



SAYVILLE UNION FREE SCHOOL DISTRICT

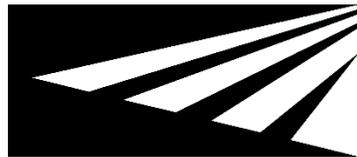
**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

IN CONNECTION WITH THE UNIFORM GUIDANCE

AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

**SAYVILLE UNION FREE SCHOOL DISTRICT
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Sayville Union Free School District
Sayville, 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 Sayville Union Free School District (the "District"), as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3-13 and 50-55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information, as listed in the table of contents, 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information requested by the New York State Education Department and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2020, on our consideration of the 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 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 District's internal control over financial reporting and compliance.

Melville, New York
October 8, 2020

Nawrocki Smith LLP

**SAYVILLE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

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

FINANCIAL HIGHLIGHTS

- As of June 30, 2020, the District's fund level financial statements report a combined ending fund balance of \$32,785,148, which is a decrease from the prior year of \$3,449,188 is primarily due to the District's expenditures relating to ongoing capital projects.
- On the District-wide financial statements, the liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows of resources at the close of its most recent fiscal year by \$111,204,608. The District's total net position decreased by \$4,716,449 for the year ended June 30, 2020. The unrestricted portion of net position as of June 30, 2020 was a deficit of \$163,040,300, as a result of the effect of the continued recognition of the District's total other post-employment benefits liability under the provisions of GASB Statement No. 75.
- Principal paid down on outstanding serial bond debt amounted to \$2,885,000.
- The District continued to offer all programs, without reducing services.
- The District's residents authorized the proposed 2020-21 budget in the amount of \$96,208,308 in accordance with the New York State Tax Levy Limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two financial statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining financial statements are *fund financial statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-wide financial statements.
- The *governmental fund financial statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund financial statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required and other supplementary information that further explains and supports the financial statements including a comparison of the District's General Fund budget and actual results for the year.

**SAYVILLE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Table A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the financial statements.

Table A-1: Major Features of the District-wide and Fund Financial Statements			
	District-wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activity monies
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**SAYVILLE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

District-wide Financial Statements

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

The two District-wide financial statements report the District's *net position* and how it has changed. Net position, the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are shown as *governmental activities*. Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and State formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

- **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the fund financial statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, reconciliations of the District-wide and fund financial statements are provided which explain the relationship (or differences) between them.
- **Fiduciary funds:** The District is the trustee or fiduciary, for assets that belong to others, such as the scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**SAYVILLE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position decreased by 4.4% from the year before to a net deficit position balance of \$111,204,608 as detailed in Tables A-2 and A-3.

The restricted net position balance of \$22,480,698 represents assets that are restricted by external sources, imposed by laws through constitutional provisions or enabling legislation.

As of June 30, 2020, the District has an unrestricted net deficit of \$163,040,300. This deficit is driven by the District's recognition of the total other post-employment benefit ("OPEB") liability of \$167,981,697 as required by GASB Statement No. 75.

Table A-2: Condensed Statements of Net Position - Governmental Activities

	<u>6/30/20</u>	<u>6/30/19</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$ 43,114,072	\$ 46,170,314	\$ (3,056,242)	(6.6)
Capital assets, net	<u>66,508,147</u>	<u>61,605,736</u>	<u>4,902,411</u>	8.0
Total assets	<u>109,622,219</u>	<u>107,776,050</u>	<u>1,846,169</u>	1.7
Deferred outflows of resources	<u>29,638,362</u>	<u>22,418,269</u>	<u>7,220,093</u>	32.2
Current liabilities	8,904,150	9,933,110	(1,028,960)	(10.4)
Long-term liabilities	<u>218,195,382</u>	<u>209,775,801</u>	<u>8,419,581</u>	4.0
Total liabilities	<u>227,099,532</u>	<u>219,708,911</u>	<u>7,390,621</u>	3.4
Deferred inflows of resources	<u>23,365,657</u>	<u>16,973,567</u>	<u>6,392,090</u>	37.7
Net position:				
Net investment in capital assets	29,354,994	20,876,381	8,478,613	40.6
Restricted	22,480,698	20,523,974	1,956,724	9.5
Unrestricted (deficit)	<u>(163,040,300)</u>	<u>(147,888,514)</u>	<u>(15,151,786)</u>	(10.2)
Total net position (deficit)	<u>\$ (111,204,608)</u>	<u>\$ (106,488,159)</u>	<u>\$ (4,716,449)</u>	(4.4)

As of June 30, 2020, the District had positive working capital of \$6,060,301 as compared to \$5,759,113 as of June 30, 2019. The increase is primarily due to a decrease in amounts due to teachers' retirement system and employees' retirement system.

As of June 30, 2020, the District had an investment in capital assets of \$66,508,147 as compared to \$61,605,736 as of June 30, 2019. The increase is due to the current year outlay for ongoing capital projects exceeding depreciation charges and asset disposals.

Long-term liabilities increased \$8,419,581 primarily due to the net change in the total OPEB liability offset by current year principal payments.

**SAYVILLE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Changes in Net Position

The District's fiscal year 2020 revenues totaled \$93,292,086 (See Table A-3). Property and other taxes and State sources accounted for most of the District's revenues (92.6%) (See Table A-4). The remainder came from charges for services, operating grants, capital grants, sale of property and compensation for loss, miscellaneous sources, use of money and property and federal sources.

Revenues increased 0.6% or \$549,052, primarily as a direct result of an increase in real property taxes of \$2,169,839 (based on changes in assessed valuation and base allocations of real property), as well as, decrease in interest income earned on investments and refunds of prior year expenditures.

The District's fiscal year 2020 expenses totaled \$98,008,535 (See Table A-3). These expenses (94.9%) are predominantly related to instruction and general support (See Table A-6).

	<u>6/30/20</u>	<u>6/30/19</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Program revenues:				
Charges for services	\$ 1,360,294	\$ 1,486,641	\$ (126,347)	(8.5)
Operating grants	1,887,093	1,772,268	114,825	6.5
Capital grants	826,173	-	826,173	100.0
General revenues:				
Real property taxes	54,682,447	52,512,608	2,169,839	4.1
Other real property tax items	5,644,701	6,588,100	(943,399)	(14.3)
Use of money and property	2,118,444	2,511,326	(392,882)	(15.6)
Sale of property and compensation for loss	42,065	16,103	25,962	161.2
State sources	26,092,282	26,577,027	(484,745)	(1.8)
Federal sources	300,801	249,060	51,741	20.8
Miscellaneous	337,786	1,029,901	(692,115)	(67.2)
Total revenues	<u>93,292,086</u>	<u>92,743,034</u>	<u>549,052</u>	0.6
Expenses				
General support	14,593,745	14,740,626	(146,881)	(1.0)
Instruction	78,382,499	74,791,002	3,591,497	4.8
Pupil transportation	2,861,237	3,765,269	(904,032)	(24.0)
Community services	101,491	134,549	(33,058)	(24.6)
Debt service - interest	1,218,240	1,189,267	28,973	2.4
School lunch program	851,323	1,068,809	(217,486)	(20.3)
Total expenses	<u>98,008,535</u>	<u>95,689,522</u>	<u>2,319,013</u>	2.4
Change in net position	(4,716,449)	(2,946,488)	(1,769,961)	(60.1)
Net position (deficit), beginning of year	<u>(106,488,159)</u>	<u>(103,541,671)</u>	<u>(2,946,488)</u>	(2.8)
Net position (deficit), end of year	<u>\$ (111,204,608)</u>	<u>\$ (106,488,159)</u>	<u>\$ (4,716,449)</u>	(4.4)

