

**ROCKY POINT UNION FREE SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**

ROCKY POINT UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Rocky Point Union Free School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of District's proportionate share of the net pension liability, schedule of District's contributions, and schedule of changes in District's total OPEB liability, on pages 3 through 14 and 51 through 55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

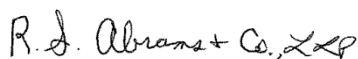
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2019 on our consideration of the Rocky Point Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rocky Point 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 Rocky Point Union Free School District's internal control over financial reporting and compliance.



R.S. Abrams & Co., LLP
Islandia, NY
October 21, 2019

**ROCKY POINT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

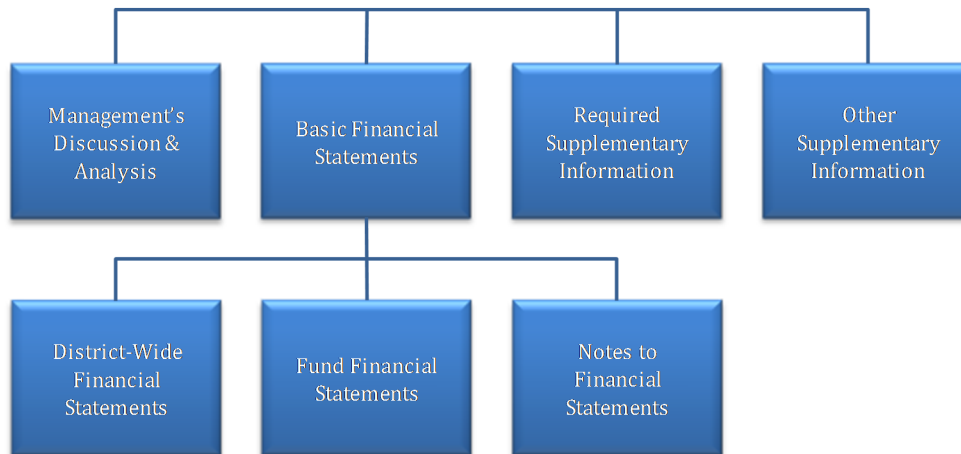
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2019 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, decreased by \$10,192,720. This was due to an excess of expenses over revenues based on the economic resources measurement focus and the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$95,735,984. Of this amount, \$3,682,253 was offset by program charges for services, operating grants and capital grants. General revenues of \$81,861,011 amount to 95.7% of total revenues, and were not adequate to cover the balance of program expenses.
- On the balance sheet, the general fund total fund balance decreased by \$1,889,522 to \$19,550,118. This was the result of a planned use of fund balance and reserves to fund current expenditures.
- On July 26, 2018, the District issued serial bonds in the amount of \$6,715,000. The bonds have an interest rate of 3.0% and mature on June 15, 2033.
- The District's 2019 property tax levy of \$51,166,218 was a 3.10% increase over the 2018 tax levy. The District's property tax cap was 3.10%.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

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.

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 that they become measurable and available. It recognizes expenditures in the period in which the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, compensated absences, 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

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

may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Fiduciary Funds

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position decreased by \$10,192,720 between fiscal year 2019 and 2018. The decrease is due to expenses in excess of revenues based on the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2019	2018	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 32,128,539	\$ 35,324,890	\$ (3,196,351)	(9.05)%
Capital Assets, Net	57,823,434	50,075,610	7,747,824	15.47 %
Net Pension Asset - Proportionate Share - TRS	<u>3,464,167</u>	<u>1,454,033</u>	<u>2,010,134</u>	138.25 %
Total Assets	<u>93,416,140</u>	<u>86,854,533</u>	<u>6,561,607</u>	7.55 %
Deferred Outflows of Resources	<u>55,160,754</u>	<u>21,398,666</u>	<u>33,762,088</u>	157.78 %
Liabilities				
Current and Other Liabilities	7,309,577	7,035,522	274,055	3.90 %
Long-Term Liabilities	26,633,451	23,062,102	3,571,349	15.49 %
Net Pension Liability - Proportionate Share - ERS	1,559,277	715,248	844,029	118.01 %
Total OPEB Obligation	<u>174,747,187</u>	<u>126,797,174</u>	<u>47,950,013</u>	37.82 %
Total Liabilities	<u>210,249,492</u>	<u>157,610,046</u>	<u>52,639,446</u>	33.40 %
Deferred Inflows of Resources	<u>9,871,881</u>	<u>11,994,912</u>	<u>(2,123,031)</u>	(17.70)%
Net Position (Deficit)				
Net Investment in Capital Assets	42,668,888	36,977,997	5,690,891	15.39 %
Restricted	13,326,347	17,265,966	(3,939,619)	(22.82)%
Unrestricted (Deficit)	<u>(127,539,714)</u>	<u>(115,595,722)</u>	<u>(11,943,992)</u>	(10.33)%
Total Net Position (Deficit)	<u>\$ (71,544,479)</u>	<u>\$ (61,351,759)</u>	<u>\$ (10,192,720)</u>	(16.61)%

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

Current and other assets decreased by \$3,196,351, as compared to the prior year. Cash decreased \$4,657,796 as the District expended \$9,014,920 on capital projects, which was offset by bond proceeds of \$6,715,000. This decrease was offset by increases in amounts due from state, federal and other governments amounting to \$1,132,496.

Capital assets, net increased by \$7,747,824, as compared to the prior year. This increase is due to capital asset additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 8 "Capital Assets" provides additional information.

Net pension asset - proportionate share increased by \$2,010,134 in the current year. This asset represents the District's share of the New York State Teachers' Retirement System collective net pension asset, at the measurement date of the respective year.

Deferred outflows of resources represents contributions to the retirement plans subsequent to the measurement dates and actuarial adjustments of the retirement and OPEB plans that will be amortized in future years.

Current and other liabilities increased by \$274,055, as compared to the prior year. The liability to the retirement plans increased by \$419,898. This increase was offset by a decrease in accounts payable of \$140,437.

Long-term liabilities increased by \$3,571,349, as compared to the prior year. This increase is primarily the result of the issuance of serial bonds for \$6,715,000, reduced by the repayment of the current maturity of the bond indebtedness in the amount of \$3,495,000.

Net pension liability - proportionate increased by \$844,029 in the current year. This liability 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.

Total other postemployment benefits (OPEB) obligation increased by \$47,950,013, based on the actuarial valuation of the plan. Notes to Financial Statements, Note 14 "Postemployment Healthcare Benefits", provides additional information.

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

The net investment in capital assets, in the amount of \$42,668,888, relates to the investment in capital assets at cost such as land; construction in progress; buildings and improvements; site improvements; and, furniture and equipment, net of depreciation and related outstanding debt. This number increased over the prior year by \$5,690,891.

The restricted amount of \$13,326,347 relates to the District's reserves. This number decreased from the prior year by \$3,939,619 as restricted amounts were used to pay current expenses.

The unrestricted deficit amount of \$(127,539,714) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit increased over the prior year by \$11,943,992.

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

B. Changes in Net Position

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

	2019	2018	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 800,503	\$ 796,386	\$ 4,117	0.52 %
Operating Grants	2,241,668	2,528,862	(287,194)	(11.36)%
Capital Grants	640,082		640,082	N/A
General Revenues				
Real Property Taxes and STAR	51,166,234	49,629,332	1,536,902	3.10 %
State Sources	29,207,877	28,397,072	810,805	2.86 %
Other	1,486,900	907,172	579,728	63.90 %
Total Revenues	<u>85,543,264</u>	<u>82,258,824</u>	<u>3,284,440</u>	3.99 %
Expenses				
General Support	13,623,266	12,090,593	1,532,673	12.68 %
Instruction	74,697,775	67,992,463	6,705,312	9.86 %
Pupil Transportation	5,187,907	4,787,690	400,217	8.36 %
Debt Service - Interest	763,136	648,527	114,609	17.67 %
Food Service Program	1,463,900	1,349,095	114,805	8.51 %
Total Expenses	<u>95,735,984</u>	<u>86,868,368</u>	<u>8,867,616</u>	10.21 %
Decrease in Net Position	<u>\$ (10,192,720)</u>	<u>\$ (4,609,544)</u>	<u>\$ (5,583,176)</u>	(121.12)%

The District's net position decreased by \$10,192,720 and \$4,609,544 for the years ended June 30, 2019 and 2018, respectively.

