

LONGWOOD CENTRAL SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS

June 30, 2020

LONGWOOD CENTRAL SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Longwood Central School District
Middle Island, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District's proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District's total OPEB liability and related ratios on pages 3 through 14 and 54 through 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Longwood Central School District's basic financial statements. The other supplementary information on pages 59 through 62 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020 on our consideration of the Longwood Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Longwood Central 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 Longwood Central School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

October 15, 2020

**LONGWOOD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Longwood Central School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020 in comparison with the year ended June 30, 2019, with emphasis on the current year. This should be read in conjunction with the financial statements and notes to financial statements, which immediately follow this section.

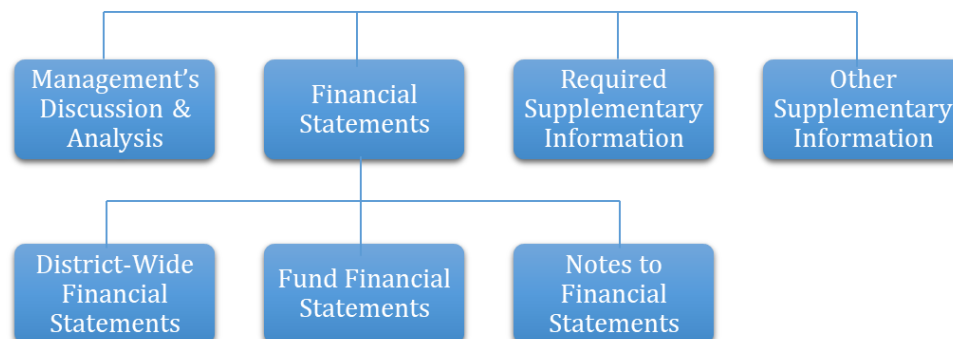
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2020 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, decreased by \$35,059,965. This was due to a change in the actuarial assumptions used to calculate the OPEB liability specifically relating to mortality and discount rates.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$296,482,431. Of this amount, \$13,608,132 was offset by program charges for services, operating grants and capital grants. General revenues of \$247,814,334 amount to 94.8% of total revenues, and were not adequate to cover the balance of program expenses.
- The District received \$9,672,701 in charges for services, operating and capital grants to support instructional programs.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$11,490,545 that represents an increase of 27.76% over the prior year. This was due to an excess of revenues and other financing sources over expenditures and other financing sources using the current financial resources measurement focus and the modified accrual basis of accounting.
- The general fund's total fund balance, as reflected in the fund financial statements, is \$52,875,758.
- The District's 2020 property tax levy of \$144,896,175 was a 2.0% increase over the 2019 tax levy. The District's property tax cap was 2.0%.
- On December 17, 2019, the District issued \$4,495,000 in bonds with an average interest rate of 5.00% (net effective rate of 1.10%) to refund \$4,850,000 of outstanding serial bonds with an average interest rate of 4.09%. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is \$296,374.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



LONGWOOD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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 when they become measurable and available. It recognizes expenditures in the period when the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, 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 may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

LONGWOOD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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 \$35,059,965 between fiscal year 2020 and 2019. The decrease is due to expenses in excess of revenues using the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2020	2019	Increase (Decrease)	Percentage Change
Asset				
Current and Other Assets	\$ 81,161,273	\$ 83,978,366	\$ (2,817,093)	(3.35)%
Capital Assets, Net	207,843,145	193,700,183	14,142,962	7.30 %
Net Pension Asset - Proportionate Share	15,070,251	10,487,417	4,582,834	43.70 %
Total Assets	304,074,669	288,165,966	15,908,703	5.52 %
Deferred Outflows of Resources	217,145,334	82,816,148	134,329,186	162.20 %
Liabilities				
Current and Other Liabilities	21,870,919	19,611,982	2,258,937	11.52 %
Long-Term Liabilities	77,300,636	84,996,505	(7,695,869)	(9.05)%
Due to ERS	1,771,691	2,250,256	(478,565)	(21.27)%
Net Pension Liability - Proportionate Share	17,612,863	4,691,205	12,921,658	275.44 %
Total OPEB Obligation	584,959,866	421,262,080	163,697,786	38.86 %
Total Liabilities	703,515,975	532,812,028	170,703,947	32.04 %
Deferred Inflows of Resources	44,992,450	30,398,543	14,593,907	48.01 %
Net Position (Deficit)				
Net investment in capital assets	155,098,074	142,768,657	12,329,417	8.64 %
Restricted	28,314,047	33,082,162	(4,768,115)	(14.41)%
Unrestricted (Deficit)	(410,700,543)	(368,079,276)	(42,621,267)	(11.58)%
Total Net Position (Deficit)	\$ (227,288,422)	\$ (192,228,457)	\$ (35,059,965)	(18.24)%

The decrease in current and other assets is primarily related to a decrease in cash.

LONGWOOD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The increase in capital assets, net is due to the construction in progress related to the bond projects, in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

Net pension asset – proportionate share represents the District's share of the New York State Teachers' Retirement System's collective net pension asset, at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 14 "Pension Plans – New York State" provides additional information.

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

The increase in current and other liabilities is primarily due to increases in accounts payable, accrued liabilities and retainage payable, offset by a decrease in due to TRS.

The decrease in long-term liabilities is primarily the result of payments of current maturities or bonds during the 2019-2020 year.

The decrease in due to employees' retirement system represents the current year's principal payment on the amounts owed to the retirement system under the stabilization program.

Net pension liability – proportionate share represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 14 "Pension Plans – New York State" provides additional information.

Total other postemployment benefits (OPEB) obligation increased, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 16 "Postemployment Healthcare Benefits", provides additional information.

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

The net investment in capital assets is the investment in capital assets at cost, net of accumulated depreciation and related outstanding debt. The accompanying Other Supplementary Information, Schedule of Net Investment in Capital Assets provides additional information.

The restricted amount relates to the District's reserves. This number decreased from the prior year principally due to the use of capital reserve funds for construction projects and the planned use of appropriated reserves.

The unrestricted deficit amount relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, certain unfunded liabilities will have the effect of reducing the District unrestricted net position. One such unfunded liability is the total OPEB obligation. In accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the OPEB obligation.

LONGWOOD CENTRAL 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, 2020 and 2019 is as follows:

	2020	2019	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 1,083,501	\$ 1,947,050	\$ (863,549)	(44.35)%
Operating Grants	11,748,624	11,096,682	651,942	5.88 %
Capital Grants	776,007	1,532,392	(756,385)	(49.36)%
General Revenues				
Property Taxes and STAR	144,896,175	142,061,078	2,835,097	2.00 %
State Sources	97,348,648	95,261,014	2,087,634	2.19 %
Other	5,569,511	5,653,718	(84,207)	(1.49)%
Total Revenues	<u>261,422,466</u>	<u>257,551,934</u>	<u>3,870,532</u>	1.50 %
Expenses				
General Support	30,746,159	28,199,165	2,546,994	9.03 %
Instruction	243,950,093	208,841,842	35,108,251	16.81 %
Pupil Transportation	15,719,641	15,175,544	544,097	3.59 %
Community Services	494,302	558,283	(63,981)	(11.46)%
Debt Service - Interest	1,525,032	2,023,970	(498,938)	(24.65)%
Food Service Program	4,047,204	3,505,558	541,646	15.45 %
Total Expenses	<u>296,482,431</u>	<u>258,304,362</u>	<u>38,178,069</u>	14.78 %
Decrease in Net Position	<u>\$ (35,059,965)</u>	<u>\$ (752,428)</u>	<u>\$ (34,307,537)</u>	(4559.58)%

The District's net position decreased by \$35,059,965 and \$752,428 for the years ended June 30, 2020 and June 30, 2019, respectively.

The District's total revenues increased by \$3,870,532 or 1.50%. The major factors that contributed to the increase were:

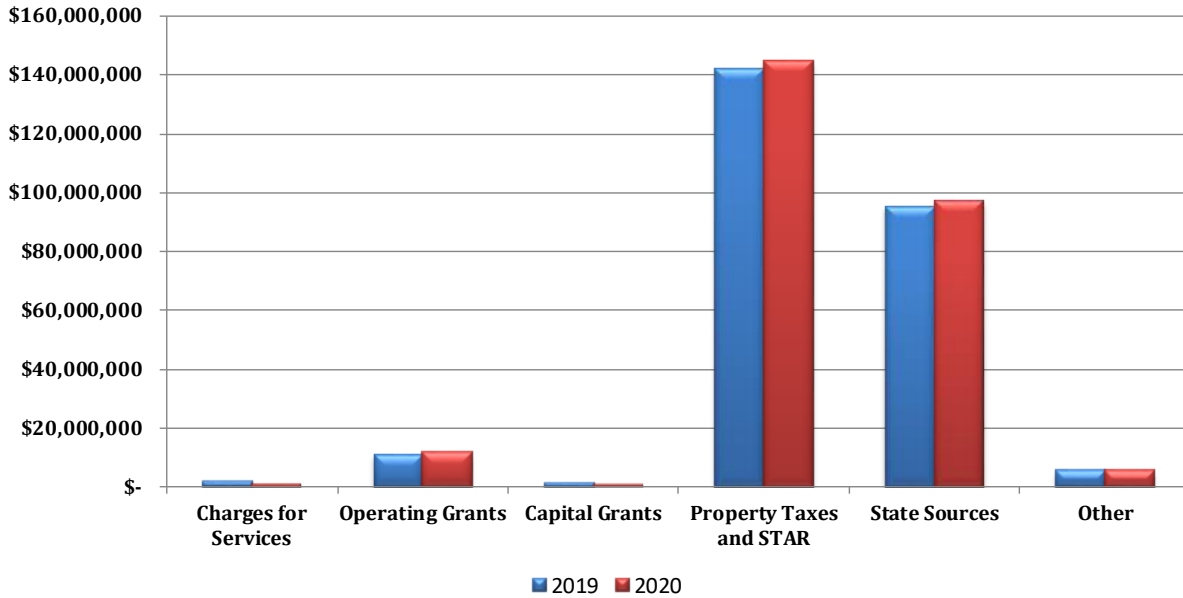
- Property taxes and STAR revenues increased by \$2,835,097.
- State sources revenues increased by \$2,087,634.