**SAYVILLE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Table A-4: Sources of Revenues for Fiscal Year 2020

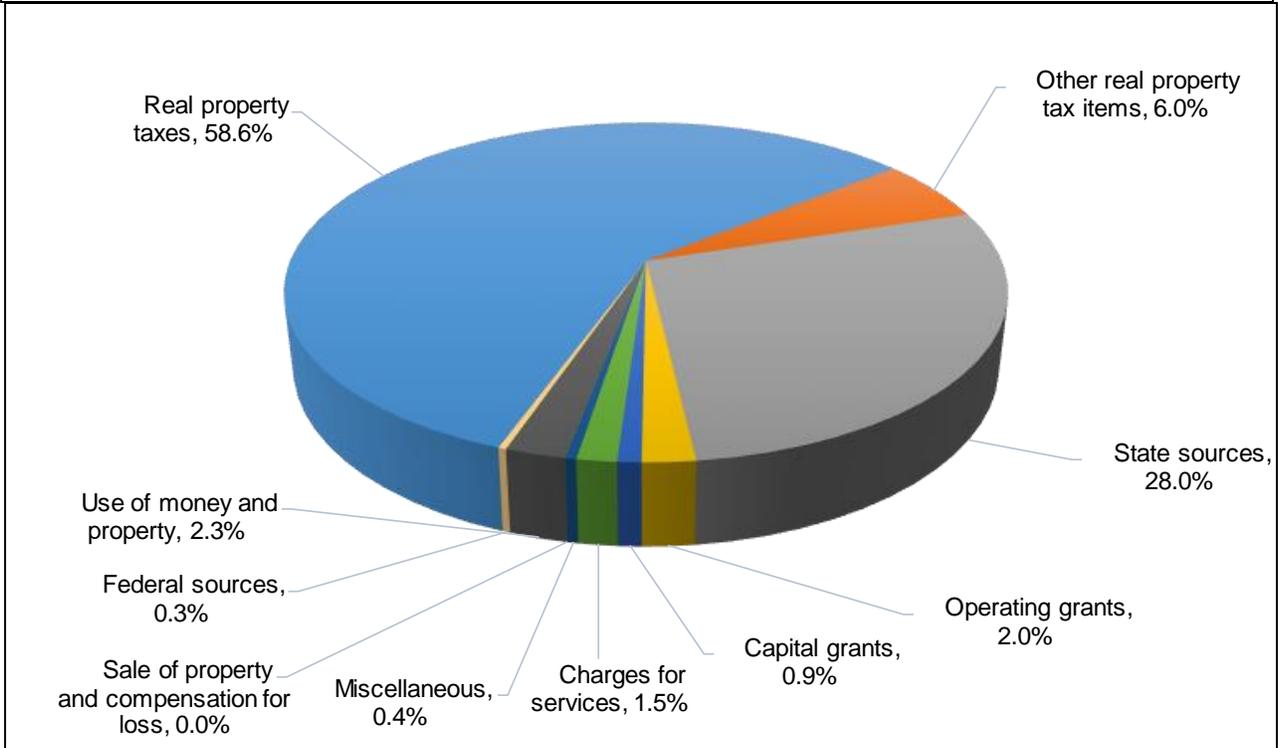
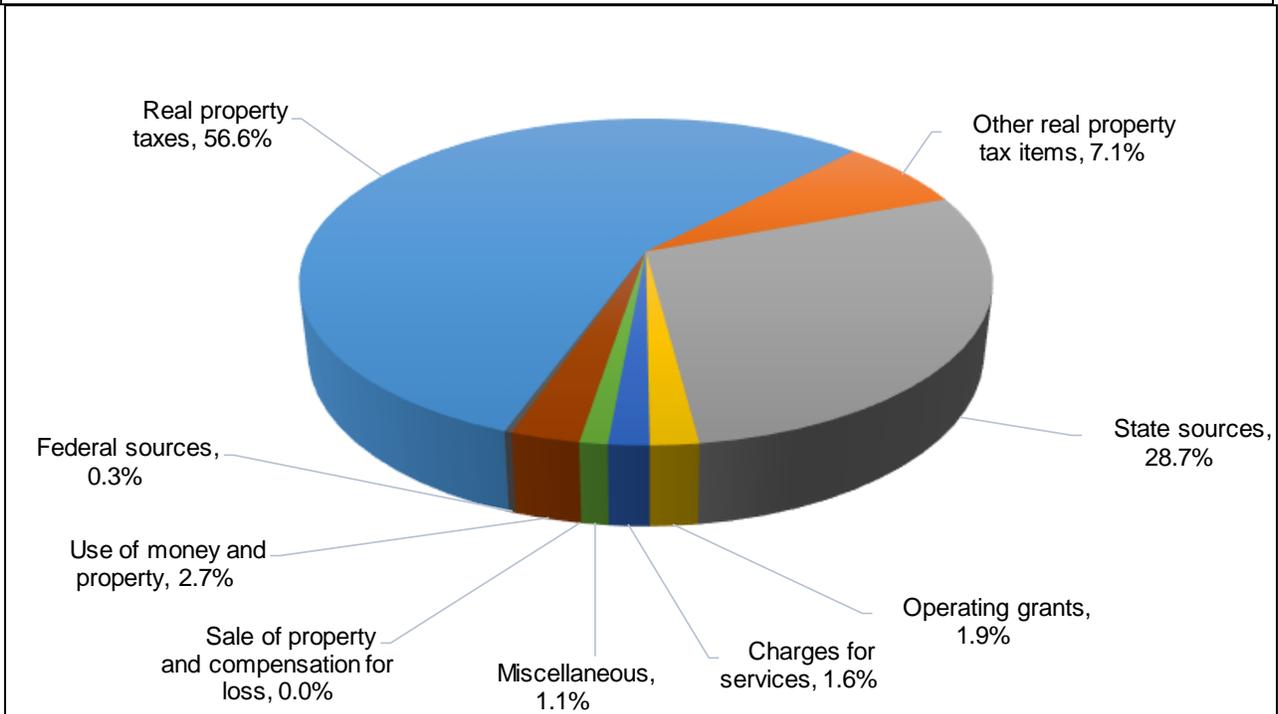


Table A-5: Sources of Revenues for Fiscal Year 2019



**SAYVILLE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Table A-6: Expenses for Fiscal Year 2020

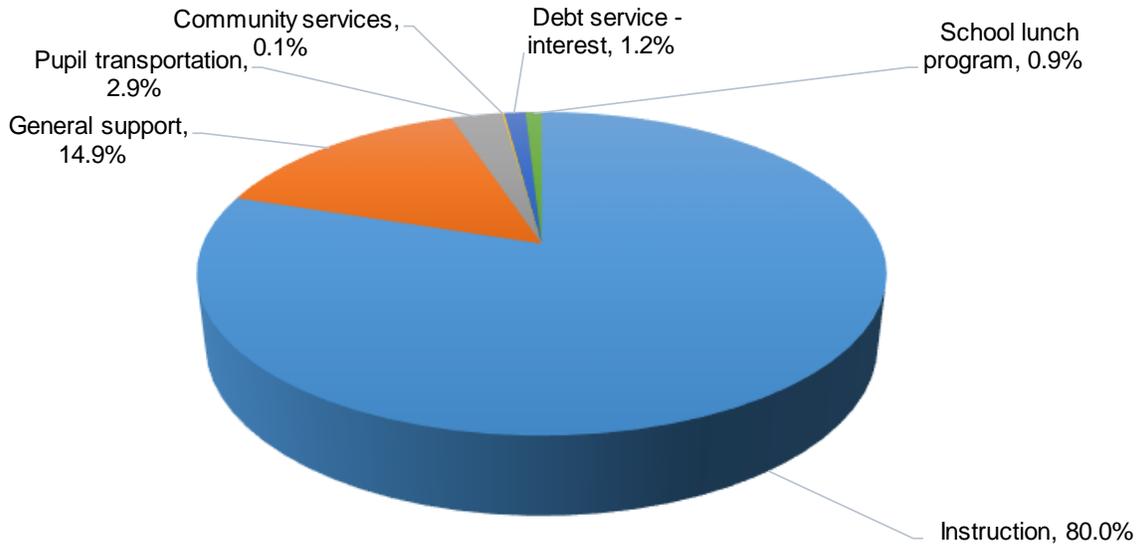
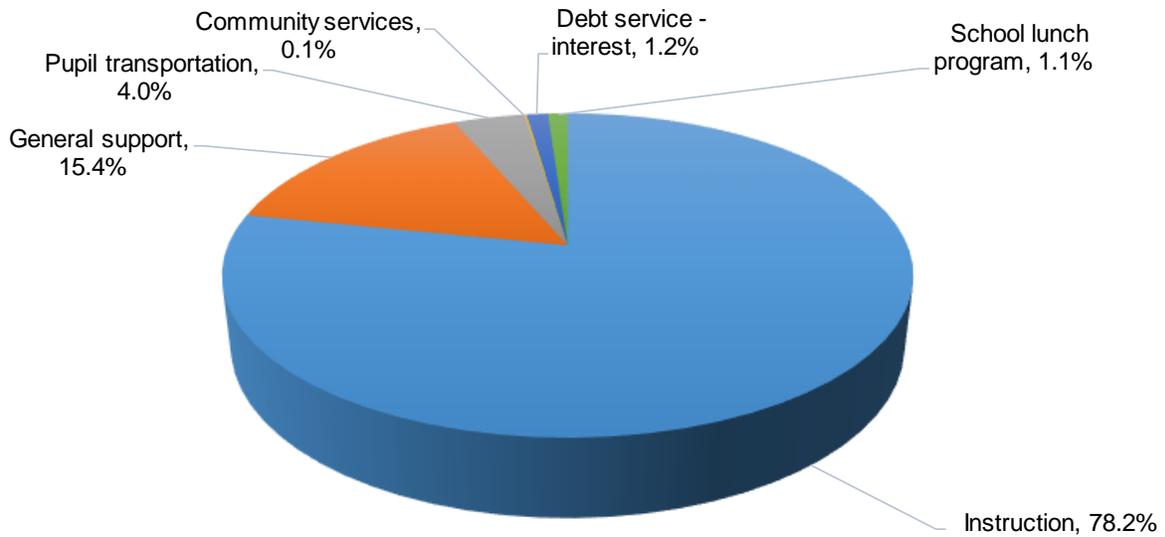


Table A-7: Expenses for Fiscal Year 2019



**SAYVILLE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Governmental Activities

Revenues for the District's governmental activities totaled \$93,292,086 while total expenses equaled \$98,008,535. The overall sound financial condition of the District, as a whole, can be credited to:

- Continued leadership of the District's Board and Administration;
- The Community's continued approval and support of the District's annual budgets;
- Long-range fiscal strategies that have effectively utilized the District's available resources to provide for fiscal stability and tax rate stabilization;
- Favorable debt costs due to a high Moody's Investors Service rating;
- Continued funding of reserves to stabilize the impact of cost increases; and
- Strategic use of services from the Eastern Suffolk BOCES and other cooperative bidding alternatives.

The major changes in revenues and expenses are as follows:

Revenues:

- Real property taxes increased by \$2,169,839. This increase was within the tax cap and reflects a modest tax increase to residents that allows for the continued stabilization of the District's comprehensive educational program opportunities.
- Miscellaneous sources decreased by \$692,115. This decrease is primarily due to refunds of prior year expenditures.
- Capital grants increase by \$826,173. This increase is primarily due to Smart Bond grant.

Expenses:

- Instruction related expenses increased by \$3,591,497 primarily due to increases related to other post-employment benefits and pension costs.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the District-wide financial statements. The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

**SAYVILLE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

As of June 30, 2020, the District's combined governmental funds reported a total fund balance of \$32,785,148 which is a decrease of \$3,449,188 from the prior year. This decrease is due primarily to capital outlay expenditures.

Fund balances for the District's governmental funds for the past two years were distributed as follows:

Table A-8: Fund Balances - Governmental Funds				
	<u>6/30/20</u>	<u>6/30/19</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund				
Restricted:				
Retirement Contributions	\$ 9,709,047	\$ 8,952,244	\$ 756,803	8.5
Workers' Compensation	1,789,349	1,832,828	(43,479)	(2.4)
Unemployment Insurance	1,596,083	701,195	894,888	127.6
Employee Benefit Accrued Liability	8,474,652	7,860,339	614,313	7.8
Bonded Debt	682,767	773,568	(90,801)	(11.7)
Tax Reduction	228,800	403,800	(175,000)	(43.3)
Assigned:				
Appropriated for subsequent year's expenditures	2,882,549	2,706,549	176,000	6.5
Encumbrances	2,246,504	897,244	1,349,260	150.4
Unassigned	<u>3,863,372</u>	<u>3,626,011</u>	<u>237,361</u>	6.5
Total General Fund	<u>31,473,123</u>	<u>27,753,778</u>	<u>3,719,345</u>	13.4
School Lunch Fund				
Nonspendable:				
Inventory	49,234	20,210	29,024	143.6
Assigned:				
Food Service Program	<u>119,381</u>	<u>243,805</u>	<u>(124,424)</u>	(51.0)
Total School Lunch Fund	<u>168,615</u>	<u>264,015</u>	<u>(95,400)</u>	(36.1)
Capital Projects Fund				
Assigned:				
District improvements	<u>1,143,410</u>	<u>8,216,543</u>	<u>(7,073,133)</u>	(86.1)
Total Capital Projects Fund	<u>1,143,410</u>	<u>8,216,543</u>	<u>(7,073,133)</u>	(86.1)
Total fund balance	<u>\$ 32,785,148</u>	<u>\$ 36,234,336</u>	<u>\$ (3,449,188)</u>	(9.5)

General Fund

The General Fund reported an increase in fund balance of \$3,719,345 for fiscal 2020, as compared to a increase of \$75,998 for fiscal 2019. Revenues decreased \$96,847 mainly as a result of an increase in the budgeted property tax levy offset by decreases in interest and earnings and State aid. Expenditures decreased \$3,751,244 primarily as a result of COVID-19. As a result of revenues being greater than expenditures, the District reported an increase in the change in fund balance. Compared to projected performance, the District performed better than expected.

