

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2023**

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R.S. ABRAMS & CO., LLP

Accountants & Consultants for Over 75 years

Robert S. Abrams (1926–2014)

Marianne E. Van Duyne, CPA

Alexandria M. Battaglia, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Northport-East Northport Union Free School District

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 fiduciary fund of the Northport-East Northport Union Free School District (the "District") as of and for the year ended June 30, 2023, and the related notes to the 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 fiduciary fund of the District, as of June 30, 2023, 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 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 Auditor's 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.

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Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards 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, budgetary comparison information, schedule of changes in the District's total other post-employment benefits liability and related ratios, schedule of District's proportionate share of the net pension asset/(liability), and schedule of District's contributions on pages 4 through 20 and 62 through 65, 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 other supplementary information as listed in the table of contents is 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 financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2023, 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 the District's internal control over financial reporting and compliance.



R.S. Abrams & Co., LLP
Islandia, New York
October 10, 2023

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2023

The following is a discussion and analysis of the Northport-East Northport Union Free School District's (the "District") financial performance for the year ended June 30, 2023. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the district-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2023 are as follows:

- The general fund adopted budget, the only fund with a legally adopted budget, as approved by the voters on May 1, 2022 for the year ending June 30, 2023, was \$177,856,084. This is an increase of \$3,166,296 or 1.81% over the previous year's budget and an increase of \$3,796,515 or 2.18% over the previous year's actual expenditures and transfers. As illustrated in the table below, the adjusted budget increase from 2021-2022 to 2022-2023 was 0.17%, and actual expenditures increased over the same period of time by 0.92%.
- Total actual expenditures and transfers for the 2022-2023 fiscal year increased by \$1,596,094 or 0.92% from the previous year's actual expenditures and transfers. This increase was primarily due to an increase in general support and employee benefits.

| | Adopted Budget | Adjusted Budget | Actual Expenditures |
|-------------------|----------------|--------------------|------------------------|
| 2021 - 2022 | \$174,689,788 | \$181,373,928 | \$174,059,569 |
| 2022 - 2023 | \$177,856,084 | \$181,678,598 | \$175,655,663 |
| Change | \$3,166,296 | \$304,670 | \$1,596,094 |
| Percentage Change | 1.81% | 0.17% | 0.92% |

- The 2022-2023 adopted budget was adjusted for various items during the year. The final adjusted budget for the year ending June 30, 2023 was \$181,678,598. This difference of \$3,822,514 reflects the following adjustments: (1) roll-over of prior year (2021-2022) encumbrances of \$1,334,299, resulting in the original budget of \$179,190,383, (2) donations from various sources in the amount of \$113,271 and (3) voter approved transfer of capital reserves to the capital projects fund of \$2,374,944.
- The 2022-2023 financial statements reflect actual revenues over the budgeted amount and actual expenditures and encumbrances under the budgeted amount. The budgetary savings of \$6,370,894 and how that savings was utilized is illustrated in the following table:

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2023

FINANCIAL HIGHLIGHTS (continued)

Key financial highlights for fiscal year 2023 are as follows: (continued)

| | |
|---|--------------------|
| Revenues and other financing sources over budget | \$ 1,115,488 |
| Expenditures, other financing uses, and encumbrances under budget | <u>5,255,406</u> |
| Total budgetary savings (revenues + expenditures) | 6,370,894 |
| Change in nonspendable (prepaid expenditures) | (137,481) |
| Transfer to Capital Reserve (established 2021) | (1,000,000) |
| Transfer to Retirement Contribution Reserve | (994,200) |
| Transfer of interest earnings to reserves | (171,606) |
| Transfer to assigned fund balance to lower the tax levy | (3,860,313) |
| Transfer to unassigned fund balance | <u>(207,294)</u> |
| Balance of budgetary savings | <u>\$ -</u> |

- The 2022-2023 total budgetary savings was \$6,370,894. The District used \$3,860,313 or 61% of the total budgetary savings to lower the 2023-2024 tax levy. The District consistently uses budgetary savings to lower the tax levy. Last year, the District used 38% of its 2021-2022 total budgetary savings to lower the 2022-2023 tax levy.
- The 2022-2023 revenues and other financing sources were over budget by \$1,115,488. This reflects the net variance amount for all the revenue items. Significant revenue variances existed as a result of the following: (1) use of money and property exceeded expectations by \$958,755 (2) miscellaneous revenues exceeded expectations by \$649,161, offset by (3) \$82,987 was not received from sale of property and compensation for loss due to less insurance recoveries; (4) state aid revenue was less than expected by \$311,308.
- The 2022-2023 expenditures, other financing uses, and encumbrances were under budget by \$5,255,406, primarily due to the following items: (1) actual utility costs for fuel oil, natural gas and electricity were less than anticipated; (2) actual maintenance and equipment repair costs were less than budgeted; (3) actual supplies and textbook costs were less than budgeted; (4) actual tuition for children with handicapping conditions were less than budgeted; (5) expenditures for salaries and contractual services were less than projected for pupil services; (6) actual pupil transportation costs were less than budgeted, and (7) employee benefits expenditures were less than anticipated. Please see 'General Fund Budgetary Highlights – Expenditures and Encumbrances Under Budget' for further discussion on this topic.
- The general fund total fund balance, as reflected on the balance sheet in the fund financial statements, increased by \$533,219 to \$27,606,318. This was due to the excess of revenues and other financing sources over expenditures and other financing uses.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2023

FINANCIAL HIGHLIGHTS (continued)

Key financial highlights for fiscal year 2023 are as follows: (continued)

- The \$533,219 increase in fund balance in the general fund from \$27,073,099 at June 30, 2022 to \$27,606,318 at June 30, 2023 is illustrated in the table below.

| | |
|--|----------------------|
| Fund Balance as of June 30, 2022 | <u>\$ 27,073,099</u> |
| Increases to fund balance: | |
| Nonspendable - prepaids | 137,481 |
| Reserve for unemployment insurance | 7,663 |
| Reserve for insurance | 786 |
| Retirement contribution reserve - ERS | 45,217 |
| Retirement contribution reserve - TRS | 900,309 |
| Assigned appropriated fund balance | 1,301,073 |
| Unassigned fund balance | <u>207,294</u> |
| Total increases to fund balance | <u>2,599,823</u> |
| Decreases to fund balance | |
| Employee benefit accrued liability reserve | (17,283) |
| Workers' compensation reserve | (107,607) |
| Reserve for capital | (1,374,944) |
| Assigned unappropriated fund balance | <u>(566,770)</u> |
| Total decreases to fund balance | <u>(2,066,604)</u> |
| Fund balance as of June 30, 2023 | <u>\$ 27,606,318</u> |

- The amount of the general fund unassigned fund balance as of June 30, 2023 is \$7,321,537. This is 4.00% of the District's 2023-2024 approved operating budget of \$183,038,428. The District is in compliance with the New York State Real Property Tax Law §1318 limit, which restricts the unassigned fund balance to an amount not greater than 4% of the District's budget for the upcoming school year. Maintaining the maximum unassigned fund balance provides financial protection for unforeseen expenditures or revenue shortfalls and helps to ensure that adequate cash flow is available for operating expenses.
- Chapter 97 of the Laws of 2011 established a tax levy limit that affected all local governments, most school districts and independent taxing entities such as library, fire and water districts. The law has been referred to as the "2% property tax cap". Under this law, the growth in the property tax levy is capped at 2% or the rate of inflation, whichever is less, with some exceptions. School districts have the ability to override the cap by obtaining a super majority, or 60% approval by the District's budget voters. The District's 2022-2023 projected tax levy was under the 2% property tax cap for the fifteenth consecutive year.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2023

