,654,654</u>
Unrestricted (deficit)	<u>(132,326,396)</u>
Net Position (Deficit)	<u>\$ (109,961,901)</u>

COPIAGUE UNION FREE SCHOOL DISTRICT

Statement of Activities

For The Year Ended June 30, 2020

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
FUNCTIONS/PROGRAMS					
General support	\$ 14,055,209	\$	\$	\$	\$ (14,055,209)
Instruction	117,789,025	556,027	5,394,863	28,983	(111,809,152)
Pupil transportation	8,580,031				(8,580,031)
Debt service - interest	1,626,855				(1,626,855)
Food service program	<u>2,833,141</u>	<u>176,270</u>	<u>2,860,422</u>		<u>203,551</u>
 Total Functions and Programs	 <u>\$ 144,884,261</u>	 <u>\$ 732,297</u>	 <u>\$ 8,255,285</u>	 <u>\$ 28,983</u>	 <u>(135,867,696)</u>
 GENERAL REVENUES					
Real property taxes					57,098,882
Other tax items					7,708,583
Use of money and property					210,947
Sale of property and compensation for loss					46,229
Miscellaneous					1,524,741
State sources					64,083,507
Medicaid reimbursement					<u>618,569</u>
 Total General Revenues					<u>131,291,458</u>
 Change in Net Position					(4,576,238)
 Total Net Position (Deficit) - Beginning of Year					<u>(105,385,663)</u>
 Total Net Position (Deficit) - End of Year					<u>\$ (109,961,901)</u>

COPIAGUE UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2020

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash					
Unrestricted	\$ 16,033,030	\$ 225,605	\$ 999,452	\$ 141,853	\$ 17,399,940
Restricted	3,654,654			19,851	3,674,505
Receivables					
Accounts receivable	234,975				234,975
Due from other funds	3,974,949	344			3,975,293
Due from state and federal	3,658,071	2,562,121	261,904	13,758	6,495,854
Due from other governments	3,910,542				3,910,542
Inventory					
			59,915		59,915
Total Assets	<u>\$ 31,466,221</u>	<u>\$ 2,788,070</u>	<u>\$ 1,321,271</u>	<u>\$ 175,462</u>	<u>\$ 35,751,024</u>
LIABILITIES					
Payables					
Accounts payable	\$ 5,983,148	\$ 2,253	\$ 20,070	\$ 18,726	\$ 6,024,197
Accrued liabilities	1,362,518	6,142	17,441		1,386,101
Due to other funds		2,771,101	1,050,436	152,111	3,973,648
Due to teachers' retirement system	4,682,886				4,682,886
Due to employees' retirement system	285,853				285,853
Compensated absences payable	749,604				749,604
Unearned credits					
Collections in advance	62,696	8,574	16,147		87,417
Total Liabilities	<u>13,126,705</u>	<u>2,788,070</u>	<u>1,104,094</u>	<u>170,837</u>	<u>17,189,706</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>1,747,968</u>			<u>13,758</u>	<u>1,761,726</u>
FUND BALANCES (DEFICIT)					
Nonspendable: Inventory					
			59,915		59,915
Restricted:					
Workers' compensation	948,764				948,764
Retirement contribution -					
Teachers' retirement system	475,000				475,000
Employees' retirement system	1,077,352				1,077,352
Employee benefit accrued liability	1,153,538				1,153,538
Unspent bond proceeds				19,851	19,851
Assigned:					
Appropriated fund balance	1,823,450				1,823,450
Unappropriated fund balance	243,814		157,262		401,076
Unassigned: Fund balance (deficit)	<u>10,869,630</u>			<u>(28,984)</u>	<u>10,840,646</u>
Total Fund Balances (Deficit)	<u>16,591,548</u>	<u>-</u>	<u>217,177</u>	<u>(9,133)</u>	<u>16,799,592</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 31,466,221</u>	<u>\$ 2,788,070</u>	<u>\$ 1,321,271</u>	<u>\$ 175,462</u>	<u>\$ 35,751,024</u>

COPIAGUE UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2020

Total Governmental Fund Balances		\$ 16,799,592
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	\$ 95,039,556	
Less: Accumulated depreciation	<u>(37,984,566)</u>	57,054,990
<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	7,608,950	
Deferred outflows of resources	28,225,490	
Net pension liability - employees' retirement system	(6,311,244)	
Deferred inflows of resources	<u>(11,012,464)</u>	18,510,732
<p>Total other postemployment benefits obligation and deferred inflows related to providing benefits in retirement are not current financial resources or obligations and are not reported in the funds.</p>		
Total other postemployment benefits obligation	(138,419,724)	
Deferred inflows of resources	<u>(11,709,531)</u>	(150,129,255)
<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>		
		1,761,726
<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	(568,971)	
Bonds payable, net	(41,415,736)	
Compensated absences payable	(9,923,131)	
Workers' compensation liabilities	(1,336,833)	
Retirement incentive payable	<u>(715,015)</u>	<u>(53,959,686)</u>
Total Net Position (Deficit)		<u>\$ (109,961,901)</u>