**SAYVILLE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

General Fund Budgetary Highlights

The District's General Fund original budget for the year ended June 30, 2020 was \$94,353,656. This amount was increased by encumbrances carried forward from the prior year in the amount of \$897,244 and State aid totaling \$50,000 to establish the final budget of \$95,300,900.

At June 30, 2020, the District's unassigned fund balance was \$3,863,372 which exceeded the allowable 4% of the subsequent year's original budget \$96,208,308 as promulgated by New York State (see page 56). The following is a reconciliation of the General Fund's unassigned fund balance for the year ended June 30, 2020:

Unassigned fund balance, beginning of year	\$ 3,626,011
Add:	
Prior-year encumbrances	897,244
Prior-year appropriated fund balance	2,706,549
Board approved use of Retirement Contributions Reserve	1,241,700
Board approved use of Workers' Compensation Reserve	293,479
Board approved use of Unemployment Reserve	5,112
Board approved use of Bonded Debt Reserve	93,078
Board approved use of Tax Reduction Reserve	175,000
Board approved use of Employee Benefit Accrued Liability Reserve	236,758
Less:	
Current-year encumbrances	(2,246,504)
Current-year appropriated fund balance	(2,882,549)
Transfer and interest allocated to Retirement Contribution Reserves	(1,998,503)
Transfer to Workers' Compensation Reserve	(250,000)
Transfer to Unemployment Reserve	(900,000)
Interest allocated to Bonded Debt Reserves	(2,277)
Transfer and interest allocated to Employee Benefit Accrued Liability Reserve	(851,071)
Net change in fund balance	3,719,345
Unassigned fund balance, end of year	\$ 3,863,372

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2020, the District had invested \$66,508,147 net of depreciation, in a broad range of capital assets, including land, school buildings, buildings and improvements, construction-in-progress, furniture, machinery, equipment and vehicles.

	<u>6/30/20</u>	<u>6/30/19</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 303,740	\$ 303,740	\$ -	-
Construction-in-progress	8,553,883	6,986,177	1,567,706	22.4
Buildings and building improvements	51,092,059	48,802,856	2,289,203	4.7
Machinery and equipment	2,232,727	1,571,774	660,953	42.1
Vehicles	203,346	188,738	14,608	7.7
Site improvements	4,122,392	3,752,451	369,941	9.9
Totals	\$ 66,508,147	\$ 61,605,736	\$ 4,902,411	8.0

**SAYVILLE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Long-Term Liabilities

At year-end, the District had \$214,067,882 in general obligation bonds and other long-term liabilities.

	<u>6/30/20</u>	<u>6/30/19</u>	<u>\$ Change</u>	<u>% Change</u>
Bonds payable, net	\$ 27,747,578	\$ 30,919,878	\$ (3,172,300)	(10.3)
Installment purchase debt payable	9,863,956	10,369,316	(505,360)	(4.9)
Other post-employment benefits	167,981,697	162,001,992	5,979,705	3.7
Compensated absences	<u>8,474,651</u>	<u>8,133,449</u>	<u>341,202</u>	4.2
Totals	<u>\$ 214,067,882</u>	<u>\$ 211,424,635</u>	<u>\$ 2,643,247</u>	1.3

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial status in the future:

- In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. The extent of the impact of COVID-19 on the District's operations and financial performance, and cash flow needs will depend on certain developments, including the duration and spread of the outbreak, impact on funding sources, employees and vendors, all of which are uncertain and cannot be predicted as of the date of these financial statements.
- New York State imposed a maximum tax levy increase of the lesser of 2% or the CPI for the fiscal year 2020-2021 budget, subject to certain exclusions. Based on the value of obligatory contractual increases and continued increases in the State's unfunded mandates, it is expected that reductions may be necessary. The District will continue to consolidate services to maintain its high standards. If the downward economic trend continues, and State mandates and legal requirements continue to escalate, there will be an inevitable negative impact on District programs.
- The General Fund budget for the 2020-2021 school year was approved by the voters in the amount of \$96,208,308. This is an increase of 1.97% over the previous year's budget.
- The 2020-2021 budget is impacted by certain trends affecting school districts. These include increases in health insurance costs, retirement costs, workers' compensation judgments, COVID-19 related expenditures and potential unemployment insurance claims, which are beyond the District's control.
- Continued fiscal burden for local school districts to fund additional Federal, State, and local unfunded mandates.
- The New York State Division of Budget has announced that 20% of most local aid payments will be withheld beginning in August 2020, and these withholdings may be converted to permanent reductions depending on the size and timing of new federal aid.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Sayville Union Free School District
Mr. John J. Belmonte
Assistant Superintendent for Business
99 Greeley Avenue
Sayville, New York 11782

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

ASSETS	
Unrestricted cash	\$ 11,225,250
Receivables:	
State and federal aid	3,582,010
Due from fiduciary funds	585
Other	107,372
Inventories	49,234
Restricted cash	22,683,993
Proportionate share of net pension asset	5,465,628
Capital assets:	
Non-depreciable	8,857,623
Depreciable, net of accumulated depreciation of \$69,012,490	57,650,524
Total assets	109,622,219
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on bond refunding	458,381
Deferred outflows from pensions	23,100,948
Deferred outflows from OPEB	6,079,033
Total deferred outflows of resources	29,638,362
LIABILITIES	
Accounts payable	723,356
Accrued liabilities	150,614
Accrued interest payable	128,780
Due to teachers' retirement system	3,303,346
Due to employees' retirement system	370,207
Unearned revenue	79,016
Long-term liabilities, due within one year:	
Bonds payable, net	3,026,243
Energy performance contract payable	885,831
Compensated absences	236,757
Long-term liabilities, due after one year:	
Bonds payable, net	24,721,335
Energy performance contract payable	8,978,125
Compensated absences	8,474,651
Proportionate share of net pension liability	8,039,574
Other postemployment benefits obligation	167,981,697
Total liabilities	227,099,532
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pensions	7,840,080
Deferred inflows from OPEB	15,525,577
Total deferred inflows of resources	23,365,657
NET POSITION	
Net investment in capital assets	29,354,994
Restricted:	
Retirement Contributions	9,709,047
Workers' Compensation	1,789,349
Unemployment Insurance	1,596,083
Employee Benefit Accrued Liability	8,474,652
Bonded debt	682,767
Tax reduction	228,800
Unrestricted (deficit)	(163,040,300)
Total net position (deficit)	\$ (111,204,608)

The accompanying notes to financial statements are an
integral part of this statement.

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

	Expenses	Program Revenues		Capital Grants	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants		
Functions and programs:					
General support	\$ 14,593,745	\$ -	\$ -	\$ -	\$ (14,593,745)
Instruction	78,382,499	802,249	1,704,414	826,173	(75,049,663)
Pupil transportation	2,861,237	-	-	-	(2,861,237)
Community services	101,491	-	-	-	(101,491)
Debt service - interest	1,218,240	-	-	-	(1,218,240)
School lunch program	851,323	558,045	182,679	-	(110,599)
Total functions and programs	<u>\$ 98,008,535</u>	<u>\$ 1,360,294</u>	<u>\$ 1,887,093</u>	<u>\$ 826,173</u>	<u>(93,934,975)</u>
General revenues:					
Real property taxes					54,682,447
Other tax items					5,644,701
Use of money and property					2,118,444
Sale of property and compensation for loss					42,065
State sources					26,092,282
Federal sources					300,801
Miscellaneous					337,786
Total general revenues					<u>89,218,526</u>
Change in net position					(4,716,449)
Total net position, beginning of year					<u>(106,488,159)</u>
Total net position, end of year					<u>\$ (111,204,608)</u>

The accompanying notes to financial statements are an integral part of this statement.

**SAYVILLE UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020**

	Major Funds				Total Governmental Funds
	General	Special Revenue Funds			
		Special Aid	School Lunch	Capital Projects	
ASSETS					
Unrestricted cash	\$ 10,093,697	\$ 260,116	\$ 176,186	\$ 695,251	\$ 11,225,250
Receivables:					
State and federal aid	971,657	1,710,101	2,559	897,693	3,582,010
Due from other funds	2,219,425	-	-	-	2,219,425
Due from fiduciary funds	585	-	-	-	585
Other	107,372	-	-	-	107,372
Inventories	-	-	49,234	-	49,234
Restricted cash	22,521,178	-	-	162,815	22,683,993
Total assets	\$ 35,913,914	\$ 1,970,217	\$ 227,979	\$ 1,755,759	\$ 39,867,869
LIABILITIES					
Payables:					
Accounts payable	\$ 363,740	\$ 181,982	\$ 158	\$ 177,476	\$ 723,356
Accrued liabilities	145,591	3,683	1,340	-	150,614
Due to other funds	-	1,784,552	-	434,873	2,219,425
Due to teachers' retirement system	3,303,346	-	-	-	3,303,346
Due to employees' retirement system	370,207	-	-	-	370,207
Compensated absences	236,757	-	-	-	236,757
Unearned revenues	21,150	-	57,866	-	79,016
Total liabilities	4,440,791	1,970,217	59,364	612,349	7,082,721
FUND BALANCE					
Nonspendable	-	-	49,234	-	49,234
Restricted	22,480,698	-	-	-	22,480,698
Assigned	5,129,053	-	119,381	1,143,410	6,391,844
Unassigned	3,863,372	-	-	-	3,863,372
Total fund balance	31,473,123	-	168,615	1,143,410	32,785,148
Total liabilities and fund balance	\$ 35,913,914	\$ 1,970,217	\$ 227,979	\$ 1,755,759	\$ 39,867,869

The accompanying notes to financial statements are an
integral part of this statement.