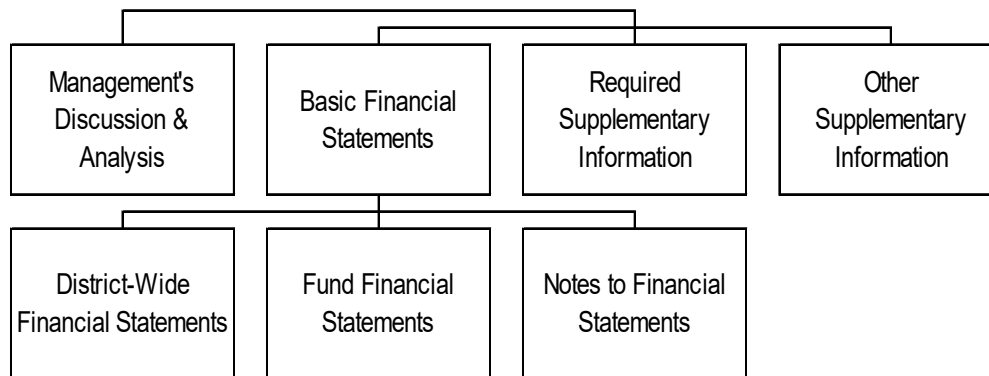
FINANCIAL HIGHLIGHTS (continued)

Key financial highlights for fiscal year 2023 are as follows: (continued)

- On the district-wide financial statements, total net position decreased by \$11,165,252 or 6.92% to (\$172,414,589) for the year ended June 30, 2023, compared to (\$161,249,337) at June 30, 2022. The decrease in net position is primarily the result of the increase of the total other postemployment benefit (OPEB) liability and increase in the net pension liability for the New York State Teachers' Retirement System and the New York State Employees' Retirement System.
- The District's total OPEB liability amounted to \$291,686,701 as of June 30, 2023, which is an increase of \$42,209,807 from the prior year amount. See Note 14 for further detail.
- On the district-wide financial statements, the District's expenses for the year totaled \$194,884,104. Of this amount, \$7,510,870 was offset by program charges for services and operating grants. General revenues of \$176,207,982 amount to 95.91% of total revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - Management's Discussion and Analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of district-wide financial statements, fund financial statements, and notes to the financial statements.



NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2023

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The chart below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

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

The district-wide financial statements 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 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.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2023

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Financial Statements

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 between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Therefore, revenues 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 funds.

Governmental Funds

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period that they become measurable, funded through available resources and payable within a current 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, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2023

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fiduciary Funds

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Condensed Statement of Net Position

The District's total net position decreased by \$11,165,252 between fiscal year 2023 and 2022. A summary of the District's Statements of Net Position follows.

| | 6/30/2023 | 6/30/2022 | Change | Percent Change |
|--|-------------------------|-------------------------|------------------------|-------------------|
| Current and other assets | \$ 61,796,424 | \$ 56,576,424 | \$ 5,220,000 | 9.2% |
| Capital assets, net | 101,862,412 | 104,581,159 * | (2,718,747) | -2.6% |
| Net pension asset - proportionate share | - | 77,538,158 | (77,538,158) | -100.0% |
| Total assets | 163,658,836 | 238,695,741 | (75,036,905) | -31.4% |
| Deferred outflows of resources | 102,966,617 | 85,373,925 | 17,592,692 | 20.6% |
| Other liabilities | 16,076,554 | 15,669,680 | 406,874 | 2.6% |
| Non-current liabilities | 353,029,580 | 313,046,486 * | 39,983,094 | 12.8% |
| Net pension liability - proportionate share | 17,688,023 | - | 17,688,023 | 100.0% |
| Total liabilities | 386,794,157 | 328,716,166 | 58,077,991 | 17.7% |
| Deferred inflows of resources | 52,245,885 | 156,602,837 | (104,356,952) | -66.6% |
| Net position: | | | | |
| Net investment in capital assets | 50,916,385 | 51,738,582 | (822,197) | -1.6% |
| Restricted | 22,022,936 | 20,820,633 | 1,202,303 | 5.8% |
| Unrestricted (deficit) | (245,353,910) | (233,808,552) | (11,545,358) | -4.9% |
| Total net position (deficit) | \$ (172,414,589) | \$ (161,249,337) | \$ (11,165,252) | -6.9% |

*Capital assets, net and non-current liabilities as of July 1, 2022 have been restated to include additional leases recognized under GASB Statement No. 87. This restatement had no impact on net position as of July 1, 2022.

Current and other assets increased by \$5,220,000, as compared to the prior year. The increase is primarily related to increases in cash and amounts due from state and federal.

Capital assets, net decreased by \$2,718,747, as compared to the prior year. This decrease was the result of depreciation expense during the year offset by asset purchases. The accompanying Notes to Financial Statements, Note 8 "Capital Assets" provides additional information.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Net pension asset – proportionate share decreased by \$77,538,158, as compared to the prior year. This asset represents the District's share of the New York State Teachers' Retirement System and New York State Employees' Retirement System's collective net pension asset at the measurement date of the respective year. The Plans reported net pension assets as of June 30, 2022.

Deferred outflows of resources increased by \$17,592,692 as compared to the prior year. The deferred outflows of resources represent contributions to the state retirement plans subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years, as well as actuarial adjustments and differences between expected and actual experience relating to the other postemployment benefits plan which will be amortized in future years.

Other liabilities increased by \$406,874, as compared to the prior year. This increase was primarily related to increases in due to TRS, unearned revenue and compensated absences offset by decreases in accrued liabilities and due to other governments.

Noncurrent liabilities increased by \$39,983,084, as compared to the prior year. This increase was primarily in connection with the increase in the total other postemployment benefit liability accrual. See Note 11 for additional information.

Net pension liability – proportionate share increased by \$17,688,023 in the current year. Both the New York State and Local Employees' Retirement System and New York State Teachers' Retirement System reported net pension liabilities at the measurement date of the respective year.

Deferred inflows of resources represent actuarial adjustments at the pension plan level that will be amortized in future years, as well as actuarial adjustments relating to the other postemployment benefits plan which will be amortized in future years. This amount decreased by \$104,356,952, as compared to the prior year due to changes in the actuarial adjustments.

The net investment in capital assets relates to the investment in capital assets at cost such as - buildings and improvements, and furniture and equipment, net of depreciation, amortization, and related debt. This decreased from the prior year by \$822,197 due to current year depreciation expense, offset by additions to construction in progress, buildings and improvements and furniture, equipment and vehicles plus current year bond and lease principal payments.

The restricted net position at June 30, 2023 is \$22,022,936 and is composed of the District's restricted general fund reserves, amounts restricted for scholarships and extraclassroom activities in the special revenue fund, amounts restricted for debt service in the debt service fund, and the capital reserve and unspent bond proceeds in the capital projects fund as seen in the fund balance section on the balance sheet – governmental funds.