The District's total expenses for the year increased by \$38,178,069 or 14.78%. The increase in expense is due to increases in instruction, general support and pupil transportation. The primary reason for the increases in instruction and general support is the impact of the net change in pension and other postemployment benefits costs.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 55.4% and 55.2% of the total for the years 2020 and 2019, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 82.5% and 80.8% of the total for the years 2020 and 2019, respectively).

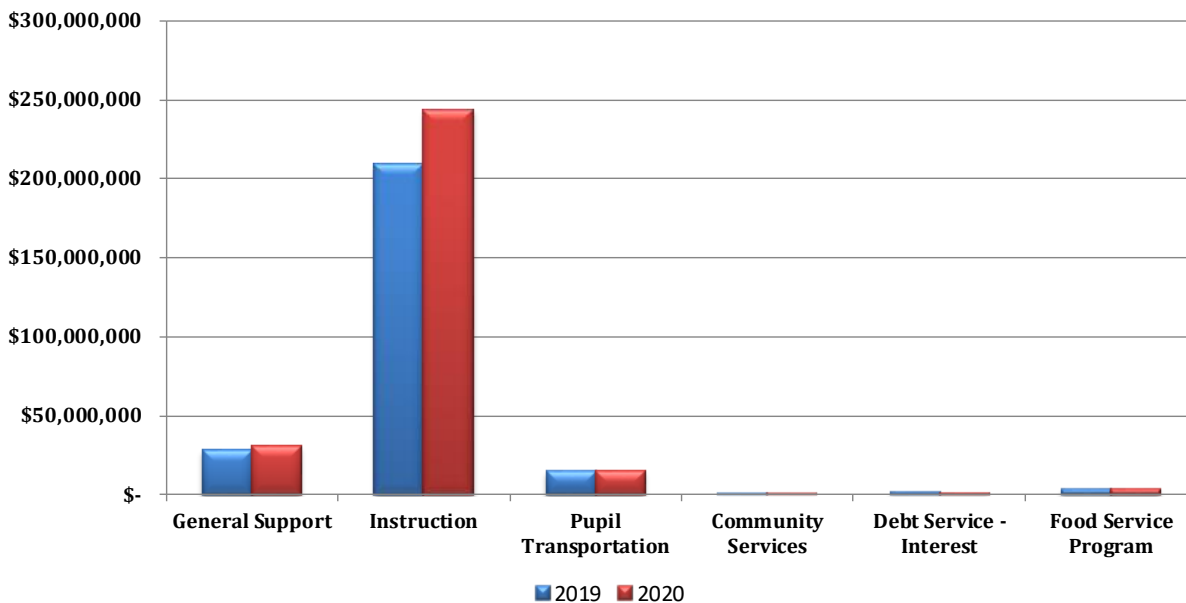
LONGWOOD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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



	Charges for Services	Operating Grants	Capital Grants	Property Taxes and STAR	State Sources	Other
2019	0.8%	4.3%	0.6%	55.2%	37.0%	2.1%
2020	0.4%	4.5%	0.3%	55.4%	37.2%	2.2%

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



	General Support	Instruction	Pupil Transportation	Community Services	Debt Service - Interest	Food Service Program
2019	10.9%	80.8%	5.9%	0.2%	0.8%	1.4%
2020	10.4%	82.2%	5.3%	0.2%	0.5%	1.4%

LONGWOOD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2020, the District's governmental funds reported a combined fund balance of \$59,164,254, which is a decrease of \$4,157,016 from the prior year. This decrease is due to an excess of expenditures and other financing uses over revenues and other financing sources using the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in the components of fund balance by fund is as follows:

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
General Fund			
Restricted			
Workers' compensation	\$ 1,517,394	\$ 1,700,025	\$ (182,631)
Unemployment insurance	161,379	159,660	1,719
Retirement contribution			
Teachers' retirement system	1,917,416	1,896,986	20,430
Employees' retirement system	3,419,979	4,029,636	(609,657)
Liability	228,792	226,353	2,439
Employee benefit accrued liability	10,307,651	10,842,040	(534,389)
Capital	6,139,200	6,071,491	67,709
Assigned:			
Appropriated fund balance	6,000,000	6,000,000	-
Unappropriated fund balance	992,060	239,022	753,038
Unassigned: Fund balance	<u>22,191,887</u>	<u>10,220,000</u>	<u>11,971,887</u>
	<u>52,875,758</u>	<u>41,385,213</u>	<u>11,490,545</u>
School Food Service Fund			
Nonspendable: Inventory	250,407	144,902	105,505
Assigned: Unappropriated fund balance	<u>1,836,673</u>	<u>2,068,009</u>	<u>(231,336)</u>
	<u>2,087,080</u>	<u>2,212,911</u>	<u>(125,831)</u>
Debt Service Fund			
Restricted: Debt service	<u>1,147,236</u>	<u>1,107,282</u>	<u>39,954</u>
Capital Projects Fund			
Restricted:			
Capital	3,475,000	7,889,757	(4,414,757)
Unspent bond proceeds		10,503,474	(10,503,474)
Assigned: Unappropriated fund balance		222,633	(222,633)
Unassigned: Fund balance (deficit)	<u>(420,820)</u>	<u>(420,820)</u>	<u>(420,820)</u>
	<u>3,054,180</u>	<u>18,615,864</u>	<u>(15,561,684)</u>
 Total Fund Balance	 <u>\$ 59,164,254</u>	 <u>\$ 63,321,270</u>	 <u>\$ (4,157,016)</u>

LONGWOOD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A. General Fund

The net change in the general fund - fund balance is an increase of \$11,490,545. This resulted from revenues and other financing sources in excess of expenditures and other financing uses.

The District's revenues and other financing sources increased by \$4,122,780 or 1.69%, as compared to the prior year. This increase is primarily attributable to increases in property taxes and state aid, offset by a decrease in STAR. The increase in state aid is the result of the District recognizing more in grant revenue than it had in the prior year, as a direct result of increased grant expenditures. The increase in property taxes is due to an increase in the tax levy in accordance with the 2019-2020 budget. The decrease in STAR is the result of changes in eligibility requirements for homeowners.

Expenditures and other financing uses decreased by \$2,046,881 or 0.86% from the prior year. This decrease was primarily due to decreases in debt service and employee benefits, offset by increases in general support and instruction.

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

	Balance @ June 30, 2019	Use of Reserve	Interest	Balance @ June 30, 2020	Appropriated for June 30, 2021
Workers' compensation	\$ 1,700,025	\$ (200,000)	\$ 17,369	\$ 1,517,394	\$ 200,000
Unemployment insurance	159,660		1,719	161,379	
Retirement contribution					
TRS	1,896,986		20,430	1,917,416	
ERS	4,029,636	(650,000)	40,343	3,419,979	400,000
Liability	226,353		2,439	228,792	
EBALR	10,842,040	(650,000)	115,611	10,307,651	650,000
Capital # 2	6,071,491		67,709	6,139,200	
	<u>\$ 24,926,191</u>	<u>\$ (1,500,000)</u>	<u>\$ 265,620</u>	<u>\$ 23,691,811</u>	<u>\$ 1,250,000</u>

Additional detail regarding capital reserves can be found in Note 21 "Restricted for Capital Reserve."

B. School Food Service Fund

The net change in the school food service fund - fund balance is a decrease of \$125,831, which was the operating loss of the food service program.

C. Debt Service Fund

The net change in the debt service fund - fund balance is an increase of \$39,954. The District issued \$4,495,000 of refunding bonds to redeem \$4,850,000 of outstanding bonds with no net effect on the fund balance. Additionally, the debt service fund recognized interest earnings of \$223,676, miscellaneous income of \$16,278, and transferred \$200,000 to the general fund.

D. Capital Projects Fund

The net change in the capital projects fund - fund balance is a decrease of \$15,561,684 due to expenditures incurred during the year on capital projects.

LONGWOOD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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

	Balance @ June 30, 2019	Use of Reserve	Interest	Balance @ June 30, 2020
Capital reserve I	\$ 7,889,757	\$ (4,414,757)	\$ -	\$ 3,475,000

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2019-2020 Budget

The District's general fund adopted budget for the year ended June 30, 2020 was \$255,500,000. This amount was increased by encumbrances carried forward from the prior year in the amount of \$239,022 for a total final budget of \$255,739,022.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$144,896,175 in estimated property taxes and STAR and estimated state sources of \$97,534,670.

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

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

Opening, Unassigned Fund Balance	\$ 10,220,000
Revenues Under Budget	(218,402)
Expenditures and Encumbrances Under Budget	18,455,909
Allocation to Reserves	(265,620)
Appropriated to Fund the June 30, 2021 Budget	<u>(6,000,000)</u>
Closing, Unassigned Fund Balance	<u>\$ 22,191,887</u>

Opening, Unassigned Fund Balance

The \$10,220,000 shown in the table is the portion of the District's June 30, 2019 fund balance that was retained as unassigned.

Revenues Under Budget

The 2019-2020 budget for revenues and other sources was \$248,000,000. Actual revenues recognized for the year were \$247,781,598. The budget variance was a deficit of \$218,402, which impacts the change to the general fund unassigned fund balance from June 30, 2019 to June 30, 2020. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

LONGWOOD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Expenditures and Encumbrances Under Budget

The 2019-2020 final budget for expenditures was \$255,739,022. Actual expenditures as of June 30, 2020 were \$236,791,053 and outstanding encumbrances were \$992,060. Combined, the expenditures plus encumbrances for 2019-2020 were \$237,283,113. The final budget variance was \$18,455,909, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2019 to June 30, 2020. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Allocation to Reserves

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

Appropriated Fund Balance

The District has chosen to use \$6,000,000 of the available June 30, 2020 unassigned fund balance to partially fund the 2020-2021 approved operating budget. As such, the June 30, 2020 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the previous table, the unassigned fund balance at June 30, 2020 was \$22,191,887. This amount equals 8.68% of the 2020-2021 budget.