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

Total Fund Balance - Governmental Funds \$ 32,785,148

Amounts reported for governmental activities in the Statement of Net Position are different due to the following:

Capital assets less accumulated depreciation are included in the Statement of Net Position:

Capital assets:

Non-depreciable	\$ 8,857,623	
Depreciable	126,663,014	
Accumulated depreciation	<u>(69,012,490)</u>	66,508,147

Deferred charges on advance refunding of bonds are not reported on the Balance Sheet, but are reflected on the Statement of Net Position and amortized over the life of the related bonds. 458,381

Proportionate share of long-term asset and liability, and deferred outflows and inflows of resources associated with participation in the State retirement systems are not current financial resources or obligations and are not reported in the governmental funds:

Deferred outflows of resources - pension related	23,100,948	
Proportionate share of net pension asset	5,465,628	
Proportionate share of net pension liability	(8,039,574)	
Deferred inflows of resources - pension related	<u>(7,840,080)</u>	12,686,922

Long-term liability, deferred outflows and deferred inflows of resources associated with OPEB and are not current financial resources or obligations and are not reported in the governmental funds:

Deferred inflows of resources - OPEB related	(15,525,577)	
Deferred outflows of resources - OPEB related	6,079,033	
Total OPEB liability	<u>(167,981,697)</u>	(177,428,241)

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position:

Bonds payable, net	(27,747,578)	
Installment purchase debt payable	(9,863,956)	
Compensated absences payable	<u>(8,474,651)</u>	(46,086,185)

Interest payable applicable to the District's activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position. (128,780)

Net Position - Governmental Activities \$ (111,204,608)

The accompanying notes to financial statements are an integral part of this statement.

SAYVILLE UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Major Funds				Total Governmental Funds
	General	Special Revenue Funds			
		Special Aid	School Lunch	Capital Projects	
REVENUES					
Real property taxes	\$ 54,682,447	\$ -	\$ -	\$ -	\$ 54,682,447
Other real property tax items	5,644,701	-	-	-	5,644,701
Charges for services	802,249	-	-	-	802,249
Use of money and property	2,114,808	-	3,636	-	2,118,444
Sale of property and compensation for loss	42,065	-	-	-	42,065
State sources	26,092,282	699,045	8,114	826,173	27,625,614
Federal sources	311,601	994,569	174,565	-	1,480,735
Sales	-	-	558,045	-	558,045
Miscellaneous	289,298	-	7,523	-	296,821
Total revenues	89,979,451	1,693,614	751,883	826,173	93,251,121
EXPENDITURES					
Current -					
General support	10,472,785	-	-	-	10,472,785
Instruction	47,495,282	1,627,627	-	-	49,122,909
Pupil transportation	2,667,159	147,827	-	-	2,814,986
Community services	63,912	-	-	-	63,912
Employee benefits	19,876,454	55,677	75,875	-	20,008,006
Cost of sales	-	-	771,408	-	771,408
Capital outlay	-	-	-	8,699,306	8,699,306
Debt service -					
Principal	3,390,360	-	-	-	3,390,360
Interest	1,356,637	-	-	-	1,356,637
Total expenditures	85,322,589	1,831,131	847,283	8,699,306	96,700,309
Excess (deficiency) of revenues over (under) expenditures	4,656,862	(137,517)	(95,400)	(7,873,133)	(3,449,188)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	137,517	-	800,000	937,517
Transfers out	(937,517)	-	-	-	(937,517)
Total other financing sources (uses)	(937,517)	137,517	-	800,000	-
Change in fund balance	3,719,345	-	(95,400)	(7,073,133)	(3,449,188)
Fund balance, beginning of year	27,753,778	-	264,015	8,216,543	36,234,336
Fund balance, end of year	<u>\$ 31,473,123</u>	<u>\$ -</u>	<u>\$ 168,615</u>	<u>\$ 1,143,410</u>	<u>\$ 32,785,148</u>

The accompanying notes to financial statements are an integral part of this statement.

**SAYVILLE UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balance - Governmental Funds		\$ (3,449,188)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeds depreciation in the current period is:</p>		
Capital outlay, net	\$ 8,901,709	
Depreciation expense	<u>(3,999,298)</u>	4,902,411
<p>Amortization of bond premiums and deferred charges on bond refundings do not affect the governmental funds, but are recorded in the Statement of Activities.</p>		
Amortization of bond premiums	287,300	
Amortization of deferred charges	<u>(101,458)</u>	185,842
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.</p>		
Repayment of bond principal	2,885,000	
Repayment of installment purchase debt payable	<u>505,360</u>	3,390,360
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Compensated absences payable	(667,789)	
Accrued interest costs	<u>(47,445)</u>	(715,234)
<p>Changes in the total OPEB liability and deferred inflows of resources and deferred outflows of resources reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues in the governmental funds.</p>		
Total OPEB liability	(5,979,705)	
Deferred inflows of resources from OPEB	(4,134,963)	
Deferred outflows of resources from OPEB	<u>6,079,033</u>	(4,035,635)
<p>Changes in the proportionate share of the collective pension expense of the State retirement plans reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.</p>		
Proportionate share of net pension asset	1,703,765	
Deferred outflows of resources from pensions	1,242,518	
Proportionate share of net pension liability	(5,684,161)	
Deferred inflows of resources from pensions	<u>(2,257,127)</u>	(4,995,005)
Change in Net Position - Governmental Activities		<u>\$ (4,716,449)</u>

The accompanying notes to financial statements are an integral part of this statement.

SAYVILLE UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2020

	Scholarship Trusts	Agency Funds
ASSETS		
Restricted cash	\$ 668,424	\$ 607,739
Total assets	\$ 668,424	\$ 607,739
LIABILITIES		
Extraclassroom activity balances	\$ -	\$ 219,200
Other liabilities	-	387,939
Due to governmental funds	-	585
Accounts payable	-	15
Total liabilities	-	\$ 607,739
NET POSITION		
Restricted:		
Scholarships	668,424	
Total net position	668,424	
Total liabilities and net position	\$ 668,424	

The accompanying notes to financial statements are an
integral part of this statement.

**SAYVILLE UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Scholarship Trusts</u>
ADDITIONS	
Contributions	\$ 61,819
Investment earnings:	
Interest	<u>7,278</u>
Total additions	<u>69,097</u>
DEDUCTIONS	
Scholarships and awards	<u>33,094</u>
Total deductions	<u>33,094</u>
Change in net position	36,003
Net position, beginning of year	<u>632,421</u>
Net position, end of year	<u>\$ 668,424</u>

The accompanying notes to financial statements are an
integral part of this statement.

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sayville Union Free School District (the "District") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board ("GASB"), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are described below:

A. Reporting entity

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of five 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 reporting entity of the District is based upon 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 such criteria the District has determined there are no component units to be included within their reporting entity.

B. Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found elsewhere in this report. The District accounts for assets held as an agent for various student organizations in an agency fund.

C. Joint venture

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

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

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

During the year, the District was billed \$2,334,907 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$1,284,775.

Financial statements for the BOCES are available from the BOCES administrative office.

D. Basis of presentation

1. District-wide financial statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These financial statements include the financial activities of the overall government in its entirety, except those that are fiduciary.

Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid (sources), intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

2. Fund financial statements

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

The District reports the following major governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:

Special Aid Fund: Used to account for proceeds received from State and federal grants that are restricted for educational programs.

School Lunch Fund: Used to account for child nutrition activities whose funds are restricted as to use.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of District facilities.

The District reports the following fiduciary funds:

Fiduciary Funds: Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used.

There are two classes of fiduciary funds:

Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefit 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.

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.

E. Measurement focus and basis of accounting

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

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

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 property taxes, State aid, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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

F. Property taxes

Real property taxes are levied annually by the Board of Education no later than November 1st, and become a lien on December 1st. Taxes are collected by the Town of Islip and remitted to the District. Uncollected real property taxes are subsequently enforced by Suffolk County.

G. Restricted resources

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

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 the transfer of expenditures and revenues to provide financing or other services.

Advances to/from other funds represent loans to other funds which are not expected to be repaid within the subsequent year. The advances are offset by nonspendable fund balance in the fund financial statements, which indicates that the funds are not "available" for appropriation and are not expendable available financial resources.

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

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

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

Refer to Note 10 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, useful lives of long-lived assets, the proportionate share of net pension assets and liabilities, and the total OPEB liability.

J. Cash and cash equivalents

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

New York State law governs the District's investment policies. 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 United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies; obligations of the State and its municipalities and school districts and obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations (if permitted by the District's policy).

K. Accounts receivable

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

L. Inventories and prepaid items

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

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures.

M. Other assets/restricted assets

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the District-wide financial statements as their use is limited by applicable bond covenants.

In the District-wide financial statements, bond discounts and premiums, and any prepaid bond issuance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

N. Capital assets

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 1975. For assets acquired prior to June 30, 1975, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

Land and construction-in-progress are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and building improvements	\$ 1,000	Straight-line	15-50 years
Site improvements	\$ 1,000	Straight-line	20 years
Equipment and vehicles	\$ 1,000	Straight-line	5-20 years

O. Deferred outflows of resources

In addition to assets, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District may have four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is the District contributions to the pension systems (NYSTRS and NYSERS Systems) and OPEB subsequent to the measurement date.

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

The fourth item relates to OPEB reporting in the Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

P. Deferred inflows of resources

In addition to liabilities, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District may have two items that qualify for reporting in this category. The first item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability (NYSTRS and NYSERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB reported in the Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

Q. Unearned revenue

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

R. Vested employee benefits - compensated absences

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on last-in first-out (LIFO) basis.

Upon retirement, resignation or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with GASB Pronouncements, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

S. Other benefits

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

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure (see Note 11 for more information).

T. 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 RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

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

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

As of June 30, 2020, the District does not have any outstanding RAN's, TAN's, BAN's or deficiency notes.

U. Accrued liabilities and long-term obligations

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, other postemployment benefits payable and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

V. Equity classifications

District-wide financial statements

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

1. Net investment in capital assets: Consists of capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.
2. Restricted net position: 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.
3. Unrestricted net position: Reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

Fund financial statements

In the fund financial statements there are five classifications of fund balance:

1. Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$49,234.
2. Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Workers' Compensation

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

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Unemployment Insurance

According to General Municipal Law §6-m, must be 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 the tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund.

Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

Employee Benefit Accrued Liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

Tax Reduction

According to Education Law §1604, permits the District to retain the proceeds from the sale of school district real property that are not needed to pay any debts. The proceeds are used to reduce real property taxes over a period not to exceed ten years. It may be established and expended without voter approval. This reserve was established in the current year with the sale of a library building.

Bonded debt

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

3. Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2020.

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

4. Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint 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.
5. Unassigned - Includes all other General Fund fund balance that does not meet the definition of the above four classifications and is deemed to be available for general use by the District and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts have been restricted or assigned.