COPIAGUE UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2020

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
REVENUES					
Real property taxes	\$ 57,098,882	\$	\$	\$	\$ 57,098,882
Other tax items	7,616,790				7,616,790
Charges for services	456,027				456,027
Use of money and property	209,521		1,426		210,947
Sale of property and compensation for loss	46,229				46,229
Miscellaneous	1,462,004		220		1,462,224
Intergovernmental revenue	139,088				139,088
State sources	63,210,744	2,583,766	75,579	15,225	65,885,314
Medicaid reimbursement	618,569				618,569
Federal sources		2,811,097	2,784,843		5,595,940
Sales			176,050		176,050
Total Revenues	130,857,854	5,394,863	3,038,118	15,225	139,306,060
EXPENDITURES					
General support	10,100,811	33,426			10,134,237
Instruction	77,396,470	5,276,745			82,673,215
Pupil transportation	8,110,736	359,843			8,470,579
Employee benefits	22,382,716		446,851		22,829,567
Debt service					
Principal	3,130,000				3,130,000
Interest	2,112,546				2,112,546
Food service program			2,374,094		2,374,094
Capital outlay				170,351	170,351
Total Expenditures	123,233,279	5,670,014	2,820,945	170,351	131,894,589
Excess (Deficiency) of Revenues Over Expenditures	7,624,575	(275,151)	217,173	(155,126)	7,411,471
OTHER FINANCING SOURCES AND (USES)					
Operating transfers in		275,151			275,151
Operating transfers (out)	(275,151)				(275,151)
Total Other Financing Sources and (Uses)	(275,151)	275,151	-	-	-
Net Change in Fund Balances	7,349,424	-	217,173	(155,126)	7,411,471
Fund Balances - Beginning of Year	9,242,124		4	145,993	9,388,121
Fund Balances (Deficit) - End of Year	\$ 16,591,548	\$ -	\$ 217,177	\$ (9,133)	\$ 16,799,592

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, 2020

Net Change in Fund Balances \$ 7,411,471

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

Long-Term Revenue and Expense Differences

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

Change in unavailable revenues \$ 1,001,963

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 200,013

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	(2,573,240)	
Increase in workers' compensation liability	(156,922)	
		(1,528,186)

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 depreciation exceeded capital outlays in the period.

Capital outlays and other additions	207,787	
Depreciation expense	(2,136,897)	
		(1,929,110)

Long-Term Debt Transactions Differences

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

445,264

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 3,130,000

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

40,427

3,615,691

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	(4,867,284)	
Employees' Retirement System	(1,221,500)	
Other postemployment benefits	(6,057,320)	
		(12,146,104)

Change in Net Position of Governmental Activities \$ (4,576,238)

COPIAGUE UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2020

	Agency	Private Purpose Trust
ASSETS		
Cash - Unrestricted	\$ 71,867	\$
Due from governmental funds		4,540
Total Assets	\$ 71,867	4,540
 LIABILITIES		
Extraclassroom activity balances	\$ 59,004	
Other liabilities	6,678	
Due to governmental funds	6,185	
Total Liabilities	\$ 71,867	-
 NET POSITION		
Restricted for scholarships		\$ 4,540

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 §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 §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the 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, §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.

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

Measurement focus describes what type of information is reported, and is either the economic resources measurement focus or the current financial resources measurement focus. The economic resources measurement focus reports all assets, liabilities and deferred resources related to a given activity, as well as transactions of the period that affect net position. For example, all assets, whether financial (e.g., cash and receivables) or capital (e.g., property and equipment) and liabilities (including long-term debt and obligations) are reported. The current financial resources measurement focus reports more narrowly on assets, liabilities and deferred resources that are relevant to near-term liquidity, along with net changes resulting from transactions of the period. Consequently, capital assets and the unmatured portion of long-term debt and certain other liabilities the District would not expect to liquidate currently with expendable available financial resources (e.g., compensated absences for employees still in active service) would not be reported.