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

A. Capital Assets

At June 30, 2020, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital asset additions of \$20,079,122 in excess of depreciation expense of \$5,936,160 recorded for the year ended June 30, 2020. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2020 and 2019 is as follows:

	2020	2019	Increase (Decrease)
Land	\$ 2,012,335	\$ 2,012,335	\$ -
Construction in progress	43,236,716	24,431,031	18,805,685
Buildings & improvements	157,119,973	162,223,452	(5,103,479)
Furniture & equipment	4,756,919	4,268,798	488,121
Land improvements	717,202	764,567	(47,365)
	<u>207,843,145</u>	<u>193,700,183</u>	<u>14,142,962</u>
Capital assets, net	<u>\$ 207,843,145</u>	<u>\$ 193,700,183</u>	<u>\$ 14,142,962</u>

LONGWOOD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The District is continuing to make significant capital expenditures resulting from a voter approved \$39,140,000 bond authorization for capital improvements to District facilities. As of June 30, 2020, the District has expended approximately 70% of this authorization and the construction is ongoing,

B. Debt Administration

At June 30, 2020, the District had total debt payable of \$52,745,071. The bonds were issued for school building improvements, the refunding of bonds originally issued for school building improvements and the Library. The installment purchase debt was issued for copier equipment. A summary of the outstanding debt at June 30, 2020 and 2019 is as follows:

Issue Date	Interest Rate	2020	2019	Increase (Decrease)
Bonds Payable				
6/1/2009	3.90%	\$	\$ 4,850,000	\$ (4,850,000)
10/31/2012	5.00%	1,545,000	6,225,000	(4,680,000)
12/18/2014	2.15-3.125%	13,345,000	14,105,000	(760,000)
6/15/2016	2.00-2.125%	15,890,000	17,345,000	(1,455,000)
8/30/2018	3.00-5.00%	17,895,000	18,910,000	(1,015,000)
11/26/2019	5.00%	3,665,000		3,665,000
		<u>\$ 52,340,000</u>	<u>\$ 61,435,000</u>	<u>\$ (9,095,000)</u>
Installment Purchase Debt				
Various	0.00%	<u>\$ 405,071</u>	<u>\$</u>	<u>\$ 405,071</u>

As of June 30, 2020, the District has yet to issue \$10,115,393 of the voter approved bond authorization.

During the year ended June 30, 2020, the District issued refunding bonds in the amount of \$4,495,000 to redeem outstanding bonds in the amount of \$4,850,000. The net interest on the new bonds is less than the interest on the refunded bonds. The District expects a present value savings of \$296,374 in debt service costs over the life of the new bonds.

The District's latest underlying, long-term credit rating from Standard & Poor's is AA+. The District's outstanding serial bonds at June 30, 2020 are approximately 7.96% of the District's debt limit.

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, employees' retirement system, net pension liability – proportionate share and total other postemployment benefits obligation. The compensated absences liability is based on employment contracts and the amount due to the employees' retirement system is based on agreement with the State, while the net pension liability – proportionate share and the total other postemployment benefits obligation are based on actuarial valuations.

LONGWOOD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	2020	2019	Increase (Decrease)
Compensated absences payable	\$ 22,884,019	\$ 21,506,636	\$ 1,377,383
Due to employees' retirement system	1,771,691	2,250,256	(478,565)
Net pension liability - proportionate share	17,612,863	4,691,205	12,921,658
Total OPEB obligation	584,959,866	421,262,080	163,697,786
	<u>\$ 627,228,439</u>	<u>\$ 449,710,177</u>	<u>\$ 177,518,262</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on June 9, 2020, for the year ending June 30, 2021, is \$255,600,000. This is an increase of \$100,000 or 0.04% over the previous year's budget. The increase is principally in the instructional program area of the budget, offset by a decrease in debt service.

The District budgeted revenues other than property taxes and STAR at a \$4,468,038 reduction from the prior year's estimate. The assigned, appropriated fund balance applied to the budget in the amount of \$6,000,000 is the same as the previous year. Additionally, the District has elected to appropriate \$1,250,000 of reserves towards the next year's budget, which is a decrease of \$250,000. A property tax increase of \$4,818,038 (3.3%), levy to levy, was needed to meet the increase in appropriations.

B. Future Budgets

The property tax cap and uncertainty in state aid and federal funds, as well as operating adjustments attributed to COVID-19, may impact the District's future budgets.

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2020-2021 is 3.3%. The District's 2020-2021 property tax levy increase of 3.3% was equal to the tax cap and did not require an override vote. The budget was approved by 71.6% of the voters.

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:

Ms. Janet Bryan
Assistant Superintendent for District Operations
Longwood Central School District
35 Yaphank-Middle Island Road
Middle Island, New York 11953

LONGWOOD CENTRAL SCHOOL DISTRICT
Statement of Net Position
June 30, 2020

ASSETS

Cash	
Unrestricted	\$ 39,647,162
Restricted	30,193,787
Receivables	
Accounts receivable	81,133
Due from fiduciary funds	42
Due from state and federal	10,030,835
Due from other governments	957,907
Inventory	250,407
Capital assets:	
Not being depreciated	45,249,051
Being depreciated, net of accumulated depreciation	162,594,094
Net pension asset - proportionate share	15,070,251
Total Assets	<u>304,074,669</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	60,509,690
Other postemployment benefits	156,635,644
	<u>217,145,334</u>

LIABILITIES

Payables	
Accounts payable	4,295,848
Accrued liabilities	4,955,124
Retainage payable	607,114
Due to other governments	737,864
Due to teachers' retirement system	9,449,606
Due to employees' retirement system	924,020
Compensated absences payable	769,929
Unearned credits - collections in advance	131,414
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	6,030,191
Installment purchase debt	104,327
Compensated absences payable	442,000
Due and payable after one year	
Bonds payable, net	47,981,355
Installment purchase debt	300,744
Compensated absences payable	22,442,019
Due to employees' retirement system	1,771,691
Net pension liability - proportionate share	17,612,863
Total other postemployment benefits obligation	584,959,866
Total Liabilities	<u>703,515,975</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	21,029,901
Other postemployment benefits	23,962,549
Total Deferred Inflows of Resources	<u>44,992,450</u>

NET POSITION (DEFICIT)

Net investment in capital assets	<u>155,098,074</u>
Restricted:	
Workers' compensation	1,517,394
Unemployment insurance	161,379
Retirement contribution	
Teachers' retirement system	1,917,416
Employees' retirement system	3,419,979
Liability	228,792
Employee benefit accrued liability	10,307,651
Capital	9,614,200
Debt service	1,147,236
	<u>28,314,047</u>
Unrestricted (deficit)	<u>(410,700,543)</u>
Total Net Position (Deficit)	<u>\$ (227,288,422)</u>

LONGWOOD CENTRAL SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2020

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants	Capital Grants	Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
General support	\$ 30,746,159	\$	\$	\$	\$ (30,746,159)
Instruction	243,950,093	830,976	8,065,718	776,007	(234,277,392)
Pupil transportation	15,719,641				(15,719,641)
Community services	494,302				(494,302)
Debt service - interest	1,525,032				(1,525,032)
Food service program	4,047,204	252,525	3,682,906		(111,773)
Total Functions and Programs	<u>\$ 296,482,431</u>	<u>\$ 1,083,501</u>	<u>\$ 11,748,624</u>	<u>\$ 776,007</u>	<u>(282,874,299)</u>
GENERAL REVENUES					
Real property taxes					126,744,332
Other tax items					19,998,622
Use of money and property					972,757
Sale of property and compensation for loss					4,335
Miscellaneous					2,233,621
State sources					97,348,648
Medicaid reimbursement					512,019
Total General Revenues					<u>247,814,334</u>
Change in Net Position (Deficit)					(35,059,965)
Total Net Position (Deficit) - Beginning of Year					<u>(192,228,457)</u>
Total Net Position (Deficit) - End of Year					<u><u>\$ (227,288,422)</u></u>

LONGWOOD CENTRAL SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2020

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 37,731,742	\$ 3,451	\$ 1,911,969	\$	\$ 5,255,619	\$ 39,647,162
Restricted	23,792,526			1,145,642		30,193,787
Receivables						
Accounts receivable	40,962	40,171				81,133
Due from other funds	3,719,635			1,594	390	3,721,619
Due from state and federal	5,614,300	3,800,073	97,049		519,413	10,030,835
Due from other governments	957,907					957,907
Inventory			250,407			250,407
Total Assets	<u>\$ 71,857,072</u>	<u>\$ 3,843,695</u>	<u>\$ 2,259,425</u>	<u>\$ 1,147,236</u>	<u>\$ 5,775,422</u>	<u>\$ 84,882,850</u>
LIABILITIES						
Payables						
Accounts payable	\$ 1,478,612	\$ 69,266	\$ 28,322	\$	\$ 2,719,648	\$ 4,295,848
Accrued liabilities	4,665,208	49,566	100,484			4,815,258
Due to other funds	390	3,719,593			1,594	3,721,577
Due to other governments	737,788		76			737,864
Due to teachers' retirement system	9,449,606					9,449,606
Due to employees' retirement system	924,020					924,020
Compensated absences payable	769,929					769,929
Unearned credits						
Collections in advance	82,681	5,270	43,463			131,414
Total Liabilities	<u>18,108,234</u>	<u>3,843,695</u>	<u>172,345</u>	<u>-</u>	<u>2,721,242</u>	<u>24,845,516</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	<u>873,080</u>					<u>873,080</u>
FUND BALANCES						
Nonspendable: Inventory			250,407			250,407
Restricted:						
Workers' compensation	1,517,394					1,517,394
Unemployment insurance	161,379					161,379
Retirement contribution						
Teachers' retirement system	1,917,416					1,917,416
Employees' retirement system	3,419,979					3,419,979
Liability	228,792					228,792
Employee benefit accrued liability	10,307,651					10,307,651
Capital	6,139,200				3,475,000	9,614,200
Debt service				1,147,236		1,147,236
Assigned:						
Appropriated fund balance	6,000,000					6,000,000
Unappropriated fund balance	992,060		1,836,673			2,828,733
Unassigned: Fund balance (deficit)	<u>22,191,887</u>				<u>(420,820)</u>	<u>21,771,067</u>
Total Fund Balances	<u>52,875,758</u>	<u>-</u>	<u>2,087,080</u>	<u>1,147,236</u>	<u>3,054,180</u>	<u>59,164,254</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 71,857,072</u>	<u>\$ 3,843,695</u>	<u>\$ 2,259,425</u>	<u>\$ 1,147,236</u>	<u>\$ 5,775,422</u>	<u>\$ 84,882,850</u>

LONGWOOD CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2020

Total Governmental Fund Balances \$ 59,164,254

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	\$ 322,788,783	
Less: Accumulated depreciation	<u>(114,945,638)</u>	
		207,843,145

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	15,070,251	
Deferred outflows of resources	60,509,690	
Net pension liability - employees' retirement system	(17,612,863)	
Deferred inflows of resources	<u>(21,029,901)</u>	
		36,937,177

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

Deferred outflows of resources	156,635,644	
Total other postemployment benefits obligation	(584,959,866)	
Deferred inflows of resources	<u>(23,962,549)</u>	
		(452,286,771)

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.