The unrestricted deficit amount of \$(245,353,910) relates to the balance of the District's net position. This balance does not include the District's reserves or amounts restricted for specific purposes, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis and is not permitted to accumulate funds for the total OPEB liability. This deficit increased over the prior year by \$9,551,158 primarily as a result of the increase of the unfunded addition to the total OPEB liability and increase in the net pension liabilities for the New York State Teachers' Retirement System and New York State Employees' Retirement System.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Condensed Statement of Net Position (continued)

The District's total net deficit increased by \$11,165,252 or 6.9% to \$(172,414,589) for the year ended June 30, 2023, compared to \$(161,249,337) at June 30, 2022.

Changes in Net Position from Operating Results

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the MD&A, STAR (school tax relief) revenue is included in the "Property Taxes" line. A summary of this statement for the years ended June 30, 2023 and 2022 is as follows:

| | 6/30/2023 | 6/30/2022 | Increase (Decrease) | Percent Change |
|--------------------------------------|-------------------------|----------------------|------------------------|-------------------|
| Revenues | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 2,517,556 | \$ 1,202,785 | \$ 1,314,771 | 109.3% |
| Operating grants | 4,993,314 | 5,833,169 | (839,855) | -14.4% |
| General revenues: | | | | |
| Property taxes and STAR | 150,628,324 | 149,817,104 | 811,220 | 0.5% |
| Other tax items | 4,573 | 3,331 | 1,242 | 37.3% |
| State aid | 19,633,391 | 17,503,280 | 2,130,111 | 12.2% |
| Federal aid - medicaid reimbursement | 104,602 | 87,673 | 16,929 | 19.3% |
| Other | 5,837,092 | 4,359,897 | 1,477,195 | 33.9% |
| Total revenues | <u>183,718,852</u> | <u>178,807,239</u> | <u>4,911,613</u> | 2.7% |
| Expenses | | | | |
| General support | 32,249,548 | 29,466,607 | 2,782,941 | 9.4% |
| Instruction | 148,691,719 | 120,960,255 | 27,731,464 | 22.9% |
| Pupil transportation | 9,526,879 | 9,734,823 | (207,944) | -2.1% |
| Community services | 484,744 | 366,326 | 118,418 | 32.3% |
| Debt service - interest | 1,951,620 | 2,091,140 | (139,520) | -6.7% |
| School lunch program | 1,979,594 | 1,878,090 | 101,504 | 5.4% |
| Total expenses | <u>194,884,104</u> | <u>164,497,241</u> | <u>30,386,863</u> | 18.5% |
| Decrease in net position | (11,165,252) | <u>\$ 14,309,998</u> | <u>\$ (25,475,250)</u> | -178.0% |
| Net position - beginning | <u>(161,249,337)</u> | | | |
| Net position - ending | <u>\$ (172,414,589)</u> | | | |

The District's net position decreased by \$11,165,252 for the year ended June 30, 2023. The District's net position increased by \$14,309,998 for the year ended June 30, 2022.

The District's revenues increased by \$4,911,613 or 2.7% for the year ended June 30, 2023. The main areas of increase were in Charges for services and State aid.

The District's expenses increased by \$30,386,863 or 18.5% for the year ended June 30, 2023. The increase was primarily the result of the increase in the District's share of the New York State Teachers' and Employees' Retirement System's collective net pension costs and an increase in the OPEB liability.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2023

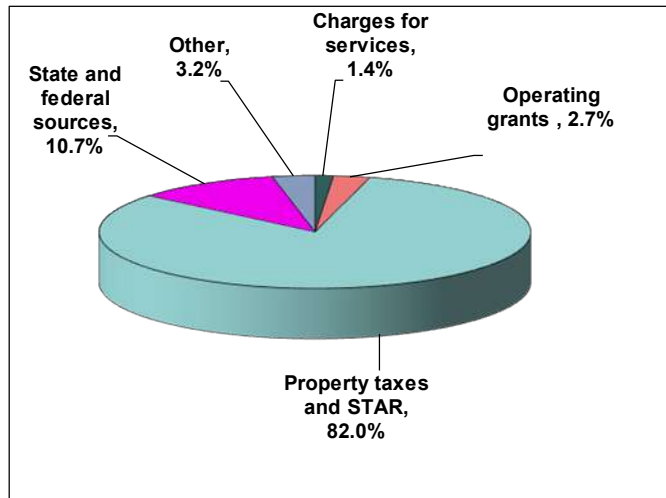
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in Net Position from Operating Results (continued)

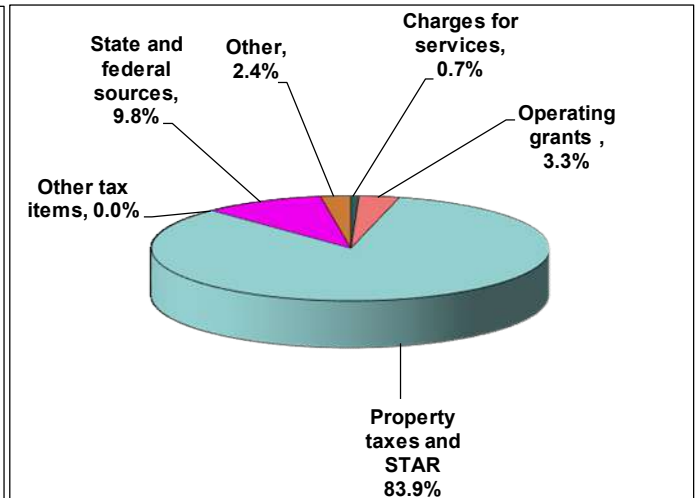
As indicated on the pie charts that follow, property taxes and STAR is the largest component of revenues recognized, representing 82% of the total revenues for the year ended June 30, 2023. Instruction expenses are the largest category of expenses incurred at 76.4% of the total expenses for the year ended June 30, 2023.