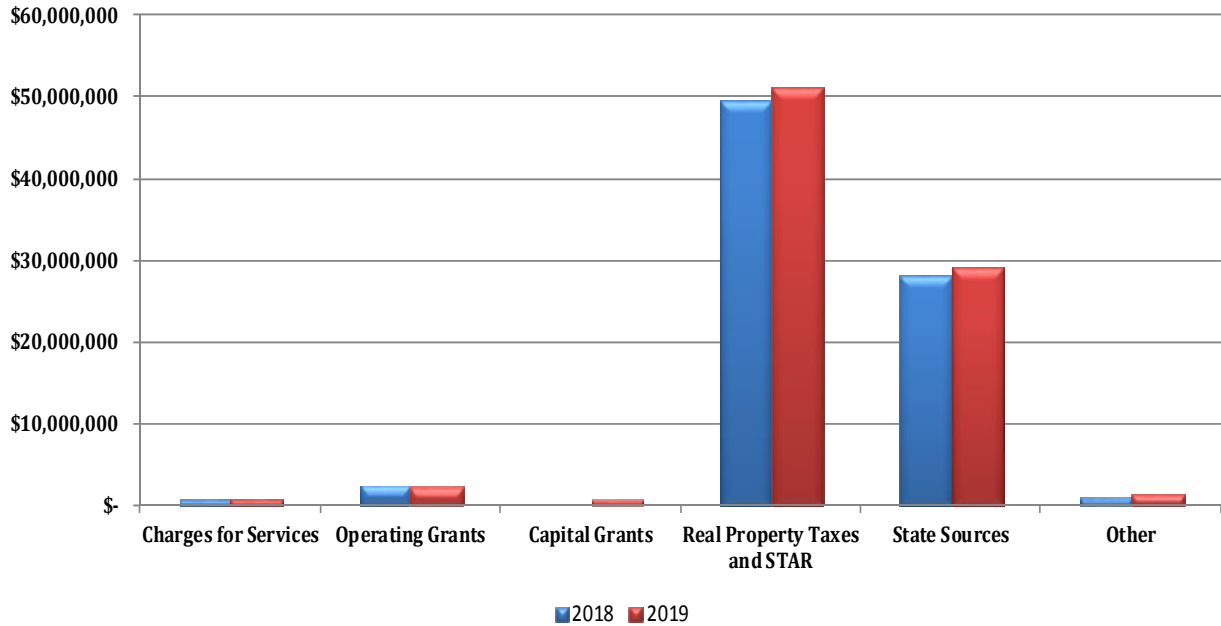
The District's revenues increased by \$3,284,440, principally as a result of increases in real property taxes and STAR revenue, state source revenue and a capital grant under the Smart Schools Bond Act.

The District's expenses increased by \$8,867,616, mainly due to an increase in employee benefits of \$6,269,194.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 59.8% and 60.3% of the total for the years 2019 and 2018, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 78.0% and 78.3% of the total for the years 2019 and 2018, respectively).

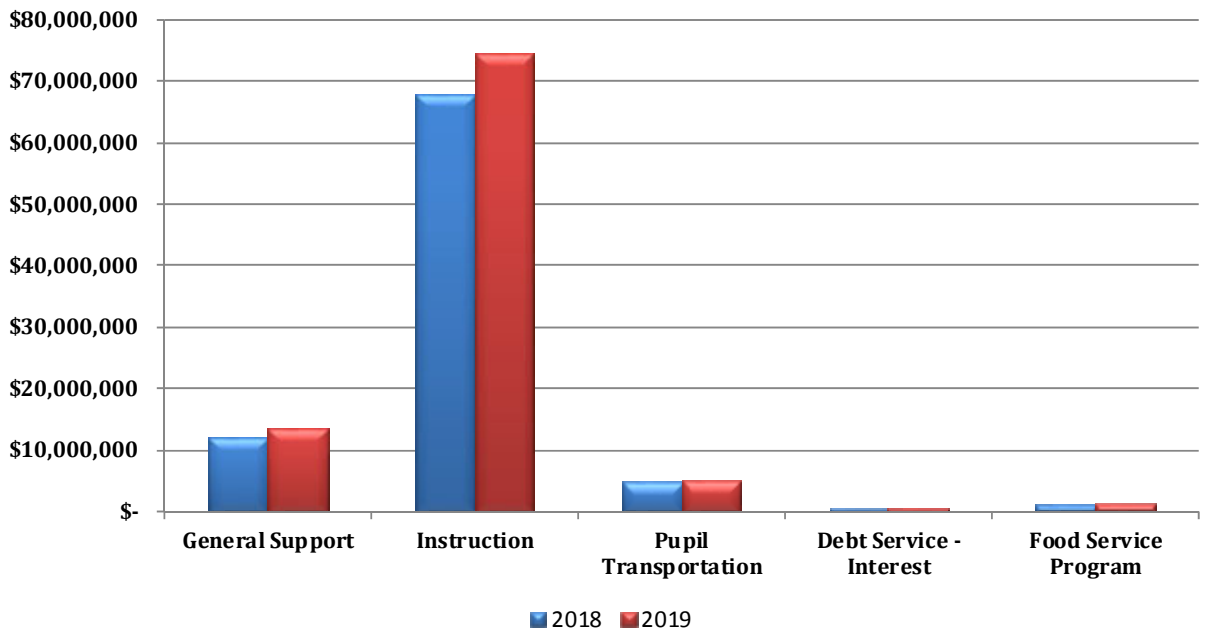
ROCKY POINT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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



	Charges for Services	Operating Grants	Capital Grants	Real Property Taxes and STAR	State Sources	Other
2018	1.0%	3.1%	0.0%	60.3%	34.5%	1.1%
2019	0.9%	2.6%	0.7%	59.8%	34.1%	1.9%

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2018	13.9%	78.3%	5.5%	0.7%	1.6%
2019	14.2%	78.1%	5.4%	0.8%	1.5%

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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2019, the District's governmental funds reported a combined fund balance of \$24,208,571, which is a decrease of \$4,111,997 from the prior year. This decrease is due to an excess of expenditures over revenues based upon the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2019	2018	Increase (Decrease)
General Fund			
Nonspendable: Prepaids	\$ 60,000	\$ 60,000	\$
Restricted			
Workers' compensation	1,877,573	2,154,779	(277,206)
Unemployment insurance	530,779	551,714	(20,935)
Retirement contribution			-
Teachers' retirement system	604,009		604,009
Employee's retirement system	3,675,779	5,237,107	(1,561,328)
Property loss	54,021	53,663	358
Liability	54,021	53,663	358
Employee benefit accrued liability	4,400,632	4,658,536	(257,904)
Capital	1,590,368	1,288,167	302,201
Assigned:			
Appropriated fund balance	2,474,613	2,183,000	291,613
Unappropriated fund balance	758,586	1,753,860	(995,274)
Unassigned: Fund balance	3,469,737	3,445,151	24,586
	<u>19,550,118</u>	<u>21,439,640</u>	<u>(1,889,522)</u>
School Food Service Fund			
Nonspendable: Inventory	40,124	34,130	5,994
Assigned: Unappropriated fund balance	73,792	96,074	(22,282)
	<u>113,916</u>	<u>130,204</u>	<u>(16,288)</u>
Debt Service Fund			
Restricted: Debt service	139,925	46,192	93,733
Capital Projects Fund			
Restricted:			
Capital reserve	399,240	3,222,145	(2,822,905)
Unspent bond proceeds	4,645,454	3,482,387	1,163,067
Unassigned fund balance (deficit)	(640,082)		(640,082)
	<u>4,404,612</u>	<u>6,704,532</u>	<u>(2,299,920)</u>
Total Fund Balance	<u>\$ 24,208,571</u>	<u>\$ 28,320,568</u>	<u>\$ (4,111,997)</u>

A. General Fund

The net change in the general fund - fund balance is a decrease of \$1,889,522 as compared to a \$3,885,323 decrease in the prior year. Revenues increased \$2,776,558 over the prior year as real property taxes and STAR revenue increased by \$1,536,902 and state source revenue increased \$810,805. Other financing sources decreased by \$39,924 due to a reduction of operating transfers from the other funds in the amount of \$77,199. This decrease was offset by a premium on obligations of \$37,275 when the District issued tax anticipation notes.

