

MERRICK UNION FREE SCHOOL DISTRICT

Basic Financial Statements,
Supplementary Information and
Independent Auditors' Report

June 30, 2024

MERRICK UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Merrick Union Free School District
Merrick, New York:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Merrick Union Free School District (the District), as of and for the year ended June 30, 2024, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 aggregate remaining fund information of the District, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the information on pages 59 through 63 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying other supplementary information as listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, 2024 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 District's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 8, 2024

MERRICK UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2024

The Merrick Union Free School District's (the District) discussion and analysis of the financial performance provides an overall review of the District's financial activities for the year ended June 30, 2024 in comparison with the year ended June 30, 2023, with emphasis on the current year. This should be read in conjunction with the financial statements, and notes to financial statements, which immediately follow this section.

Financial Highlights

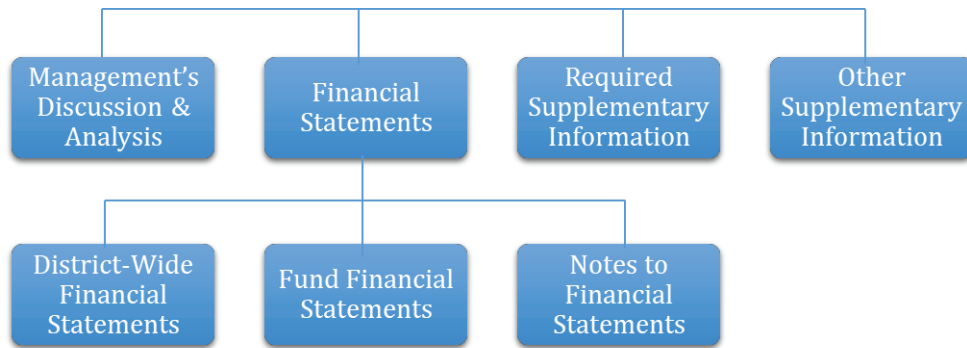
Key financial highlights for fiscal year 2024 are as follows:

- The District's total net position was a deficit of \$25,388,041 in the District-Wide financial statements at June 30, 2024, compared to \$22,173,871 at June 30, 2023. The deficit increased by \$3,214,170 over the prior year due to an excess of expenses over revenue using the economic resources measurement focus and the accrual basis of accounting.
- The District's expenses for the year, as reflected in the District-Wide financial statements, totaled \$63,373,162. Of this amount, \$2,036,045 was offset by program charges for services, operating grants, contributions and capital grants. General revenue of \$58,122,947 amounted to 97% of total revenue, and adequately covered the balance of program expenses.
- The District's 2023 - 2024 property tax levy of \$44,535,647 was a 1.52% increase over the 2022 - 2023 tax levy, and did not exceed the tax cap levy.
- The District's total governmental fund fund balance, as reflected in the fund financial statements was \$25,909,852 at June 30, 2024. This balance increased \$1,352,432 over the prior year due to an excess of revenue and other financing sources over expenses and other financing uses, using the current financial resources measurement focus and the modified accrual basis of accounting.
- The District's 2024 - 2025 property tax levy of \$45,494,889 was a 2.15% increase over the 2023 - 2024 tax levy and did not exceed the tax cap levy.
- The District was awarded funding under the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) through the Elementary and Secondary School Emergency Relief (ESSER) program and the Governor's Emergency Education Relief (GEER) program, the American Rescue Plan Act (ARPA) through ESSER and Universal Pre-Kindergarten (UPK) totaling \$306,453 in 2024.

MERRICK UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

Overview of the Financial Statements

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



District-Wide Financial Statements

The District-Wide financial statements present the governmental activities of the District and are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two District-Wide financial statements - the statement of net position and the statement of activities. These statements provide both an aggregate and long-term view of the District's finances.

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

The Statement of Net Position

The statement of net position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of the District's school buildings and other facilities.

MERRICK UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

The Statement of Activities

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

Fund Financial Statements

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

Governmental Funds

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

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

Because the focus of governmental funds is narrower than that of District-Wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-Wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

MERRICK UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

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

Fiduciary Funds

The District reports its fiduciary activities in the fiduciary fund - custodial fund. This fund reports real property taxes collected on behalf of other governments and disbursed to those governments, and utilizes the economic resources measurement focus and the accrual basis of accounting. All of the District's fiduciary activities are reported in a separate statement. The fiduciary activities have been excluded from the District-Wide financial statements because the District cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net Position

The District's total net position decreased by \$3,214,170 between fiscal year 2024 and 2023. The decrease in net position is due to expenses in excess of revenue using the economic resources measurement focus and the accrual basis of accounting primarily as a result of ERS and TRS. A summary of the District's statement of net position follows:

	<u>2024</u>	<u>2023</u>	<u>Increase (decrease)</u>	<u>Percentage change</u>
Current and other assets	\$ 30,594,229	30,476,388	117,841	0.4%
Capital assets, net	<u>38,105,452</u>	<u>37,869,472</u>	<u>235,980</u>	0.6%
Total assets	<u>68,699,681</u>	<u>68,345,860</u>	<u>353,821</u>	0.5%
Deferred outflows of resources	<u>26,736,392</u>	<u>35,074,522</u>	<u>(8,338,130)</u>	(23.8%)
Current and other liabilities	4,406,730	5,531,638	(1,124,908)	(20.3%)
Long-term liabilities	18,859,916	19,131,382	(271,466)	(1.4%)
Net pension liabilities - proportionate share	2,674,773	4,461,482	(1,786,709)	(40.0%)
Total OPEB liability	<u>73,553,064</u>	<u>72,483,768</u>	<u>1,069,296</u>	1.5%
Total liabilities	<u>99,494,483</u>	<u>101,608,270</u>	<u>(2,113,787)</u>	(2.1%)
Deferred inflows of resources	<u>21,329,631</u>	<u>23,985,983</u>	<u>(2,656,352)</u>	(11.1%)
Net position:				
Net investment in capital assets	21,285,187	20,487,567	797,620	3.9%
Restricted	18,450,857	16,744,168	1,706,689	10.2%
Unrestricted (deficit)	<u>(65,124,085)</u>	<u>(59,405,606)</u>	<u>(5,718,479)</u>	9.6%
Total net position (deficit)	<u>\$ (25,388,041)</u>	<u>(22,173,871)</u>	<u>(3,214,170)</u>	14.5%

MERRICK UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

The increase in current and other assets is primarily due to increases in the District's cash balances and taxes receivables.

The increase in capital assets, net is due to capital asset additions in excess of depreciation.

Net pension asset/liability - proportionate share represents the District's share of the New York State (NYS) Local Employees' Retirement System (ERS) and Teachers' Retirement System's (TRS) collective net pension asset/liability, at the measurement date of the respective year. The accompanying notes to financial statements, note 11 provides additional information.

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

The decrease in current and other liabilities relates to a decrease in accounts payable at year end.

The decrease in long-term liabilities is primarily the result of debt repayments related to bonds.

Total OPEB liability increased, based on the actuarial valuation of the plan. The accompanying notes to financial statements, note 13 provides additional information.

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

The net investment in capital assets is the investment in capital assets at cost, net of accumulated depreciation and related outstanding debt. The accompanying other supplementary information, schedule of net investment in capital assets provides additional information.

The restricted net position amount relates to the District's reserves. This number increased from the prior year due to additional board authorizations.

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

Changes in Net Position

The results of operations as a whole are reported in the statement of activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2024 and 2023 is as follows:

MERRICK UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

	<u>2024</u>	<u>2023</u>	<u>Increase (decrease)</u>	<u>Percentage change</u>
Revenue:				
Program revenue:				
Charges for services	\$ 238,109	472,827	(234,718)	(49.6%)
Operating grants and contributions	1,478,552	2,237,093	(758,541)	(33.9%)
Capital grants	319,384	-	319,384	0.0%
General revenue:				
Property taxes and STAR	45,425,614	44,715,964	709,650	1.6%
Federal and state aid	10,290,223	8,508,103	1,782,120	20.9%
Other	<u>2,407,110</u>	<u>1,799,131</u>	<u>607,979</u>	33.8%
Total revenue	<u>60,158,992</u>	<u>57,733,118</u>	<u>2,425,874</u>	4.2%
Expenses:				
General support	10,250,147	9,356,820	893,327	9.5%
Instruction	50,331,226	46,661,491	3,669,735	7.9%
Pupil transportation	2,330,228	1,652,479	677,749	41.0%
Community service	127,795	113,126	14,669	13.0%
Debt service - interest	323,462	390,668	(67,206)	(17.2%)
School food program	<u>10,304</u>	<u>12,838</u>	<u>(2,534)</u>	(19.7%)
Total expenses	<u>63,373,162</u>	<u>58,187,422</u>	<u>5,185,740</u>	8.9%
Change in net position	(3,214,170)	(454,304)	(2,759,866)	607.5%
Net position at beginning of year	<u>(22,173,871)</u>	<u>(21,719,567)</u>	<u>(454,304)</u>	2.1%
Net position at end of year	<u>\$ (25,388,041)</u>	<u>(22,173,871)</u>	<u>(3,214,170)</u>	14.5%

The District's net position decreased by \$3,214,170 and decreased by \$454,304 for the years ended June 30, 2024 and 2023, respectively.