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

Sources of Revenues for Fiscal Year 2023

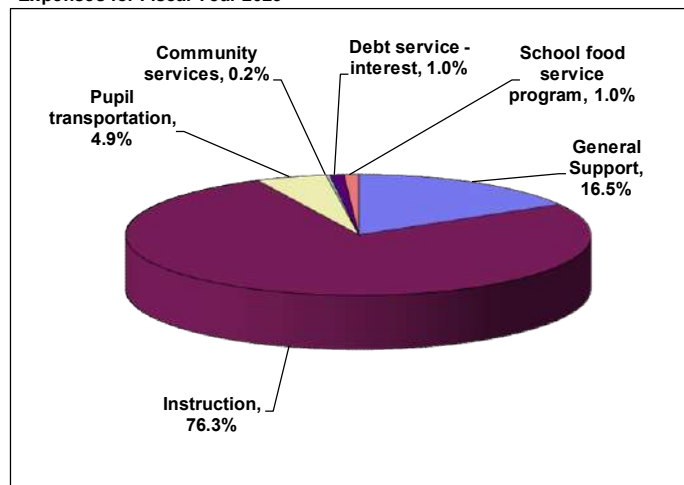


Sources of Revenues for Fiscal Year 2022

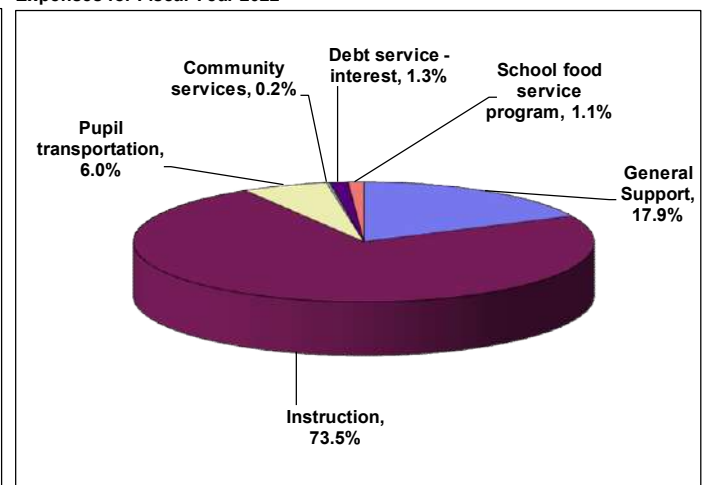


A graphic display of the distribution of expenses for the two years follows:

Expenses for Fiscal Year 2023



Expenses for Fiscal Year 2022



NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

At June 30, 2023, the District's governmental funds reported a combined fund balance of \$45,465,646, which is an increase of \$4,546,296 from the prior year. A summary of the change in fund balance by fund is as follows:

| | 6/30/2023 | 6/30/2022 | Increase (Decrease) | Percent Change |
|---------------------------------|----------------------|----------------------|------------------------|-------------------|
| General Fund | | | | |
| Nonspendable: | | | | |
| Prepays | \$ 2,297,717 | \$ 2,160,236 | \$ 137,481 | 6.4% |
| Restricted: | | | | |
| Capital | 1,000,000 | 2,374,944 | (1,374,944) | -57.9% |
| Unemployment Insurance | 838,592 | 830,929 | 7,663 | 0.9% |
| Insurance | 52,078 | 51,292 | 786 | 1.5% |
| Employee Benefit | | | | |
| Accrued Liability | 2,166,780 | 2,184,063 | (17,283) | -0.8% |
| Workers' Compensation | 2,145,305 | 2,252,912 | (107,607) | -4.8% |
| Retirement Contribution | 7,156,467 | 6,210,941 | 945,526 | 15.2% |
| Total Restricted | <u>13,359,222</u> | <u>13,905,081</u> | <u>(545,859)</u> | -3.9% |
| Assigned | 4,627,842 | 3,893,539 | 734,303 | 18.9% |
| Unassigned | 7,321,537 | 7,114,243 | 207,294 | 2.9% |
| | <u>27,606,318</u> | <u>27,073,099</u> | <u>533,219</u> | 2.0% |
| Special Revenue Fund | | | | |
| Restricted: | | | | |
| Scholarships | 41,467 | 46,604 | (5,137) | -11.0% |
| Extraclassroom | 425,231 | 393,049 | 32,182 | 8.2% |
| | <u>466,698</u> | <u>439,653</u> | <u>27,045</u> | 6.2% |
| School Food Service Fund | | | | |
| Nonspendable: | | | | |
| Inventory | 69,954 | 57,297 | 12,657 | 22.1% |
| Assigned | 1,317,725 | 997,340 | 320,385 | 32.1% |
| | <u>1,387,679</u> | <u>1,054,637</u> | <u>333,042</u> | 31.6% |
| Capital Projects Fund | | | | |
| Restricted: | | | | |
| Capital | 8,197,016 | 6,475,899 | 1,721,117 | 26.6% |
| Unspent bond proceeds | 1,096,859 | 1,395,226 | (298,367) | -21.4% |
| Assigned | 6,711,076 | 4,480,836 | 2,230,240 | 49.8% |
| | <u>16,004,951</u> | <u>12,351,961</u> | <u>3,652,990</u> | 29.6% |
| Total Fund Balance (Deficit) | <u>\$ 45,465,646</u> | <u>\$ 40,919,350</u> | <u>\$ 4,546,296</u> | 11.1% |

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (continued)

General Fund

The fund balance in the general fund increased by \$533,219. This increase was due to budgetary savings offset by planned utilization of reserves and excess fund balance. Budgetary savings were achieved because revenues were higher than anticipated, and costs were lower than anticipated. The following budgetary items accounted for these savings: (1) actual utility costs for fuel oil, natural gas and electricity were less than anticipated; (2) actual maintenance and equipment repair costs were less than budgeted; (3) actual supplies and textbook costs were less than budgeted; (4) actual contractual services for children with handicapping conditions were less than budgeted; (5) expenditures for salaries and contractual services were less than projected for pupil services; and (6) actual transportation costs were less than budgeted.

Special Revenue Fund

The fund balance in the special revenue fund increased by \$27,045, as compared to the prior year fund balance. The increase was due to an increase in fund balance restricted for extraclassroom activities offset by a decrease in scholarships.

School Food Service Fund

The school food service fund balance increased by \$333,042, as compared to the prior year due to meal sales and state and federal grant revenue exceeding expenditures on the modified accrual basis of accounting.

Capital Projects Fund

The capital projects fund balance increased by \$3,652,990 due to a budgeted transfer from the general fund of \$2,974,414, and a voter approved appropriation of the capital reserve of \$2,374,944, offset by capital project expenditures during the year.

General Fund Budgetary Highlights

2022-2023 Budget

The District's general fund adopted budget for the year ended June 30, 2023 was \$177,856,084. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,334,299, budget revisions from donations in the amount of \$113,271, and a budget revision for the voter approved transfer from the capital reserves in the amount of \$2,374,944, for a total final budget of \$181,678,598.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights (continued)

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

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

| | |
|---|---------------------|
| Opening, Unassigned Fund Balance | \$ 7,114,243 |
| Revenues and Other Financing Sources Over Budget | 1,115,488 |
| Expenditures, Other Financing Uses, and Encumbrances Under Budget | 5,255,406 |
| Increase in Nonspendable Fund Balance | (137,481) |
| Transfer to Reserves (Restricted) | (2,165,806) |
| Assigned - Appropriated for 2022-23 Budget | (3,860,313) |
| Closing, Unassigned Fund Balance | <u>\$ 7,321,537</u> |

Opening, Unassigned Fund Balance

The \$7,114,243 shown in the table is the portion of the District's June 30, 2022 fund balance that was reported as unassigned. This is 4.00% of the District's 2022-2023 approved operating budget of \$177,856,084.