873,080

Long-term liabilities, including bonds payable, 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	(139,866)	
Retainage payable	(607,114)	
Bonds payable	(54,011,546)	
Installment purchase debt	(405,071)	
Compensated absences payable	(22,884,019)	
Due to employees' retirement system	<u>(1,771,691)</u>	
		(79,819,307)

Total Net Position (Deficit)		<u><u>\$ (227,288,422)</u></u>
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LONGWOOD CENTRAL SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2020

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 126,744,332	\$	\$	\$	\$	\$ 126,744,332
Other tax items	19,998,622					19,998,622
Charges for services	830,976					830,976
Use of money and property	746,132		2,949	223,676		972,757
Sale of property and compensation for loss	4,335					4,335
Miscellaneous	2,217,343		281	16,278		2,233,902
Interfund revenue	52,272					52,272
State sources	96,475,567	3,599,257	96,314		2,031,579	102,202,717
Medicaid reimbursement	512,019					512,019
Federal sources		4,466,461	3,586,592			8,053,053
Sales			252,244			252,244
Total Revenues	247,581,598	8,065,718	3,938,380	239,954	2,031,579	261,857,229
EXPENDITURES						
General support	20,695,770			97,024		20,792,794
Instruction	134,061,763	7,141,189				141,202,952
Pupil transportation	14,910,640	452,663				15,363,303
Employee benefits	54,447,582	921,866				55,369,448
Debt service						
Principal	8,844,327					8,844,327
Interest	2,430,971					2,430,971
Food service program			4,064,211			4,064,211
Capital outlay					18,552,661	18,552,661
Total Expenditures	235,391,053	8,515,718	4,064,211	97,024	18,552,661	266,620,667
Excess (Deficiency) of Revenues Over Expenditures	12,190,545	(450,000)	(125,831)	142,930	(16,521,082)	(4,763,438)
OTHER FINANCING SOURCES AND (USES)						
Proceeds of debt					509,398	509,398
Premium on obligation				452,024		452,024
Proceeds of refunding				4,495,000		4,495,000
Payment to escrow agent				(4,850,000)		(4,850,000)
Operating transfers in	200,000	450,000			450,000	1,100,000
Operating transfers (out)	(900,000)			(200,000)		(1,100,000)
Total Other Sources and (Uses)	(700,000)	450,000	-	(102,976)	959,398	606,422
Net Change in Fund Balances	11,490,545	-	(125,831)	39,954	(15,561,684)	(4,157,016)
Fund Balances -						
Beginning of Year	41,385,213		2,212,911	1,107,282	18,615,864	63,321,270
End of Year	<u>\$ 52,875,758</u>	<u>\$ -</u>	<u>\$ 2,087,080</u>	<u>\$ 1,147,236</u>	<u>\$ 3,054,180</u>	<u>\$ 59,164,254</u>

LONGWOOD CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For The Year Ended June 30, 2020

Net Change in Fund Balances \$ (4,157,016)

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

Long-Term Revenue and Expense Differences

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

\$ (382,491)

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 due to employees' retirement system 478,565

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 retainage payable (607,114)
Increase in compensated absences (1,377,383)

(1,888,423)

Capital Related Differences

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

Capital outlays and other additions 20,079,122
Depreciation expense (5,936,160)

14,142,962

Long-Term Debt Transactions Differences

Proceeds and premium 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.

(5,456,422)

Payment to escrow agent is an other financing use in the governmental funds, but it decreases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

4,850,000

Amortization of premiums on advance refunding of bonds does not affect the governmental funds, but is recorded in the Statement of Activities.

835,347

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 8,740,000
Repayment of installment purchase debt 104,327

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, 2019 to June 30, 2020.

70,592

9,143,844

Pension and Other Postemployment Benefits Differences

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

Teachers' retirement system (9,747,150)
Employees' retirement system (3,586,447)
Other postemployment benefits (38,967,735)

(52,301,332)

Change in Net Position (Deficit) of Governmental Activities \$ (35,059,965)

LONGWOOD CENTRAL SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2020

	<u>Agency</u>	<u>Private Purpose Trust</u>
ASSETS		
Cash		
Unrestricted	\$ 344,104	\$
Restricted		<u>9,821</u>
Total Assets	<u>\$ 344,104</u>	<u>9,821</u>
 LIABILITIES		
Extraclassroom activity balances	\$ 170,143	
Due to governmental funds	42	
Other liabilities	<u>173,919</u>	
Total Liabilities	<u>\$ 344,104</u>	<u>-</u>
 NET POSITION		
Restricted for scholarships		<u>\$ 9,821</u>

LONGWOOD CENTRAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2020

	Private Purpose Trust
ADDITIONS	
Contributions	\$ 1,000
Investment earnings - interest	<u>14</u>
Total Additions	1,014
DEDUCTIONS	<u>1,000</u>
Change in Net Position	14
Net Position - Beginning of Year	<u>9,807</u>
Net Position - End of Year	<u><u>\$ 9,821</u></u>

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

Extraclassroom Activity Funds

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

B. Joint Venture

The District is a component district in the Board of Cooperative Educational Services of 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 §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by public

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

school district enrollment as defined in Education Law, §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

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 for, 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.

LONGWOOD CENTRAL 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

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

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

and interest on general long-term debt, 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.

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

Enforcement

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

F. Payments in Lieu of Taxes (PILOT)

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

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

G. Restricted Resources

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

H. Interfund Transactions

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

In the district-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

I. Use of Estimates

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

J. Cash and Cash Equivalents

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

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

K. Receivables

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

L. Inventory

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

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

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

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

M. Capital Assets

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

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 15,000	50 years
Land improvements	15,000	20 years
Furniture and equipment	1,000	5-20 years

N. Deferred Outflows of Resources

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

O. Short-Term Debt

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

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The notes, or renewal thereof, may not extend more than two years beyond the original date of issue, unless a portion is redeemed within two years and within each twelve month period thereafter.

P. Collections in Advance

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

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Q. Employee Benefits – Compensated Absences

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

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

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

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

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

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

R. 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 Section 403(b) and 457.

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

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

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

S. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue/expense credit) until that time. The District has three items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables of state aid. 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 assets or liability not included in the collective pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position and represents changes in the total other postemployment benefits obligation not included in OPEB expense.

T. Equity Classifications

District-Wide Statements

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

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

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

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

Fund Statements

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

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

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

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Workers' Compensation Reserve

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

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 and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The Board may also adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. These reserves are accounted for in the general fund.

Liability Reserve

Liability Reserve (Education Law §1709(8) (c)) is used to pay for liability claims incurred. A separate fund for liability claims is required, and this reserve may not exceed 3% of the annual budget or \$15,000, whichever is greater. This reserve is 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.

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 capital projects fund.

Restricted for Debt Service

Unexpended balances of proceeds of borrowings for capital projects, interest and earnings from investing proceeds of obligations, and premiums and accrued interest on long-term borrowings are recorded in the debt service fund and held until appropriated for debt payments. These restricted amounts are 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.

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 the 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.

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

2. FUTURE ACCOUNTING STANDARDS

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

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

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

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

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

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

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

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

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

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

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension and Other Postemployment Benefits Differences

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

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for 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.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. No supplemental appropriations occurred during the year.

Budgets are adopted annually on a basis consistent with GAAP.

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

B. Encumbrances

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

C. Unassigned Fund Balance

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

D. Capital Projects Fund

The capital projects fund has an unassigned fund balance deficit of \$495,427. This will be funded when the District obtains permanent financing for its current construction project.

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

LONGWOOD CENTRAL 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 issuance 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.

6. PARTICIPATION IN BOCES

During the year ended June 30, 2020, the District was billed \$16,517,281 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$2,246,233 of which \$1,953,072 has been recognized in the current year and \$293,161 has been deferred. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

7. DUE FROM STATE AND FEDERAL

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

General Fund	
New York State - general aid	\$ 68,472
New York State - excess cost aid	3,399,595
BOCES aid	<u>2,146,233</u>
	5,614,300
Special Aid Fund	
Federal and state grants	3,800,073
School Food Service Fund	
Federal and state food service program reimbursements	97,049
Capital Projects Fund	
New York State - Smart Schools Bond Act	<u>519,413</u>
	<u>\$ 10,030,835</u>

District management expects these amounts to be fully collectible.

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

8. DUE FROM OTHER GOVERNMENTS

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

General Fund	
Other districts - non-resident tuition	\$ 101,075
Other districts - homeless	<u>856,832</u>
	<u>\$ 957,907</u>

District management expects these amounts to be fully collectible.