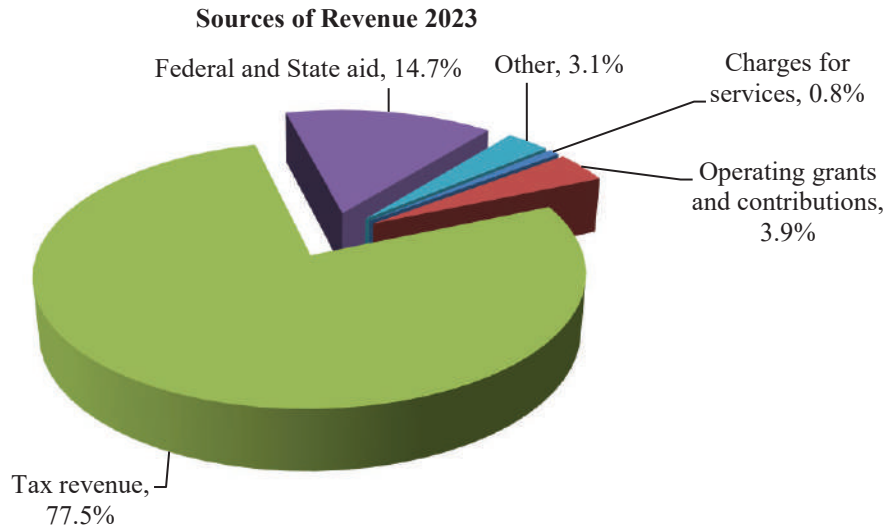
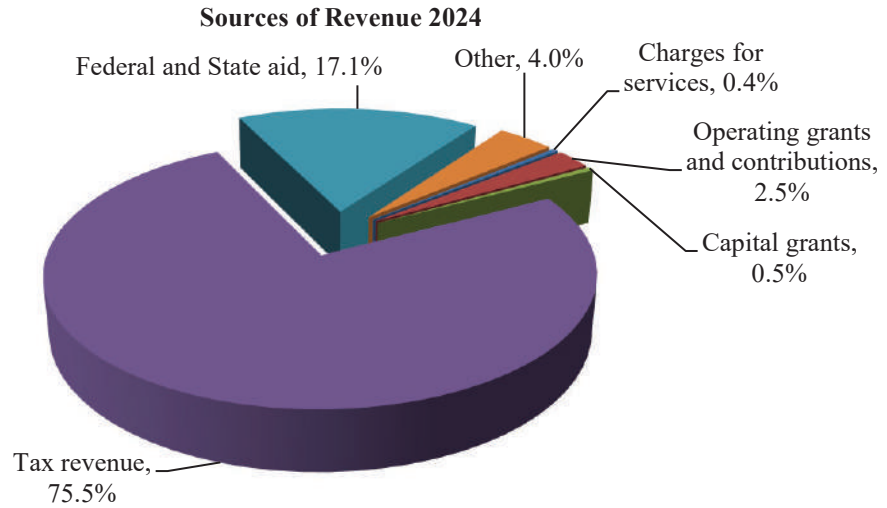
The District's revenue increased by \$2,425,874 or 4.2%. The major factors that contributed to the increase were the increases in property taxes and STAR revenue and the increase in federal and state aid.

The District's total expenses for the year increased by \$5,185,740 or 8.9%. The increase in expense is primarily due to increases in other postemployment benefits and NYS ERS and TRS expenses.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenue recognized (i.e., 75.5% and 77.5% of the total for the years 2024 and 2023, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 79.4% and 80.2% of the total for the years 2024 and 2023, respectively).

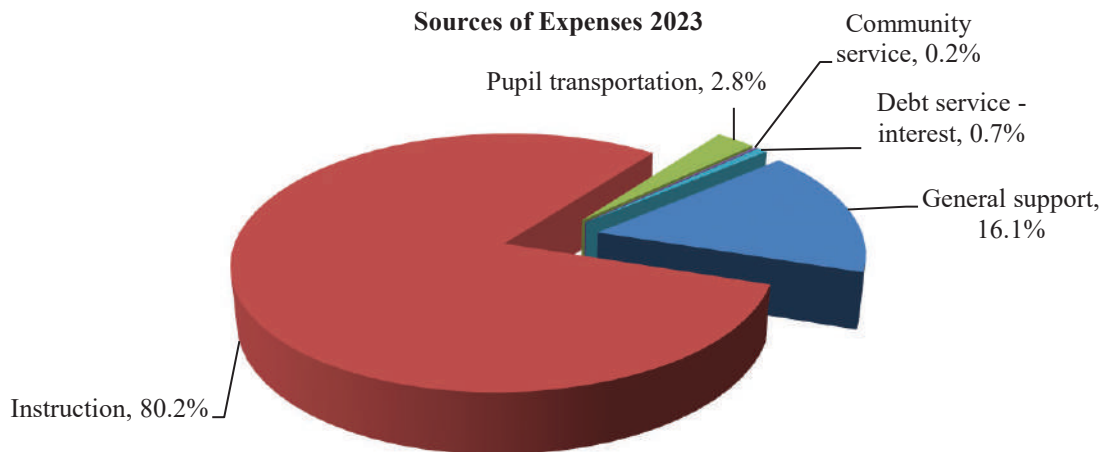
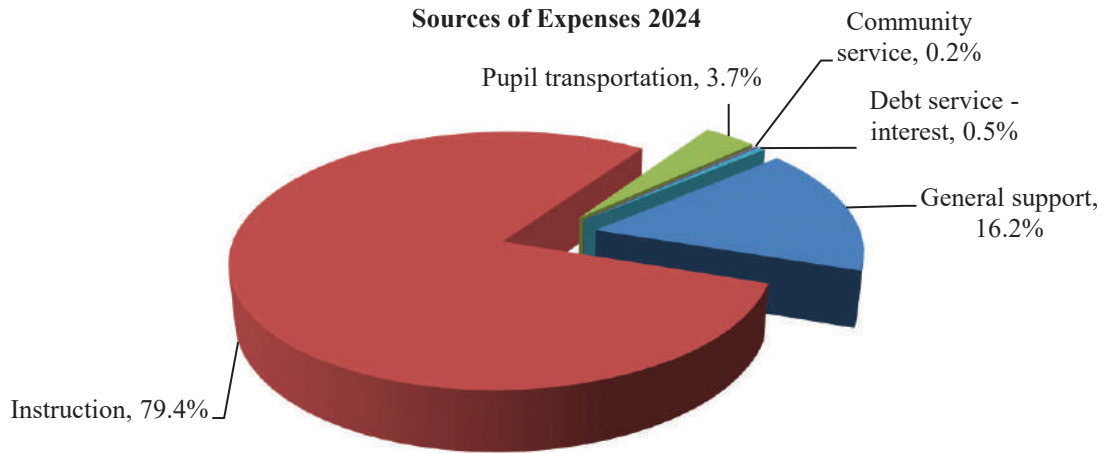
MERRICK UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

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



MERRICK UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

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



MERRICK UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

Financial Analysis of the District's Funds

At June 30, 2024, the District's governmental funds reported a combined fund balance of \$25,909,852, which is an increase of \$1,352,432 over the prior year. This increase is due to an excess of revenue and other financing sources over expenses and other financing uses using the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in the components of fund balance by fund is as follows:

	<u>2024</u>	<u>2023</u>	<u>Increase (decrease)</u>	<u>Percentage change</u>
General Fund:				
Restricted:				
Unemployment insurance	\$ 392,582	373,502	19,080	5.1%
Retirement contributions - ERS	1,090,357	1,037,363	52,994	5.1%
Retirement contributions - TRS	1,633,761	1,054,873	578,888	54.9%
Employee benefit accrued liabilities	1,077,572	1,058,531	19,041	1.8%
Capital	4,843,409	6,130,249	(1,286,840)	(21.0%)
Repairs	697,151	2,566,065	(1,868,914)	(72.8%)
Assigned:				
Appropriated fund balance	2,818,730	1,500,000	1,318,730	87.9%
Unappropriated fund balance	250,530	156,936	93,594	59.6%
Unassigned - fund balance	<u>3,239,194</u>	<u>4,719,903</u>	<u>(1,480,709)</u>	<u>(31.4%)</u>
	<u>16,043,286</u>	<u>18,597,422</u>	<u>(2,554,136)</u>	<u>(13.7%)</u>
School Food Service Fund - assigned - unappropriated fund balance	<u>9,027</u>	<u>11,234</u>	<u>(2,207)</u>	<u>(19.6%)</u>
Debt Service Fund - restricted - debt	<u>6,300</u>	<u>55,842</u>	<u>(49,542)</u>	<u>(88.7%)</u>
Capital Projects Fund:				
Restricted - capital	8,706,825	4,462,906	4,243,919	95.1%
Assigned - unappropriated fund balance	<u>1,141,514</u>	<u>1,425,179</u>	<u>(283,665)</u>	<u>(19.9%)</u>
	<u>9,848,339</u>	<u>5,888,085</u>	<u>3,960,254</u>	<u>67.3%</u>
Scholarships Fund - restricted - scholarships	<u>2,900</u>	<u>4,837</u>	<u>(1,937)</u>	<u>(40.0%)</u>
Total Fund Balance - All Funds	<u>\$ 25,909,852</u>	<u>24,557,420</u>	<u>1,352,432</u>	<u>5.5%</u>

MERRICK UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

General Fund

The net change in the general fund - fund balance is a decrease of \$2,554,136 in 2024. This resulted from excess of expenditures and other financing uses over revenue and other financing sources.

The District's revenue and other financing sources increased by \$3,445,774 or 6.2%, as compared to the prior year. This increase is primarily attributable to increases in property taxes and STAR and state sources. The increase in property taxes and STAR is due to an increase in the tax levy in accordance with the 2023-2024 budget. The increase in state sources is the result of additional state aid received during the year.

Expenditures and other financing uses increased by \$7,592,470 or 14.07% over the prior year. This was primarily due to increases in instruction, employee benefits, pupil transportation and operating transfers out. These increases during the year were primarily due to increased staff and higher costs of benefits.