Fund balances for all governmental funds as of June 30, 2020 were distributed as follows:

	General	School Lunch	Capital Projects	Total Governmental Funds
Nonspendable:				
Inventory	\$ -	\$ 49,234	\$ -	\$ 49,234
Total nonspendable	-	49,234	-	49,234
Restricted:				
Retirement Contributions	9,709,047	-	-	9,709,047
Workers' Compensation	1,789,349	-	-	1,789,349
Unemployment Insurance	1,596,083	-	-	1,596,083
Employee Benefit Accrued Liability	8,474,652	-	-	8,474,652
Bonded Debt	682,767	-	-	682,767
Tax Reduction	228,800	-	-	228,800
Total restricted	22,480,698	-	-	22,480,698
Assigned:				
Appropriated for subsequent year's expenditures	2,882,549	-	-	2,882,549
Encumbrances	2,246,504	-	-	2,246,504
Capital Projects Fund	-	-	1,143,410	1,143,410
Food service program	-	119,381	-	119,381
Total assigned	5,129,053	119,381	1,143,410	6,391,844
Unassigned	3,863,372	-	-	3,863,372
Total	\$ 31,473,123	\$ 168,615	\$ 1,143,410	\$ 32,785,148

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the school district's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year, encumbrances and amounts reserved for insurance recoveries are also excluded from the 4% limitation.

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Order of use of fund balance

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as assigned fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

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

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

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

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

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of five broad categories. The categories are shown below:

1. Long-term revenue/expense differences

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

2. Capital related differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund financial 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 financial statements and depreciation expense on those items as recorded in the Statement of Activities.

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

3. Long-term debt transaction differences

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

4. Pension differences

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.

5. OPEB differences

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments are approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. During the year, there was a supplemental appropriation for other state aid totaling \$50,000.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. The General Fund is the only fund with a legally approved budget for the year ended June 30, 2020.

Budgets are established and used for the individual Capital Projects Fund expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Encumbrances

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

The portion of the District's fund balance subject to NYS Real Property Tax Law §1318 limit exceeded the amount allowable, which is 4% of the District's budget for the upcoming school year.

4. CASH AND CASH EQUIVALENTS - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, AND INTEREST RATE RISKS

The District's aggregate bank balances, including balances not covered by depository insurance at year-end, are collateralized as follows:

Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$ 38,269,298
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Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$22,683,993 within the governmental funds and \$1,276,163 in the fiduciary funds.

Investment and deposit policy

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, State and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Official of the District.

Interest rate risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts
- Certificates of deposit
- Obligations of the United States Treasury and United States agencies
- Obligations of New York State and its localities

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Custodial credit risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies
- Obligations issued or fully insured or guaranteed by New York State and its localities
- Obligations issued by other than New York State in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

5. RECEIVABLES

A. State and federal aid

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

General Fund:

Excess cost aid	\$ 382,708
BOCES aid	578,149
Other	10,800

Special Aid Fund:

State and federal grants	1,710,101
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School Lunch Fund:

School lunch reimbursement	2,559
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Capital Projects Fund:

State and federal grants	<u>897,693</u>
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\$ 3,582,010

District management has deemed the amounts to be fully collectible.

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

6. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 303,740	\$ -	\$ -	\$ 303,740
Construction-in-progress	6,986,177	6,998,322	(5,430,616)	8,553,883
Total nondepreciable assets	<u>7,289,917</u>	<u>6,998,322</u>	<u>(5,430,616)</u>	<u>8,857,623</u>
Capital assets that are depreciated:				
Buildings and building improvements	109,350,386	367,401	5,430,616	115,148,403
Machinery and equipment	4,579,131	891,217	(28,265)	5,442,083
Vehicles	797,618	65,950	(38,255)	825,313
Site improvements	4,668,396	578,819	-	5,247,215
Total depreciable assets	<u>119,395,531</u>	<u>1,903,387</u>	<u>5,364,096</u>	<u>126,663,014</u>
Less accumulated depreciation:				
Buildings and building improvements	60,547,530	3,508,814	-	64,056,344
Machinery and equipment	3,007,357	230,264	(28,265)	3,209,356
Vehicles	608,880	51,342	(38,255)	621,967
Site improvements	915,945	208,878	-	1,124,823
Total accumulated depreciation	<u>65,079,712</u>	<u>3,999,298</u>	<u>(66,520)</u>	<u>69,012,490</u>
Total capital assets, net	<u>\$ 61,605,736</u>	<u>\$ 4,902,411</u>	<u>\$ -</u>	<u>\$ 66,508,147</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 170,288
Instruction	3,824,970
School lunch	4,040
	<u>\$ 3,999,298</u>

7. SHORT-TERM DEBT

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
TAN matured on 6/25/20 at 2.00%	\$ -	\$ 15,500,000	\$ 15,500,000	\$ -

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Interest on short-term debt for the year was \$126,101.

8. LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable	\$ 28,580,000	\$ -	\$ 2,885,000	\$ 25,695,000	\$ 2,755,000
Bond premium	2,339,878	-	287,300	2,052,578	271,243
Bonds payable, net	30,919,878	-	3,172,300	27,747,578	3,026,243
Energy performance contract debt payable	10,369,316	-	505,360	9,863,956	885,831
Other post-employment benefits	162,001,992	18,754,633	12,774,928	167,981,697	-
Compensated absences	8,133,449	341,202	-	8,474,651	236,757
Total long-term liabilities	<u>\$ 211,424,635</u>	<u>\$ 19,095,835</u>	<u>\$ 16,452,588</u>	<u>\$ 214,067,882</u>	<u>\$ 4,148,831</u>

Additions and deletions to compensated absences are shown net since it is impracticable to determine these amounts separately. The General Fund is typically used to liquidate the liabilities above.

The following is a summary of the maturity of long-term indebtedness:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 6/30/2020
Serial bonds - refunding	2012	2021	4.00%	\$ 295,000
Serial bonds - refunding	2015	2025	3.00%	660,000
Serial bonds - refunding	2016	2028	4.00%	5,220,000
Serial bonds - refunding	2016	2029	4.00%	5,295,000
Serial bonds	2017	2032	2.00 - 3.00%	11,100,000
Serial bonds	2018	2033	3.00 - 3.25%	3,125,000
				<u>\$ 25,695,000</u>
Energy performance contract	2011	2026	3.24%	\$ 3,712,182
Energy performance contract	2019	2034	2.82%	6,151,774
				<u>\$ 9,863,956</u>

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

	Serial Bonds		Energy Performance Contracts		Total
	Principal	Interest	Principal	Interest	
<u>June 30,</u>					
2021	\$ 2,755,000	\$ 880,825	\$ 885,831	\$ 287,014	\$ 4,808,670
2022	2,460,000	782,875	913,212	259,632	4,415,719
2023	2,460,000	696,775	941,444	231,400	4,329,619
2024	2,455,000	610,675	970,553	202,291	4,238,519
2025	2,580,000	524,825	1,000,566	172,279	4,277,670
2026-2030	10,260,000	1,339,975	3,142,380	489,024	15,231,379
2031-2034	2,725,000	137,688	2,009,970	129,616	5,002,274
	<u>\$ 25,695,000</u>	<u>\$ 4,973,638</u>	<u>\$ 9,863,956</u>	<u>\$ 1,771,256</u>	<u>\$ 42,303,850</u>

Interest paid	\$ 1,230,536
Less interest accrued in the prior year	(81,335)
Plus amortization of deferred charges	101,458
Less amortization of bond premium	(287,300)
Plus interest accrued in the current year	<u>128,780</u>
Total interest expense	<u>\$ 1,092,139</u>

In the District-wide financial statements, the District is amortizing deferred charges on the advance refunding and a refunding bond premium relating to bond issuance as a component of interest expense on a weighted average basis as follows:

Fiscal Year Ending June 30,	Deferred Premium	Deferred Charge	Net Decrease in Interest Expense
2021	\$ 271,243	\$ (90,162)	\$ 181,081
2022	210,232	(47,249)	162,983
2023	210,232	(47,249)	162,983
2024	210,232	(47,249)	162,983
2025	210,232	(47,248)	162,984
2026 - 2030	851,383	(179,224)	672,159
2031 - 2033	89,021	-	89,021
Total	<u>\$ 2,052,575</u>	<u>\$ (458,381)</u>	<u>\$ 1,594,194</u>

9. PENSION PLANS

General information

The District participates in the New York State Teachers' Retirement System ("NYSTRS") and the New York State and Local Employees' Retirement System ("NYSERS"). These are cost-sharing, multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Provisions and administration

A 10-member Board of Trustees of the New York State Teachers' Retirement Board administers NYSTRS. NYSTRS 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 NYSTRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial Report, which can be found on the System's website at www.nystrs.org.

NYSERS provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. NYSRSSL governs obligations of employers and employees to contribute, and benefits to employees. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

Funding policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under NYSERS tier VI vary based on a sliding salary scale. For NYSTRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For NYSERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the NYSERS' fiscal year ended March 31.

The District share of the required contributions, based on covered payroll for the current year and two preceding years were equal to 100% of the contributions required. The contributions shown below are based upon the measurement date of the respective plans, and were as follows:

<u>Year</u>	<u>NYSERS</u>	<u>NYSTRS</u>
2020	\$ 1,450,037	\$ 3,134,970
2019	1,521,315	3,729,262
2018	1,562,552	3,320,920

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Pension assets, liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions

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

	<u>NYSERS</u>	<u>NYSTRS</u>
Measurement date	March 31, 2020	June 30, 2019
Net pension asset/(liability)	\$ (8,039,574)	\$ 5,465,628
District's portion of the Plan's total net pension asset/(liability)	0.03036%	0.21038%

For the year ended June 30, 2020, the District recognized pension expense of \$2,902,739 for NYSERS and \$6,746,877 for NYSTRS. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources - NYSERS</u>	<u>Deferred Outflows of Resources - NYSTRS</u>	<u>Deferred Inflows of Resources - NYSERS</u>	<u>Deferred Inflows of Resources - NYSTRS</u>
Difference between expected experience and actual experience	\$ 473,161	\$ 3,703,916	\$ -	\$ 406,435
Changes of assumptions	161,879	10,325,302	139,780	2,517,601
Net difference between projected and actual earnings on pension plan investments	4,121,476	-	-	4,383,151
Changes in proportion and differences between the District's contributions and proportionate share of contributions	468,700	172,961	169,613	223,500
Employer contributions subsequent to the measurement date	370,207	3,303,346	-	-
Total	<u>\$ 5,595,423</u>	<u>\$ 17,505,525</u>	<u>\$ 309,393</u>	<u>\$ 7,530,687</u>

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

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

<u>For the year ended June 30,:</u>	<u>NYSERS</u>	<u>NYSTRS</u>
2021	\$ 905,592	\$ 2,460,415
2022	1,255,454	144,589
2023	1,539,926	2,451,453
2024	1,214,851	1,635,631
2025	-	183,809
Thereafter	-	(204,405)

Actuarial assumptions

The total pension asset/(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 asset/(liability) to the measurement date. The actuarial valuations used the following actuarial assumptions:

	<u>NYSERS</u>	<u>NYSTRS</u>
Measurement date	March 31, 2020	June 30, 2019
Actuarial valuation date	April 1, 2019	June 30, 2018
Interest rate	6.80%	7.10%
Salary scale	4.20%	*Rates of increase differ based on service
Decrement tables	April 1, 2010 to March 31, 2015 System's Experience	July 1, 2009 to June 30, 2014 System's Experience
Inflation rate	2.50%	2.20%

*The salary scale used for NYSTRS changes based upon levels of service as defined below:

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

For NYSTRS, annuitant mortality rates are based on July 1, 2009 - June 30, 2014 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018. For NYSERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018.