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

Expenditures increased by \$3,641,546, or 4.8% over the prior year as instruction and employee benefits increased \$2,411,161. Other financing uses decrease \$2,900,713 from the prior year. In the prior year there was a transfer to the capital projects fund for \$3,385,965, which was authorized by the District voters.

B. School Food Service Fund

The net change in the school food service fund – fund balance is a decrease of \$16,288, which was the deficit of the school food service fund. The operating deficit of \$20,904 was offset by a transfer from the general fund of \$4,616. In the prior year, the school food service program operated at a \$23,762 deficit.

C. Debt Service Fund

The net change in the debt service fund – fund balance is an increase of \$93,733. Interest earnings and a premium received on the issuance of bonds totaling \$116,535 were offset by a transfer to the general fund.

D. Capital Projects Fund

The net change in the capital projects fund – fund balance is a decrease of \$2,299,920, as capital expenditures totaling \$9,014,920 exceeded the proceeds from the issuance of bonds in the amount of \$6,715,000.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2018- 2019 Budget

The District's general fund adopted budget for the year ended June 30, 2019 was \$86,128,785. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,753,860 and budget revisions in the amount of \$165,714 for a total final budget of \$88,048,359.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$51,166,218 in estimated property taxes and STAR.

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

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves, appropriations to fund the subsequent year's budget, encumbrances and amounts classified as nonspendable. 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	\$ 3,445,151
Revenues and Other Financing Financing Sources Over Budget	165,797
Expenditures, Other Financing Uses and Encumbrances Under Budget	3,400,964
Unused Appropriated Reserves	(695,668)
Interest Allocated to Reserves	(78,301)
Allocation to Reserves	(293,593)
Appropriated for the 2019-20 Budget	<u>(2,474,613)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 3,469,737</u></u>

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

Opening, Unassigned Fund Balance

The \$3,445,151 shown in the table is the portion of the District's June 30, 2018 fund balance that was retained as unassigned. This was 4% of the District's 2018-2019 approved operating budget of \$86,128,785. It is the maximum unassigned fund balance permitted by law.

Revenues and Other Financing Sources Over Budget

The District's actual revenues and other financing sources of \$81,999,287 were \$165,797 more than estimated. Actual miscellaneous revenue exceeded estimates by \$640,707, which was offset by a shortfall in state source revenue.

Expenditures, Other Financing Uses and Encumbrances Under Budget

The 2018-2019 final budget for expenditures, was \$88,048,359. Actual expenditures and encumbrances totaled \$84,647,395. The final budget was under expended by \$3,400,964. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2018 to June 30, 2019.

Unused Appropriated Reserves

In the 2018-2019 budget, \$2,278,009 of reserves were appropriated to reduce the tax levy. Due to lower than anticipated expenditures, \$695,668 of this funding was not needed and was returned to the reserves for future use.

Interest Allocated to Reserves

The reserve balances earned \$78,301 of interest during the year.

Allocation to Reserves

The Board of Education approved a transfer to the capital reserve for \$293,593.

Appropriated Fund Balance

The District has chosen to use \$2,474,613 of the available June 30, 2019 unassigned fund balance to partially fund the 2019-2020 approved operating budget. As such, the June 30, 2019 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2019 was \$3,469,737. This amount equals 4% of the 2019-2020 budget and is at the statutory limit.

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

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

A. Capital Assets

At June 30, 2019, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$9,533,332 in excess of depreciation of \$1,745,368 and a loss on the disposition of assets of \$40,140 recorded for the year ended June 30, 2019. A summary of the District's capital assets, net of depreciation at June 30, 2019 and 2018 is as follows:

	2019	2018	Increase (Decrease)
Land	\$ 737,304	\$ 737,304	\$ -
Construction in progress	14,929,369	5,914,449	9,014,920
Buildings	40,542,183	42,048,126	(1,505,943)
Improvements other than buildings	134,756	167,607	(32,851)
Equipment	1,479,822	1,208,124	271,698
Capital assets, net	<u>\$ 57,823,434</u>	<u>\$ 50,075,610</u>	<u>\$ 7,747,824</u>

The District is continuing to make significant capital expenditures resulting from a May 17, 2016 voter approved \$16,439,513 bond authorization for capital improvements to District facilities. As of June 30, 2019, the District has expended approximately 72% of the authorization and the construction is ongoing,

B. Debt Administration

At June 30, 2019, the District had total bonds payable of \$19,800,000. The bonds were issued for school building improvements and the refunding of bonds originally issued for school building improvements. The increase in outstanding debt represents the issuance of new debt reduced by principal payments. A summary of the outstanding debt at June 30, 2019 and 2018 is as follows:

Issue Date	Interest Rate	2019	2018	Increase (Decrease)
Bonds Payable				
2008	3.00-5.00%	\$ -	\$ 355,000	\$ (355,000)
2009	3.125-4.00%	2,975,000	3,510,000	(535,000)
2010	2.00-5.00%	2,095,000	3,770,000	(1,675,000)
2017	2.00-3.00%	8,390,000	8,945,000	(555,000)
2018	3.00%	6,340,000	6,340,000	-
		<u>\$ 19,800,000</u>	<u>\$ 16,580,000</u>	<u>\$ 3,220,000</u>

As of June 30, 2019, the District has yet to issue \$224,513 of the May 17, 2016 voter approved bond authorization.

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

C. OTHER LONG-TERM LIABILITIES

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

	2019	2018	Increase (Decrease)
Compensated absences	\$ 5,127,023	\$ 5,132,174	\$ (5,151)
Workers' compensation	970,360	478,526	491,834
Termination benefits	591,900	655,150	(63,250)
Net pension liability - proportionate share	1,559,277	715,248	844,029
Total OPEB obligation	174,747,187	126,797,174	47,950,013
	<u>\$ 182,995,747</u>	<u>\$ 133,778,272</u>	<u>\$ 49,217,475</u>

The District's latest underlying, long-term credit rating from S&P Global Ratings is AA/Stable. The District's outstanding serial bonds at June 30, 2019 are approximately 6.5% of the District's debt limit.

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 21, 2019, for the year ending June 30, 2020, is \$86,743,446. This is an increase of \$614,661 or 0.71% over the previous year's budget. A property tax increase of \$1,274,038 (2.49%), levy to levy, was needed to meet the funding shortfall and cover the increase in appropriations.

B. Future Budgets

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

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's 2019-2020 property tax increase of 2.49% was under the tax cap of 2.59% and did not require an override vote.