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

	Balance at	Additions		Balance at
	June 30, 2023	(use of)	Interest	June 30, 2024
		reserves		
Unemployment insurance	\$ 373,502	-	19,080	392,582
Retirement contribution - ERS	1,037,363	-	52,994	1,090,357
Retirement contribution - TRS	1,054,873	525,000	53,888	1,633,761
EBALR	1,058,531	(35,034)	54,075	1,077,572
Capital	6,130,249	(1,600,000)	313,160	4,843,409
Repairs	2,566,065	(2,000,000)	131,086	697,151
	<u>\$ 12,220,583</u>	<u>(3,110,034)</u>	<u>624,283</u>	<u>9,734,832</u>

Additional detail regarding capital reserves can be found in note 18.

School Food Service Fund

The net change in the school food service fund - fund balance is a decrease of \$2,207, reducing the surplus to \$9,027, as required by SED Child Nutrition regulations.

Debt Service Fund

The net change in the debt service fund - fund balance is a decrease of \$49,542, which resulted from the current year debt payments.

Capital Projects Fund

The net change in the capital projects fund - fund balance is an increase of \$3,960,254, due to capital expenditures of \$1,959,130, transfers in of \$6,100,000 and transfers out of \$500,000.

Scholarships Fund

The net change in the scholarships fund - fund balance is a decrease of \$1,937, primarily due to less scholarship contributions in the current year.

MERRICK UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

General Fund Budgetary Highlights

2023-2024 Budget

The District's general fund adopted budget for the year ended June 30, 2024 was \$58,922,891. This amount was increased by encumbrances carried forward from the prior year in the amount of \$156,936 and a budget revision totaling \$6,167,258 for a total final budget of \$65,247,084.

The final budget was funded through a combination of estimated revenue and appropriated fund balance. The majority of this funding source was \$44,535,647 in estimated property taxes and STAR.

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

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

Opening, unassigned fund balance	\$ 4,719,903
Revenue over budget	1,039,793
Expenditures and encumbrances under budget	3,447,509
Allocations to reserves	(3,149,281)
Appropriated to fund the June 30, 2025 budget	<u>(2,818,730)</u>
Closing, unassigned fund balance	\$ <u>3,239,194</u>

The \$4,719,903 shown in the table is the portion of the District's June 30, 2023 fund balance that was retained as unassigned.

Revenue Over Budget

The 2023-2024 final budget for revenue is \$57,955,116. Actual revenue recognized for the year was \$58,994,909. The excess of actual revenue over estimated or budgeted revenue is \$1,039,793, which contributes directly to the change to the general fund unassigned fund balances from June 30, 2023 to June 30, 2024. The accompanying required supplementary information, schedule of revenue, expenditures and changes in fund balance - budget and actual - general fund, provides additional information.

Expenditures and Encumbrances Under Budget

The 2023-2024 final budget for expenditures was \$65,247,084. Actual expenditures and outstanding encumbrances totaled \$61,799,575. The final budget variance was \$3,447,509, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2023 to June 30, 2024. The accompanying required supplementary information, schedule of revenue, expenditures and changes in fund balance - budget and actual - general fund, provides additional information.

MERRICK UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

Allocations to Reserves

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

Appropriated Fund Balance

The District has chosen to use \$2,818,730 of the available June 30, 2024 unassigned fund balance to partially fund the 2024-2025 approved operating budget and one-time facility related upgrades and improvements. As such, the June 30, 2024 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the previous table, the unassigned fund balance at June 30, 2024 was \$3,239,194. This amount is above the 4% statutory limit.

Capital Assets, Debt Administration and Other Long-Term Liabilities

Capital Assets

At June 30, 2024, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$1,270,440 greater than depreciation expense of \$1,034,460. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>	<u>Increase (decrease)</u>
Land	\$ 119,375	119,375	-
Construction in progress	5,911,499	5,854,179	57,320
Buildings and improvements	29,925,727	29,947,558	(21,831)
Furniture, machinery and equipment	1,556,695	1,789,114	(232,419)
Vehicles	122,956	149,119	(26,163)
Right to use lease asset	299,179	10,127	289,052
Subscription	170,021	-	170,021
Capital assets, net	<u>\$ 38,105,452</u>	<u>37,869,472</u>	<u>235,980</u>

Debt Administration

At June 30, 2024, the District had total bonds payable of \$15,700,000. The bonds were issued for the refunding of bonds on August 7, 2013, originally issued for school and library building improvements. On December 6, 2016, the voters of the District authorized the issuance of serial bonds in the amount of \$19,900,000 to partially fund capital projects for additions, alterations and improvements to the District's buildings and sites. Bonds in the amount of \$17,835,000 were issued on February 23, 2021. A summary of the outstanding debt at June 30, 2024 and 2023 is as follows:

MERRICK UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

Issue Date	Interest Rate	2024	2023	Increase (decrease)
August 2013	2.00-4.50%	\$ 705,000	1,385,000	(680,000)
February 2021	1.375-5.00%	<u>14,995,000</u>	<u>15,955,000</u>	<u>(960,000)</u>
		<u>\$ 15,700,000</u>	<u>17,340,000</u>	<u>(1,640,000)</u>

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa2. The District's outstanding serial bonds at June 30, 2024 are approximately 4.7% of the District's debt limit.

Other Long-term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, which are based on employment contracts, and net pension liabilities - proportionate share and total other postemployment benefits liability, which are based on actuarial valuations. A summary of the outstanding other long-term liabilities at June 30, 2024 and 2023 is as follows:

	2024	2023	Increase (decrease)
Lease payable	\$ 306,028	7,261	298,767
Subscription payable	175,656	-	175,656
Compensated absences	1,199,529	156,254	1,043,275
Net pension liability - proportionate share	2,674,773	4,461,482	(1,786,709)
Total OPEB liability	<u>73,553,064</u>	<u>72,483,768</u>	<u>1,069,296</u>
Total	<u>\$ 77,909,050</u>	<u>77,108,765</u>	<u>800,285</u>

Economic Factors and Next Year's Budget

Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 21, 2024, for the year ending June 30, 2025, is \$63,008,498. This is an increase of \$4,085,607 or 6.93% as compared to the previous year's budget.

The District budgeted revenue other than property taxes and STAR at a \$1,807,635 increase over the prior year's estimate, which is principally due to estimated increases in state aid and charges for services. The assigned, appropriated fund balance applied to the June 30, 2025 budget is \$2,818,730, which is an increase of \$1,318,730. A property tax increase of \$959,242 or 2.15%, levy to levy, was needed to meet the revenue shortfall and cover the increase in appropriations.

Future Budgets

The property tax cap, uncertainty in state aid and federal funding, health insurance rates, and transportation costs, will impact the District's future budgets.

MERRICK UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's allowable tax levy cap is 2.15%. The District's 2024-2025 property tax increase of 2.15% did not exceed the tax cap and did not require an override vote.

Contacting the District

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

Merrick Union Free School District
Attn: Mr. Ryan Butler
Assistant Superintendent for Business
21 Babylon Road
Merrick, New York 11566

MERRICK UNION FREE SCHOOL DISTRICT

Statement of Net Position

Governmental Activities

June 30, 2024

Assets:

Cash and equivalents:

Unrestricted \$ 9,468,715

Restricted 18,450,857

Receivables:

State and federal aid 1,522,092

Accounts receivable 7,164

Due from other governments 285,311

Taxes receivable 860,090

Capital assets, net 38,105,452

Total assets 68,699,681

Deferred outflows of resources:

Deferred outflows of financial resources - pensions 12,867,144

Deferred outflows of financial resources - other post employment benefits 13,869,248

Total deferred outflows of resources 26,736,392

Liabilities:

Payables:

Accounts payable 450,756

Accrued liabilities 346,773

Bond interest payable 155,224

Due to teachers' retirement system 3,033,836

Due to employees' retirement system 142,079

Other liabilities 278,062

Long-term liabilities:

Due and payable within one year:

Bonds payable 1,833,411

Lease payable 62,429

Subscription payable 38,502

Due and payable after one year:

Bonds payable 15,345,292

Leases payable 243,599

Subscriptions payable 137,154

Other postemployment benefits payable 73,553,064

Compensated absences 1,199,529

Net pension liability - proportionate share - ERS System 992,589

Net pension liability - proportionate share - TRS System 1,682,184

Total liabilities 99,494,483

(Continued)

See accompanying notes to financial statements.

MERRICK UNION FREE SCHOOL DISTRICT
Statement of Net Position
Governmental Activities, Continued

Deferred inflows of resources:	
Pensions	\$ 1,687,842
OPEB	19,633,152
Unearned revenue	<u>8,637</u>
Total deferred inflows of resources	<u>21,329,631</u>
Net position:	
Net investment in capital assets	21,285,187
Restricted	18,450,857
Unrestricted (deficit)	<u>(65,124,085)</u>
Total net position	<u>\$ (25,388,041)</u>

See accompanying notes to financial statements.

MERRICK UNION FREE SCHOOL DISTRICT
Statement of Activities and Changes in Net Position
Governmental Activities
Year ended June 30, 2024

		Program Revenue			Net (Expense)
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants</u>	<u>Grants</u>	<u>Changes in</u>
					<u>Net Position</u>
Functions and programs:					
General support	\$ 10,250,147	-	-	-	(10,250,147)
Instruction	50,331,226	231,351	1,469,990	319,384	(48,310,501)
Pupil transportation	2,330,228	-	-	-	(2,330,228)
Community service	127,795	-	-	-	(127,795)
Debt service - interest	323,462	-	-	-	(323,462)
Food service program	<u>10,304</u>	<u>6,758</u>	<u>8,562</u>	<u>-</u>	<u>5,016</u>
Total functions and programs	<u>\$ 63,373,162</u>	<u>238,109</u>	<u>1,478,552</u>	<u>319,384</u>	<u>(61,337,117)</u>
General revenue:					
Real property taxes					42,424,835
Other tax items					3,000,779
Use of money and property					1,264,899
Sale of property and compensation for loss					19,213
Intergovernmental revenue					685,000
Federal and state sources					10,290,223
Miscellaneous					<u>437,998</u>
Total general revenue					<u>58,122,947</u>
Change in net position					(3,214,170)
Net position at beginning of year					<u>(22,173,871)</u>
Net position at the end of year					<u>\$ (25,388,041)</u>

See accompanying notes to financial statements.