Basis of accounting describes when changes are recognized, and is either the accrual basis of accounting or the modified accrual basis of accounting. The accrual basis of accounting recognizes changes in net position when the underlying event occurs, regardless of the timing of related cash flows. The modified accrual basis of accounting recognizes changes only at the point they affect near-term liquidity.

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 financial 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.

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

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.

The District also levies the real property taxes for the Copiague Memorial Library (Library), which are collected by the town and included in the amount remitted to the District. The District remits the Library's share of the tax levy to the Library in various installments. These pass-through amounts are not included in the District's real property tax revenues.

Enforcement

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

F. Payments in Lieu of Taxes (PILOT)

The District reports PILOT revenues in the general fund as part of other tax items revenues. These PILOT revenues are often the result of tax abatements granted by industrial development agencies of the Town and/or the County to help promote local economic development. Property owners make PILOT payments to the government agencies, which in turn remit the collected payments to the District.

PILOT payments collected on behalf of the Library are remitted to the Library. These pass-through amounts are not included in the District's other tax items revenues.

G. 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.

H. 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.

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

I. 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, pension costs, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of capital assets.

J. 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.

K. 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.

L. 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.

M. 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:

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

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

N. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has 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.

O. 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. The notes, or renewal thereof, may not extend more than two years beyond the original date of issue, unless a portion is redeemed within two years and within each twelve month period thereafter.

BANs that are replaced with long-term financing, or renewed subsequent to the year-end, are treated as long-term obligations, as these notes will not require the use of working capital during that period.

P. 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.

Q. Employee Benefits – Compensated Absences

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

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

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

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.

R. 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).

S. 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 individual or family health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing these benefits, the District provides individual, family or surviving spouse postemployment health insurance coverage for eligible retired employees. 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. Healthcare 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.

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

T. 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/expense credit) 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, payment in lieu of taxes 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 and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The third item is related to OPEB and represents changes in the total other postemployment benefits obligation not included in OPEB expense.

U. 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.

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:

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

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.

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. 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. The Board may also adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. These reserves are accounted for in the general fund.

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 also 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.

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

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.

2. FUTURE ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) Statements are issued to set generally accepted accounting principles (GAAP) for state and local governments. The following is not an all-inclusive list of GASB standards issued, but statements that the District feels may have a future impact on these financial statements. The District will evaluate the impact of these pronouncements and implement them, as applicable, if material.

Effective for the Year Ending	Statement
June 30, 2021	GASB No. 84 - <i>Fiduciary Activities</i>
June 30, 2022	GASB No. 87 - <i>Leases</i>

GASB Statement No. 84 will require the District to assess activities currently classified as fiduciary and reported in the fiduciary funds to determine if these activities should be considered fiduciary in nature or if these activities should be reported as governmental funds.

GASB Statement No. 87 will change the reporting of leases in the district-wide financial statements. A lessee will be required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of financial resources.

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

Due to the differences in the measurement focus and basis of accounting used in the district-wide statements and the governmental fund statements, certain financial transactions are treated differently. The financial statements contain a full reconciliation of these items.

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.

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

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.

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.

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

4. 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	\$ 749,604
Instructional expenditures funded by:	
Miscellaneous revenues	6,986
Premiums received upon issuance of debt for debt service	<u>139,500</u>
	<u>\$ 896,090</u>

Budgets are adopted annually on a basis consistent with GAAP.

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

B. Encumbrances

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

C. Unassigned Fund Balance

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

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

D. Capital Projects Fund

The capital projects fund has an unassigned fund balance deficit of \$13,760. This will be funded when the District obtains the state aid for the smart schools bond act expenditures.

5. 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 and letters of credit 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, 2020 are \$141,048,310 which consisted of \$69,553,000 in repurchase agreements, \$54,504,297 in U.S. Treasury Securities, \$14,778,513 in collateralized bank deposits, and \$2,212,500 of government related investments, with various interest rates and due dates.

The following amounts are included as cash:

<u>Fund</u>	<u>Carrying Amount</u>
General	<u>\$ 11,306,117</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.

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

6. PARTICIPATION IN BOCES

During the year ended June 30, 2020, the District was billed \$24,706,737 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$2,499,332. 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.

7. DUE FROM STATE AND FEDERAL

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

General Fund	
New York State - general aid	\$ 412,682
New York State - excess cost aid	2,945,389
New York State - homeless aid	<u>300,000</u>
	3,658,071
Special Aid Fund	
Federal and state grants	2,562,121
School Food Service Fund	
Federal and state food service program reimbursements	261,904
Capital Projects Fund	
New York State - Smart Schools Bond Act	<u>13,758</u>
	<u>\$ 6,495,854</u>

District management expects these amounts to be fully collectible.