9. CAPITAL ASSETS

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

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 2,012,335	\$	\$	\$ 2,012,335
Construction in progress	24,431,031	18,805,685		43,236,716
Total capital assets not being depreciated	<u>26,443,366</u>	<u>18,805,685</u>	<u>-</u>	<u>45,249,051</u>
Capital assets being depreciated:				
Buildings & improvements	260,951,363	1,079		260,952,442
Furniture & equipment	14,211,653	1,264,660	(109,396)	15,366,917
Land improvements	1,212,675	7,698		1,220,373
Total capital assets being depreciated	<u>276,375,691</u>	<u>1,273,437</u>	<u>(109,396)</u>	<u>277,539,732</u>
Less accumulated depreciation for:				
Buildings & improvements	98,727,911	5,104,558		103,832,469
Furniture & equipment	9,942,855	776,539	(109,396)	10,609,998
Land improvements	448,108	55,063		503,171
Total accumulated depreciation	<u>109,118,874</u>	<u>5,936,160</u>	<u>(109,396)</u>	<u>114,945,638</u>
Total capital assets, being depreciated, net	<u>167,256,817</u>	<u>(4,662,723)</u>	<u>-</u>	<u>162,594,094</u>
Capital assets, net	<u>\$ 193,700,183</u>	<u>\$ 14,142,962</u>	<u>\$ -</u>	<u>\$ 207,843,145</u>

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Depreciation expense was charged to governmental functions as follows:

General support	\$ 214,150
Instruction	5,638,021
Pupil transportation	12,873
Food service program	<u>71,116</u>
Total depreciation expense	<u>\$ 5,936,160</u>

10. INTERFUND TRANSACTIONS

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

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 3,719,635	\$ 390	\$ 200,000	\$ 900,000
Special Aid Fund		3,719,593	450,000	
School Food Service Fund				
Debt Service Fund	1,594			200,000
Capital Projects Fund	<u>390</u>	<u>1,594</u>	<u>450,000</u>	
Total Governmental Funds	3,721,619	3,721,577	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>
Fiduciary Funds		<u>42</u>		
Total	<u>\$ 3,721,619</u>	<u>\$ 3,721,619</u>		

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

The transfer from the debt service fund to the general fund of \$200,000 was to provide funding for the current year's debt service payments.

11. SHORT-TERM DEBT

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

	Maturity	Stated Interest Rate	Balance June 30, 2019	Issued	Redeemed	Balance June 30, 2020
TAN	6/23/2020	2.00%	<u>\$ -</u>	<u>\$ 40,000,000</u>	<u>\$ (40,000,000)</u>	<u>\$ -</u>

Interest on short-term debt for the year was \$624,444. The District received premiums of \$248,400 for the TANs, which offset the interest on the TANs. The effective average interest rate on the TANs was 1.20%.

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

12. LONG-TERM LIABILITIES

A. Changes

Long-term liability balances and activity, excluding pensions, due to employees' retirement system and other postemployment benefits obligations, for the year are summarized below:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
<u>Long-term debt:</u>					
Bonds payable	\$ 61,435,000	\$ 4,495,000	\$ (13,590,000)	\$ 52,340,000	\$ 5,715,000
Add: Premium on obligations	1,578,693		(200,628)	1,378,065	189,289
Add: Premium on refunding	476,176	452,024	(634,719)	293,481	125,902
	63,489,869	4,947,024	(14,425,347)	54,011,546	6,030,191
Installment purchase debt		509,398	(104,327)	405,071	104,327
	63,489,869	5,456,422	(14,529,674)	54,416,617	6,134,518
<u>Other long-term liabilities:</u>					
Compensated absences	21,506,636	1,377,383		22,884,019	442,000
	<u>\$ 84,996,505</u>	<u>\$ 6,833,805</u>	<u>\$ (14,529,674)</u>	<u>\$ 77,300,636</u>	<u>\$ 6,576,518</u>

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

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2020
Serial bonds - Refunding	10/31/2012	2/1/2021	5.00%	\$ 1,545,000
Serial bonds - Library	12/18/2014	6/15/2034	2.15-3.125%	13,345,000
Serial bonds - Energy Bond	6/15/2016	6/15/2030	2.00-2.125%	15,890,000
Serial bonds	8/30/2018	6/21/2033	3.00-5.00%	17,895,000
Serial bonds - Refunding	11/26/2019	6/1/2024	5.00%	3,665,000
				<u>\$ 52,340,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2021	\$ 5,715,000	\$ 1,705,775	\$ 7,420,775
2022	4,305,000	1,485,713	5,790,713
2023	4,450,000	1,336,294	5,786,294
2024	4,560,000	1,179,994	5,739,994
2025	3,685,000	1,019,419	4,704,419
2026 - 2030	20,260,000	3,294,444	23,554,444
2031 - 2034	9,365,000	645,606	10,010,606
Total	<u>\$ 52,340,000</u>	<u>\$ 10,667,245</u>	<u>\$ 63,007,245</u>

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Refunding of Bonds

On December 17, 2019, the District issued \$4,495,000 in general obligation bonds with an average interest rate of 5.00% (net effective rate of 1.10%) to refund \$4,850,000 of outstanding serial bonds with an average interest rate of 4.09%. The net proceeds of \$4,850,000 (including a premium of \$452,024, and after payment of \$97,024 of issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. All bonds were recalled and redeemed on January 16, 2020. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is \$296,374.

In the district-wide statements, the District is amortizing refunding bond premiums as a component of interest expense on the straight-line and weighted average bases as follows:

<u>Year Ending June 30,</u>	<u>Amortization of Premium</u>
2021	\$ 125,902
2022	91,998
2023	56,442
2024	<u>19,139</u>
Total	<u>\$ 293,481</u>

D. Premiums on Obligations

The District issued serial bonds on August 30, 2018 and received premiums on obligations of \$1,791,068. This premium is being amortized as a component of interest expense over the life of these serial bonds in the district-wide statements as follows:

<u>Year Ending June 30,</u>	<u>Amortization of Premium</u>
2021	\$ 189,289
2022	177,406
2023	164,950
2024	152,113
2025	138,894
2026 - 2030	472,883
2031 - 2033	<u>82,530</u>
Total	<u>\$ 1,378,065</u>

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Installment Purchase Debt

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2020
Copier equipment	Various	6/1/2024	0%	<u>\$ 405,071</u>

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

Year Ending June 30,	Principal	Interest	Total
2021	\$ 104,327	\$	\$ 104,327
2022	104,327		104,327
2023	104,327		104,327
2024	92,090		92,090
Total	<u>\$ 405,071</u>	<u>\$ -</u>	<u>\$ 405,071</u>

Under the contracts for the lease/purchase of copiers if there were a default in the contract terms the lessor have the right to take possession of the related assets.

F. Interest Expense

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

Interest paid	\$ 2,054,927
Less interest accrued in the prior year	(210,458)
Plus interest accrued in the current year	139,866
Less amortization of refunding premium	(634,719)
Less amortization of premium on obligations	<u>(200,628)</u>
Total interest expense on long-term debt	<u>\$ 1,148,988</u>

G. Unissued Debt

On October 17, 2017, the voters authorized capital projects not to exceed \$39,140,000. The authorization included the appropriation of \$7,950,000 from the capital reserve to fund a portion of the costs during the 2017-18 year. As a result, the District was authorized to issue serial bonds not to exceed \$31,190,000 to fund the balance of the costs. The District issued serial bonds of \$20,050,000 and applied \$950,000 of the premiums on obligations towards the capital projects totaling \$21,000,000 resulting in \$10,190,000 as unissued debt as of June 30, 2020.

13. LONGWOOD PUBLIC LIBRARY BOND OBLIGATION

On October 9, 2012, the voters of the District authorized the Board of Education to finance the expansion and renovation of the Longwood Public Library (the Library) in the amount of \$17,896,347. On December 18, 2014, the District issued serial bonds in the amount of \$17,595,000 in connection with this authorization. Although the bond issue is an obligation of the District, the Library Board has committed to raise funds through its budget and tax levy sufficient to transfer to the District for the ensuing debt service payments. The District received \$1,152,006 from the Library during the year ended June 30, 2020, which is included in miscellaneous revenue.

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

14. PENSION PLANS – NEW YORK STATE

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the TRS may be found on the TRS website at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the Fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members 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

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 10.62% of covered payroll for the TRS' fiscal year ended June 30, 2019. The District's average contribution rate was 14.01% of covered payroll for the ERS' fiscal year ended March 31, 2020.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2020, was \$8,798,639 for the TRS at the contribution rate of 8.86% and \$3,144,099 for the ERS at an average contribution rate of 13.44%.

D. Pension Stabilization

Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years. During the year ended June 30, 2012, the District opted to participate in this program. This law requires employers to make payments on a current basis, while amortizing existing unpaid amounts. In the current fiscal year \$107,534 was charged to expenditures in the governmental funds. The unpaid liability at June 30, 2020 is \$203,548, plus interest at 3.75% and is reported under long-term liabilities in the district-wide financial statements.

Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years. During the year ended June 30, 2013, the District opted to participate in this program. This law requires employers to make payments on a current basis, while amortizing existing unpaid amounts. In the current fiscal year \$184,866 was charged to expenditures in the governmental funds. The unpaid liability at June 30, 2020 is \$522,915, plus interest at 3.00% and is reported under long-term liabilities in the district-wide financial statements.

Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years. During the year ended June 30, 2014, the District opted to participate in this program. This law requires employers to make payments on a current basis, while amortizing existing unpaid amounts. In the current fiscal year \$164,035 was charged to expenditures in the governmental funds. The unpaid liability at June 30, 2020 is \$600,090, plus interest at 3.67% and is reported under long-term liabilities in the district-wide financial statements.

Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years. During the year ended June 30, 2015, the District opted to participate in this program. This law requires employers to make payments on a current basis, while amortizing existing unpaid amounts. In the current fiscal year \$97,615 was charged to expenditures in the governmental funds. The unpaid liability at June 30, 2020 is \$445,138, plus interest at 3.15% and is reported under long-term liabilities in the district-wide financial statements.