Assets

See accompanying notes to financial statements.

MERRICK UNION FREE SCHOOL DISTRICT
Reconciliation of Balance Sheet - Governmental
Funds to the Statement of Net Position
Year ended June 30, 2024

Total governmental fund balance \$ 25,909,852

Amounts reported for governmental activities in the statement of net position are different because:

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

Original cost of capital assets	\$ 59,493,193	
Accumulated depreciation	<u>(21,387,741)</u>	38,105,452

Long-term liabilities are reported in the statement of net position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year-end consist of:

Bonds payable	(17,178,703)	
Accrued interest on bonds payable	(155,224)	
Subscription payable	(175,656)	
Lease payable	(306,028)	
Other postemployment benefits obligation	(73,553,064)	
Compensated absences payable	<u>(1,199,529)</u>	(92,568,204)

Some deferred inflows of resources and outflows of resources are not reported in the funds. These consist of the following:

Deferred outflows of resources - pensions	12,867,144	
Deferred outflows of resources - OPEB	13,869,248	
Deferred inflows of resources - pensions	(1,687,842)	
Deferred inflows of resources - OPEB	<u>(19,633,152)</u>	5,415,398

Some of the District's revenue will be collected after the year end, but are not available soon enough to pay for the current periods expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the statement of net position.

424,234

The proportionate shares of net pension liability and asset reported in the Statement of Net position does not provide for or require the use of current financial resources and therefore are not reported as liabilities in the governmental funds. Balances at year end consist of:

Net pension liability - proportionate share - ERS	(992,589)	
Net pension liability - proportionate share - TRS	<u>(1,682,184)</u>	<u>(2,674,773)</u>

Total net position \$ (25,388,041)

See accompanying notes to financial statements.

MERRICK UNION FREE SCHOOL DISTRICT
Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds
Year ended June 30, 2024

	General	Special Aid	School Food Service	Debt Service	Miscellaneous Special Revenue	Capital Projects	Total Governmental Funds
Revenue:							
Real property taxes	\$ 42,424,835	-	-	-	-	-	42,424,835
Other tax items	3,000,779	-	-	-	-	-	3,000,779
Charges for services	347,992	-	-	-	-	-	347,992
Use of money and property	1,227,041	-	-	37,233	625	-	1,264,899
Sale of property and compensation for loss	21,338	-	-	-	-	-	21,338
Miscellaneous	437,701	-	-	-	297	-	437,998
Intergovernmental revenue	685,000	-	-	-	-	-	685,000
State sources	10,290,223	725,221	-	-	-	319,384	11,334,828
Federal sources	-	744,769	8,562	-	-	-	753,331
Sales	-	-	6,758	-	-	-	6,758
Total revenue	58,434,909	1,469,990	15,320	37,233	922	319,384	60,277,758
Expenditures:							
General support	6,579,475	-	7,060	-	-	-	6,586,535
Instruction	31,949,338	1,591,138	-	-	2,859	-	33,543,335
Pupil transportation	2,197,709	47,146	-	-	-	-	2,244,855
Community service	127,795	-	-	-	-	-	127,795
Employee benefits	12,321,603	-	540	-	-	-	12,322,143
Debt service - principal	-	-	-	1,640,000	-	-	1,640,000
Debt service - interest	-	-	-	491,606	-	-	491,606
Food service program	-	-	9,927	-	-	-	9,927
Capital outlay	-	-	-	-	-	1,959,130	1,959,130
Total expenditures	53,175,920	1,638,284	17,527	2,131,606	2,859	1,959,130	58,925,326
Excess (deficiency) of revenue over expenditures	5,258,989	(168,294)	(2,207)	(2,094,373)	(1,937)	(1,639,746)	1,352,432
Other financing sources and uses:							
Transfers in	560,000	168,294	-	2,104,831	-	6,100,000	8,933,125
Transfers (out)	(8,373,125)	-	-	(60,000)	-	(500,000)	(8,933,125)
Total other financing sources (uses)	(7,813,125)	168,294	-	2,044,831	-	5,600,000	-
Excess (deficiency) of revenue and other sources over expenditures and other (uses)	(2,554,136)	-	(2,207)	(49,542)	(1,937)	3,960,254	1,352,432
Fund balance at beginning of year	18,597,422	-	11,234	55,842	4,837	5,888,085	24,557,420
Fund balance at end of year	\$ 16,043,286	-	9,027	6,300	2,900	9,848,339	25,909,852

See accompanying notes to financial statements.

MERRICK UNION FREE SCHOOL DISTRICT
Reconciliation of Statement of Revenue, Expenditures and Changes
in Fund Balances - Governmental Funds to the Statement of Activities
Year ended June 30, 2024

Net change in fund balances	\$ 1,352,432
Amounts reported for governmental activities in the statement of activities are different because:	
Certain revenues are recognized in the governmental funds when they provide current financial resources. However, these revenues were recognized in the statement of activities in prior years when they were earned.	(116,641)
When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense as summarized below:	
Capital outlay	1,558,582
Depreciation expense	(1,884,978)
Loss on sale of property	(2,125)
Long-term debt transactions:	
Repayment of bond principal and energy performance debt principal is an expenditure in the governmental funds, less the library portion, but reduce long-term liabilities in the statement of net position and do not affect the statement of activities.	
Principal paid on bonds	1,640,000
Lease payments	53,208
Subscription payments	36,870
The amortization of the deferred premium decreases interest expense in the statement of activities.	149,164
Interest on long-term debt in the statement of activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due and requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2023 to June 30, 2024 changed by	18,980

(Continued)

See accompanying notes to financial statements.

MERRICK UNION FREE SCHOOL DISTRICT
Reconciliation of Statement of Revenue, Expenditures and Changes
in Fund Balances - Governmental Funds to the Statement of Activities, Continued

(Increases) decreases in proportionate share of net pension liability and net workers' compensation asset report 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.

Employee's Retirement System	\$ 556,981	
Teachers' Retirement System	<u>1,229,728</u>	1,786,709

Some items reported as expenditures in governmental funds are required to be deferred in the statement of net position. In the current period those amounts are:

Deferred inflows of resources - pensions	68,036	
Deferred outflows of resources - pensions	(4,082,658)	
Deferred inflows of resources - OPEB	2,576,294	
Deferred outflows of resources - OPEB	<u>(4,255,472)</u>	(5,693,800)

Long-term revenue and expense differences:

In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid).

Compensated absences payable	(1,043,275)
Other postemployment benefits obligation	<u>(1,069,296)</u>

Changes in net position of governmental activities	<u><u>\$ (3,214,170)</u></u>
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See accompanying notes to financial statements.

MERRICK UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
June 30, 2024

	Custodial Funds
<u>Statement of Net Position</u>	
<u>Assets</u>	
Due from other governments	\$ 729,146
<u>Liabilities</u>	
Due to other governments	<u>729,146</u>
<u>Net Position</u>	
Restricted	<u><u>\$ -</u></u>

Year ended June 30, 2024

Statement of Changes in Fiduciary Net Position

<u>Additions</u>	
Real property taxes collected for other governments	
Library	\$ 3,913,483
Central High School District	41,239,879
PILOT collected for other governments	<u>764,659</u>
Total additions	<u>45,918,021</u>
<u>Deductions</u>	
Payments of real property taxes to other governments	45,153,362
Payments of PILOT to other governments	<u>764,659</u>
Total deductions	<u>45,918,021</u>
Change in net position	-
Net position at beginning of year	<u>-</u>
Net position at end of year	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

MERRICK UNION FREE SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

(1) Summary of Significant Accounting Policies

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

(a) Reporting Entity

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

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

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities that would be included in the District's reporting entity.

(b) Joint Venture

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

MERRICK UNION FREE SCHOOL DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Basis of Presentation

(i) District-Wide Statements

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

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

(ii) Fund Financial Statements

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

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

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

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

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

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Basis of Presentation, Continued

(ii) Fund Financial Statements, Continued

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

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

Scholarships Fund - is used to account for funds collected that benefit annual third-party awards and scholarships for students.

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

Custodial Fund - is used to account for real property taxes collected on behalf of the Bellmore-Merrick Central High School District (CHSD) and the Merrick Library (Library), which are collected by the town and included in the amount remitted to the District. The District remits the CHSD and the Library's share of the tax levy to the CHSD and the Library in installments.

(d) Measurement Focus and Basis of Accounting

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

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Measurement Focus and Basis of Accounting, Continued

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

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

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

(e) Real Property Taxes

Calendar

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

Enforcement

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

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Payments in Lieu of Taxes (PILOT)

The District reports PILOT revenue in the general fund as part of other tax items revenue. The District's PILOT revenue comprise of payments from the Long Island Power Authority (LIPA) remitted by Nassau County. Beginning in the 2015-16 fiscal year, the Nassau County Legislature removed properties owned by LIPA from the assessment and tax rolls and, instead, allowed LIPA to make PILOT payments with annual increases of no more than 2% in response to the New York State Public Authorities Law §1020-q (the "LIPA Reform Act") enacted by the state in 2013. These LIPA PILOT payments are not the result of tax abatement agreements as defined by GASB Statement No. 77 - Tax Abatement Disclosures, under which an entity receiving a reduction in tax revenue promises to take specific action that contributes to economic development or otherwise benefits the governments or residents of the governments. The District received \$825,768 in LIPA PILOT revenue during the 2023-2024 fiscal year.