Revenues Over Budget

The 2022-2023 final budget for revenues, transfers and appropriated fund balance and reserves was \$181,678,598. Reflected in this budget were the following components: (1) assigned fund balance in the amount of \$2,559,240; (2) appropriated fund balance reserves in the amount of \$2,711,665; (3) encumbrances rolled forward from 2021-2022 in the amount of \$1,334,299 and (4) estimated revenue of \$175,073,394. Actual revenues and other sources received for the year were \$176,188,882. The excess of actual revenues and other sources over estimated or budgeted revenues amounted to \$1,115,488. This reflects the net variance amount for all revenue streams combined. Significant revenue variances existed as a result of the following: (1) miscellaneous revenues exceeded budgeted amounts by \$649,161 (2) use of money and property revenues exceeded budgeted amounts by \$958,755; (3) state aid were less than expected by \$311,308.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights (continued)

Expenditures and Encumbrances Under Budget

The 2022-2023 final budget for expenditures and transfers, including prior year open encumbrances and budget revisions amounted to \$181,678,598. Actual expenditures and transfers for the year ended June 30, 2023 were \$175,655,663, and outstanding encumbrances were \$767,529. Combined, the expenditures plus encumbrances for 2022-2023 were \$176,423,192. The final budget was under-expended by \$5,255,406. Budget categories which contributed significantly to the under-expenditure are: (1) actual utility costs for fuel oil, natural gas and electricity were less than anticipated; (2) actual maintenance and equipment repair costs were less than budgeted; (3) actual supplies and textbook costs were less than budgeted; (4) actual contractual services for children with handicapping conditions were less than budgeted; (5) expenditures for salaries and contractual services were less than projected for pupil services; (6) actual transportation costs were less than budgeted; and (7) actual employee benefit costs were less than budgeted.

Expenditures and current year encumbrances under budget contribute directly to the change in the unassigned portion of the general fund - fund balance from June 30, 2022 to June 30, 2023.

Increase in Nonspendable Fund Balance

Nonspendable fund balance consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Increases to the nonspendable fund balance decreases the District's unassigned portion of the fund balance by the amount of the increase. The \$137,481 in the table on the previous page reflects the net increase to prepaids, specifically health, dental and ancillary insurances provided to employees and retirees.

Transfer to Reserves (Restricted)

Monies transferred from budget lines within the general fund operations into required reserves such as the workers' compensation reserve, the unemployment insurance reserve, capital reserve, employee benefit accrued liability reserve, and the retirement contribution reserve do not affect the combined nonspendable, restricted, assigned and unassigned 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 portion of the fund balance by the amount of the transfer. The \$2,165,806 in the previously presented table reflects the net interest transferred into the reserves of \$171,606, plus transfers of \$1,000,000 into the 2021 capital reserve, \$150,000 into the employee retirement contribution reserve, and \$844,200 into the teacher retirement contribution reserve.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights (continued)

Assigned - Appropriated Fund Balance

The District has chosen to use \$3,860,313 of its available June 30, 2023 fund balance to partially fund its 2023-2024 approved operating budget. The assigned fund balance has been increased from \$2,559,240 in 2022-2023 to \$3,860,313 in 2023-2024.

Closing, Unassigned Fund Balance

Based upon the summary of changes shown in the table, the District will begin the 2023-2024 fiscal year with an unassigned fund balance of \$7,321,537. This is an increase of \$207,294 as compared to the prior year. This is 4.00% of the District's 2023-2024 approved operating budget of \$183,038,428. The District's unassigned fund balance was in compliance with 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the District had invested in a broad range of capital assets, including land, construction in progress, buildings and improvements, site improvements, furniture, equipment and vehicles, and right-to-use leased assets. The net decrease in capital assets is due to depreciation/amortization recorded for the year ended June 30, 2023, offset by current year additions. A summary of the District's capital assets, net of depreciation/amortization, at June 30, 2023 and 2022 is as follows:

| Category | 6/30/23 | 6/30/22 as restated | % Change |
|-----------------------------------|-----------------------|------------------------|----------|
| Land | \$ 1,336,364 | \$ 1,336,364 | 0.0% |
| Construction-in-progress | 1,203,998 | 2,125,817 | -43.4% |
| Buildings and improvements | 83,239,139 | 85,518,606 | -2.7% |
| Site improvements | 9,327,487 | 9,617,075 | -3.0% |
| Furniture, equipment and vehicles | 3,689,026 | 3,393,097 | 8.7% |
| Right-to-use leased asset | 3,066,398 | 2,590,200 | 18.4% |
| Totals | <u>\$ 101,862,412</u> | <u>\$ 104,581,159</u> | -2.6% |

Capital additions for the year ended June 30, 2023 were \$4,333,146. Depreciation/amortization expense for the year totaled \$7,051,893.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Debt Administration

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa1. The District's total outstanding indebtedness currently does not exceed its debt limit, which is defined as 10% of the full valuation of the taxable real property within the District.

At June 30, 2023, the District had total bonds payable, inclusive of unamortized premiums, of \$39,703,894 and energy performance contract debt of \$9,220,690. The decrease in outstanding total bonds payable, inclusive of unamortized premiums, and energy performance contract debt represents the principal payments and the amortization of premiums.

A summary of the long-term liabilities at June 30, 2023 and 2022 is as follows:

| Category | 6/30/23 | 6/30/22 | % Change |
|---|-----------------------|-----------------------|----------|
| General obligation bonds, inclusive of unamortized premiums | \$ 39,703,894 | \$ 41,710,849 | -4.8% |
| Energy performance contract debt | 9,220,690 | 9,927,093 | -7.1% |
| Leases payable | 3,118,302 | 2,599,861 | 19.9% |
| Compensated absences | 6,539,993 | 6,001,789 | 9.0% |
| Workers' compensation claims payable | 2,760,000 | 3,330,000 | -17.1% |
| Total OPEB liability | 291,686,701 | 249,476,894 | 16.9% |
| Net pension liability - proportionate share | - | - | 100.0% |
| Totals | <u>\$ 353,029,580</u> | <u>\$ 313,046,486</u> | 12.8% |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 16, 2023, for the year ending June 30, 2024, is \$183,038,428. This is an increase of \$5,182,344 or 2.91% over the previous year's adopted budget.

The District's adopted budget reflects non-property tax revenues at an increase of \$476,625 from the current year's estimate. The adopted budget reflects an increase in property tax revenues of 1.99%. The District's legally allowable tax levy limit was 2.27%. The assigned - appropriated fund balance applied to the June 30, 2024 budget to reduce taxes in the amount of \$3,860,313 is an increase of \$1,301,073, as compared to the current year.

New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities and most school districts. For fiscal years beginning in 2012, no school district is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however there are permitted exceptions and adjustments. School districts can exceed the tax levy limit only by a 60% favorable vote by District's budget voters. The 1.99% increase in the property tax levy for 2023-2024 is in compliance with Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2023

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:

Northport – East Northport Union Free School District
Robert Howard
Assistant Superintendent for Business
P.O. Box 210
Northport, New York 11768
(631) 262-6632

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**STATEMENT OF NET POSITION**

June 30, 2023

ASSETS

| | |
|--------------------------------|---------------|
| Cash | |
| Unrestricted | \$ 30,217,213 |
| Restricted | 23,119,795 |
| Receivables: | |
| Due from state and federal | 3,349,282 |
| Due from other governments | 2,640,339 |
| Other | 102,124 |
| Inventories | 69,954 |
| Prepaid expenditures | 2,297,717 |
| | <hr/> |
| Total Current Assets | 61,796,424 |
| | <hr/> |
| Non-depreciable capital assets | 2,540,362 |
| Capital assets, net | 99,322,050 |
| | <hr/> |
| Total Non-Current Assets | 101,862,412 |
| | <hr/> |
| Total Assets | 163,658,836 |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--------------------------------------|-------------|
| Pensions | 49,847,214 |
| Other postemployment benefits | 53,119,403 |
| | <hr/> |
| Total Deferred Outflows of Resources | 102,966,617 |