8. DUE FROM OTHER GOVERNMENTS

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

General Fund	
BOCES aid	\$ 2,759,239
Payment in lieu of taxes	188,599
Other districts - charges for services	<u>962,704</u>
	<u>\$ 3,910,542</u>

District management expects these amounts to be fully collectible.

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

9. CAPITAL ASSETS

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

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 5,427,300	\$	\$	\$ 5,427,300
Capital assets being depreciated:				
Buildings and improvements	85,760,931	58,634		85,819,565
Site improvements	2,132,900	85,818		2,218,718
Furniture, equipment, and vehicles	1,510,638	63,335		1,573,973
Total capital assets being depreciated	89,404,469	207,787		89,612,256
Less accumulated depreciation for:				
Buildings and improvements	33,236,238	1,982,085		35,218,323
Site improvements	1,618,212	69,758		1,687,970
Furniture, equipment, and vehicles	993,219	85,054		1,078,273
Total accumulated depreciation	35,847,669	2,136,897	-	37,984,566
Total capital assets, being depreciated, net	53,556,800	(1,929,110)	-	51,627,690
Capital assets, net	\$ 58,984,100	\$ (1,929,110)	\$ -	\$ 57,054,990

Depreciation expense was charged to governmental functions as follows:

General support	\$ 15,505
Instruction	2,103,161
Food service program	18,231
Total depreciation expense	\$ 2,136,897

10. INTERFUND TRANSACTIONS

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

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 3,974,949	\$	\$	\$ 275,151
Special Aid Fund	344	2,771,101	275,151	
School Food Service Fund		1,050,436		
Capital Projects Fund		152,111		
Total Governmental Funds	3,975,293	3,973,648	\$ 275,151	\$ 275,151
Fiduciary Funds	4,540	6,185		
Total	\$ 3,979,833	\$ 3,979,833		

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.

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11. SHORT-TERM DEBT

Short-term debt activity for the year is summarized below:

	Maturity	Stated Interest Rate	Balance June 30, 2019	Issued	Redeemed	Balance June 30, 2020
TAN	6/25/2020	2.00%	\$ -	\$ 25,000,000	\$ (25,000,000)	\$ -

Interest on short-term debt for the year was \$394,444. The District received premiums of \$139,500, which are included in miscellaneous revenue in the general fund.

12. 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, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 41,495,000	\$ -	\$ (3,130,000)	\$ 38,365,000	\$ 2,670,000
Plus:					
Premium on bonds	3,496,000		(445,264)	3,050,736	416,783
	<u>44,991,000</u>	-	<u>(3,575,264)</u>	41,415,736	3,086,783
Other long-term liabilities:					
Compensated absences	7,349,891	2,573,240		9,923,131	237,543
Workers' compensation	1,179,911	480,686	(323,764)	1,336,833	
Retirement incentive	915,028	216,000	(416,013)	715,015	325,454
	<u>\$ 54,435,830</u>	<u>\$ 3,269,926</u>	<u>\$ (4,315,041)</u>	<u>\$ 53,390,715</u>	<u>\$ 3,649,780</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, 2020
Serial bonds	6/17/2008	12/1/2022	3.75%	\$ 2,000,000
Serial bonds - Library	12/15/2010	2/15/2025	3.25%	725,000
Serial bonds	2/19/2019	2/15/2034	3.00- 5.00%	<u>35,640,000</u>
				<u>\$ 38,365,000</u>

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

Year Ending June 30,	Principal	Interest	Total
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	2,460,000	1,090,500	3,550,500
2026-2030	13,595,000	3,627,800	17,222,800
2031-2034	<u>11,560,000</u>	<u>856,450</u>	<u>12,416,450</u>
Total	<u>\$ 38,365,000</u>	<u>\$ 11,165,226</u>	<u>\$ 49,530,226</u>

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 2019-2020 the District received and recorded intergovernmental revenue of \$139,088 from the Library.

C. Premiums on Bond Issuance

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

Year Ending June 30,	Amortization of Premium
2021	\$ (416,783)
2022	(390,052)
2023	(361,998)
2024	(332,483)
2025	(301,505)
2026-2030	(1,009,436)
2031-2034	<u>(238,479)</u>
Total	<u>\$ (3,050,736)</u>

During the fiscal year ending June 30, 2020, the District amortized \$445,264.