PILOT payments collected on behalf of the CHSD were \$764,659 and were remitted to the CHSD. This amount is reflected in the Custodial fund.

(g) Restricted Resources

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

(h) Interfund Transactions

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

In the District-Wide statements eliminations have been made for all interfund receivables and payables between the funds.

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

A detailed disclosure by individual fund for interfund receivables, payables, transfers in and transfers out activity is provided subsequently in these notes to financial statements.

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(i) Use of Estimates

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

(j) Cash and Equivalents/Investments

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

Investments are reported at fair value, based on quoted market prices.

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

(k) Receivables

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

(l) Capital Assets

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

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

	<u>Capitalization Threshold</u>	<u>Estimated useful life</u>
Buildings and improvements	\$ 10,000	50 years
Site improvements	10,000	20 years
Furniture, machinery and equipment	5,000	5-20 years
Vehicles	5,000	8 years

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(m) Deferred Outflows of Resources

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

(n) Short-Term Debt

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

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date, seven years if originally issued during calendar year 2016 through, and including, 2024. The notes, or renewal thereof, may not extend more than two years beyond the original date of issue, unless a portion is redeemed within two years and within each twelve month period thereafter.

(o) Collections in Advance

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

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(p) Employee Benefits - Compensated Absences

Compensated absences consist of unpaid accumulated vacation time.

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

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

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

(q) Other Benefits

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

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

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

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

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(r) Deferred Inflows of Resources

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

(s) Equity Classifications

(i) District-Wide Statements

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

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

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

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

(ii) Fund Statements

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

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

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(s) Equity Classifications, Continued

(ii) Fund Statements, Continued

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

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

Employee Benefit Accrued Liability Reserve

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

Capital Reserve

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

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(s) Equity Classifications, Continued

(ii) Fund Statements, Continued

Repairs Reserve

Repairs Reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. The reserve is accounted for in the general fund.

Restricted for Debt

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

Restricted for Scholarships

Amounts restricted for scholarships are used to account for monies donated for scholarship purposes, including earning and net of awards. These restricted funds are accounted for in the miscellaneous special revenue fund.

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

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

(iii) Fund Balance Classification

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

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(s) Equity Classifications, Continued

(iii) Fund Balance Classification, Continued

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

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned), the expenditure is to be spent first from the restricted fund balance to the extent appropriated by the budget or any Board approved budget revision, then from the assigned fund balance to the extent appropriated by the Board, and then from the unassigned fund balance.

(2) Explanation of Certain Differences Between the District-Wide Statements and the Governmental Fund Statements

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

(a) Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

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

(b) Statement of Revenue, Expenditures and Changes in Fund Balances vs. Statement of Activities

Differences between the statement of revenue, expenditures and changes in fund balances and the statement of activities fall into any of four broad categories.

Long-Term Revenue and Expense Differences

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

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(2) Explanation of Certain Differences Between the District-Wide Statements and the Governmental Fund Statements, Continued

(b) Statement of Revenue, Expenditures and Changes in Fund Balances vs. Statement of Activities, Continued
Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension and Other Postemployment Benefits Differences

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

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

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(3) Stewardship, Compliance and Accountability

(a) Budgets

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

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

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

- Transfer \$2,000,000 from existing Repair Reserve to Capital Reserve.
- Replace/recoat the roof and repair the masonry wall at Chatterton School and replace the steam pipes at Lakeside School for \$6,100,000

Budgets are adopted annually on a basis consistent with GAAP.

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

(b) Encumbrances

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

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(3) Stewardship, Compliance and Accountability, Continued

(c) Unassigned Fund Balance

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

(4) Deposits with Financial Institutions and Investments

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

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

- (a) Uncollateralized,
- (b) Collateralized by securities held by the pledging financial institution, or
- (c) Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

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

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

Investment pool - The District participates in the Cooperative Liquid Assets Securities System - New York (NYCLASS), a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 3-A and 5-G, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. All NYCLASS investment and collateral policies are in accordance with General Municipal Law, Sections 10 and 11.

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(4) Deposits with Financial Institutions and Investments, Continued

The following amounts are included as cash and equivalents at June 30, 2024:

<u>Fund</u>	<u>Carrying Amount</u>
General	\$ 17,410,692
Capital projects	9,633,206
Debt service	<u>6,220</u>
	<u>\$ 27,050,118</u>

The above amounts represent the cost of the investment pool shares, which approximates market value. The Lead Participant of NYCLASS is the Village of Potsdam. Additional information concerning NYCLASS, including the annual report, can be found on its website at www.newyorkclass.org.

(5) Participation in BOCES

During the year ended June 30, 2024, the District was billed \$3,452,006 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,407,238. Financial statements for the BOCES are available from the BOCES administrative offices at 71 Clinton Road, P.O. Box 9195, Garden City, New York 11530-9195.

(6) Due from State and Federal

Due from state and federal at June 30, 2024 consisted of:

General fund	
New York State aid - excess cost aid	\$ 101,796
BOCES aid	<u>725,326</u>
	827,122
Special aid fund - federal and state grants	375,037
School food service fund - federal and state grants program reimbursements	550
Capital projects fund - smart school bond act	<u>319,383</u>
	<u>\$ 1,522,092</u>

District management expects these amounts to be fully collectible.

(7) Due from Other Governments

Due from other governments in the general fund and special aid fund at June 30, 2024 consisted of tuition from other districts amounting to \$277,639 and summer handicapped tuition of \$7,672, respectively. District management expects these amounts to be fully collectible.

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(8) Capital Assets

Capital asset balances and activity for the year ended June 30, 2024 were as follows:

	Balance June 30, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2024</u>
Capital assets not being depreciated:				
Land	\$ 119,375	-	-	119,375
Construction in progress	<u>5,854,179</u>	<u>807,844</u>	<u>(750,524)</u>	<u>5,911,499</u>
Total capital assets not being depreciated	<u>5,973,554</u>	<u>807,844</u>	<u>(750,524)</u>	<u>6,030,874</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	46,164,016	1,387,503	-	47,551,519
Furniture, machinery and equipment	5,266,866	113,759	(416,971)	4,963,654
Vehicles	413,194	-	(30,549)	382,645
Right to use lease asset	405,123	351,975	(405,123)	351,975
Subscription	<u>-</u>	<u>212,526</u>	<u>-</u>	<u>212,526</u>
Total capital assets being depreciated/amortized	<u>52,249,199</u>	<u>2,065,763</u>	<u>(852,643)</u>	<u>53,462,319</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	16,216,458	1,409,334	-	17,625,792
Furniture, machinery and equipment	3,477,752	344,053	(414,846)	3,406,959
Vehicles	264,075	26,163	(30,549)	259,689
Right to use lease asset	394,996	62,923	(405,123)	52,796
Subscription	<u>-</u>	<u>42,505</u>	<u>-</u>	<u>42,505</u>
Total accumulated depreciation/amortization	<u>20,353,281</u>	<u>1,884,978</u>	<u>(850,518)</u>	<u>21,387,741</u>
Total capital assets, being depreciated/amortized, net	<u>31,895,918</u>	<u>180,785</u>	<u>(2,125)</u>	<u>32,074,578</u>
Capital assets, net	<u>\$ 37,869,472</u>	<u>988,629</u>	<u>(752,649)</u>	<u>38,105,452</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 525,532
Instruction	1,328,721
Pupil transportation	30,348
Food service program	<u>377</u>
Total depreciation expense	\$ <u>1,884,978</u>

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(9) Interfund Transactions

Interfund balances and activities as of and for the year ended June 30, 2024 are as follows:

	<u>Receivable</u>	<u>Payable</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ 586,668	26,894	560,000	8,373,125
Special aid fund	26,894	338,302	168,294	-
Debt services fund	-	-	2,104,831	60,000
Capital projects fund	-	248,366	6,100,000	500,000
Total governmental funds	\$ <u>613,562</u>	<u>613,562</u>	<u>8,933,125</u>	<u>8,933,125</u>

(10) Long-Term Liabilities

(a) Changes

Long-term liability balances and activity, excluding pension and other postemployment benefits liabilities, for the year ended June 30, 2024 are summarized below:

	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>June 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2024</u>	<u>Due Within</u>
					<u>One Year</u>
Long term debt:					
Bonds payable	\$ 17,340,000	-	(1,640,000)	15,700,000	1,710,000
Premium on bond issuance	1,601,708	-	(123,208)	1,478,500	123,208
Premium on refunding	26,159	-	(25,956)	203	203
Lease payable	7,261	351,975	(53,208)	306,028	62,429
Subscription payable	-	212,526	(36,870)	175,656	38,502
	18,975,128	564,501	(1,879,242)	17,660,387	1,934,342
Other long-term liabilities - compensated absences	156,254	1,043,275	-	1,199,529	-
Total long-term liabilities	\$ <u>19,131,382</u>	<u>1,607,776</u>	<u>(1,879,242)</u>	<u>18,859,916</u>	<u>1,934,342</u>

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

(b) Bonds Payable

Bonds payable is comprised of the following:

<u>Description</u>	<u>Issue</u>	<u>Final</u>	<u>Interest</u>	<u>Outstanding at</u>
	<u>Date</u>	<u>Maturity</u>	<u>Rate</u>	<u>June 30, 2024</u>
Serial bonds - refunding	August 2013	December 2024	2.00 - 4.5%	\$ 705,000
Serial bonds	February 2021	February 2036	1.375 - 5.00%	<u>14,995,000</u>
				\$ <u>15,700,000</u>

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(10) Long-Term Liabilities, Continued

(b) Bonds Payable, Continued

Part of the 2013 refunding bonds was for the Merrick Library reconstruction. The bonds are an obligation of the District; however, the Merrick Library's Board of Trustees has committed to transfer funds to the District to cover the debt service payments (note 14 provides additional information). The following is a summary of debt service requirements for bonds payable:

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,710,000	422,406	2,132,406
2026	1,055,000	361,581	1,416,581
2027	1,110,000	308,831	1,418,831
2028	1,165,000	253,331	1,418,331
2029	1,225,000	195,081	1,420,081
2030-2034	6,660,000	433,319	7,093,319
2035-2036	<u>2,775,000</u>	<u>55,612</u>	<u>2,830,612</u>
Total	\$ <u>15,700,000</u>	<u>2,030,161</u>	<u>17,730,161</u>

(c) Premium on Issuance of debt

The District is amortizing the above premium of \$1,478,500 on a straight-line basis over the respective bond term. The future amortization is as follows:

<u>Year ending</u>	<u>Deferred Premium</u>
2025	\$ 123,208
2026	123,208
2027	123,208
2028	123,208
2029	123,208
2030-2034	616,041
2035-2036	<u>246,419</u>
Total	\$ <u>1,478,500</u>

(d) Advance Refunding

In the District-Wide statements, the District is amortizing the refunding bond premium as a component of interest expense on a straight-line basis at \$25,956 per year.