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

At June 30, 2020, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2019 for TRS and March 31, 2020 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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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, 2019	March 31, 2020
District's proportionate share of the net pension asset/(liability)	\$ 15,070,251	\$ (17,612,863)
District's portion of the Plan's total net pension asset/(liability)	0.580070%	0.0665124%
Change in proportion since the prior measurement date	0.000098	0.0003021

For the year ended June 30, 2020, the District recognized pension expense of \$18,545,789 for TRS and \$6,730,546 for ERS. At June 30, 2020, the District reported deferred outflows and 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	\$ 10,212,724	\$ 1,036,588	\$ 1,120,653	\$
Changes of assumptions	28,469,721	354,640	6,941,723	306,225
Net difference between projected and actual earnings on pension plan investments		9,029,210	12,085,565	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	317,468	1,366,680	420,436	155,299
District contributions subsequent to the measurement date	<u>8,798,639</u>	<u>924,020</u>		
Total	<u>\$ 47,798,552</u>	<u>\$ 12,711,138</u>	<u>\$ 20,568,377</u>	<u>\$ 461,524</u>

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

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Year Ending June 30,	TRS	ERS
2021	\$ 6,738,398	\$ 2,196,259
2022	353,022	2,946,747
2023	6,713,686	3,442,862
2024	4,531,979	2,739,726
2025	585,663	
Thereafter	(491,212)	
	<u>\$ 18,431,536</u>	<u>\$ 11,325,594</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, 2019	March 31, 2020
Actuarial valuation date	June 30, 2018	April 1, 2019
Inflation	2.20%	2.50%
Salary increases	1.90-4.72%	4.20%
Investment rate of return (net of investment expense, including inflation)	7.10%	6.80%
Cost of living adjustments	1.30%	1.30%

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

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

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

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

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2019		March 31, 2020
Asset type				
Domestic equity	33.0%	6.30%	36.0%	4.05%
International equity	16.0%	7.80%	14.0%	6.15%
Global equity	4.0%	7.20%		
Real estate	11.0%	4.60%	10.0%	4.95%
Private Equities	8.0%	9.90%	10.0%	6.75%
Alternative investments			8.0%	3.25-5.95%
Domestic fixed income securities	16.0%	1.30%		
Global fixed income securities	2.0%	0.90%		
High-yield fixed income securities	1.0%	3.60%		
Bonds and mortgages			17.0%	0.75%
Private debt	1.0%	6.50%		
Real estate debt	7.0%	2.90%		
Cash and equivalents	1.0%	0.30%		
Cash			1.0%	0.00%
Inflation indexed bonds			4.0%	0.50%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.20% for TRS and 2.50% for ERS.

Discount Rate

The discount rate used to measure the total pension liability was 7.10% for TRS and 6.80% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2018, was 7.25% and the discount rate used by the ERS at the prior year's measurement date of March 31, 2019, was 7.00%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.10% for TRS and 6.80% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1

LONGWOOD CENTRAL SCHOOL DISTRICT
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percentage point lower (6.10% for TRS and 5.80% for ERS) or 1 percentage point higher (8.10% for TRS and 7.80% for ERS) than the current rate:

	1% Decrease 6.10 %	Current Assumption 7.10 %	1% Increase 8.10 %
TRS			
District's proportionate share of the net pension asset (liability)	<u>\$ (68,025,541)</u>	<u>\$ 15,070,251</u>	<u>\$ 84,778,243</u>
	1% Decrease 5.80 %	Current Assumption 6.80 %	1% Increase 7.80 %
ERS			
District's proportionate share of the net pension asset (liability)	<u>\$ (32,324,576)</u>	<u>\$ (17,612,863)</u>	<u>\$ (4,063,313)</u>

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

For the TRS, employer and employee contributions for the fiscal year ended June 30, 2020, are paid to the system in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020, represent employer and employee contributions for the fiscal year ended June 30, 2020, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2020 amounted to \$8,798,639 of employer contributions and \$650,967 of employee contributions.

For the ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2020, represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$924,020 of employer contributions. Employee contributions are remitted monthly.

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(Continued)

15. 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 employees for the year ended June 30, 2020, totaled \$4,835,034. No contributions were made by the employer for the year ended June 30, 2020.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code 457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2020 totaled \$513,007.

16. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

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

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

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

Inactive employees or beneficiaries currently receiving benefit payments	880
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>1,267</u>
	<u><u>2,147</u></u>

B. Total OPEB Liability

The District's total OPEB liability of \$584,959,866 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2019. Update procedures were used to roll forward the total OPEB liability to the measurement date.

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Inflation	2.40%	
Salary increases	3.20%	varies by pension retirement system membership
Discount rate	2.21%	
Healthcare cost trend rates	5.40%	for 2020, decreasing to an ultimate rate of 3.84% by 2075
Retirees' share of benefit-related costs	40-60%	of projected health insurance premiums for retirees

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

Mortality rates were based on Pub-2010 Headcount-Weighted table (Teachers for TRS group and General Employees for ERS Group) projected fully generationally using MP-2019.

The actuarial assumptions used in the June 30, 2019 valuation were based on NYS ERS assumptions first adopted on April 1, 2015 and NYS TRS assumptions first adopted on June 30, 2015.

C. Changes in the Total OPEB Liability

Balance at June 30, 2019	<u>\$ 421,262,080</u>
Changes for the year	
Service cost	12,658,476
Interest	15,027,081
Changes of benefit terms	1,299,787
Differences between expected and actual experience	(13,215,778)
Changes in assumptions or other inputs	159,626,264
Benefit payments	<u>(11,698,044)</u>
	<u>163,697,786</u>
Balance at June 30, 2020	<u><u>\$ 584,959,866</u></u>

Changes of benefit terms reflect a change from assuming that husbands are three years older than wives, to using actual spouse age.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.51% in 2019 to 2.21% in 2020.

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

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

OPEB	1% Decrease 1.21 %	Discount Rate 2.21 %	1% Increase 3.21 %
Total OPEB liability	<u>\$ (707,893,420)</u>	<u>\$ (584,959,866)</u>	<u>\$ (489,302,865)</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.40%) or 1 percentage point higher (6.40%) than the current healthcare cost trend rate:

OPEB	1% Decrease 4.40% decreasing to 2.84%	Healthcare Cost Trend Rates 5.40% decreasing to 3.84%	1% Increase 6.40% decreasing to 4.84%
Total OPEB liability	<u>\$ (471,856,912)</u>	<u>\$ (584,959,866)</u>	<u>\$ (737,455,263)</u>

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$50,665,779. At June 30, 2020, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 11,327,810
Changes of assumptions or other inputs	156,635,644	12,634,739
Total	<u>\$ 156,635,644</u>	<u>\$ 23,962,549</u>

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

Year Ending June 30,	Amount
2021	\$ 21,680,435
2022	21,680,435
2023	21,680,435
2024	21,680,435
2025	21,680,435
Thereafter	24,270,920
	<u>\$ 132,673,095</u>

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

17. DEFERRED INFLOWS OF RESOURCES

In the governmental fund financial statements, deferred inflows of resources at June 30, 2020, consists of that portion of the amount due from New York State for local aid payments, including BOCES aid, which is unavailable. Of the 2019-2020 school year aid payments outstanding at June 30, 2020, 20% was effectively withheld by the State in response to revenue losses. Unavailable revenues in the general fund at June 30, 2020, total \$873,080.

18. RISK MANAGEMENT

A. General Information

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. These risks are covered by a combination of self-insurance reserves and commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage as compared to the prior year, and settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

B. 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.

The District participates in the New York State Public Schools Statewide Workers' Compensation Trust Plan (the Workers' Compensation Plan), a risk sharing pool, to insure workers' compensation claims. This is a public school entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to workers' compensation claims. The Workers' Compensation Plan's total liability for unbilled and opened claims at June 30, 2020, discounted at 3.0% was \$24,104,890. If the District leaves the plan or if the plan is terminated, the District will be liable for the District's open claims at that time. At June 30, 2020, the District's open claims, discounted at 3.0% were \$3,933,918.

19. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

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

Workers' compensation	\$ 200,000
Retirement contribution	400,000
Employee benefit accrued liability	<u>650,000</u>
	<u>\$ 1,250,000</u>

20. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$6,000,000 has been appropriated to reduce taxes for the year ending June 30, 2021.

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

21. RESTRICTED FOR CAPITAL RESERVE

The following is a summary of the District's restricted capital reserve activity since inception:

	Capital Reserve	
	I	II
Date Created	May 2010	May 2017
Number of Years to Fund	15	15
Maximum Funding	<u>\$ 12,000,000</u>	<u>\$ 20,000,000</u>
General Fund		
Funding Provided Since Inception	\$ 11,896,779	\$ 6,000,000
Interest Earnings Since Inception	168,290	139,200
Use of Reserve Since Inception	<u>(12,065,069)</u>	
Total General Fund	<u>-</u>	<u>6,139,200</u>
Capital Projects Fund		
Funding Provided Since Inception	12,065,069	
Use of Reserve Since Inception	<u>(8,590,069)</u>	
Total Capital Projects Fund	<u>3,475,000</u>	<u>-</u>
Balance as of June 30, 2020	<u>\$ 3,475,000</u>	<u>\$ 6,139,200</u>

22. TAX ABATEMENTS

The Town of Brookhaven Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was reduced by these abatements. The District received payment in lieu of taxes (PILOT) payments totaling \$1,837,821.

23. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

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

Restricted Fund Balance:

Capital Projects Fund	
Capital projects	<u>\$ 9,785,518</u>

Assigned: Unappropriated Fund Balance:

General Fund	
General Support	379,396
Instruction	612,461
Pupil Transportation	<u>203</u>
	992,060
Food Service Fund	
Equipment	<u>18,488</u>
	<u>\$ 10,796,066</u>

LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Grants

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

C. Litigation

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

24. SUBSEQUENT EVENTS

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

A. Issuance of BANs

On July 7, 2020, the District issued bond anticipation notes in the amount of \$10,190,000, which are due July 7, 2021, and bear interest at an effective rate of 0.45%.