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

D. Property Tax Relief Credit

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

8. CONTACTING THE DISTRICT

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

Mr. Christopher Van Cott
Assistant Superintendent for Business
Rocky Point Union Free School District
90 Rocky Point - Yaphank Road
Rocky Point, New York 11778

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

ASSETS	
Cash	
Unrestricted	\$ 10,483,163
Restricted	17,412,074
Receivables	
Accounts receivable	97,869
Due from fiduciary funds	543,376
Due from state and federal	2,537,145
Due from other governments	954,788
Inventory	40,124
Prepays	60,000
Capital assets:	
Not being depreciated	15,666,673
Being depreciated, net of accumulated depreciation	42,156,761
Net pension asset - proportionate share - teachers' retirement system	<u>3,464,167</u>
Total Assets	<u>93,416,140</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	19,412,008
Other postemployment benefits obligation	<u>35,748,746</u>
Total Deferred Outflows of Resources	<u>55,160,754</u>
LIABILITIES	
Payables	
Accounts payable	3,165,411
Accrued liabilities	227,895
Due to other governments	152
Due to teachers' retirement system	3,529,037
Due to employees' retirement system	328,296
Unearned credits	
Collections in advance	58,786
Long-term liabilities	
Due and payable within one year	
Bonds payable, including deferred amounts, net	3,232,084
Compensated absences payable	200,000
Due and payable after one year	
Bonds payable, including deferred amounts, net	16,712,084
Compensated absences payable	4,927,023
Workers' compensation liabilities	970,360
Termination benefits payable	591,900
Net pension liability - proportionate share - employees' retirement system	1,559,277
Total other postemployment benefits obligation	<u>174,747,187</u>
Total Liabilities	<u>210,249,492</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	4,904,116
Other postemployment benefits obligation	<u>4,967,765</u>
Total Deferred Inflows of Resources	<u>9,871,881</u>
NET POSITION (DEFICIT)	
Net investment in capital assets	<u>42,668,888</u>
Restricted:	
Workers' compensation	1,877,573
Unemployment insurance	530,779
Retirement contribution	
Teachers' retirement system	604,009
Employee's retirement system	3,675,779
Property loss	54,021
Liability	54,021
Employee benefit accrued liability	4,400,632
Capital	1,989,608
Debt service	<u>139,925</u>
	<u>13,326,347</u>
Unrestricted (deficit)	<u>(127,539,714)</u>
Total Net Position (Deficit)	<u>\$ (71,544,479)</u>

ROCKY POINT UNION FREE SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS				
General support	\$ 13,623,266	\$	\$	\$ (13,623,266)
Instruction	74,697,775	232,703	1,754,718	640,082 (72,070,272)
Pupil transportation	5,187,907			(5,187,907)
Debt service - interest	763,136			(763,136)
Food service program	1,463,900	567,800	486,950	(409,150)
	<u>\$ 95,735,984</u>	<u>\$ 800,503</u>	<u>\$ 2,241,668</u>	<u>\$ 640,082</u>
Total Functions and Programs				(92,053,731)
GENERAL REVENUES				
Real property taxes				45,230,662
Other tax items				5,935,572
Use of money and property				200,313
Sale of property and compensation for loss				139,202
Miscellaneous				1,069,878
State sources				29,207,877
Medicaid reimbursements				<u>77,507</u>
Total General Revenues				<u>81,861,011</u>
Change in Net Position (Deficit)				(10,192,720)
Total Net Position (Deficit) - Beginning of Year				<u>(61,351,759)</u>
Total Net Position (Deficit) - End of Year				<u>\$ (71,544,479)</u>

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

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 9,869,758	\$ 175,513	\$ 417,961	\$ 19,931	\$	\$ 10,483,163
Restricted	12,787,182			139,925	4,484,967	17,412,074
Receivables						
Accounts receivable	96,593		1,276			97,869
Due from other funds	1,819,016	94,342	56,137	2,870	999,247	2,971,612
Due from state and federal	1,273,719	585,869	37,475		640,082	2,537,145
Due from other governments	954,788					954,788
Inventory			40,124			40,124
Prepays	60,000					60,000
Total Assets	\$ 26,861,056	\$ 855,724	\$ 552,973	\$ 162,726	\$ 6,124,296	\$ 34,556,775
LIABILITIES						
Payables						
Accounts payable	\$ 2,078,940	\$	\$ 6,869	\$	\$ 1,079,602	\$ 3,165,411
Accrued liabilities	184,496	432	13,276			198,204
Due to other funds	1,154,029	852,014	399,392	22,801		2,428,236
Due to other governments			152			152
Due to teachers' retirement system	3,529,037					3,529,037
Due to employees' retirement system	328,296					328,296
Unearned credits						
Collections in advance	36,140	3,278	19,368			58,786
Total Liabilities	7,310,938	855,724	439,057	22,801	1,079,602	9,708,122
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue					640,082	640,082
FUND BALANCES						
Nonspendable:						
Inventory			40,124			40,124
Prepays	60,000					60,000
Restricted:						
Workers' compensation	1,877,573					1,877,573
Unemployment insurance	530,779					530,779
Retirement contribution						
Teachers' retirement system	604,009					604,009
Employee's retirement system	3,675,779					3,675,779
Property loss	54,021					54,021
Liability	54,021					54,021
Employee benefit accrued liability	4,400,632					4,400,632
Capital	1,590,368				399,240	1,989,608
Debt service				139,925		139,925
Unspent bond proceeds					4,645,454	4,645,454
Assigned:						
Appropriated fund balance	2,474,613					2,474,613
Unappropriated fund balance	758,586		73,792			832,378
Unassigned: Fund balance (deficit)	3,469,737				(640,082)	2,829,655
Total Fund Balances	19,550,118	-	113,916	139,925	4,404,612	24,208,571
Total Liabilities and Resources and Fund Balances	\$ 26,861,056	\$ 855,724	\$ 552,973	\$ 162,726	\$ 6,124,296	\$ 34,556,775

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

Total Governmental Fund Balances \$ 24,208,571

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

The costs of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 95,851,476	
Accumulated depreciation	<u>(38,028,042)</u>	57,823,434

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.

Net pension asset - teachers' retirement system	3,464,167	
Deferred outflows of resources	19,412,008	
Net pension liability - employees' retirement system	(1,559,277)	
Deferred inflows of resources	<u>(4,904,116)</u>	16,412,782

Total other postemployment benefits obligation and deferred outflows and inflows related to providing benefits in retirement are not current financial resources or obligation and are not reported in the funds.

Total other postemployment benefits obligation	(174,747,187)	
Deferred outflows of resources	35,748,746	
Deferred inflows of resources	<u>(4,967,765)</u>	(143,966,206)

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

Accrued interest on bonds payable	(29,691)	
Bonds payable, including deferred amounts, net	(19,944,168)	
Compensated absences payable	(5,127,023)	
Workers' compensation liabilities	(970,360)	
Termination benefits payable	<u>(591,900)</u>	(26,663,142)

Deferred revenues reported in the governmental funds but not in the Statement of Net Position.

New York State aid - smart schools bond act		<u>640,082</u>
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Total Net Position (Deficit)		<u>\$ (71,544,479)</u>
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ROCKY POINT UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2019

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 45,230,662	\$	\$	\$	\$	\$ 45,230,662
Other tax items	5,935,572					5,935,572
Charges for services	232,703					232,703
Use of money and property	164,988		693	34,632		200,313
Sale of property and compensation for loss	139,202					139,202
Miscellaneous	950,700		37			950,737
State sources	29,207,877	644,658	16,228			29,868,763
Medicaid reimbursement	77,507					77,507
Federal sources		1,110,060	470,722			1,580,782
Sales			567,763			567,763
Total Revenues	81,939,211	1,754,718	1,055,443	34,632	-	84,784,004
EXPENDITURES						
General support	10,858,787					10,858,787
Instruction	45,834,346	1,641,090				47,475,436
Pupil transportation	4,901,470	223,990				5,125,460
Employee benefits	17,847,500		43,804			17,891,304
Debt service						
Principal				3,495,000		3,495,000
Interest	112,134			724,595		836,729
Food service program			1,032,543			1,032,543
Capital outlay					9,014,920	9,014,920
Total Expenditures	79,554,237	1,865,080	1,076,347	4,219,595	9,014,920	95,730,179
Excess (Deficiency) of Revenues Over Expenditures	2,384,974	(110,362)	(20,904)	(4,184,963)	(9,014,920)	(10,946,175)
OTHER FINANCING SOURCES AND (USES)						
Proceeds of obligations					6,715,000	6,715,000
Premium on obligations	37,275			81,903		119,178
Operating transfers in	22,801	110,362	4,616	4,219,594		4,357,373
Operating transfers (out)	(4,334,572)			(22,801)		(4,357,373)
Total Other Financing Sources and (Uses)	(4,274,496)	110,362	4,616	4,278,696	6,715,000	6,834,178
Net Change in Fund Balances	(1,889,522)	-	(16,288)	93,733	(2,299,920)	(4,111,997)
Fund Balances - Beginning of Year	21,439,640		130,204	46,192	6,704,532	28,320,568
End of Year	\$ 19,550,118	\$ -	\$ 113,916	\$ 139,925	\$ 4,404,612	\$ 24,208,571