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(10) Long-Term Liabilities, Continued

(e) Lease Payable

The District is leasing office equipment under a lease agreement that expires in October 2028. The gross amount of the equipment under the lease was \$351,975 and accumulated amortization amounted to \$52,796. Amortization is included in general support in the statement of activities. Future minimum payments under the lease agreement are as follows:

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 62,429	23,617	86,046
2026	67,947	18,099	86,046
2027	73,953	12,093	86,046
2028	80,489	5,557	86,046
2029	<u>21,210</u>	<u>301</u>	<u>21,511</u>
	\$ <u>306,028</u>	<u>59,667</u>	<u>365,695</u>

(f) Subscriptions Payable

The District has a subscription payable for software that expires in June 2028. The gross amount of software under the subscription was \$212,526 and accumulated amortization amounted to \$42,505. Amortization is included in general support in the statement of activities. Future minimum payments under the subscription are as follows:

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 38,502	13,454	51,956
2026	41,905	10,050	51,955
2027	45,609	6,347	51,956
2028	<u>49,640</u>	<u>2,315</u>	<u>51,955</u>
	\$ <u>175,656</u>	<u>32,166</u>	<u>207,822</u>

(g) Interest Expense

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

Interest paid	\$ 491,606
Less interest accrued in the prior year	(174,204)
Plus interest accrued in the current year	155,224
Less amortization of premium on refunding	(25,956)
Less amortization of bond premium	<u>(123,208)</u>
Total interest expense on long-term debt	\$ <u>323,462</u>

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(11) Pension Plans - New York State

(a) General Information

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

(b) Provisions and Administration

Teachers' Retirement System

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

Employees' Retirement System

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

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(11) Pension Plans - New York State, Continued

(c) Funding Policies

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

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2024 was \$2,795,547 for TRS and \$335,492 for ERS.

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

At June 30, 2024, 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, 2023, for TRS and March 31, 2024 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2023	March 31, 2024
District's proportion share of the net pension asset/(liability)	\$ (1,682,184)	(992,589)
District's proportion of the Plan's total net Pension asset/(liability)	0.147097%	0.0067413%
Change in proportion since the prior measurement date	(0.004653)	(0.0004848)

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(11) Pension Plans - New York State, Continued

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

For the year ended June 30, 2024, the District recognized pension expense of \$4,790,242 for TRS and \$510,147 for ERS. At June 30, 2024, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 4,078,848	319,712	10,080	27,065
Changes of assumptions	3,621,692	375,276	789,328	-
Net difference between projected and actual investment earnings on pension plan investments	859,899	-	-	484,874
Changes in proportion and differences between the District's contributions and proportionate share of contributions	568,291	204,047	307,676	68,819
District's contributions subsequent to the measurement date	<u>2,697,300</u>	<u>142,079</u>	<u>-</u>	<u>-</u>
Total	\$ <u>11,826,030</u>	<u>1,041,114</u>	<u>1,107,084</u>	<u>580,758</u>

District contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>TRS</u>	<u>ERS</u>
2025	\$ 705,353	(116,923)
2026	(843,004)	238,378
2027	6,809,169	298,781
2028	586,007	(101,959)
2029	486,063	-
Thereafter	<u>278,058</u>	<u>-</u>
	\$ <u>8,021,646</u>	<u>318,277</u>

MERRICK UNION FREE SCHOOL DISTRICT

Notes to Financial Statements, Continued

(11) Pension Plans - New York State, Continued

(e) Actuarial Assumptions

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

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2023	March 31, 2024
Actuarial valuation date	June 30, 2022	April 1, 2023
Inflation rate	2.40%	2.90%
Salary scale	1.95% - 5.18%	4.40%
Investment rate of return (net of investment expense, including inflation)	6.95%	5.90%
Cost-of-living adjustments	1.30%	1.50%

For TRS, annuitant and active mortality rates are based on plan member experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2021, applied on a generational basis. For ERS, annuitant mortality rates are based on April 1, 2015 - March 31, 2020 system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2021.

For TRS, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2015 - June 30, 2020. For ERS, the actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020.

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

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

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(11) Pension Plans - New York State, Continued

(e) Actuarial Assumptions, Continued

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

Measurement date	<u>ERS</u>		<u>TRS</u>	
	March 31, 2024		June 30, 2023	
	Long-term expected real rate of return*	Target allocation	Long-term expected real rate of return*	Target allocation
Asset class:				
Domestic equity	4.00%	32%	6.80%	33%
International equity	6.65%	15%	7.60%	15%
Real estate equity	4.60%	9%	6.30%	11%
Global equity	-	-	7.20%	4%
Domestic fixed income	-	-	2.20%	16%
Global bonds	-	-	1.60%	2%
High-yield bonds	-	-	4.40%	1%
Real estate debt	-	-	3.20%	6%
Private equity	7.25%	10%	10.10%	9%
Private debt	-	-	6.00%	2%
Real assets	5.79%	3%	-	-
Fixed income	1.50%	23%	-	-
Opportunistic/ARS portfolio	5.25%	3%	-	-
Credit	5.40%	4%	-	-
Cash	0.25%	1%	0.30%	1%
		<u>100%</u>		<u>100%</u>

* Real rates of return are net of a long-term inflation assumption of 2.4% for TRS and 2.9% for ERS.

(f) Discount Rate

The discount rate used to measure the total pension liability was 6.95% for TRS and 5.90% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MERRICK UNION FREE SCHOOL DISTRICT

Notes to Financial Statements, Continued

(11) Pension Plans - New York State, Continued

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.95% for TRS and 5.90% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (5.95% for TRS and 4.90% for ERS) or 1 percentage point higher (7.95% for TRS and 6.90% for ERS) than the current rate:

TRS	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
Employer's proportionate share of the net pension asset (liability)	\$ (25,620,514)	(1,682,184)	18,450,987
ERS	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension asset (liability)	\$ (3,120,800)	(992,589)	784,910

(h) Pension Plan Fiduciary Net Position

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

	TRS (Dollars in Millions)	ERS (Dollars in Millions)
Measurement date	6/30/2023	3/31/2024
Employers' total pension liability	\$ (138,365)	(240,697)
Plan net position	137,221	225,973
Employers' net pension liability	\$ (1,144)	(14,724)
Ratio of plan net position to the employers' total pension asset	99.2%	93.88%

(i) Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2024, are paid to the system in September, October and November 2024 through a state aid intercept. Accrued retirement contributions as of June 30, 2024, represent employer and employee contributions for the fiscal year ended June 30, 2024, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2024 amounted to \$2,697,300 of employer contributions and \$336,536 of employee contributions.

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(11) Pension Plans - New York State, Continued

(i) Payables to the Pension Plan, Continued

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2024, represent the projected employer contribution for the period of April 1, 2024 through June 30, 2024 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2024 amounted to \$142,079 of employer contributions. Employee contributions are remitted monthly.

(12) Pension Plans - Other

(a) Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the employees for the year ended June 30, 2024, totaled \$1,798,019.

(b) Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contribution into this plan. The amount deferred by eligible employees for the year ended June 30, 2024 totaled \$47,400.

(13) Postemployment Healthcare Benefits

(a) General Information about the OPEB Plan

Plan Description - The District provides OPEB for eligible retired employees of the District. The benefits provided to employees upon retirement are based on provisions in the various contracts that the District has in place with different classifications of employees. The plan is a single-employer defined benefit OPEB plan administered through the New York State Health Insurance Program - Empire Plan.

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

Employees Covered by Benefit Terms - At July 1, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	234
Active employees	<u>320</u>
	<u>554</u>

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(13) Postemployment Healthcare Benefits, Continued

(b) Total OPEB Liability

The District's total OPEB liability of \$73,553,064 was measured as of June 30, 2024 and was determined by an actuarial valuation as of July 1, 2022. There are no assets accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4. Update procedures were used to roll forward the total OPEB liability to the measurement date.

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

Inflation	2.40%
Salary increases	2.40% average, including inflation
Discount rate	3.93%
Healthcare cost trend rates	5.80% for 2022, decreasing to an ultimate rate of 3.8% over 51 years

Retirees' share of benefit-related costs 25.00 - 60.00% of projected health insurance premiums for retirees

The discount rate was based on an index rate for 20 year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were based on the 2006 Total Dataset Mortality Table, as appropriate, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

The plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable

(c) Changes in the Total OPEB Liability

Total OPEB liability as of July 1, 2023	\$ <u>72,483,768</u>
Changes for the year:	
Service cost	3,191,911
Interest	2,732,358
Effects of demographic losses/gains	-
Changes in assumptions or other inputs	(3,207,088)
Benefit payments	<u>(1,647,885)</u>
Total changes	<u>1,069,296</u>
Total OPEB liability as of June 30, 2024	\$ <u>73,553,064</u>

There were no changes of benefit terms or demographic.