LIABILITIES

| | |
|---|-------------|
| Accounts payable | 2,656,818 |
| Accrued liabilities | 2,459,224 |
| Due to other governments | 1,236,103 |
| Accrued interest payable | 257,770 |
| Due to teachers' retirement system | 7,926,114 |
| Due to employees' retirement system | 702,575 |
| Compensated absences | 219,404 |
| Unearned revenue | 618,546 |
| Non-current liabilities: | |
| Due and payable within one year: | |
| General obligation bonds payable, inclusive of unamortized premiums | 2,096,955 |
| Energy performance contract payable | 721,084 |
| Leases payable | 1,112,307 |
| Compensated absences payable | 327,000 |
| Workers' compensation claims payable | 579,600 |
| Due and payable after one year: | |
| General obligation bonds payable, inclusive of unamortized premiums | 37,606,939 |
| Energy performance contract payable | 8,499,606 |
| Leases payable | 2,005,995 |
| Compensated absences payable | 6,212,993 |
| Workers' compensation claims payable | 2,180,400 |
| Net pension liability - proportionate share - pensions | 17,688,023 |
| Total other postemployment benefit liability | 291,686,701 |
| | <hr/> |
| Total Liabilities | 386,794,157 |

DEFERRED INFLOWS OF RESOURCES

| | |
|-------------------------------------|------------|
| Pensions | 4,010,346 |
| Other postemployment benefits | 48,235,539 |
| | <hr/> |
| Total Deferred Inflows of Resources | 52,245,885 |

NET POSITION

| | |
|----------------------------------|------------------|
| Net investment in capital assets | 50,916,385 |
| Restricted | 22,022,936 |
| Unrestricted (deficit) | (245,353,910) |
| | <hr/> |
| Total Net Position (Deficit) | \$ (172,414,589) |

See Notes to Financial Statements.

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

| | | Program Revenues | | Net (Expense) |
|---|-----------------------|---------------------|---------------------|-------------------------|
| | Expenses | Charges for | Operating | Revenue and |
| | | Services | Grants | Changes in |
| | | | | Net Position |
| FUNCTIONS/PROGRAMS | | | | |
| General support | \$ 32,249,548 | | | \$ (32,249,548) |
| Instruction | 148,691,719 | \$ 1,121,219 | \$ 4,223,578 | (143,346,922) |
| Pupil transportation | 9,526,879 | | | (9,526,879) |
| Community service | 484,744 | | | (484,744) |
| Debt service - interest | 1,951,620 | | | (1,951,620) |
| School food service program | 1,979,594 | 1,396,337 | 769,736 | 186,479 |
| Total Functions and Programs | <u>\$ 194,884,104</u> | <u>\$ 2,517,556</u> | <u>\$ 4,993,314</u> | <u>(187,373,234)</u> |
| GENERAL REVENUES | | | | |
| Real property taxes | | | | 145,002,234 |
| School tax relief reimbursement | | | | 5,626,090 |
| Other tax items | | | | 4,573 |
| Use of money and property | | | | 1,406,661 |
| Sale of property and compensation for loss | | | | 82,013 |
| State sources | | | | 19,633,391 |
| Medicaid reimbursement | | | | 104,602 |
| Miscellaneous | | | | 4,348,418 |
| Total General Revenues | | | | <u>176,207,982</u> |
| Change in Net Position | | | | (11,165,252) |
| Total Net Position (Deficit)- Beginning of year | | | | <u>(161,249,337)</u> |
| Total Net Position (Deficit) - End of year | | | | <u>\$ (172,414,589)</u> |

See Notes to Financial Statements.

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

| | General | Special Aid | Special Revenue | School Food Service | Capital Projects | Total Governmental Funds |
|---|----------------------|---------------------|--------------------|------------------------|----------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash | | | | | | |
| Unrestricted | \$ 20,865,363 | \$ 251,060 | | \$ 1,502,060 | \$ 7,598,730 | \$ 30,217,213 |
| Restricted | 13,359,222 | | \$ 466,698 | | 9,293,875 | 23,119,795 |
| Receivables: | | | | | | |
| Due from state and federal | 665,238 | 2,536,192 | | 37,339 | 110,513 | 3,349,282 |
| Due from other governments | 2,640,339 | | | | | 2,640,339 |
| Due from other funds | 2,641,537 | | | | | 2,641,537 |
| Accounts receivable | 101,539 | | | 585 | | 102,124 |
| Inventories | | | | 69,954 | | 69,954 |
| Prepaid expenditures | 2,297,717 | | | | | 2,297,717 |
| Total Assets | \$ 42,570,955 | \$ 2,787,252 | \$ 466,698 | \$ 1,609,938 | \$ 17,003,118 | \$ 64,437,961 |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | \$ 1,722,157 | \$ 51,366 | | | \$ 883,295 | \$ 2,656,818 |
| Accrued liabilities | 2,384,098 | 65,123 | | \$ 10,003 | | 2,459,224 |
| Due to other funds | | 2,629,014 | | 8,164 | 4,359 | 2,641,537 |
| Due to other governments | 1,208,681 | 27,306 | | 116 | | 1,236,103 |
| Due to teachers' retirement system | 7,926,114 | | | | | 7,926,114 |
| Due to employees' retirement system | 702,575 | | | | | 702,575 |
| Compensated absences | 219,404 | | | | | 219,404 |
| Unearned revenues | 400,127 | 14,443 | | 203,976 | | 618,546 |
| Total Liabilities | 14,563,156 | 2,787,252 | \$ -0- | 222,259 | 887,654 | 18,460,321 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenues | 401,481 | | | | 110,513 | 511,994 |
| Total Deferred Inflows of Resources | 401,481 | -0- | -0- | -0- | 110,513 | 511,994 |
| FUND BALANCES | | | | | | |
| Nonspendable: | | | | | | |
| Inventory | | | | 69,954 | | 69,954 |
| Prepays | 2,297,717 | | | | | 2,297,717 |
| Restricted: | | | | | | |
| Capital | 1,000,000 | | | | 8,197,016 | 9,197,016 |
| Unspent bond proceeds | | | | | 1,096,859 | 1,096,859 |
| Unemployment Insurance | 838,592 | | | | | 838,592 |
| Insurance | 52,078 | | | | | 52,078 |
| Employee Benefit Accrued Liability | 2,166,780 | | | | | 2,166,780 |
| Workers' Compensation | 2,145,305 | | | | | 2,145,305 |
| Retirement Contribution - ERS | 2,596,317 | | | | | 2,596,317 |
| Retirement Contribution - TRS | 4,560,150 | | | | | 4,560,150 |
| Scholarships | | | 41,467 | | | 41,467 |
| Extraclassroom | | | 425,231 | | | 425,231 |
| Assigned: | | | | | | |
| Assigned Appropriated | 3,860,313 | | | | | 3,860,313 |
| Assigned Unappropriated | 767,529 | | | 1,317,725 | 6,711,076 | 8,796,330 |
| Unassigned | 7,321,537 | | | | | 7,321,537 |
| Total Fund Balances (Deficit) | 27,606,318 | -0- | 466,698 | 1,387,679 | 16,004,951 | 45,465,646 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit) | \$ 42,570,955 | \$ 2,787,252 | \$ 466,698 | \$ 1,609,938 | \$ 17,003,118 | \$ 64,437,961 |

See Notes to Financial Statements.