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

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

The long-term 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 returns net of investment expense 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 each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	<u>NYSERS</u>		<u>NYSTRS</u>	
	<u>Target allocation</u>	<u>Long-term rate</u>	<u>Target allocation</u>	<u>Long-term rate</u>
Measurement date	March 31, 2020	March 31, 2020	June 30, 2019	June 30, 2019
Asset type				
Absolute return strategies	2.00%	3.25%	-	-
Bonds and mortgages	17.00%	0.75%	-	-
Cash	1.00%	0.00%	1.00%	0.30%
Domestic equity	36.00%	4.05%	33.00%	6.30%
Domestic fixed income	-	-	16.00%	1.30%
Global equities	-	-	4.00%	7.20%
Global fixed income	-	-	2.00%	0.90%
High-yield fixed income	-	-	1.00%	3.60%
Inflation-indexed bonds	4.00%	0.50%	-	-
International equity	14.00%	6.15%	16.00%	7.80%
Opportunistic portfolio	3.00%	4.65%	-	-
Private debt	-	-	1.00%	6.50%
Private equity	10.00%	6.75%	8.00%	9.90%
Real assets	3.00%	5.95%	-	-
Real estate debt	-	-	7.00%	2.90%
Real estate equities	10.00%	4.95%	11.00%	4.60%
	<u>100.00%</u>		<u>100.00%</u>	

Discount rate

The discount rate used to calculate the total pension asset/(liability) was 6.80% for NYSERS and 7.10% for NYSTRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/(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 6.80% for NYSERS and 7.10% for NYSTRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (5.80% for NYSERS and 6.10% for NYSTRS) or 1 percentage point higher (7.80% for NYSERS and 8.10% for NYSTRS) than the current rate:

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

<u>NYSERS</u>	<u>1% Decrease (5.80%)</u>	<u>Current assumption (6.80%)</u>	<u>1% Increase (7.80%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ (14,754,888)	\$ (8,039,574)	\$ (1,854,741)
<u>NYSTRS</u>	<u>1% Decrease (6.10%)</u>	<u>Current assumption (7.10%)</u>	<u>1% Increase (8.10%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ (24,671,272)	\$ 5,465,628	\$ 30,747,086

Pension plan fiduciary net position

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

	(Dollars in Thousands)		
	<u>NYSERS</u>	<u>NYSTRS</u>	<u>Total</u>
Measurement date	March 31, 2020	June 30, 2019	
Employers' total pension liability	\$ 194,596,261	\$ 119,879,474	\$ 314,475,735
Plan net position	<u>168,115,682</u>	<u>122,477,481</u>	<u>290,593,163</u>
Employers' net pension asset/(liability)	<u>\$ (26,480,579)</u>	<u>\$ 2,598,007</u>	<u>\$ (23,882,572)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	86.39%	102.17%	92.41%

Payables to the pension plan

For NYSTRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the system in September, October and November 2019 through a State aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid NYSTRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the NYSTRS System. Accrued employer retirement contributions as of June 30, 2020 amounted to \$3,303,346.

For NYSERS, 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 NYSERS covered wages multiplied by the employer's contribution rate, by tier. Accrued employer retirement contributions as of June 30, 2020 amounted to \$370,207. Employee contributions are remitted monthly.

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

10. INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

	Interfund			
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 2,220,010	\$ -	\$ -	\$ 937,517
Special Aid Fund	-	1,784,552	137,517	-
Capital Projects Fund	-	434,873	800,000	-
Fiduciary Funds	-	585	-	-
	<u>\$ 2,220,010</u>	<u>\$ 2,220,010</u>	<u>\$ 937,517</u>	<u>\$ 937,517</u>
Totals	<u>\$ 2,220,010</u>	<u>\$ 2,220,010</u>	<u>\$ 937,517</u>	<u>\$ 937,517</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

11. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”)

A. General information about the OPEB plan

Plan description

The District’s defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the District. The plan is a single employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board of Education. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits provided

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

Employees covered by benefit terms

As of July 1, 2019, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	534
Active plan members	319
Total plan members	853

B. Total OPEB liability

The District’s total OPEB liability of \$167,981,697 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019.

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, with update procedures used to roll forward the total OPEB liability to the measurement date, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%
Salary increases	3.00% average, including inflation
Discount rate	2.21%
Healthcare cost trend rates	6.6% scaling down to 4.1% over 57 years
Retirees' share of benefit-related costs	0% to 8% of projected health insurance premiums for retirees

The discount rate was based on the June 30, 2019 Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2019.

C. Changes in the total OPEB liability

Balance as of June 30, 2019	<u>\$ 162,001,992</u>
<u>Changes for the year -</u>	
Service cost	5,450,542
Interest	5,777,669
Plan changes	(43,398)
Demographic gains or losses	7,526,422
Change of assumptions	(7,937,705)
Benefit payments	<u>(4,793,825)</u>
Net changes	<u>5,979,705</u>
Balance as of June 30, 2020	<u><u>\$ 167,981,697</u></u>

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 one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate:

	1% Decrease <u>(1.21%)</u>	Current assumption <u>(2.21%)</u>	1% Increase <u>(3.21%)</u>
Total OPEB liability as of June 30, 2020	\$ 197,835,183	\$ 167,981,697	\$ 144,194,556

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Sensitivity of the total OPEB liability to changes in 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 one percentage point lower (5.6%) or one percentage point higher (7.6%) than the current discount rate:

	1% Decrease (5.6%) decreasing to <u>3.1%</u>	Current assumption (6.6%) decreasing to <u>4.1%</u>	1% Increase (7.6%) decreasing to <u>5.1%</u>
Total OPEB liability as of June 30, 2020	\$ 142,577,700	\$ 167,981,697	\$ 201,205,221

D. OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$8,829,460. At June 30, 2020, the District reported the following deferred inflows of resources and deferred outflows of resources:

	<u>Deferred Outflows of Resources - OPEB</u>	<u>Deferred Inflows of Resources - OPEB</u>
Difference between expected experience and actual experience	\$ 6,079,033	\$ 381,920
Changes in assumptions	<u>-</u>	<u>15,143,657</u>
Total	<u>\$ 6,079,033</u>	<u>\$ 15,525,577</u>

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

<u>For the year ended:</u>	
2021	\$ (2,355,353)
2022	(2,355,353)
2023	(2,355,353)
2024	(2,355,351)
2025	(25,134)
Thereafter	-

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

The District has not purchased any annuity contracts.

13. CONTINGENCIES AND COMMITMENTS

Government 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 years' experience, the District's administration believes disallowances, if any, would be immaterial.

Property tax cap

In June 2011, the New York State Legislature enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions. For fiscal years through at least June 15, 2020, growth in the property tax levy (the total amount to be raised through property taxes charged on a municipality's taxable assessed value of property) will be capped at 2 percent, plus the inflation factor (but not less than 0 percent), whichever is less, with some exceptions. The New York State Comptroller set the allowable levy growth factor for local governments for fiscal years beginning July 1, 2019 at 1.02 (before exemptions). School districts can exceed the tax levy limit by a 60% vote of the governing body, subject to voter approval.

Litigation

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

COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. The extent of the impact of COVID-19 on the District's operational and financial performance, and cash flow needs will depend on certain developments, including the duration and spread of the outbreak, impact on funding sources, employees and vendors, all of which are uncertain and cannot be predicted as of the date of these financial statements.

14. TAX ABATEMENTS

In 2012, the Town of Islip Industrial Development Agency ("IDA") made an agreement with Engel Burman of Sayville, LLC to give financial assistance through exemptions for the building of a \$40 million assisted living facility. This agreement was amended and assumed by HSRE-EB Sayville, LLC in 2015.

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

The original taxable assessed value of the property was \$329,500 with a projected taxable assessed value of the facility upon completion of \$2,500,000. The taxable assessed value will increase by \$217,050 annually until it approximates \$2,500,000. The District receives a payment in lieu of taxes until the PILOT Agreement expires in 2024/25. During the fiscal year ended June 30, 2020, the District received \$411,169 as PILOT.

15. FUTURE CHANGES IN ACCOUNTING STANDARDS

The District will evaluate the impact each of these upcoming pronouncements may have on its financial statements and will implement them as applicable and when material. The following is a list of GASB pronouncements issued but not yet effective:

<u>GASB Statement No.</u>	<u>GASB Accounting Standard</u>	<u>Effective Fiscal Year</u>
Statement No. 84	Fiduciary Activities	June 30, 2021
Statement No. 87	Leases	June 30, 2022
Statement No. 89	Accounting For Interest Cost Incurred Before The End Of A Construction Period	June 30, 2022
Statement No. 90	Majority Equity Interests - An Amendment Of GASB Statements No. 14 And No. 61	June 30, 2022
Statement No. 91	Conduit Debt Obligations	June 30, 2023

16. SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after the Statement of Net Position through the date of October 8, 2020 which is the date the financial statements were available to be issued, noting no matters requiring further consideration.