B. Impact of COVID-19

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

LONGWOOD CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 125,146,175	\$ 126,744,332	\$ 126,744,332	\$ -
Other tax items	21,037,000	19,438,843	19,998,622	559,779
Charges for services	872,500	872,500	830,976	(41,524)
Use of money and property	591,149	591,149	746,132	154,983
Forfeiture	1,000	1,000		(1,000)
Sale of property and compensation for loss	10,500	10,500	4,335	(6,165)
Miscellaneous	2,082,006	2,082,006	2,217,343	135,337
Interfund revenues	50,000	50,000	52,272	2,272
Total Local Sources	149,790,330	149,790,330	150,594,012	803,682
State Sources	97,534,670	97,534,670	96,475,567	(1,059,103)
Medicaid Reimbursement	475,000	475,000	512,019	37,019
Total Revenues	247,800,000	247,800,000	247,581,598	(218,402)
OTHER SOURCES				
Operating Transfers In	200,000	200,000	200,000	-
Total Revenues and Other Sources	248,000,000	248,000,000	247,781,598	\$ (218,402)
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	6,000,000	6,000,000		
Prior Year's Encumbrances	239,022	239,022		
Appropriated Reserves	1,500,000	1,500,000		
Total Appropriated Fund Balance	7,739,022	7,739,022		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 255,739,022	\$ 255,739,022		

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.

LONGWOOD CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 207,903	\$ 230,515	\$ 172,330	\$ 1,500	\$ 56,685
Central administration	448,199	457,944	451,105	3,002	3,837
Finance	1,465,312	1,365,447	1,260,112	22,602	82,733
Staff	1,385,472	1,661,560	1,526,180		135,380
Central services	17,539,855	17,452,409	14,969,072	352,292	2,131,045
Special items	2,471,318	2,471,318	2,316,971		154,347
Total General Support	23,518,059	23,639,193	20,695,770	379,396	2,564,027
Instruction					
Administration & improvement	10,868,983	11,082,548	10,736,069	57,128	289,351
Teaching - regular school	68,038,955	68,450,228	63,977,305	439,242	4,033,681
Programs for students with disabilities	46,369,371	46,213,714	43,156,725	12,255	3,044,734
Occupational education	4,736,789	4,740,413	4,505,309	4,465	230,639
Teaching - special schools	118,500	118,500	56,001	63	62,436
Instructional media	3,345,523	3,355,051	3,009,227	56,686	289,138
Pupil services	9,273,100	9,380,458	8,621,127	42,622	716,709
Total Instruction	142,751,221	143,340,912	134,061,763	612,461	8,666,688
Pupil Transportation	16,150,880	16,781,614	14,910,640	203	1,870,771
Employee Benefits	58,482,905	57,447,846	54,447,582		3,000,264
Debt Service					
Principal	10,549,348	10,539,529	8,844,327		1,695,202
Interest	3,301,609	3,004,928	2,430,971		573,957
Total Debt Service	13,850,957	13,544,457	11,275,298	-	2,269,159
Total Expenditures	254,754,022	254,754,022	235,391,053	992,060	18,370,909
OTHER USES					
Operating Transfers Out	985,000	985,000	900,000		85,000
Total Expenditures and Other Uses	<u>\$ 255,739,022</u>	<u>\$ 255,739,022</u>	236,291,053	<u>\$ 992,060</u>	<u>\$ 18,455,909</u>
Net Change in Fund Balance			11,490,545		
Fund Balance - Beginning of Year			41,385,213		
Fund Balance - End of Year			<u>\$ 52,875,758</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.

LONGWOOD CENTRAL SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)
Last Six Fiscal Years

Teachers' Retirement System

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.580070%	0.579972%	0.585477%	0.585298%	0.572562%	0.587203%
District's proportionate share of the net pension asset/(liability)	\$ 15,070,251	\$ 10,487,417	\$ 4,450,205	\$ (6,268,784)	\$ 59,470,918	\$ 63,635,447
District's covered payroll	\$ 97,713,996	\$ 94,907,485	\$ 93,861,293	\$ 90,317,337	\$ 86,582,656	\$ 86,628,482
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	15.42 %	11.05 %	4.74 %	(6.94)%	68.69 %	73.46 %
Plan fiduciary net position as a percentage of the total pension liability	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
Discount Rate	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%

Employees' Retirement System

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0665124%	0.0662103%	0.0701685%	0.0623527%	0.0655229%	0.0629174%
District's proportionate share of the net pension liability	\$ (17,612,863)	\$ (4,691,205)	\$ (2,264,648)	\$ (5,858,796)	\$ (10,516,602)	\$ (2,125,503)
District's covered payroll	\$ 22,636,531	\$ 21,845,450	\$ 21,845,450	\$ 14,889,277	\$ 19,744,594	\$ 20,067,152
District's proportionate share of the net pension liability as a percentage of its covered payroll	77.81 %	21.47 %	10.37 %	39.35 %	53.26 %	10.59 %
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%
Discount Rate	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%

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

LONGWOOD CENTRAL SCHOOL DISTRICT
Schedule of District Pension Contributions
Last Ten Fiscal Years

Teachers' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 8,798,639	\$ 9,258,146	\$ 9,233,714	\$ 10,857,017	\$ 12,123,473	\$ 14,928,420	\$ 10,692,401	\$ 9,753,970	\$ 8,108,578	\$ 5,949,616
Contributions in relation to the contractually required contribution	<u>8,798,639</u>	<u>9,258,146</u>	<u>9,233,714</u>	<u>10,857,017</u>	<u>12,123,473</u>	<u>14,928,420</u>	<u>10,692,401</u>	<u>9,753,970</u>	<u>8,108,578</u>	<u>5,949,616</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 99,307,434	\$ 97,713,996	\$ 94,907,485	\$ 93,861,293	\$ 90,317,337	\$ 86,582,656	\$ 86,628,482	\$ 87,337,725	\$ 85,424,259	\$ 86,182,701
Contributions as a percentage of covered payroll	9%	9%	10%	12%	13%	17%	12%	11%	9%	7%

Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 3,144,099	\$ 3,149,200	\$ 3,614,569	\$ 2,934,052	\$ 4,036,480	\$ 2,906,606	\$ 3,310,623	\$ 2,847,877	\$ 2,363,090	\$ 2,756,210
Contributions in relation to the contractually required contribution	<u>3,144,099</u>	<u>3,149,200</u>	<u>3,614,569</u>	<u>2,934,052</u>	<u>4,036,480</u>	<u>2,906,606</u>	<u>3,310,623</u>	<u>2,847,877</u>	<u>2,363,090</u>	<u>2,756,210</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 23,379,294	\$ 22,852,824	\$ 22,023,662	\$ 18,979,475	\$ 19,943,420	\$ 20,038,922	\$ 19,988,857	\$ 20,665,772	\$ 20,311,520	\$ 21,218,135
Contributions as a percentage of covered payroll	13%	14%	16%	15%	20%	15%	17%	14%	12%	13%

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

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 12,658,476	\$ 10,876,046	\$ 11,480,882
Interest	15,027,081	14,891,653	13,714,618
Changes in benefit terms	1,299,787	-	-
Differences between expected and actual experience	(13,215,778)	-	-
Changes of assumptions or other inputs	159,626,264	26,177,746	(19,887,707)
Benefit payments	<u>(11,698,044)</u>	<u>(9,122,491)</u>	<u>(9,958,550)</u>
Net change in total OPEB liability	163,697,786	42,822,954	(4,650,757)
Total OPEB liability, beginning	<u>421,262,080</u>	<u>378,439,126</u>	<u>383,089,883</u>
Total OPEB liability, ending	<u><u>\$ 584,959,866</u></u>	<u><u>\$ 421,262,080</u></u>	<u><u>\$ 378,439,126</u></u>
Covered employee payroll	\$ 112,530,863	\$ 113,801,925	\$ 103,370,946
Total OPEB liability as a percentage of covered employee payroll	519.82%	370.17%	366.10%
Discount rate	2.21%	3.51%	3.87%
Healthcare trend rates	5.40% to 3.84% by 2075	5.50% to 3.84% by 2075	5.50% to 3.84% by 2078

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

Note to Required Supplementary Information

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

LONGWOOD CENTRAL SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For The Year Ended June 30, 2020

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 255,500,000
Additions:	
Prior year's encumbrances	<u>239,022</u>
Original Budget	255,739,022
Budget revision	<u>-</u>
Final Budget	<u><u>\$ 255,739,022</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-2021 voter-approved expenditure budget	<u><u>\$ 255,600,000</u></u>
Maximum allowed (4% of 2020-2021 budget)	<u><u>\$ 10,224,000</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 6,992,060
Unassigned fund balance	<u>22,191,887</u>
	\$ 29,183,947
Less:	
Appropriated fund balance	6,000,000
Encumbrances	<u>992,060</u>
Total adjustments	<u>6,992,060</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u><u>\$ 22,191,887</u></u>
Actual Percentage	8.68%

LONGWOOD CENTRAL SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources - Capital Projects Fund
For The Year Ended June 30, 2020