D. Interest Expense

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

Interest paid	\$ 1,718,102
Less interest accrued in the prior year	(609,398)
Plus interest accrued in the current year	568,971
Less amortization of premium on refunding	<u>(445,264)</u>
Total interest expense on long-term debt	<u>\$ 1,232,411</u>

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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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,	6/30/2017	6/30/2018	6/30/2019	6/30/2020	Total
2021	\$ 70,893	\$ 169,720	\$ 30,840	\$ 54,000	\$ 325,453
2022		169,721	30,841	54,000	254,562
2023			27,000	54,000	81,000
2024				54,000	54,000
Total	\$ 70,893	\$ 339,441	\$ 88,681	\$ 216,000	\$ 715,015

13. 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 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

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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 10.62% of covered payroll for the TRS' fiscal year ended June 30, 2019. The District's average contribution rate was 13.91% of covered payroll for the ERS' fiscal year ended March 31, 2020.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2020 was \$4,394,480 for TRS at the contribution rate of 8.86% and \$1,020,511 for ERS at an average contribution rate of 13.69%.

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

At June 30, 2020, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2019, for TRS and March 31, 2020 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.

	TRS	ERS
Measurement date	June 30, 2019	March 31, 2020
District's proportionate share of the net pension asset/(liability)	\$ 7,608,950	\$ (6,311,244)
District's portion of the Plan's total net pension asset/(liability)	0.292876%	0.023834%
Change in proportion since the prior measurement date	0.0043120	0.0007028

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For the year ended June 30, 2020, the District recognized pension expense of \$9,256,925 for TRS and \$2,235,158 for ERS. At June 30, 2020, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$ 5,156,391	\$ 371,442	\$ 565,816	\$
Change of assumptions	14,374,324	127,079	3,504,867	109,730
Net difference between projected and actual earnings on pension plan investments		3,235,451	6,101,985	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	59,460	221,010	705,395	24,671
District contributions subsequent to the measurement date	4,394,480	285,853		
Total	\$ 23,984,655	\$ 4,240,835	\$ 10,878,063	\$ 134,401

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

Year Ending June 30,	TRS	ERS
2021	\$ 3,300,812	\$ 671,871
2022	76,844	969,558
2023	3,288,335	1,212,226
2024	2,171,387	966,926
2025	178,399	
Thereafter	(303,665)	
	\$ 8,712,112	\$ 3,820,581

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, 2019	March 31, 2020
Actuarial valuation date	June 30, 2018	April 1, 2019
Inflation	2.20%	2.50%
Salary increases	1.90-4.72%	4.20%
Investment rate of return (net of investment expense, including inflation)	7.10%	6.80%
Cost of living adjustments	1.30%	1.30%

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018, applied on a generational basis. Active member mortality rates are based on plan member experience. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 system experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018.

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.

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, 2019		March 31, 2020
Asset type				
Domestic equity	33.0%	6.30%	36.0%	4.05%
International equity	16.0%	7.80%	14.0%	6.15%
Global equity	4.0%	7.20%		
Real estate	11.0%	4.60%	10.0%	4.95%
Private equities	8.0%	9.90%	10.0%	6.75%
Alternative investments			8.0%	3.25-5.95%
Domestic fixed income securities	16.0%	1.30%		
Global fixed income securities	2.0%	0.90%		
High-yield fixed income securities	1.0%	3.60%		
Bonds and mortgages			17.0%	0.75%
Private debt	1.0%	6.50%		
Real estate debt	7.0%	2.90%		
Cash and equivalents	1.0%	0.30%		
Cash			1.0%	0.00%
Inflation indexed bonds			4.0%	0.50%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.2% for TRS and 2.5% for ERS.

COPIAGUE UNION FREE SCHOOL DISTRICT
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Discount Rate

The discount rate used to measure the total pension liability was 7.10% for TRS and 6.80% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2018, was 7.25% and the discount rate used by the ERS at the prior year's measurement date of March 31, 2019, was 7.00%). 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.

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 7.10% for TRS and 6.80% 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 (6.10% for TRS and 5.80% for ERS) or 1 percentage point higher (8.10% for TRS and 7.80% for ERS) than the current rate:

TRS	1% Decrease 6.10 %	Current Assumption 7.10 %	1% Increase 8.10 %
District's proportionate share of the net pension asset (liability)	<u>\$ (34,346,005)</u>	<u>\$ 7,608,950</u>	<u>\$ 42,804,422</u>
ERS	1% Decrease 5.80 %	Current Assumption 6.80 %	1% Increase 7.80 %
District's proportionate share of the net pension asset (liability)	<u>\$ (11,582,915)</u>	<u>\$ (6,311,244)</u>	<u>\$ (1,456,013)</u>

Pension Plan Fiduciary Net Position

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

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

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NOTES TO FINANCIAL STATEMENTS
(Continued)

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020, are paid to the system in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020, represent employer and employee contributions for the fiscal year ended June 30, 2020, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2020 amounted to \$4,394,480 of employer contributions and \$288,406 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2020, represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$285,853 of employer contributions. Employee contributions are remitted monthly.