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

Net Change in Fund Balances \$ (4,111,997)

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

Long-Term Revenue and Expense Differences

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

640,082

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 workers' compensation liabilities

\$ (491,834)

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

Decrease in compensated absences payable
Decrease in termination benefits payable

5,151
63,250

216,649

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 expenses in the Statement of Activities. This is the amount by which, capital outlays exceeded depreciation in the period.

Capital outlays
Depreciation expense
Loss on disposition of assets

9,533,332
(1,745,368)
(40,140)

7,747,824

Long-Term Debt Transactions Differences

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

72,084

Proceeds from the issuance of bonds are other financing sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.

(6,715,000)

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

3,495,000

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

1,509

(3,146,407)

Pension and Other Postemployment Benefit 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, is not reported in the governmental funds.

Teachers' retirement system
Employees' retirement system
Other postemployment benefits

732,492
(126,654)
(11,504,627)

(10,898,789)

Change in Net Position (Deficit) of Governmental Activities

\$ (10,192,720)

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

	Agency	Private Purpose Trust
ASSETS		
Cash		
Unrestricted	\$ 720,609	\$
Restricted		47,158
Due from governmental funds	1,462	1,731
Total Assets	\$ 722,071	48,889
 LIABILITIES		
Extraclassroom activity balances	\$ 48,827	
Due to governmental funds	546,569	
Other liabilities	126,675	-
Total Liabilities	\$ 722,071	-
 NET POSITION		
Restricted for scholarships		\$ 48,889

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

	<u>Private Purpose Trust</u>
ADDITIONS	
Contributions	\$ 9,623
Investment earnings - interest	<u>373</u>
Total Additions	9,996
 DEDUCTIONS	
Scholarships and awards	<u>7,150</u>
Change in Net Position	2,846
Net Position - Beginning of Year	<u>46,043</u>
Net Position - End of Year	<u><u>\$ 48,889</u></u>

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Rocky Point 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 5 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

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

Extraclassroom Activity Funds

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

B. Joint Venture

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

ROCKY POINT 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.

Debt Service Fund - accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

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

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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:

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

E. Real Property Taxes

Calendar

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

Enforcement

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

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Restricted Resources

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

G. Interfund Transactions

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

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

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

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

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts 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, termination benefits, other postemployment benefits, pensions, workers' compensation liabilities, potential contingent liabilities and useful lives of long-lived assets.

I. Cash and Cash Equivalents

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

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

J. Receivables

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

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

K. Inventory / Prepaid Items

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 and prepaid items are recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods or services are consumed.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as assets on the Statement of Net Position and Balance Sheet using the consumption method.

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 and prepaids do not constitute available spendable resources.

L. Capital Assets

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

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 1,000	20-50 years
Improvements other than buildings	1,000	20-50 years
Furniture, equipment and vehicles	1,000	5-20 years

M. Deferred Outflows of Resources

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

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

N. Collections in Advance

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for services monies are received in advance from payers prior to the services being rendered by the District, such as prepaid lunch amounts and summer program fees. 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.

O. Deferred Inflows of Resources

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

P. Employee Benefits – Compensated Absences

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

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

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

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

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

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

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Q. Employee Benefits – Termination Benefits

Termination benefits consists of first year eligible retirement incentive payments as specified in collective bargaining agreements or individual employment contracts. Upon retirement, employees may receive a lump sum payment based on years of service and meeting the eligibility requirements in accordance with GASB Statement No. 47, *Accounting for Termination Benefits*.

In the fund financial statements, only the amount of matured liabilities is accrued within the general fund.

R. Other Benefits

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

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

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

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

S. Short-Term Debt

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

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

T. Equity Classifications

District-Wide Statements

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

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

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, and prepaids, which are recorded in the general fund.

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

Workers' Compensation Reserve

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

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. Effective April 1,

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

2019, a board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. These reserves are accounted for in the general fund.

Property Loss Reserve and Liability Reserve

Property Loss Reserve and Liability Reserve (Education Law §1709(8) (c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. 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.

Capital Reserve

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

Debt Service Reserve

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

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or Board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then from the unassigned fund balance.

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

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

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

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

ROCKY POINT 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 and other postemployment benefits.

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 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.

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

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

Contingent expenditures funded by miscellaneous revenue, donations and insurance recoveries	<u>\$ 165,714</u>
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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.

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

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

5. PARTICIPATION IN BOCES

During the year ended June 30, 2019, the District was billed \$7,855,787 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,869,761. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

6. DUE FROM STATE AND FEDERAL

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

General Fund	
New York State - general aid	\$ 289,381
New York State - excess cost aid	984,338
	1,273,719
Special Aid Fund	
Federal and state grants	585,869
School Food Service Fund	
Federal and state food service program reimbursements	37,475
Capital Projects Fund	
New York State - Smart Schools Bond Act	640,082
	\$ 2,537,145

7. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2019 consisted of amounts due for BOCES aid in the amount of \$954,788.

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

8. CAPITAL ASSETS

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

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 737,304	\$	\$	\$ 737,304
Construction in progress	5,914,449	9,014,920		14,929,369
Total capital assets not being depreciated	<u>6,651,753</u>	<u>9,014,920</u>	<u>-</u>	<u>15,666,673</u>
Capital assets being depreciated:				
Buildings and improvements	74,349,296	52,548	(32,500)	74,369,344
Improvements other than buildings	1,219,243			1,219,243
Furniture, equipment and vehicles	4,192,430	465,864	(62,078)	4,596,216
Total capital assets being depreciated	<u>79,760,969</u>	<u>518,412</u>	<u>(94,578)</u>	<u>80,184,803</u>
Less accumulated depreciation for:				
Buildings and improvements	32,301,170	1,526,424	(433)	33,827,161
Improvements other than buildings	1,051,636	32,851		1,084,487
Furniture, equipment and vehicles	2,984,306	186,093	(54,005)	3,116,394
Total accumulated depreciation	<u>36,337,112</u>	<u>1,745,368</u>	<u>(54,438)</u>	<u>38,028,042</u>
Total capital assets, being depreciated, net	<u>43,423,857</u>	<u>(1,226,956)</u>	<u>(40,140)</u>	<u>42,156,761</u>
Capital assets, net	<u>\$ 50,075,610</u>	<u>\$ 7,787,964</u>	<u>\$ (40,140)</u>	<u>\$ 57,823,434</u>

Depreciation expense and loss on disposal was charged to governmental functions as follows:

	Depreciation	Loss on Disposal	Total
General support	\$ 217,348	\$ 4,999	\$ 222,347
Instruction	1,521,438	34,990	1,556,428
Food service program	6,582	151	6,733
Total depreciation expense	<u>\$ 1,745,368</u>	<u>\$ 40,140</u>	<u>\$ 1,785,508</u>

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

9. INTERFUND TRANSACTIONS

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

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,819,016	\$ 1,154,029	\$ 22,801	\$ 4,334,572
Special Aid Fund	94,342	852,014	110,362	
School Food Service Fund	56,137	399,392	4,616	
Debt Service Fund	2,870	22,801	4,219,594	22,801
Capital Projects Fund	999,247			
Total Governmental Funds	<u>2,971,612</u>	<u>2,428,236</u>	<u>\$ 4,357,373</u>	<u>\$ 4,357,373</u>
Fiduciary Funds	<u>3,193</u>	<u>546,569</u>		
Total	<u>\$ 2,974,805</u>	<u>\$ 2,974,805</u>		

The District typically transfers from the general fund to the special aid fund and debt service fund. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools. The transfer to the debt service fund was for the payment of principal and interest on long-term outstanding indebtedness.