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2023

| | | |
|--|----|------------|
| Total Governmental Fund Balances (Deficit) | \$ | 45,465,646 |
|--|----|------------|

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

| | | | |
|---|----|---------------------|-------------|
| Capital assets - non-depreciable | \$ | 2,540,362 | |
| Capital assets - depreciable | | 177,083,729 | |
| Accumulated depreciation and amortization | | <u>(77,761,679)</u> | 101,862,412 |

Current and long-term liabilities and certain items relating to long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

| | | |
|---|--------------------|--------------|
| Accrued interest payable | (257,770) | |
| General obligation bonds payable, inclusive of unamortized premiums | (39,703,894) | |
| Leases payable | (3,118,302) | |
| Energy performance contract payable | (9,220,690) | |
| Compensated absences payable | (6,539,993) | |
| Workers' compensation claims payable | <u>(2,760,000)</u> | (61,600,649) |

| | |
|--|---------|
| Revenue that was deferred on the fund statements because it does not meet the availability criteria under the modified accrual basis of accounting is not deferred in the Statement of Net Position. | 511,994 |
|--|---------|

Certain amounts reported for the proportionate share of the District's pension asset and other postemployment benefit deferred outflows are not considered a current available resource and are therefore not reported in the funds.

| | | |
|---|-------------------|-------------|
| Pensions - deferred outflows | 49,847,214 | |
| Other postemployment benefits - deferred outflows | <u>53,119,403</u> | 102,966,617 |

Certain amounts reported for the proportionate share of the District's pension and other postemployment benefit liabilities and/or deferred inflows are not due and payable in the current period and accordingly are not reported in the funds.

| | | |
|--|---------------------|----------------------|
| Net pension liability-proportionate share - pensions | (17,688,023) | |
| Total other postemployment benefit liability | (291,686,701) | |
| Pensions - deferred inflows | (4,010,346) | |
| Other postemployment benefits - deferred inflows | <u>(48,235,539)</u> | <u>(361,620,609)</u> |

| | | |
|---|----|-----------------------------|
| Net Position (Deficit) of Governmental Activities | \$ | <u><u>(172,414,589)</u></u> |
|---|----|-----------------------------|

See Notes to Financial Statements.

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

| | General | Special Aid | Special Revenue | School Food Service | Capital Projects | Total Governmental Funds |
|--|----------------|----------------|--------------------|------------------------|---------------------|--------------------------------|
| REVENUES | | | | | | |
| Real property taxes | \$ 145,002,234 | | | | | \$ 145,002,234 |
| School tax relief reimbursement | 5,626,090 | | | | | 5,626,090 |
| Other tax items | 4,573 | | | | | 4,573 |
| Charges for services | 879,050 | | | | | 879,050 |
| Use of money and property | 1,379,975 | | \$ 1,060 | \$ 25,626 | | 1,406,661 |
| Sale of property and compensation for loss | 82,013 | | | | | 82,013 |
| State aid | 19,633,391 | \$ 1,055,642 | | 21,447 | | 20,710,480 |
| Sales - school lunch | | | | 1,396,337 | | 1,396,337 |
| Miscellaneous | 3,309,394 | 24,610 | 863,246 | 8,218 | | 4,205,468 |
| Federal aid - Medicaid reimbursement | 104,602 | | | | | 104,602 |
| Federal aid | | 3,143,326 | | 628,343 | | 3,771,669 |
| Surplus food | | | | 119,946 | | 119,946 |
| Total Revenues | 176,021,322 | 4,223,578 | 864,306 | 2,199,917 | \$ -0- | 183,309,123 |
| EXPENDITURES | | | | | | |
| General support | 19,859,801 | | | | | 19,859,801 |
| Instruction | 91,471,005 | 4,522,241 | | | | 95,993,246 |
| Pupil transportation | 9,088,231 | 241,061 | | | | 9,329,292 |
| Community service | 345,300 | 2,892 | | | | 348,192 |
| Employee benefits | 43,057,504 | | | 255,560 | | 43,313,064 |
| Debt service: | | | | | | |
| Principal | 3,845,900 | | | | | 3,845,900 |
| Interest | 2,083,236 | | | | | 2,083,236 |
| Cost of sales | | | | 1,624,027 | | 1,624,027 |
| Scholarships and awards | | | 63,700 | | | 63,700 |
| Extraclassroom activities | | | 773,561 | | | 773,561 |
| Capital outlay | | | | | 3,454,306 | 3,454,306 |
| Total Expenditures | 169,750,977 | 4,766,194 | 837,261 | 1,879,587 | 3,454,306 | 180,688,325 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 6,270,345 | (542,616) | 27,045 | 320,330 | (3,454,306) | 2,620,798 |
| OTHER FINANCING SOURCES AND (USES) | | | | | | |
| Proceeds of Leases | | | | | 1,757,938 | 1,757,938 |
| Premium | 167,560 | | | | | 167,560 |
| Operating transfers in | | 542,616 | | 12,712 | 5,349,358 | 5,904,686 |
| Operating transfers (out) | (5,904,686) | | | | | (5,904,686) |
| Total Other Sources (Uses) | (5,737,126) | 542,616 | -0- | 12,712 | 7,107,296 | 1,925,498 |
| Net change in fund balance | 533,219 | -0- | 27,045 | 333,042 | 3,652,990 | 4,546,296 |
| Fund balance - Beginning of year | 27,073,099 | -0- | 439,653 | 1,054,637 | 12,351,961 | 40,919,350 |
| Fund balance - End of year | \$ 27,606,318 | \$ -0- | \$ 466,698 | \$ 1,387,679 | \$ 16,004,951 | \$ 45,465,646 |

See Notes to Financial Statements.

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Net Changes in Fund Balances - Total Governmental Funds \$ 4,546,296

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

Long-term revenue and expense differences

Long-term revenue differences arise because government funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned.

| | | |
|----------------------|------------|---------|
| Charges for services | \$ 242,169 | 242,169 |
|----------------------|------------|---------|

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | | |
|--------------------------------------|-----------|--------|
| Compensated absences payable | (538,204) | |
| Workers' compensation claims payable | 570,000 | 31,796 |

Pension differences

(Increases)/decreases in the proportionate share of net pension assets/liabilities and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.

| | | |
|------------------------------|-------------|-------------|
| Teachers' Retirement System | (2,592,841) | |
| Employees' Retirement System | (2,013,244) | (4,606,085) |

Other postemployment benefit (OPEB) differences

(Increases)/decreases in the District's total OPEB liability and related 'deferred inflows and outflows 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. (10,880,259)

Capital related differences

Governmental funds report capital outlays as expenditures while in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

| | | |
|-----------------------------------|-------------|-------------|
| Capital outlay | 4,333,146 | |
| Depreciation/amortization expense | (7,051,893) | (2,718,747) |

Long-term debt transaction differences

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. The following amounts are the effect of these differences in the treatment of long-term debt and related items.