14. 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, 2020, totaled \$687,313 and \$2,930,260, 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, 2020 totaled \$425,969.

15. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description –The District provides OPEB for eligible retired employees of the District. The benefits provided to employees upon retirement are based on provisions in the various contracts that the District has in place with different classifications of employees. The plan is a single-employer defined benefit OPEB plan administered through the New York State Health Insurance Program – Empire Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided – The District provides healthcare benefits and Medicare Part B coverage for eligible retirees. 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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	453
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	536
	989

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NOTES TO FINANCIAL STATEMENTS
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B. Total OPEB Liability

The District's total OPEB liability of \$138,419,724 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019. Update procedures were used to roll forward the total OPEB liability to the measurement date.

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

Inflation	2.60%	
Salary increases	2.60%	average, including inflation
Discount rate	2.21%	
Healthcare cost trend rates	6.60%	for 2019, decreasing to an ultimate rate of 4.10% over 56 years
Retirees' share of benefit-related costs	10.00%	Administrators
	25-37.5%	Principals, Instructional, and Supervisory Custodians (hired prior to 6/30/2018)
	50-65%	Non-Instructional and Supervisory Custodians (hired after 6/30/2018)

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, 2019	<u>\$133,187,013</u>
Changes for the year	
Service cost	5,733,550
Interest	4,813,132
Changes of benefit terms	176,954
Differences between expected and actual experience	(752,405)
Changes in assumptions or other inputs	(1,909,226)
Benefit payments	<u>(2,829,294)</u>
	<u>5,232,711</u>
Balance at June 30, 2020	<u><u>\$138,419,724</u></u>

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Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% in 2019 to 2.21% in 2020.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current discount rate:

OPEB	1% Decrease 1.21 %	Discount Rate 2.21 %	1% Increase 3.21 %
Total OPEB liability	<u>\$ 166,411,455</u>	<u>\$ 138,419,724</u>	<u>\$ 116,518,360</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 (5.60%) or 1 percentage point higher (7.60%) than the current healthcare cost trend rate:

OPEB	1% Decrease 5.60 % decreasing to 3.10 %	Healthcare Cost Trend Rates 6.60 % decreasing to 4.10 %	1% Increase 7.60 % decreasing to 5.10 %
Total OPEB liability	<u>\$ 116,573,061</u>	<u>\$ 138,419,724</u>	<u>\$ 167,996,338</u>

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$8,886,614. At June 30, 2020, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 788,364
Changes of assumptions or other inputs	<u>10,921,167</u>
Total	<u>\$ 11,709,531</u>

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

Year Ending June 30,	Amount
2021	\$ (1,837,022)
2022	(1,837,022)
2023	(1,837,022)
2024	(1,837,022)
2025	(1,837,022)
Thereafter	<u>(2,524,421)</u>
	<u>\$(11,709,531)</u>

COPIAGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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16. DEFERRED INFLOWS OF RESOURCES

In the governmental fund financial statements, deferred inflows of resources, at June 30, 2020, consists of that portion of the amount due from New York State for local aid payments, including BOCES aid, which is unavailable. Of the 2019-2020 school year aid payments outstanding at June 30, 2020, 20% was effectively withheld by the State, in response to revenue losses arising from the COVID-19 pandemic. Unavailable revenues, in the general fund at June 30, 2020, total \$922,763.

Also included in the governmental fund financial statements as deferred inflows of resources, at June 30, 2020, is the amount due from New York State for improvements to educational technology and infrastructure to improve learning and opportunities for students throughout the state (Smart Schools Bond Act). Unavailable revenues, in the capital projects fund at June 30, 2020, total \$13,758.

17. 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. There have been no significant reductions in insurance coverage as compared to the prior year, and 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:

	2019	2020
Unpaid claims at beginning of year	\$ 1,035,269	\$ 1,179,911
Incurred claims and claim adjustment expenses	670,854	480,686
Claim payments	(526,212)	(323,764)
Unpaid claims at year end	\$ 1,179,911	\$ 1,336,833

18. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

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

Workers' Compensation	\$ 450,000
Retirement Contributions - ERS	76,550
Employee Benefits Accrued Liability	650,000
	\$ 1,176,550

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(Continued)

19. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$1,823,450 has been appropriated to reduce taxes for the year ending June 30, 2021.