The transfer from the debt service fund to the general fund was for a budgeted use of the debt service fund to offset debt service expense in the general fund. The transfer to the food service fund from the general fund was to eliminate negative student account balances.

10. SHORT-TERM DEBT

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

	Maturity	Stated Interest Rate	Balance June 30, 2018	Issued	Redeemed	Balance June 30, 2019
TAN	6/25/2019	1.77%	\$	\$ 1,000,000	\$ (1,000,000)	\$
TAN	6/25/2019	3.00%		3,500,000	(3,500,000)	
			<u>\$</u>	<u>\$ 4,500,000</u>	<u>\$ (4,500,000)</u>	<u>\$</u>

Interest on short-term debt for the year was \$112,134.

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

11. LONG-TERM LIABILITIES

A. Changes

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

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 16,580,000	\$ 6,715,000	\$ (3,495,000)	\$ 19,800,000	\$ 3,160,000
Add: Premium on refunding	216,252		(72,084)	144,168	72,084
	<u>16,796,252</u>	<u>6,715,000</u>	<u>(3,567,084)</u>	<u>19,944,168</u>	<u>3,232,084</u>
Other long-term liabilities					
Compensated absences	5,132,174	279,992	(285,143)	5,127,023	200,000
Workers' compensation	478,526	756,847	(265,013)	970,360	
Termination benefits	655,150		(63,250)	591,900	
	<u>6,265,850</u>	<u>1,036,839</u>	<u>(613,406)</u>	<u>6,689,283</u>	<u>200,000</u>
	<u>\$ 23,062,102</u>	<u>\$ 7,751,839</u>	<u>\$ (4,180,490)</u>	<u>\$ 26,633,451</u>	<u>\$ 3,432,084</u>

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

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2019
Serial bonds	6/15/2009	6/15/2024	3.125-4.00%	\$ 2,975,000
Serial bonds - Refunding	1/27/2010	6/1/2021	2.00-5.00%	2,095,000
Serial bonds	6/27/2017	6/15/2032	2.00-3.00%	8,390,000
Serial bonds	7/26/2018	6/15/2033	3.00%	<u>6,340,000</u>
				<u>\$ 19,800,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2020	\$ 3,160,000	\$ 607,844	\$ 3,767,844
2021	1,955,000	481,181	2,436,181
2022	1,570,000	414,081	1,984,081
2023	1,620,000	366,981	1,986,981
2024	1,670,000	318,281	1,988,281
2025 - 2029	5,550,000	1,076,057	6,626,057
2030 - 2033	<u>4,275,000</u>	<u>291,900</u>	<u>4,566,900</u>
Total	<u>\$ 19,800,000</u>	<u>\$ 3,556,325</u>	<u>\$ 23,356,325</u>

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Premium on Refunding

In the district-wide statements, the District is amortizing a refunding bond premium as a component of interest expense on a straight-line basis as follows:

Year Ending June 30,	Amortization of Premium
2020	\$ (72,084)
2021	(72,084)
Total	\$ (144,168)

D. Interest Expense

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

Interest paid	\$ 724,595
Less interest accrued in the prior year	(31,200)
Plus interest accrued in the current year	29,691
Less amortization of deferred amounts on refunding	(72,084)
Total interest expense on long-term debt	\$ 651,002

E. Unissued Debt

On May 17, 2016, the voters approved a bond issue not to exceed \$16,439,513 for district-wide capital improvements. As of June 30, 2019, debt in the amount of \$16,215,000 has been issued, leaving \$224,513 in authorized but unissued debt.

12. PENSION PLANS – NEW YORK STATE

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. Once a public employer elects to participate in the TRS, the

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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 on the NYS Comptroller's website at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 9.80% of covered payroll for the TRS' fiscal year ended June 30, 2018. The District's average contribution rate was 14.0% of covered payroll for the ERS' fiscal year ended March 31, 2018.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2019 was \$3,415,690 for TRS and \$954,307 for ERS.

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2018	March 31, 2019
District's proportionate share of the net pension asset/(liability)	\$ 3,464,167	\$ (1,559,277)
District's portion of the Plan's total net pension asset/(liability)	0.191574%	0.0220072%
Change in proportion since the prior measurement date	0.0002790	(0.0001542)

For the year ended June 30, 2019, the District recognized pension expense of \$2,684,786 for TRS and \$1,111,980 for ERS. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 2,588,744	\$ 307,054	\$ 468,923	\$ 104,671
Changes of assumptions	12,109,535	391,938		
Net difference between projected and actual earnings on pension plan investments			3,845,488	400,197
Changes in proportion and differences between the District's contributions and proportionate share of contributions	55,706	215,045	68,992	15,845
District's contributions subsequent to the measurement date	<u>3,415,690</u>	<u>328,296</u>		
Total	<u>\$ 18,169,675</u>	<u>\$ 1,242,333</u>	<u>\$ 4,383,403</u>	<u>\$ 520,713</u>

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Year Ending June 30,	TRS	ERS
2020	\$ 3,468,509	\$ 399,858
2021	2,353,715	(248,327)
2022	244,877	18,293
2023	2,345,554	223,500
2024	1,586,472	
Thereafter	371,455	
	<u>\$ 10,370,582</u>	<u>\$ 393,324</u>

Actuarial Assumptions

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

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

For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, applied on a generational basis. Active member mortality rates are based on plan member experience. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

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

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

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

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

Discount Rate

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

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.25% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

percentage point lower (6.25% for TRS and 6.0% for ERS) or 1 percentage point higher (8.25% for TRS and 8.0% for ERS) than the current rate:

TRS	1% Decrease (6.25)%	Current Assumption (7.25)%	1% Increase (8.25)%
District's proportionate share of the net pension asset (liability)	\$ (23,799,391)	\$ 3,464,167	\$ 26,303,452
ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	\$ (6,817,407)	\$ (1,559,277)	\$ 2,857,926

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019, are paid to the system in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019, represent employer and employee contributions for the fiscal year ended June 30, 2019, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2019 amounted to \$3,415,690 of employer contributions and \$113,347 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, 2019, represent the projected employer contribution for the period of April 1, 2018 through June 30, 2019 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$328,296 of employer contributions. Employee contributions are remitted monthly.

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

13. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2019, totaled \$285,133 and \$1,908,231, respectively.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2019 totaled \$195,020.

14. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District's defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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

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

Inactive employees or beneficiaries currently receiving benefit payments	233
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>447</u>
	<u>680</u>

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Total OPEB Liability

The District's total OPEB liability of \$174,747,187 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%	
Salary increases	Varies	by years of service and retirement system
Discount rate	3.51%	
Healthcare cost trend rates:		
Medical	5.50%	for 2018, decreasing to an ultimate rate of 3.84% by 2075
Part B reimbursement	1.12%	for 2018, increasing to an ultimate rate of 3.84% by 2075
Dental	4.50%	for 2018, decreasing annually by 0.25% to an ultimate rate of 3.00%
Retirees' share of benefit-related costs	0 - 15%	of projected health insurance premiums for retirees

The discount rate was based on the Bond Buyers General Obligation 20 Year Municipal Bond Index.

Mortality rates were based on the Pub-2010 Headcount Weighted table (Teachers for TRS group and General Employees for ERS group) projected fully generationally using MP-2018.