PROJECT TITLE	Budget June 30, 2019	Budget June 30, 2020	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2020
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Vent replacement - WMI	\$ 94,492	\$ 94,492	\$ 94,492	\$	\$ 94,492	\$	\$	\$	\$ 94,492	\$ 94,492	\$ -
Vent replacement - Coram	153,218	153,218	153,218		153,218				153,218	153,218	-
Vent replacement - HS	202,290	202,290	202,290		202,290				202,290	202,290	-
Districtwide security upgrade	450,000	450,000	437,460		437,460	12,540			450,000	450,000	12,540
JHS/HS Auditorium sound system	300,000	300,000	219,300	49,504	268,804	31,196			300,000	300,000	31,196
MS Masonry	450,000	450,000	389,493		389,493	60,507			450,000	450,000	60,507
Fire Alarms - CEW	225,000									-	-
Fire Alarms - Coram		111,897		99,236	99,236	12,661			111,897	111,897	12,661
Fire Alarms - Ridge	225,000									-	-
Fire Alarms - WMI		102,039		102,039	102,039				102,039	102,039	-
Fire Alarms - MS		236,064		147,935	147,935	88,129			236,064	236,064	88,129
Main Street Building	300,000	300,000	80,410		80,410	219,590			300,000	300,000	219,590
Communication - JHS	156,429	156,429	156,143		156,143	286			156,429	156,429	286
Communication - MS	75,362	75,362	75,122		75,122	240			75,362	75,362	240
Communication - CW Prim.	31,817	31,817	30,454		30,454	1,363			31,817	31,817	1,363
Communication - CW Inter.	47,099	47,099	46,257		46,257	842			47,099	47,099	842
Communication - Coram Prim.	26,111	26,111	20,020		20,020	6,091			26,111	26,111	6,091
Communication - Coram Inter.	22,695	22,695	20,793		20,793	1,902			22,695	22,695	1,902
Communication - Ridge Prim.	21,869	21,869	18,261		18,261	3,608			21,869	21,869	3,608
Communication - Ridge Inter.	23,985	23,985	19,034		19,034	4,951			23,985	23,985	4,951
Communication - WM Prim.	21,000	21,000	19,012		19,012	1,988			21,000	21,000	1,988
Communication - WM Inter.	23,633	23,633	18,493		18,493	5,140			23,633	23,633	5,140
Technology Center Repairs	450,000	450,000				450,000			450,000	450,000	450,000
HVAC		450,000				450,000			450,000	450,000	450,000
	3,300,000	3,750,000	2,000,252	398,714	2,398,966	1,351,034	-	-	3,750,000	3,750,000	1,351,034
CEW intermediate phase 2 E-2	135,626	132,939	132,939		132,939		132,939			132,939	-
CEW intermediate phase 3 E-3	128,708	128,708	128,708		128,708		128,708			128,708	-
WMI primary phase 2 K-2	114,063	114,063	113,853		113,853	210	114,063			114,063	210
Coram inter phase 2 G-2	119,077	119,077	119,077		119,077		119,077			119,077	-
Ridge inter phase 2 J-2	123,651	123,440	123,439		123,439	1	123,440			123,440	1
JHS phase 2 B-2	333,684	328,614	328,572		328,572	42	328,614			328,614	42
JHS phase 3 B-3	294,665	294,665	294,665		294,665		294,665			294,665	-
MHS phase 2 C-2	6,392,463	6,392,284	6,317,682	59,826	6,377,508	14,776	6,392,284			6,392,284	14,776
MHS phase 1 C-1	2,172,893	2,172,893	2,172,893		2,172,893		32,893		2,140,000	2,172,893	-
MHS phase 2 J-2	1,314,604	1,314,604	1,314,604		1,314,604		1,314,604			1,314,604	-
Ridge primary phase 2 H-2	115,893	114,823	114,823		114,823		114,823			114,823	-
Ridge primary phase 1 H-1	507,008	507,008	507,008		507,008		165,678		341,330	507,008	-
Coram primary phase 2 F-2	125,830	120,629	120,629		120,629		120,629			120,629	-
Coram primary phase 1 F-1	733,564	733,564	733,564		733,564		166,464		567,100	733,564	-
CEW primary phase 2 F-2	121,749	120,027	120,027		120,027		120,027			120,027	-
CEW primary phase 1 F-1	699,409	699,409	699,409		699,409		196,509		502,900	699,409	-
HS phase 1A	2,249,941	2,249,941	2,249,941		2,249,941		2,249,941			2,249,941	-
HS phase 1 A-2	5,970,791	5,987,446	5,884,076	85,352	5,969,428	18,018	5,987,446			5,987,446	18,018
WMI inter phase 2 L-2	131,798	131,798	131,798		131,798		131,798			131,798	-
WMI inter L1	688,059	688,059	688,059		688,059		198,920		489,139	688,059	-
Co-Gen	1,234,182	1,233,667	1,233,436		1,233,436	231	1,233,667			1,233,667	231
District-wide technology	3,572,809	3,572,809	3,572,809		3,572,809		3,572,809			3,572,809	-
	27,280,467	27,280,467	27,102,011	145,178	27,247,189	33,278	23,239,998	-	4,040,469	27,280,467	33,278

LONGWOOD CENTRAL SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources - Capital Projects Fund (Continued)
For The Year Ended June 30, 2020

PROJECT TITLE	Budget June 30, 2019	Budget June 30, 2020	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2020
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Smart Schools Bond Act	\$ 3,271,574	\$ 4,040,665	\$ 2,752,922	\$ 776,007	\$ 3,528,929	\$ 511,736	\$ -	\$ 4,040,665	\$ -	\$ 4,040,665	511,736
Demo Bus Office Phase 3	125,000	143,446	4,221	14,084	18,305	125,141	143,446			143,446	125,141
CEW Inter. Phase 2	1,000,000	602,380	187,879	96,559	284,438	317,942	602,380			602,380	317,942
WMI Prim. Phase 2	636,000	607,024	155,532	250,259	405,791	201,233	607,024			607,024	201,233
O&M Phase 2	270,616	248,145	227,518	19,466	246,984	1,161	248,145			248,145	1,161
Coram Inter. Phase 2	736,000	439,617	135,912	194,496	330,408	109,209	439,617			439,617	109,209
Ridge Inter. Phase 2	918,000	530,327	183,174	135,338	318,512	211,815	530,327			530,327	211,815
JHS Phase 1	5,752,971	3,758,139	3,633,746	114,372	3,748,118	10,021	3,758,139			3,758,139	10,021
MS Phase 4	1,997,000	2,268,953	134,850	998,271	1,133,121	1,135,832		2,268,953		2,268,953	1,135,832
Ridge Prim. Phase 2	597,000	452,552	201,149	21,488	222,637	229,915	452,552			452,552	229,915
Coram Prim. Phase 2	614,000	462,898	168,029	167,437	335,466	127,432	462,898			462,898	127,432
HS Phase 1	6,640,373	6,517,872	4,218,159	1,931,639	6,149,798	368,074	6,517,872			6,517,872	368,074
CEW Prim. Phase 2	891,040	860,474	480,490	222,607	703,097	157,377	860,474			860,474	157,377
WMI Inter. Phase 2	567,000	393,722	203,851	128,592	332,443	61,279	393,722			393,722	61,279
Demo CO East Phase 3	125,000	101,000	4,221	87,909	92,130	8,870	101,000			101,000	8,870
New Admin Building Phase 3	7,165,000	9,792,975	291,887	6,650,455	6,942,342	2,850,633	4,111,928	5,681,047		9,792,975	2,850,633
CEW Inter. Phase 3	169,875	188,022	5,301	11,484	16,785	171,237	188,022			188,022	171,237
CEW Prim. Phase 3	169,875	76,875	5,301	5,955	11,256	65,619	76,875			76,875	65,619
Coram Inter. Phase 3	169,875	120,381	5,301	7,290	12,591	107,790	120,381			120,381	107,790
Coram Prim. Phase 3	169,875	72,677	5,301	5,019	10,320	62,357	72,677			72,677	62,357
HS Phase 3	822,000	227,000	25,722	46,630	72,352	154,648	227,000			227,000	154,648
JHS Phase 3	514,000	172,200	16,137	7,518	23,655	148,545	172,200			172,200	148,545
MS Phase 3	395,000	186,515	12,366	7,068	19,434	167,081	186,515			186,515	167,081
Ridge Inter. Phase 3	169,875	94,893	5,301	6,570	11,871	83,022	94,893			94,893	83,022
Ridge Prim. Phase 3	169,875	89,490	5,301	5,633	10,934	78,556	89,490			89,490	78,556
WMI Inter. Phase 3	169,875	107,407	5,301	6,751	12,052	95,355	107,407			107,407	95,355
WMI Prim. Phase 3	169,875	76,875	5,301	5,201	10,502	66,373	76,875			76,875	66,373
HS Addition Phase 4	1,490,000	2,959,726	57,590	1,976,236	2,033,826	925,900	2,959,726			2,959,726	925,900
JHS Addition Phase 4	1,740,000	3,529,016	67,997	2,316,578	2,384,575	1,144,441	3,529,016			3,529,016	1,144,441
HS Reconstruction Phase 4	1,615,000	2,059,624	60,297	726,189	786,486	1,273,138	2,059,624			2,059,624	1,273,138
JHS Reconstruction Phase 4	3,170,000	1,999,775	118,241	556,270	674,511	1,325,264	1,999,775			1,999,775	1,325,264
	<u>39,140,000</u>	<u>39,140,000</u>	<u>10,631,376</u>	<u>16,723,364</u>	<u>27,354,740</u>	<u>11,785,260</u>	<u>31,190,000</u>	<u>-</u>	<u>7,950,000</u>	<u>39,140,000</u>	<u>11,785,260</u>
Copier systems		509,398		509,398	509,398				509,398	509,398	-
Totals	<u>\$ 72,992,041</u>	<u>\$ 74,720,530</u>	<u>\$ 42,486,561</u>	<u>\$ 18,552,661</u>	<u>\$ 61,039,222</u>	<u>\$ 13,681,308</u>	<u>\$ 54,429,998</u>	<u>\$ 4,040,665</u>	<u>\$ 16,249,867</u>	<u>\$ 74,720,530</u>	13,681,308
											Unissued debt (10,115,393)
											Smart Schools Bond Act revenue not yet recognized (511,735)
											(10,627,128)
											<u>\$ 3,054,180</u>

LONGWOOD CENTRAL SCHOOL DISTRICT
Schedule of Net Investment in Capital Assets
June 30, 2020

Capital assets, net	<u>\$ 207,843,145</u>
Deduct:	
Short-term portion of bonds payable	5,715,000
Long-term portion of bonds payable	46,625,000
Short-term portion of installment debt payable	104,327
Long-term portion of installment debt payable	<u>300,744</u>
	<u>52,745,071</u>
Net Investment in Capital Assets	<u><u>\$ 155,098,074</u></u>

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

To the Board of Education
Longwood Central School District
Middle Island, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Longwood Central School District (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 15, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Longwood Central 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cullen & Danowski, LLP

October 15, 2020