20. 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 \$2,461,893. The District received payment in lieu of taxes (PILOT) payments totaling \$1,150,237.

21. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All of the District's encumbrances are classified as restricted and assigned fund balance. At June 30, 2020, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance	
General Fund	
General support	\$ 230,616
Instruction	13,198
	243,814
School Food Service Fund	
Food service program	1,848
	\$ 245,662

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.

D. Purchase Agreements

The District has various agreements with BOCES to purchase equipment. The expenditure for these agreements was \$419,826 for the year ended June 30, 2020. The following is summary of future obligations under these purchase agreements:

Year Ending June 30,	Amount
2021	\$ 282,187
2022	249,635
2023	104,927
2024	22,063
	\$ 658,812

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

22. 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:

A. Impact of COVID-19

On March 11, 2020, coronavirus disease (COVID-19) was declared a pandemic. COVID 19 is an international, national and New York State public health emergency. As such, the COVID-19 outbreak is disrupting business activity across a range of industries. At this point, the extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the effect on the District's residents, employees and vendors, as well as the State, all of which are uncertain and cannot be predicted.

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, 2020

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 56,265,410	\$ 56,265,410	\$ 57,098,882	\$ 833,472
Other tax items	8,430,094	8,430,094	7,616,790	(813,304)
Charges for services	289,500	289,500	456,027	166,527
Use of money and property	153,000	153,000	209,521	56,521
Sale of property and compensation for loss	10,000	10,000	46,229	36,229
Miscellaneous	325,000	471,486	1,462,004	990,518
Intergovernmental revenue	139,088	139,088	139,088	-
Total Local Sources	65,612,092	65,758,578	67,028,541	1,269,963
State Sources	63,544,777	63,544,777	63,210,744	(334,033)
Medicaid Reimbursement	200,000	200,000	618,569	418,569
Total Revenues	129,356,869	129,503,355	130,857,854	1,354,499
OTHER FINANCING SOURCES				
Operating Transfers In	200,000	200,000	-	(200,000)
Total Revenues and Other Sources	129,556,869	129,703,355	130,857,854	\$ 1,154,499
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	1,100,000	1,100,000	-	-
Prior Year's Encumbrances	156,213	156,213	-	-
Appropriated Reserves	1,250,000	1,999,604	-	-
Total Appropriated Fund Balance	2,506,213	3,255,817	-	-
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 132,063,082	\$ 132,959,172	-	-

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, 2020

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 38,900	\$ 38,900	\$ 32,131	\$	\$ 6,769
Central administration	402,424	425,609	416,418		9,191
Finance	949,669	1,022,325	996,502	113	25,710
Staff	767,609	748,825	674,149		74,676
Central services	8,085,524	8,235,586	7,043,316	230,503	961,767
Special items	894,525	950,325	938,295		12,030
Total General Support	11,138,651	11,421,570	10,100,811	230,616	1,090,143
Instruction					
Administration & improvement	4,322,746	4,498,376	4,361,849	299	136,228
Teaching - regular school	35,411,115	35,076,693	34,573,219	970	502,504
Programs for students with disabilities	30,100,676	30,078,607	28,050,570	395	2,027,642
Occupational education	1,741,070	1,741,070	1,698,150		42,920
Teaching - special schools	282,414	215,834	174,046		41,788
Instructional media	2,430,079	2,740,612	2,646,765	5,067	88,780
Pupil services	6,120,659	6,150,348	5,891,871	6,467	252,010
Total Instruction	80,408,759	80,501,540	77,396,470	13,198	3,091,872
Pupil Transportation	11,578,801	11,342,590	8,110,736		3,231,854
Employee Benefits	23,388,769	24,070,684	22,382,716		1,687,968
Debt Service					
Principal	3,130,000	3,130,000	3,130,000		-
Interest	2,093,102	2,167,788	2,112,546		55,242
Total Debt Service	5,223,102	5,297,788	5,242,546	-	55,242
Total Expenditures	131,738,082	132,634,172	123,233,279	243,814	9,157,079
OTHER USES					
Operating Transfers Out	325,000	325,000	275,151		49,849
Total Expenditures and Other Uses	\$ 132,063,082	\$ 132,959,172	123,508,430	\$ 243,814	\$ 9,206,928
Net Change in Fund Balance			7,349,424		
Fund Balance - Beginning of Year			9,242,124		
Fund Balance - End of Year			\$ 16,591,548		