C. Changes in the Total OPEB Liability

Balance at June 30, 2018	<u>\$ 126,797,174</u>
Changes for the year	
Service cost	5,925,172
Interest	5,073,753
Changes of benefit terms	
Differences between expected and actual experience	15,449,404
Changes in assumptions or other inputs	24,767,935
Benefit payments	<u>(3,266,251)</u>
	<u>47,950,013</u>
Balance at June 30, 2019	<u><u>\$ 174,747,187</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% in 2018 to 3.51% in 2019. In addition, the following assumptions have been updated since the last full valuation:

Implicit liabilities are now valued for all retirees prior to age 65. Implicit liabilities are created when the cost of coverage as represented by the premium rates, are set based on the blended claims experience of active employees and retirees, which caused a cross-subsidy between actives and retirees. This change caused an increase in liabilities.

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Mortality rates were updated to Pub-2010 Teachers and General Employees Headcount-Weighted table projected fully generationally using MP-2018. This change caused an increase in liabilities.

Termination and retirement rates have been updated based NYS ERS assumptions first adopted on April 1, 2015 and NYS TRS assumptions first adopted on June 30, 2015. Sample rates are shown in Appendix A. The net impact of this change is a liability increase.

Actual spousal health coverage election is used for existing retirees instead of assuming that 80% of male and 50% of female retirees elected health coverage for their spouses. This change caused an increase in liabilities.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51%) or 1 percentage point higher (4.51%) than the current discount rate:

OPEB	1% Decrease (2.51)%	Discount Rate (3.51)%	1% Increase (4.51)%
Total OPEB liability	\$ (209,108,635)	\$ (174,747,187)	\$ (147,619,072)

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 or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Cost Trend Rates	1% Increase
Total OPEB liability	\$ (142,228,190)	\$ (174,747,187)	\$ (217,829,471)

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$14,770,878. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 13,732,804	\$
Changes of assumptions	22,015,942	4,967,765
Total	\$ 35,748,746	\$ 4,967,765

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Year Ending June 30,	Amount
2020	\$ 3,771,953
2021	3,771,953
2022	3,771,953
2023	3,771,953
2024	3,771,953
Thereafter	11,921,216
	\$ 30,780,981

15. RISK MANAGEMENT

A. General Information

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

B. Risk Retention

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

	2018	2019
Unpaid claims at beginning of year	\$ 603,311	\$ 478,526
Incurred claims and claim adjustment expenses	243,202	756,847
Claim payments	(367,987)	(265,013)
Unpaid claims at year end	\$ 478,526	\$ 970,360

C. Public Entity Risk Pool

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

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

16. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

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

Workers' Compensation	\$ 600,000
Unemployment Insurance	50,000
Retirement Contributions - ERS	885,724
Employee Benefit Accrued Liability	450,000
Debt Service	<u>23,000</u>
	<u>\$ 2,008,724</u>

17. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$2,474,613 has been appropriated to reduce taxes for the year ending June 30, 2019.

18. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

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

Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	\$ 696,443
Instruction	<u>62,143</u>
	758,586
Special Aid Fund	
Instruction	<u>18,339</u>
Capital Projects	
Capital Projects Fund	<u>3,732,974</u>
	<u>\$ 4,509,899</u>

B. Grants

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

C. Litigation

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

ROCKY POINT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

19. SUBSEQUENT EVENTS

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

Issuance of TANs

On August 7, 2019, the District issued tax anticipation notes in the amount of \$4,500,000, which are due June 25, 2020 and bear interest at an effective rate of 1.48%.

SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 44,966,218	\$ 44,966,218	\$ 45,230,662	\$ 264,444
Other tax items	6,200,000	6,200,000	5,935,572	(264,428)
Charges for services	223,000	223,000	232,703	9,703
Use of money and property	45,000	45,000	164,988	119,988
Sale of property and compensation for loss		125,721	139,202	13,481
Miscellaneous	270,000	309,993	950,700	640,707
Total Local Sources	51,704,218	51,869,932	52,653,827	783,895
State Sources	29,865,757	29,865,757	29,207,877	(657,880)
Medicaid Reimbursement	75,000	75,000	77,507	2,507
Total Revenues	81,644,975	81,810,689	81,939,211	128,522
OTHER FINANCING SOURCES				
Premium on Obligations	-	-	37,275	37,275
Operating Transfers In	22,801	22,801	22,801	-
Total Revenues and Other Financing Sources	81,667,776	81,833,490	81,999,287	\$ 165,797
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	2,183,000	2,183,000		
Prior Year's Encumbrances	1,753,860	1,753,860		
Appropriated Reserves	2,278,009	2,278,009		
Total Appropriated Fund Balance	6,214,869	6,214,869		
Total Revenues, Other Financing Sources and Appropriated Fund Balance	\$ 87,882,645	\$ 88,048,359		

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.

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

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 38,405	\$ 39,560	\$ 30,020	\$ -	\$ 9,540
Central administration	411,229	416,003	407,796		8,207
Finance	911,422	1,023,140	960,666	9,988	52,486
Staff	600,354	617,627	556,112		61,515
Central services	8,488,509	8,772,287	8,052,864	686,455	32,968
Special items	852,725	877,725	851,329		26,396
Total General Support	<u>11,302,644</u>	<u>11,746,342</u>	<u>10,858,787</u>	<u>696,443</u>	<u>191,112</u>
Instruction					
Administration & improvement	2,768,045	2,795,483	2,610,318	5,847	179,318
Teaching - regular school	23,811,725	23,950,634	22,824,384	33,089	1,093,161
Programs for students with disabilities	13,906,950	13,997,685	13,358,854	486	638,345
Occupational education	1,320,507	1,407,232	1,406,419		813
Teaching - special schools	852,100	852,100	741,752		110,348
Instructional media	1,002,689	1,012,201	901,986	5,022	105,193
Pupil services	3,982,148	4,178,259	3,990,633	17,699	169,927
Total Instruction	<u>47,644,164</u>	<u>48,193,594</u>	<u>45,834,346</u>	<u>62,143</u>	<u>2,297,105</u>
Pupil Transportation	<u>5,378,916</u>	<u>5,172,856</u>	<u>4,901,470</u>	<u>-</u>	<u>271,386</u>
Employee Benefits	<u>19,051,088</u>	<u>18,407,984</u>	<u>17,847,500</u>	<u>-</u>	<u>560,484</u>
Debt Service					
Interest	<u>95,000</u>	<u>112,134</u>	<u>112,134</u>	<u>-</u>	<u>-</u>
Total Debt Service	<u>95,000</u>	<u>112,134</u>	<u>112,134</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>83,471,812</u>	<u>83,632,910</u>	<u>79,554,237</u>	<u>758,586</u>	<u>3,320,087</u>
OTHER FINANCING USES					
Operating Transfers Out	<u>4,410,833</u>	<u>4,415,449</u>	<u>4,334,572</u>	<u>-</u>	<u>80,877</u>
Total Expenditures and Other Financing Uses	<u>\$ 87,882,645</u>	<u>\$ 88,048,359</u>	<u>83,888,809</u>	<u>\$ 758,586</u>	<u>\$ 3,400,964</u>
Net Change in Fund Balance			(1,889,522)		
Fund Balance - Beginning of Year			<u>21,439,640</u>		
Fund Balance - End of Year			<u>\$ 19,550,118</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

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

ROCKY POINT UNION FREE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability
Last Six Fiscal Years

Teachers' Retirement System

	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset (liability)	0.191574%	0.191295%	0.190739%	0.192087%	0.192192%	0.184650%
District's proportionate share of the net pension asset (liability)	\$ 3,464,167	\$ 1,454,033	\$ (2,042,891)	\$ 19,951,689	\$ 21,408,959	\$ 1,215,462
District's covered payroll	\$ 31,205,286	\$ 30,361,397	\$ 29,837,597	\$ 29,330,293	\$ 28,863,547	\$ 27,413,149
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	11.10 %	4.79 %	(6.85)%	68.02 %	74.17 %	4.43 %
Plan fiduciary net position as a percentage of the total pension liability	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