Changes of assumptions and other inputs reflect an increase in the discount rate from 3.65% to 3.93%.

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(13) Postemployment Healthcare Benefits, Continued

(c) Changes in the Total OPEB Liability, Continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.93%) or 1 percentage point higher (4.93%) than the current discount rate:

	1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
Total OPEB liability	\$ <u>85,978,923</u>	<u>73,553,064</u>	<u>63,548,511</u>

Sensitivity of the Total OPEB Liability Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	Healthcare Cost Decrease 1% Cost Trend Rates	Increase 1%
Total OPEB liability	\$ <u>61,116,430</u>	<u>73,553,064</u> <u>89,632,767</u>

(d) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year June 30, 2024, the District recognized OPEB expense of \$4,396,359. At June 30, 2024, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	7,016,754
Changes of assumptions or other input	<u>13,869,248</u>	<u>12,616,398</u>
Total	\$ <u>13,869,248</u>	<u>19,633,152</u>

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

Year ending June 30,

2025	\$ (1,527,910)
2026	(1,311,032)
2027	(1,920,175)
2028	(1,424,411)
2029	434,925
Thereafter	<u>(15,301)</u>
	\$ <u>(5,763,904)</u>

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(14) Library Bond Reconstruction

In 2004, the District issued a \$9,890,000 serial bond on behalf of the Library, which was included as part of the advance refunding of bonds in August 2013. This was used for reconstruction of the Library building. Although the bond issue is an obligation of the District, the Library Board has committed to raise funds through its budget and tax levy sufficient to transfer to the District for the ensuing debt service payments.

As of June 30, 2024, the District is holding unspent bond proceeds totaling \$30,575 and interest earned on bond proceeds for the benefit of the Library. These funds will be used to reduce future debt service payments, which will be credited to the Library.

(15) Deferred Inflows of Resources

In the governmental fund financial statements, deferred inflows of resources, at June 30, 2024, consists of that portion of the amount due from New York State for local aid payments and tuition and related services from other districts, which is unavailable. Unavailable revenue, in the general fund at June 30, 2024 total \$424,234.

(16) Risk Management

(a) General Information

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

(b) Public Entity Risk Pool

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

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(16) Risk Management, Continued

(b) Public Entity Risk Pool, Continued

The District participates in the Nassau County Schools Cooperative Self-Insured Plan for Workers' Compensation, a risk sharing pool, to insure workers' compensation claims. This is a public school entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The Workers' Compensation Plan's total liability for unbilled and opened claims at June 30, 2024, discounted 2%, was \$21,208,123. The Workers' Compensation Plan has net assets of \$2,973,411 at June 30, 2024 to pay these liabilities. If the District leaves the plan or if the plan is terminated, the District will be liable for the District's open claims at that time. At June 30, 2024, the District's open claims discounted 2% are \$640,697.

(17) Assigned - Appropriated Fund Balance

The amount of \$2,818,730 has been appropriated to reduce taxes for the year ending June 30, 2025.

(18) Restricted for Capital Reserve

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

Date Created	May 2019
Number of Years to Fund	15
Maximum Funding	\$ <u>20,000,000</u>
General Fund	
Funding provided since inception	\$ 8,500,000
Interest earnings since inception	543,410
Use of reserve since inception	(8,700,000)
Transfer from repair	2,000,000
Replenishment from smart bond	500,000
Additional restrictions	<u>2,000,000</u>
	4,843,410
Capital Projects Fund	
Funding provided since inception	<u>8,700,000</u>
Balance as of June 30, 2024	\$ <u>13,543,410</u>

MERRICK UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(19) Commitments and Contingencies

(a) Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2024, the District encumbered the following amounts:

Assigned - Unappropriated Fund Balance:

General Fund:

General support	\$ 190,059
Instruction	60,359
Community service	<u>112</u>
	\$ <u>250,530</u>

(b) Grants

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

(c) Litigation

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

(20) Subsequent Events

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

(21) Future Implementations of GASB Pronouncements

GASB has issued the following pronouncements which will be implemented in the years required. The effects of the implementation of these pronouncements are not known at this time.

Statement No. 101 - Compensated Absences. Effective for fiscal years beginning after December 15, 2023.

Statement No. 103 - Financial Reporting Model Improvements. Effective for fiscal years beginning after June 15, 2025.

MERRICK UNION FREE SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of Revenue, Expenditures, and Changes in Fund Balance -
 Budget and Actual - General Fund
 Year ended June 30, 2024

	Original <u>Budget</u>	Final <u>Budget</u>	Actual (Budgetary Basis)	Final Budget Variance with Budgetary <u>Actual</u>
Revenue:				
Local sources:				
Real property taxes	\$ 44,535,647	42,402,926	42,424,835	21,909
Other tax items	762,230	2,894,951	3,000,779	105,828
Charges for services	465,000	465,000	347,992	(117,008)
Use of money and property	350,000	350,000	1,227,041	877,041
Sale of property and compensation for loss	-	-	21,338	21,338
Miscellaneous	265,000	297,225	437,701	140,476
Intergovernmental revenues	685,000	685,000	685,000	-
State sources	10,234,014	10,234,014	10,290,223	56,209
Other financing sources - transfers from other funds	<u>126,000</u>	<u>626,000</u>	<u>560,000</u>	<u>(66,000)</u>
Total revenue and other sources	57,422,891	57,955,116	<u>58,994,909</u>	<u>1,039,793</u>
Appropriated fund balance	1,500,000	2,818,730		
Prior year encumbrances	156,936	156,936		
Use of reserves	<u>-</u>	<u>4,316,302</u>		
Total revenue and appropriated fund balance	<u>\$ 59,079,827</u>	<u>65,247,084</u>		

(Continued)

MERRICK UNION FREE SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of Revenue, Expenditures, and Changes in Fund Balance -
 Budget and Actual - General Fund, Continued

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
Expenditures:					
General support:					
Board of education	\$ 69,630	73,878	58,602	-	15,276
Central administration	386,791	386,791	382,898	799	3,094
Finance	835,426	883,526	785,414	54,495	43,617
Staff	297,128	300,128	250,687	-	49,441
Central services	4,742,569	4,996,640	4,537,020	134,765	324,855
Special items	553,000	572,500	564,854	-	7,646
Instruction:					
Instruction, adm. and imp.	1,914,607	1,988,080	1,944,882	-	43,198
Teaching - regular school	19,414,119	19,679,154	18,518,699	46,249	1,114,206
Programs for children with handicapping conditions	9,162,266	9,274,766	8,849,527	-	425,239
Instructional media	1,609,775	1,603,030	1,295,960	14,110	292,960
Pupil services	1,455,178	1,462,715	1,340,270	-	122,445
Pupil transportation	2,162,683	2,257,933	2,197,709	-	60,224
Community service	180,000	186,000	127,795	112	58,093
Employee benefits	13,933,887	13,208,818	12,321,603	-	887,215
Total expenditures	56,717,059	56,873,959	53,175,920	250,530	3,447,509
Other financing uses - transfers to other funds	2,205,831	8,373,125	8,373,125	-	-
Total expenditures and other uses	<u>\$ 58,922,890</u>	<u>65,247,084</u>	<u>61,549,045</u>	<u>250,530</u>	<u>3,447,509</u>
Net change in fund balances			(2,554,136)		
Fund balance at beginning of year			18,597,422		
Fund balance at end of year			<u>\$ 16,043,286</u>		

MERRICK UNION FREE SCHOOL DISTRICT
Required Supplementary Information
Schedule of District's Proportionate Share of the Net Pension Asset/Liability
June 30, 2024

	NYSERS Pension Plan									
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension asset/liability	0.0067413%	0.0072261%	0.0080194%	0.0069392%	0.0072092%	0.0076575%	0.0080116%	0.0083086%	0.0089763%	0.0091812%
District's proportionate share of the net pension asset (liability)	\$ (992,589)	(1,549,570)	655,554	(6,910)	(1,909,046)	(542,555)	(258,569)	(780,694)	(1,440,725)	(310,163)
District's covered payroll	\$ 3,174,939	3,108,427	2,948,319	2,929,582	2,775,502	2,695,564	2,770,061	2,830,997	2,715,520	2,748,805
District's proportionate share of the net pension asset/liability as a percentage of its covered payroll	31.26%	49.85%	22.23%	0.24%	68.78%	20.13%	9.33%	27.58%	53.06%	11.28%
Plan fiduciary net position as a percentage of the total pension asset/liability	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%

	NYSTRS Pension Plan									
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension asset/liability	0.147097%	0.151750%	0.159904%	0.150732%	0.147603%	0.145745%	0.145489%	0.145458%	0.143053%	0.143053%
District's proportionate share of the net pension asset (liability)	\$ (1,682,184)	(2,911,912)	27,709,822	(4,165,137)	3,834,726	2,635,458	1,105,864	(1,557,915)	15,068,401	15,935,232
District's covered payroll	\$ 27,636,269	26,975,287	27,305,181	25,584,022	24,637,279	24,037,843	22,942,901	22,445,613	22,058,304	21,396,602
District's proportionate share of the net pension asset/liability as a percentage of its covered payroll	6.09%	10.79%	101.48%	16.28%	15.56%	10.96%	4.82%	6.94%	68.31%	74.48%
Plan fiduciary net position as a percentage of the total pension asset/liability	99.20%	98.60%	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%

The amounts presented for each fiscal year were determined as of each system's measurement date.