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 Six Fiscal Years

Teachers' Retirement System

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.292876%	0.288564%	0.283353%	0.282132%	0.278028%	0.281661%
District's proportionate share of the net pension asset/(liability)	\$ 7,608,950	\$ 5,218,004	\$ 2,153,767	\$ (3,021,754)	\$ 28,878,198	\$ 31,375,262
District's covered payroll	\$ 49,117,524	\$ 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	15.49 %	11.04 %	4.77 %	(6.91)%	68.59 %	74.83 %
Plan fiduciary net position as a percentage of the total pension liability	102.17%	101.53%	100.66%	99.01%	110.48%	111.48%
Discount rate	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%

Employees' Retirement System

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0238335%	0.0231307%	0.0234191%	0.0236670%	0.0248688%	0.0232184%
District's proportionate share of the net pension liability	\$ (6,311,244)	\$ (1,638,882)	\$ (755,839)	\$ (2,223,800)	\$ (3,991,516)	\$ (784,375)
District's covered payroll	\$ 7,446,719	\$ 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	84.75 %	22.23 %	10.66 %	43.32 %	58.32 %	11.44 %
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%
Discount rate	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%

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.

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

Teachers' Retirement System

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 4,394,480	\$ 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
Contributions in relation to the contractually required contribution	<u>4,394,480</u>	<u>5,191,093</u>	<u>4,606,474</u>	<u>5,275,345</u>	<u>5,760,591</u>	<u>7,321,627</u>	<u>6,760,925</u>	<u>4,901,592</u>	<u>4,336,177</u>	<u>3,418,376</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	49,882,185	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
Contributions as a percentage of covered payroll	9%	11%	10%	12%	13%	17%	16%	12%	11%	8%

Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 1,020,511	\$ 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
Contributions in relation to the contractually required contribution	<u>1,020,511</u>	<u>1,010,436</u>	<u>1,028,789</u>	<u>1,022,229</u>	<u>1,132,983</u>	<u>1,162,921</u>	<u>1,346,598</u>	<u>1,371,697</u>	<u>980,261</u>	<u>746,934</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	7,455,590	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
Contributions as a percentage of covered payroll	14%	14%	14%	14%	16%	17%	19%	19%	14%	11%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 5,733,550	\$ 6,080,325	\$ 5,903,228
Interest	4,813,132	4,278,970	4,062,966
Changes in benefit terms	176,954	-	-
Differences between expected and actual experience	(752,405)	-	(175,677)
Changes of assumptions or other inputs	(1,909,226)	(12,258,078)	-
Benefit payments	<u>(2,829,294)</u>	<u>(2,910,953)</u>	<u>(2,626,071)</u>
Net change in total OPEB liability	5,232,711	(4,809,736)	7,164,446
Total OPEB liability, beginning	<u>133,187,013</u>	<u>137,996,749</u>	<u>130,832,303</u>
Total OPEB liability, ending	<u>\$ 138,419,724</u>	<u>\$ 133,187,013</u>	<u>\$ 137,996,749</u>
Covered employee payroll	\$ 50,229,773	\$ 48,454,265	\$ 48,454,265
Total OPEB liability as a percentage of covered employee payroll	275.57%	274.87%	284.80%
Discount rate	2.21%	3.50%	3.00%
Healthcare trend rates	6.6% to 4.1% by 2056	7.5% to 4.5% by 2026	7.5% to 4.5% by 2023

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

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

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, 2020

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 131,906,869
Additions:		
Prior year's encumbrances		156,213
Original Budget		132,063,082
Budget revision		896,090
Final Budget		\$ 132,959,172

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-2021 voter-approved expenditure budget		\$ 134,316,244
Maximum allowed (4% of 2020-2021 budget)		\$ 5,372,650
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 2,067,264	
Unassigned fund balance	10,869,630	
		\$ 12,936,894
Less:		
Appropriated fund balance	1,823,450	
Encumbrances	243,814	
Total adjustments		2,067,264
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		\$ 10,869,630
Actual Percentage		8.09%

COPIAGUE UNION FREE SCHOOL DISTRICT
Schedule of Net Investment in Capital Assets
June 30, 2020

Capital assets, net	<u>\$ 57,054,990</u>
Short-term portion of bonds payable	2,670,000
Long-term portion of bonds payable	35,695,000
Less: Unspent bond proceeds	<u>(19,851)</u>
	<u>38,345,149</u>
Net investment in capital assets	<u>\$ 18,709,841</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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 18, 2020.

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 September 18, 2020.

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

September 18, 2020