Employees' Retirement System

	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0220072%	0.0221614%	0.0205259%	0.0209623%	0.0213375%	0.0213375%
District's proportionate share of the net pension liability	\$ (1,559,277)	\$ (715,248)	\$ (1,928,662)	\$ (3,364,507)	\$ (720,832)	\$ (964,210)
District's covered payroll	\$ 7,000,614	\$ 6,754,339	\$ 5,798,809	\$ 6,004,599	\$ 5,967,941	\$ 5,876,902
District's proportionate share of the net pension liability as a percentage of its covered payroll	(22.27)%	(10.59)%	(33.26)%	(56.03)%	(12.08)%	(16.41)%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.70%	97.90%	97.20%

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

Note to Required Supplementary Information

Teachers' Retirement System

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

Employees' Retirement System

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

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

Teachers' Retirement System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 3,415,690	\$ 3,058,118	\$ 3,553,573	\$ 3,902,802	\$ 5,058,112	\$ 4,613,327	\$ 3,202,382	\$ 2,968,191	\$ 2,278,162	\$ 1,586,463
Contributions in relation to the contractually required contribution	3,415,690	3,058,118	3,553,573	3,902,802	5,058,112	4,613,327	3,202,382	2,968,191	2,278,162	1,586,463
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 32,162,806	\$ 31,205,286	\$ 30,361,397	\$ 29,837,597	\$ 29,330,293	\$ 28,863,547	\$ 27,413,149	\$ 27,067,061	\$ 26,855,362	\$ 25,992,425
Contributions as a percentage of covered payroll	11%	10%	12%	13%	17%	16%	12%	11%	8%	6%

Employees' Retirement System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 954,307	\$ 954,307	\$ 891,815	\$ 1,056,812	\$ 1,086,747	\$ 1,103,423	\$ 1,009,429	\$ 778,468	\$ 677,186	\$ 420,588
Contributions in relation to the contractually required contribution	954,307	954,307	891,815	1,056,812	1,086,747	1,103,423	1,009,429	778,468	677,186	420,588
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 6,488,826	\$ 6,393,775	\$ 5,798,809	\$ 6,170,976	\$ 6,060,580	\$ 5,896,138	\$ 5,704,899	\$ 5,621,245	\$ 5,698,163	\$ 5,643,202
Contributions as a percentage of covered payroll	15%	15%	15%	17%	18%	19%	18%	14%	12%	7%

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

	2019	2018
Total OPEB liability		
Service cost	\$ 5,925,172	\$ 4,242,571
Interest	5,073,753	4,504,219
Changes in benefit terms	-	
Differences between expected and actual experience	15,449,404	
Changes of assumptions or other inputs	24,767,935	(6,361,045)
Benefit payments	(3,266,251)	(2,809,462)
Net change in total OPEB liability	47,950,013	(423,717)
Total OPEB liability, beginning	126,797,174	127,220,891
Total OPEB liability, ending	\$ 174,747,187	\$ 126,797,174
Covered employee payroll	\$ 36,133,095	\$ 34,807,204
Total OPEB liability as a percentage of covered employee payroll	483.62%	364.28%

Notes to Schedule:

Trust Assets

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

The amounts presented for the fiscal year were determined as of the measurement date of the plan.

Change of Assumptions

The discount rate was 3.51% as of June 30, 2019

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

In addition, the following assumptions have been updated since the last full valuation:

Implicit liabilities are now valued for all retirees prior to age 65. Implicit liabilities are created when the cost of coverage as represented by the premium rates, are set based on the blended claims experience of active employees and retirees, which caused a cross-subsidy between actives and retirees. This change caused an increase in liabilities.

Mortality rates were updated to Pub-2010 Teachers and General Employees Headcount-Weighted table projected fully generationally using MP-2018. This change caused an increase in liabilities.

Termination and retirement rates have been updated based NYS ERS assumptions first adopted on April 1, 2015 and NYS TRS assumptions first adopted on June 30, 2015. Sample rates are shown in Appendix A. The net impact of this change is a liability increase.

Actual spousal health coverage election is used for existing retirees instead of assuming that 80% of male and 50% of female retirees elected health coverage for their spouses. This change caused an increase in liabilities.

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.

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

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 86,128,785
Additions:		
Prior year's encumbrances		<u>1,753,860</u>
Original Budget		87,882,645
Budget revision		<u>165,714</u>
Final Budget		<u><u>\$ 88,048,359</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-20 voter-approved expenditure budget		<u><u>\$ 86,743,446</u></u>
Maximum allowed (4% of 2019-20 budget)		<u><u>\$ 3,469,738</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 3,233,199	
Unassigned fund balance	<u>3,469,737</u>	
		\$ 6,702,936
Less:		
Appropriated fund balance	2,474,613	
Encumbrances	<u>758,586</u>	
Total adjustments		<u><u>3,233,199</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		<u><u>\$ 3,469,737</u></u>
Actual Percentage		4.00%

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

PROJECT TITLE	Budget		Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2018
	June 30, 2018	June 30, 2019	Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
FJC Carasiti	\$ 374,330	\$ 598,582	\$ 68,001	\$ 424,522	\$ 492,523	\$ 106,059	\$ 630,296	\$ -	\$ -	\$ 630,296	\$ 137,773
FJC Carasiti	50,000	499,543	23,010	395,850	418,860	80,683	499,543			499,543	80,683
FJC Carasiti	8,500	110,376	5,934		5,934	104,442	110,376			110,376	104,442
JAE	23,637	158,787	23,637	96,346	119,983	38,804	158,797			158,797	38,814
JAE	3,201,697	3,262,179	2,720,452	470,023	3,190,475	71,704	3,362,179			3,362,179	171,704
JAE	360,800	427,753	339,284	56,748	396,032	31,721	528,753			528,753	132,721
MSHS	729,159	691,386	602,023	58,365	660,388	30,998	691,386			691,386	30,998
MSHS	2,584,653	2,538,996	1,369,463	1,164,258	2,533,721	5,275	3,428,996			3,428,996	895,275
MSHS	1,631,442	3,187,494	508,768	2,652,509	3,161,277	26,217	4,187,494			4,187,494	1,026,217
District Wide	104,018	400,983	91,008	296,164	387,172	13,811	134,018		300,000	434,018	46,846
District Wide	568,000	579,104	11,853	475,295	487,148	91,956	729,104		250,000	979,104	491,956
Pit Field	2,168,840	1,811,544	92,022	1,718,544	1,810,566	978			2,078,840	2,078,840	268,274
Music Room	792,125	695,150	59,945	566,214	626,159	68,991	1,488,025		757,125	2,245,150	1,618,991
Smart Schools		2,450,155		640,082	640,082	1,810,073				-	(640,082) *
Totals	\$ 12,597,201	\$ 17,412,032	\$ 5,915,400	\$ 9,014,920	\$ 14,930,320	\$ 2,481,712	\$ 15,948,967	\$ -	\$ 3,385,965	\$ 19,334,932	\$ 4,404,612

* Deficit fund balance will be eliminated once grant funding is received

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

Capital assets, net	<u>\$ 57,823,434</u>
Deduct:	
Short-term portion of bonds payable	3,160,000
Long-term portion of bonds payable	16,640,000
Less: Unspent bond proceeds	<u>(4,645,454)</u>
	<u>15,154,546</u>
Net Investment in Capital Assets	<u>\$ 42,668,888</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
Rocky Point Union Free School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Rocky Point Union Free School District, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Rocky Point Union Free School District's basic financial statements, and have issued our report thereon dated October 11, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rocky Point 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 Rocky Point Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Rocky Point Union Free School District's internal control.

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

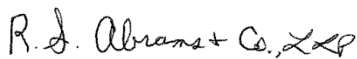
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rocky Point 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*.

Purpose of this Report

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



R.S. Abrams & Co., LLP
Islandia, NY
October 21, 2019