**SAYVILLE UNION FREE SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Year-end Encumbrances</u>	<u>Variance</u>
REVENUES					
Local sources:					
Real property taxes	\$ 53,882,316	\$ 53,677,316	\$ 54,682,447		\$ 1,005,131
Other real property tax items	6,650,837	6,650,837	5,644,701		(1,006,136)
Charges for services	586,000	586,000	802,249		216,249
Use of money and property	1,948,692	1,948,692	2,114,808		166,116
Sale of property and compensation for loss	29,200	29,200	42,065		12,865
Miscellaneous	110,000	110,000	289,298		179,298
Total local sources	<u>63,207,045</u>	<u>63,002,045</u>	<u>63,575,568</u>		<u>573,523</u>
State sources	26,509,284	26,559,284	26,092,282		(467,002)
Federal sources	85,000	85,000	311,601		226,601
Total revenues	<u>89,801,329</u>	<u>89,646,329</u>	<u>89,979,451</u>		<u>\$333,122</u>
APPROPRIATED FUND BALANCE					
Appropriated fund balance	2,706,549	2,882,549	-		
Prior year encumbrances	897,244	897,244	-		
Appropriated reserves	1,845,778	1,874,778	-		
Total revenues, other financing sources and appropriated fund balance	<u>95,250,900</u>	<u>95,300,900</u>	<u>89,979,451</u>		
EXPENDITURES					
General support:					
Board of Education	71,665	91,665	69,593	\$ 1,203	\$ 20,869
Central administration	327,664	387,908	372,077	238	15,593
Finance	1,297,070	1,316,133	1,170,586	46,205	99,342
Staff	848,492	867,599	770,625	19,735	77,239
Central services	8,438,657	9,277,616	7,214,360	1,054,034	1,009,222
Special items	898,862	898,862	875,544	-	23,318
Total general support	<u>11,882,410</u>	<u>12,839,783</u>	<u>10,472,785</u>	<u>1,121,415</u>	<u>1,245,583</u>
Instruction:					
Instruction, administration and improvement	3,341,476	3,414,752	3,182,942	21,720	210,090
Teaching - regular school	25,894,706	25,979,897	24,838,269	56,174	1,085,454
Programs for children with handicapping conditions	12,462,833	12,119,074	10,444,991	142,004	1,532,079
Occupational education	484,645	507,074	484,575	-	22,499
Teaching - special school	117,995	117,995	93,747	-	24,248
Instructional media	3,743,420	4,073,693	3,812,551	72,265	188,877
Pupil services	5,007,113	5,219,896	4,638,207	33,503	548,186
Total instruction	<u>51,052,188</u>	<u>51,432,381</u>	<u>47,495,282</u>	<u>325,666</u>	<u>3,611,433</u>
Pupil transportation	4,156,254	3,921,062	2,667,159	17,402	1,236,501
Community services	114,441	114,441	63,912	-	50,529
Employee benefits	22,125,786	21,103,412	19,876,454	782,021	444,937
Debt service:					
Principal	3,390,361	3,390,361	3,390,360	-	1
Interest	1,529,460	1,499,460	1,356,637	-	142,823
Total expenditures	<u>94,250,900</u>	<u>94,300,900</u>	<u>85,322,589</u>	<u>2,246,504</u>	<u>6,731,807</u>
OTHER FINANCING USES					
Interfund transfers	1,000,000	1,000,000	937,517	-	62,483
Total expenditures and other financing uses	<u>95,250,900</u>	<u>95,300,900</u>	<u>86,260,106</u>	<u>\$ 2,246,504</u>	<u>\$ 6,794,290</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,719,345</u>		
Fund balance, beginning of year			<u>27,753,778</u>		
Fund balance, end of year			<u>\$ 31,473,123</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.

**SAYVILLE UNION FREE SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS**

Measurement date	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability			
Service cost	\$ 5,450,542	\$ 5,913,107	\$ 5,740,881
Interest	5,777,669	5,167,585	4,985,348
Plan changes	(43,398)	-	-
Demographic gains or losses	7,526,422	-	(661,373)
Changes in assumptions or inputs	(7,937,705)	(13,098,652)	-
Benefit payments	<u>(4,793,825)</u>	<u>(4,605,542)</u>	<u>(3,725,955)</u>
Net change in total OPEB liability	5,979,705	(6,623,502)	6,338,901
Total OPEB liability - beginning of year	<u>162,001,992</u>	<u>168,625,494</u>	<u>162,286,593</u>
Total OPEB liability - end of year	<u>\$ 167,981,697</u>	<u>\$ 162,001,992</u>	<u>\$ 168,625,494</u>
Covered payroll	\$ 32,673,467	\$ 41,059,180	\$ 41,059,180
Total OPEB liability as a percentage of covered payroll	514.12%	394.56%	410.69%

Note to Required Supplementary Information

Ten years of historical information was not available upon implementation of GASB Statement No. 75. An additional year of historical information will be added each year subsequent to the year of implementation until ten years of historical data is available.

The District has no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay OPEB benefits, as New York State currently does not allow school districts to establish this type of trust. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

**SAYVILLE UNION FREE SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NYSERS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)**

	(A)				(B)					
	2020	2019	2018	2017	2016	2015	**2014	**2013	**2012	**2011
District's proportionate share of the net pension liability	0.03036%	0.33240%	0.03405%	0.03390%	0.03363%	0.03375%	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability	\$ (8,040)	\$ (2,355)	\$ (1,099)	\$ (3,185)	\$ (5,398)	\$ (1,141)	N/A	N/A	N/A	N/A
District's covered payroll	\$ 10,667	\$ 10,426	\$ 10,471	\$ 10,501	\$ 9,935	\$ 9,495	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability as a percentage of covered payroll	75.37%	22.59%	10.50%	30.33%	54.33%	12.02%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	N/A	N/A	N/A	N/A

* The amounts presented for each fiscal year were determined (bi-annually) as of March 31.

(A) The discount rate used to calculate the total pension liability was decreased from 7.0% to 6.8% effective with the March 31, 2020 measurement date.

(B) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2016 measurement date.

Not Available = N/A

****Note to Required Supplementary Information**

Ten years of historical information was not available upon implementation of GASB Statement No. 68. An additional year of historical information will be added each year subsequent to the year of implementation until ten years of historical data is available.

**SAYVILLE UNION FREE SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/(LIABILITY) - NYSTRS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)**

	(A) 2020	2019	(B) 2018	(C) 2017	2016	2015	**2014	**2013	**2012	**2011
District's proportionate share of the net pension asset/(liability)	0.21038%	0.20804%	0.20959%	0.21174%	0.21048%	0.20804%	N/A	N/A	N/A	N/A
District's proportionate share of the net pension asset/(liability)	\$ 5,466	\$ 3,762	\$ 1,593	\$ (2,268)	\$ 21,863	\$ 23,174	N/A	N/A	N/A	N/A
District's covered payroll	\$ 35,577	\$ 34,403	\$ 33,603	\$ 31,900	\$ 31,191	\$ 30,568	N/A	N/A	N/A	N/A
District's proportionate share of the net pension asset/(liability) as a percentage of covered payroll	15.36%	10.94%	4.74%	7.11%	70.09%	75.81%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension asset/(liability)	102.17%	105.53%	111.48%	110.46%	99.01%	100.66%	N/A	N/A	N/A	N/A

* The amounts presented for each fiscal year were determined (bi-annually) as of June 30.

(A) The discount rate used to calculate the total pension asset was decreased from 7.25% to 7.10% effective with the June 30, 2019 measurement date.

(B) The discount rate used to calculate the total pension asset was decreased from 7.5% to 7.25% effective with the June 30, 2017 measurement date.

(C) The discount rate used to calculate the total pension liability was decreased from 8.0% to 7.5% effective with the June 30, 2016 measurement date.

Not Available = N/A

****Note to Required Supplementary Information**

Ten years of historical information was not available upon implementation of GASB Statement No. 68. An additional year of historical information will be added each year subsequent to the year of implementation until ten years of historical data is available.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**SAYVILLE UNION FREE SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS - NYSERS
LAST TEN FISCAL YEARS
(Dollar amounts in thousands)**

	<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	\$ 1,450	\$ 1,521	\$ 1,563	\$ 1,494	\$ 1,695	\$ 1,814	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	<u>1,450</u>	<u>1,521</u>	<u>1,563</u>	<u>1,494</u>	<u>1,695</u>	<u>1,814</u>	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	<u>\$ -</u>	N/A	N/A	N/A	N/A					
District's covered payroll	\$ 10,028	\$ 10,419	\$ 10,616	\$ 10,099	\$ 9,974	\$ 9,846	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	14.46%	14.60%	14.72%	14.79%	16.99%	18.42%	N/A	N/A	N/A	N/A

Not Available = N/A

***Note to Required Supplementary Information**

Ten years of historical information was not available upon implementation of GASB Statement No. 68. An additional year of historical information will be added each year subsequent to the year of implementation until ten years of historical data is available.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**SAYVILLE UNION FREE SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS - NYSTRS
LAST TEN FISCAL YEARS
(Dollar amounts in thousands)**

	<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	\$ 3,729	\$ 3,321	\$ 3,893	\$ 3,893	\$ 4,333	\$ 5,543	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	<u>3,729</u>	<u>3,321</u>	<u>3,893</u>	<u>3,893</u>	<u>4,333</u>	<u>5,543</u>	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	<u>\$ -</u>	N/A	N/A	N/A	N/A					
District's covered payroll	\$ 35,776	\$ 36,348	\$ 34,403	\$ 33,603	\$ 31,860	\$ 31,191	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	10.42%	9.14%	11.32%	11.59%	13.60%	17.77%	N/A	N/A	N/A	N/A

Not Available = N/A

***Note to Required Supplementary Information**

Ten years of historical information was not available upon implementation of GASB Statement No. 68. An additional year of historical information will be added each year subsequent to the year of implementation until ten years of historical data is available.