MERRICK UNION FREE SCHOOL DISTRICT
Required Supplementary Information
Schedule of District's Employer Pension Contributions
June 30, 2024

	NYSERS Pension Plan									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 335,492	318,143	410,841	396,884	385,032	391,761	411,964	395,366	450,683	507,306
Contributions in relation to the contractually required contribution	335,492	318,143	410,841	396,884	385,032	391,761	411,964	395,366	450,683	507,306
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 3,174,939	3,108,427	2,948,319	2,980,673	2,765,288	2,760,261	2,783,239	2,755,617	2,720,757	2,748,094
Contributions as a percentage of covered payroll	10.57%	10.23%	13.93%	13.32%	13.92%	14.19%	14.80%	14.35%	16.56%	18.46%

	NYSTRS Pension Plan									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,795,547	2,634,522	2,586,521	2,568,705	2,266,744	2,616,479	2,355,709	2,702,079	2,969,710	3,819,593
Contributions in relation to the contractually required contribution	2,795,547	2,634,522	2,586,521	2,568,705	2,266,744	2,616,479	2,355,709	2,702,079	2,969,710	3,819,593
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 27,636,269	27,167,612	26,975,287	27,305,181	25,584,022	24,637,279	24,037,843	22,942,901	22,445,613	22,058,304
Contributions as a percentage of covered payroll	10.12%	9.70%	9.59%	9.41%	8.86%	10.62%	9.80%	11.78%	13.23%	17.32%

MERRICK UNION FREE SCHOOL DISTRICT
Required Supplementary Information
Schedule of Changes in the District's
Total OPEB Liability and Related Ratios
June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability							
Service cost	\$ 3,191,911	2,542,531	3,653,467	3,133,793	2,454,502	3,040,771	2,998,784
Interest	2,732,358	2,273,802	1,662,533	1,629,903	2,046,896	1,961,300	1,853,360
Changes of benefit terms	-	-	-	-	-	20,826	-
Effect of demographic gains or losses	-	(3,518,578)	-	-	-	-	-
Differences between expected and actual experience	-	-	-	(8,700,712)	-	(2,356,735)	(51,257)
Changes of assumptions or other inputs	(3,207,088)	10,240,762	(15,453,816)	8,082,112	11,537,587	(7,555,640)	-
Benefit payments	(1,647,885)	(1,474,938)	(1,507,249)	(1,387,025)	(1,507,129)	(1,332,320)	(1,158,708)
Net change in total OPEB liability	1,069,296	10,063,579	(11,645,065)	2,758,071	14,531,856	(6,221,798)	3,642,179
Total OPEB liability - beginning	72,483,768	62,420,189	74,065,254	71,307,183	56,775,327	62,997,125	59,354,946
Total OPEB liability - ending	<u>\$ 73,553,064</u>	<u>72,483,768</u>	<u>62,420,189</u>	<u>74,065,254</u>	<u>71,307,183</u>	<u>56,775,327</u>	<u>62,997,125</u>
Covered employee payroll	28,030,646	28,030,646	27,684,950	27,684,950	25,572,319	25,572,319	27,510,657
Total OPEB liability as a percentage of covered employee payroll	262.40%	258.59%	225.47%	267.53%	278.85%	222.02%	228.99%

Notes to schedule:

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
3.93%	3.65%	3.54%	2.16%	2.21%	3.50%	3.00%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

MERRICK UNION FREE SCHOOL DISTRICT
Other Supplementary Information
Schedule of Change from Adopted Budget to Final Budget and
the Real Property Tax Limit - General Fund
Year ended June 30, 2024

Change from original budget to final budget:

Original budget	\$ 58,922,890
Add prior year's encumbrances	<u>156,936</u>
Adopted budget	59,079,826
Additional budget amendments	<u>6,167,258</u>
Final budget	<u><u>\$ 65,247,084</u></u>

Section 1318 of Real Property Tax Law Limit Calculation

2024-2025 voter approved expenditure budget	\$ 63,008,498
Maximum allowed 4% of 2024-2025 budget	2,520,340

General fund fund balance subject to Section 1318 of
Real Property Tax Law*:

Unrestricted fund balance:

Appropriated fund balance	\$ 2,818,730
Encumbrances	250,530
Unassigned fund balance	<u>3,239,194</u>
Total unrestricted fund balance	6,308,454

Less:

Appropriated fund balance	2,818,730
Encumbrances	<u>250,530</u>
Total adjustments	<u>3,069,260</u>

General fund fund balance subject to Section 1318 of
Real Property Tax Law

\$ 3,239,194

Actual percentage

5.1%

- * Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions," updated April 2011 (originally issued November 2010), the portion of [general fund] fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

MERRICK UNION FREE SCHOOL DISTRICT
Other Supplementary Information
Schedule of Project Expenditures and Financing Resources - Capital Projects Fund
Year ended June 30, 2024

Project title	Budget		Expenditures		Methods of Financing			Fund Balance		
	June 30, 2023	Budget June 30, 2024	Prior Years	Current Year	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	Total	(Deficit) 6/30/2024
District-wide safety & security	\$ 1,500,000	1,500,000	198,210	39,268	237,478	-	-	1,500,000	1,500,000	1,262,522
SMART Schools Bond Act	643,245	643,245	559,921	5,626	565,547	-	643,245	-	643,245	77,698
Capital Reserve DW Computer/Technology	500,000	500,000	-	-	-	-	-	500,000	500,000	500,000
Capital reserve Birch and Lakeside playground	1,100,000	1,100,000	30,317	826,748	857,065	-	300,000	800,000	1,100,000	242,935
Capital reserve Birch, Lakeside and Chatterton	1,300,000	1,300,000	-	276,233	276,233	-	-	1,300,000	1,300,000	1,023,767
Lakeside playground - PTA and General Fund	122,529	-	122,529	-	122,529	-	-	122,529	122,529	-
Capital Reserve Lakeside Building Repair & Maintenance	-	3,000,000	-	-	-	-	-	3,000,000	3,000,000	3,000,000
Capital Reserve Chatterton Building Repair & Maintenance	-	3,100,000	-	-	-	-	-	3,100,000	3,100,000	3,100,000
	5,165,774	11,143,245	910,977	1,147,875	2,058,852	-	943,245	10,322,529	11,265,774	9,206,922
Bond Projects:										
Lakeside School - AC and bathrooms	3,631,500	3,566,021	3,566,021	-	3,566,021	-	-	2,500,000	3,566,021	-
Lakeside School - windows	565,155	469,415	469,415	-	469,415	-	-	-	469,415	-
Lakeside School - sitework	3,420,701	3,237,763	2,844,800	27,121	2,871,921	365,842	-	-	3,237,763	365,842
Lakeside School - Int&Ext reconstruction	-	740,983	-	640,291	640,291	100,692	-	-	740,983	100,692
Chatterton Elementary -site improvements	2,150,037	2,108,200	2,108,200	-	2,108,200	-	-	-	2,108,200	-
Chatterton Elementary - addition	4,405,302	4,250,509	4,250,509	-	4,250,509	-	-	2,500,000	4,250,509	-
Chatterton Elementary -AC & bathrooms	2,414,007	2,371,474	2,371,474	-	2,371,474	-	-	-	2,371,474	-
Chatterton Elementary -nurse's office	1,755,829	1,632,785	1,618,970	-	1,618,970	13,815	-	-	1,632,785	13,815
Chatterton Elementary - windows	301,600	241,788	241,788	-	241,788	-	-	-	241,788	-
Birch Elementary -AC & bathrooms	3,058,136	3,039,788	3,039,788	-	3,039,788	-	-	-	3,039,788	-
Birch Elementary - nurse's office	343,216	333,216	273,198	14	273,212	60,004	-	-	333,216	60,004
Birch Elementary - sitework	2,334,570	2,254,570	1,900,974	62,842	1,963,816	290,754	-	-	2,254,570	290,754
Birch Elementary - windows	139,535	111,366	111,366	-	111,366	-	-	-	111,366	-
Birch Elementary - Int&Ext reconstruction	-	90,000	-	80,987	80,987	9,013	-	-	90,000	9,013
Lakeside - NYSED pre-approval expenses	367,833	378,992	-	-	-	378,992	-	216,876	378,992	378,992
Chatterton - NYSED pre-approval expenses	7,542	73,129	73,129	-	73,129	-	-	-	73,129	-
Birch - NYSED pre-approval expenses	5,037	(1)	(3)	-	(3)	2	(1)	-	(1)	2
Total Bonds Projects	24,900,000	24,899,998	22,869,629	811,255	23,680,884	1,219,114	-	5,216,876	24,899,998	1,219,114
Total	\$ 30,065,774	36,043,243	23,780,606	1,959,130	25,739,736	10,303,507	943,245	15,539,405	36,165,772	10,426,036
							Operating Transfer out to General Fund			(500,000)
							State Aid not earned			(77,697)
										\$ 9,848,339

MERRICK UNION FREE SCHOOL DISTRICT
Other Supplementary Information
Net Investment in Capital Assets
June 30, 2024

Capital assets, net		\$ 38,105,452
Add - unspent bond proceeds		840,122
Deduct:		
Short-term portion of bonds payable	\$ 1,833,411	
Lease payable	306,028	
Subscription payable	175,656	
Long-term portion of bonds payable	<u>15,345,292</u>	<u>17,660,387</u>
Net investment in capital assets		<u>\$ 21,285,187</u>

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

The Board of Education
Merrick Union Free School District
Merrick, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary fund of the Merrick Union Free School District (District), as of and for the year ended June 30, 2024, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 8, 2024.

Report on 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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards

Purpose of this Report

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

EFPR Group, CPAs, PLLC

Williamsville, New York
October 8, 2024