**SAYVILLE UNION FREE SCHOOL DISTRICT
SCHEDULE 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:

Original budget	\$ 94,353,656	
Add: Prior year's encumbrances	<u>897,244</u>	
Adopted budget		\$ 95,250,900
Budget revisions relating to:		
State aid		<u>50,000</u>
Final budget		<u><u>\$ 95,300,900</u></u>

§1318 of real property tax law limit calculation:

2020-2021 voter-approved budget		<u><u>\$ 96,208,308</u></u>
Maximum allowed (4% of 2020-2021 budget)		<u><u>\$ 3,848,332</u></u>
General Fund fund balance subject to §1318 of real property tax law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 5,129,053	
Unassigned fund balance	<u>3,863,372</u>	\$ 8,992,425
Less:		
Appropriated fund balance	2,882,549	
Encumbrances	<u>2,246,504</u>	<u>5,129,053</u>
General Fund fund balance subject to §1318 of real property tax law		<u><u>\$ 3,863,372</u></u>
Actual percentage		<u><u>4.02%</u></u>

SAYVILLE UNION FREE SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING SOURCES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2020

Project Title	Expenditures					Methods of Financing					Fund Balance June 30, 2020
	Original Budget	Revised Budget	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	Total	
Sunrise Drive Unit Vents	\$ 543,136	\$ 543,136	\$ -	\$ 26,141	\$ 26,141	\$ 516,995	\$ -	\$ -	\$ 543,136	\$ 543,136	\$ 516,995
Middle School Vents	267,693	891,205	775,765	4,184	779,949	111,256	-	-	891,205	891,205	111,256
Smart Bond	71,399	897,694	71,521	826,173	897,694	-	-	897,694	-	897,694	-
High School Masonry Reconstruction	16,560	256,864	12,420	244,444	256,864	-	-	-	256,864	256,864	-
2019 Energy Performace Contract - District-wide	6,151,774	6,151,774	-	5,988,959	5,988,959	162,815	6,151,774	-	-	6,151,774	162,815
Bond Issues - District-wide Improvements	-	19,230,618	17,268,869	1,609,405	18,878,274	352,344	17,575,000	-	1,655,618	19,230,618	352,344
Totals	\$ 7,050,562	\$ 27,971,291	\$ 18,128,575	\$ 8,699,306	\$ 26,827,881	\$ 1,143,410	\$ 23,726,774	\$ 897,694	\$ 3,346,823	\$ 27,971,291	\$ 1,143,410

OTHER
SUPPLEMENTARY
INFORMATION

SAYVILLE UNION FREE SCHOOL DISTRICT
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2020

Capital assets, net		\$ 66,508,147
Add:		
Deferred charges for advance refunding		458,381
Deduct:		
Short-term portion of bonds payable, net	\$ 3,026,243	
Long-term portion of bonds payable, net	24,721,335	
Short-term portion of energy performance contract payable	885,831	
Long-term portion of energy performance contract payable	<u>8,978,125</u>	<u>37,611,534</u>
Net investment in capital assets		<u>\$ 29,354,994</u>

**SAYVILLE UNION FREE SCHOOL DISTRICT
EXTRACLASROOM ACTIVITY FUNDS
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INDEPENDENT AUDITOR'S REPORT
ON EXTRACLASSTROOM ACTIVITY FUNDS FINANCIAL STATEMENTS

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

We have audited the accompanying statement of cash receipts and disbursements of the various Extraclassroom Activity Funds of the Sayville Union Free School District (the "District") for the year ended June 30, 2020, and the related note to financial statement, which collectively comprise the financial statements of the District's Extraclassroom Activity Funds.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for 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 an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements is free from material misstatement.

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

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

NawrockiSmith

Opinion

In our opinion, the statement of cash receipts and disbursements referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Extraclassroom Activity Funds of the Sayville Union Free School District for the year ended June 30, 2020 in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of this financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Melville, New York
October 8, 2020

Nawrocki Smith LLP

**SAYVILLE UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

	Cash Balances July 1, 2019	Receipts	Disbursements	Cash Balances June 30, 2020
High School:				
Class Funds	\$ 18,206.41	\$ 18,292.70	\$ 14,281.32	\$ 22,217.79
Anchor	618.28	1,736.00	1,098.00	1,256.28
Art Club	3,811.28	800.00	880.74	3,730.54
Athletes Helping Others	1,588.95	1,090.00	20.00	2,658.95
History Club	2,785.24	1,359.00	1,432.00	2,712.24
Interact Club	4,225.63	845.00	40.00	5,030.63
Jazz Choir	350.76	810.00	-	1,160.76
Jazz Ensemble	0.62	-	-	0.62
Key Club	1,941.76	-	200.00	1,741.76
Model UN	80.00	1,490.00	1,490.14	79.86
National Art Honor Society	4,691.07	1,510.75	2,643.99	3,557.83
National Honor Society	828.11	-	200.00	628.11
Orchestra Club	4,778.82	3,487.90	1,888.09	6,378.63
Publications	63,732.30	2,999.32	4,289.15	62,442.47
Robotics	1,192.28	1,058.00	1,265.85	984.43
S.A.D.D.	1,172.93	-	-	1,172.93
School Store	7,372.54	2,141.68	1,674.09	7,840.13
Science Olympiad	231.37	-	-	231.37
Student Government	3,272.08	2,724.95	1,077.63	4,919.40
Sweep	167.83	100.00	250.00	17.83
Tri-M Music	5,637.39	2,090.00	287.50	7,439.89
	<u>\$ 126,685.65</u>	<u>\$ 42,535.30</u>	<u>\$ 33,018.50</u>	<u>\$ 136,202.45</u>

The accompanying note is an integral
part of this financial statement.

**SAYVILLE UNION FREE SCHOOL DISTRICT
EXTRACLASROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

	Cash Balances July 1, 2019	Receipts	Disbursements	Cash Balances June 30, 2020
Middle School:				
Class Funds	\$ 41,502.96	\$ 129,304.00	\$ 127,760.12	\$ 43,046.84
Honor Society	4,232.09	-	990.00	3,242.09
Hope Club	2,249.87	4,086.11	4,164.21	2,171.77
Industrial Arts Club	382.86	-	-	382.86
Publications	15,788.59	373.45	-	16,162.04
School Store	4,596.81	2,200.00	2,162.21	4,634.60
Student Council	10,411.24	2,639.41	2,926.03	10,124.62
Theatre Club	793.30	-	-	793.30
Musical	2,591.00	695.00	846.17	2,439.83
	<u>\$ 82,548.72</u>	<u>\$ 139,297.97</u>	<u>\$ 138,848.74</u>	<u>\$ 82,997.95</u>

The accompanying note is an integral
part of this financial statement.

**SAYVILLE UNION FREE SCHOOL DISTRICT
EXTRACLASROOM ACTIVITY FUNDS
NOTE TO FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Sayville Union Free School District (the "District").

The accounts of the Extraclassroom Activity Funds of the District are maintained on a cash basis, and the Statement of Cash Receipts and Disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under accounting principles generally accepted in the United States of America, and which may be material in amount, are not recognized in the accompanying financial statement.

**SAYVILLE UNION FREE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/ Pass - Through Grantor/ Cluster Title/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Education</u>			
<u>Passed Through Programs From:</u>			
New York State Department of Education			
Special Education Cluster:			
IDEA, Part B, Section 611, Special Education Grants to States	84.027A	0032-20-0461	\$ 760,996
IDEA, Part B, Section 619, Special Education Preschool Grants	84.173A	0033-20-0461	<u>36,097</u>
Total Special Education Cluster			797,093
Title I, Part A Cluster:			
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021-20-1680	139,538
ESEA, Title II, Part A, Improving Teacher Quality State Grants	84.367A	0147-19-3125	13,108
ESEA, Title II, Part A, Improving Teacher Quality State Grants	84.367A	0147-20-3125	42,595
Student Support and Academic Enrichment Program	84.424A	0204-19-3125	<u>2,235</u>
Total U.S. Department of Education			<u><u>994,569</u></u>
<u>U.S. Department of Agriculture</u>			
<u>Passed Through Programs From:</u>			
New York State Office of General Services			
Child Nutrition Cluster:			
National Breakfast Program	10.553	N/A	10,024
National School Lunch Program - Cash	10.555	N/A	144,864
National School Lunch Program - Commodities	10.555	N/A	<u>19,677</u>
Total Child Nutrition Cluster			<u>174,565</u>
Total U.S. Department of Agriculture			<u>174,565</u>
TOTAL FEDERAL EXPENDITURES			<u><u>\$ 1,169,134</u></u>

The accompanying notes should be read
in conjunction with this schedule.

**SAYVILLE UNION FREE SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Sayville Union Free School District (the "District") under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or fund balance of the District.

2. BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

Non-monetary assistance is reported in the schedule at the fair market value of commodities received, which is provided by New York State.

3. INDIRECT COSTS

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. SUBRECIPIENTS

No amounts were provided to subrecipients.

5. OTHER DISCLOSURES

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year end.

6. MAJOR PROGRAM DETERMINATION

The District was deemed to be a "low-risk auditee", therefore, major programs were determined based on 20% of total federal award expenditures.



NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

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 of the
Sayville Union Free School District
Sayville, 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 fiduciary funds of the Sayville Union Free School District (the "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 8, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

NawrockiSmith

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance that is required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as items 20-01 and 20-02.

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Melville, New York
October 8, 2020

Nawrocki Smith LLP



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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the Sayville Union Free School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal programs for the year ended June 30, 2020.

NawrockiSmith

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Melville, New York
October 8, 2020

Nawrocki Smith LLP

**SAYVILLE UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

1. Summary Of Auditor's Results:

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No significant deficiencies or material weaknesses were reported during the audit of the financial statements.
3. Two instances of noncompliance were disclosed during the audit of the financial statements in Section B below.
4. No significant deficiencies or material weaknesses were reported during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs that are required to be reported in accordance with section 2 CFR 200.516 (a) of the Uniform Guidance, were disclosed during the audit.
7. The programs tested as a major program included:

CFDA Number

Name of Federal Program

84.027A

U.S. Department of Education -
IDEA, Part B, Section 611, Special Education Grants to States

84.173A

IDEA, Part B, Section 619, Special Education Preschool Grants

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Auditee was determined to be a low-risk auditee.

2. Findings - Financial Statement Audit

20-01: The District's unassigned fund balance in the General Fund exceeded the limitation as promulgated by New York State statute.

Condition: The District did not comply with the limitations on unassigned fund balance.

Criteria: New York State law limits the unassigned fund balance of the General Fund to 4% of the following year's expenditure budget.

Effect: The District did not comply with the New York State accounting requirements as of June 30, 2020.

Cause: The District was not able to make a proper disposition of excess fund balance.

Recommendation: The District should monitor fund balance throughout the year, as opposed to after year-end, to comply with New York State requirements.

Response: The District is in agreement with this finding and will ensure procedures are in effect to comply with such accounting requirements in the future.

20-02: The submission of the Annual Financial report on Form ST-3 to the New York State Education Department did not occur until subsequent to the filing deadline.

Condition: The District did not fulfill its annual reporting requirement to the New York State Education Department in accordance with the requisite due date.

**SAYVILLE UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Criteria: The New York State Education Department required that the District submit its Annual Financial Report on Form ST-3 by September 2, 2020.

Effect: The District did not fulfill its New York State Education Department report requirement as of the required submission date.

Cause: Information necessary to complete the submission was not readily available, therefore, the Annual Financial Report on ST-3 was not prepared on a timely basis.

Recommendation: The District should implement procedures to ensure sufficient time to comply with New York State Education Department reporting requirements.

Response: The District is in agreement with this finding and will ensure policies and procedures are in effect to comply with such accounting requirements in the future.

3. Findings And Questioned Costs - Major Federal Award Program Audit

None reported.

**SAYVILLE UNION FREE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

Findings - Financial Statement Audit

None reported.

Findings And Questioned Costs - Major Federal Award Programs Audit

None reported.

**SAYVILLE UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2020**

CURRENT YEAR FINDINGS AND RECOMMENDATIONS:

We noted no other areas of improvement as a result of our audit procedures for the current year.