| | | |
|--|-------------|-----------|
| Issuance of leases | (1,757,938) | |
| Repayment of bond principal | 1,900,000 | |
| Amortization of bond premiums | 106,955 | |
| Repayment of energy performance contract | 706,403 | |
| Repayment of leases payable principal | 1,239,497 | 2,194,917 |

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest decreased from June 30, 2022 to June 30, 2023. 24,661

| | |
|---|-----------------|
| Change in Net Position of Governmental Activities | \$ (11,165,252) |
|---|-----------------|

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2023

| | <u>Custodial</u> |
|---|----------------------|
| ADDITIONS | |
| Property taxes received for other governments | <u>\$ 10,205,100</u> |
| Total Additions | <u>10,205,100</u> |
| DEDUCTIONS | |
| Property taxes paid to other governments | <u>10,205,100</u> |
| Total Deductions | <u>10,205,100</u> |
| Change in Net Position | -0- |
| Net Position - Beginning of year | <u>-0-</u> |
| Net Position - End of year | <u><u>\$ -0-</u></u> |

Note to the Statement of Changes in Fiduciary Net Position:
A Statement of Fiduciary Net Position has not been presented as the District did not hold any assets, liabilities or net position in the fiduciary funds as of June 30, 2023.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Northport-East Northport 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. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are described below:

A. Reporting Entity

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

The financial reporting entity 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 which would be included in the financial statements.

B. Joint Venture

The District is one of many participating school districts in the Board of Cooperative Educational Services of Western Suffolk ("BOCES"). 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. There is no authority or process by which a school district can terminate its status as a BOCES participant.

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

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column includes capital specific grants.

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

Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis of fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The District's financial statements reflect the following major fund categories:

Governmental Funds:

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

Special Revenue Funds – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Special Aid Fund – This fund accounts 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 by outside parties.

Special Revenue Fund – This fund is used to account for assets held by the District in accordance with grantor or contributor stipulations. Among the activities included in this fund are extraclassroom activities and scholarships.

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements (continued)

Capital Projects Fund – This fund is used to account for and report financial resources that are restricted or assigned to expenditure for capital outlays, including the acquisition, construction, or major repair of capital facilities.

Fiduciary Funds – These 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 District's fiduciary fund statements include the custodial fund, where assets and liabilities are held by the District as a custodian.

D. Measurement Focus and Basis of Accounting

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

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

The governmental fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 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, energy performance contract payable, claims and judgments, pension costs, leases payable, compensated absences, and other postemployment benefits (OPEB), which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of long-term debt are reported as other financing sources.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of depreciation and amortization, workers compensation claims payable, other postemployment benefits, pension costs, leases payable, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

F. Cash and Cash Equivalents/Investments

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

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

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

G. Real Property Taxes

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

Uncollected real property taxes are the responsibility of the County of Suffolk. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District in June.

H. Restricted Resources

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

I. Receivables

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

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

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

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

K. Inventories and Prepaid Items

Inventories of food in the school food service fund are recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. These inventories are accounted for on the consumption method. Nonspendable fund balance inventory has been recognized to indicate that this does not constitute available spendable resources.

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

Prepaid expenditures represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. Nonspendable fund balance for prepaids has been recognized to indicate that this does not constitute available spendable resources.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Capital Assets

Capital assets are tangible and intangible assets and are reflected in the district-wide financial statements. Capital assets (except intangible right-to-use assets, which are discussed in note 1S) 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. Intangible assets follow the same capitalization policies as tangible assets and are reported with tangible assets in the appropriate capital asset class.

All tangible and intangible capital assets, except land and construction in progress, are depreciated/amortized 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>Depreciation Method</u> | <u>Estimated Useful Life</u> |
|-----------------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Building and improvements | \$ 15,000 | Straight line | 20-50 years |
| Site improvements | \$ 15,000 | Straight line | 20 years |
| Furniture, equipment and vehicles | \$ 1,000 | Straight line | 5-20 years |
| Right-to-use assets | \$ 1,000 | Straight line | 5 years |

M. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reported deferred outflows of resources related to pensions and the other postemployment benefits reported in the District-Wide Statement of Net Position and are detailed further in Note 12 and Note 14.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reported deferred inflows of resources related to pensions and the other postemployment benefits reported in the District-Wide Statement of Net Position and are detailed further in Note 12 and Note 14.

In addition to liabilities, the Governmental Funds Balance Sheet will sometimes report deferred inflows of resources when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. In subsequent periods, when the availability criterion is met, deferred inflows of resources are classified as revenues. The District-Wide Financial Statements, however, report these deferred inflows of resources as revenues in accordance with the accrual basis of accounting and economic resources measurement focus.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Unearned Revenues

Unearned revenues 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. In subsequent periods, when the District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recognized. At June 30, 2023, the District recorded unearned revenues in the general fund of \$400,127 for retiree health insurance contributions and summer program fees, \$14,443 in the special aid fund for federal and local grants where expenditures have not been incurred, and \$203,976 in the school food service fund for prepaid lunch amounts and a federal grant where expenditures have not been incurred.

O. Vested Employee Benefits

Compensated Absences

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

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may be eligible to receive a portion of the value of unused accumulated sick leave.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within required time periods.

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

The liability 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 only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

P. Other Benefits

Eligible District employees participate in the New York State Teachers' Retirement System or the New York State 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).

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Other Benefits (continued)

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employee contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the general fund, in the year paid. Other postemployment benefits costs are measured and disclosed using the accrual basis of accounting in the District-Wide Financial Statements. See Note 14.

Q. Short-Term Debt

The District may issue revenue anticipation notes (RAN) and tax anticipation notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. One TAN was issued and repaid during the year ended June 30, 2023.

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as a liability of the fund 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.

R. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Workers' compensation claims and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent they have matured. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Leases - Lessee

The District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset ("lease asset") in the district-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$1,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise. The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the Statement of Net Position.

T. Equity Classifications

District-Wide Statements

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

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

Restricted net position - reports net position when constraints placed on the assets and 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.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Equity Classifications (continued)

Unrestricted net position - reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

Fund Statements

In the fund basis statements there are five classifications of fund balance as detailed below, however in the fund financial statements there are four classifications of fund balance presented.

Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form, not available within a year, or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the school food service fund of \$69,954 and prepaid expenditures in the general fund of \$2,297,717 for health insurance.

Restricted - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Capital

The 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. This reserve is accounted for in the general fund and capital projects fund.

Unspent Bond Proceeds

Unspent long-term bond proceeds are recorded as restricted fund balances because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Equity Classifications (continued)

Unemployment Insurance Reserve

The 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 60 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. This reserve is accounted for in the general fund.

Insurance Reserve

The insurance reserve (GML §6-n) is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action and funded by budgetary appropriations or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

The employee benefit accrued liability reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefits primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time due to 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. This reserve is accounted for in the general fund.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Equity Classifications (continued)

Workers' Compensation Reserve

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

Retirement Contribution Reserve

The 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. In addition, a subfund of this reserve may also be created to allow for financing retirement contributions to the New York State Teachers' Retirement System. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operations and condition of the fund must be provided to the Board. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. The Teachers' Retirement System subfund is subject to contribution limits. This reserve is accounted for in the general fund.

Restricted for Scholarships

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

Restricted for Extraclassroom

Amounts restricted for extraclassroom are used to account for monies collected for student activities, including gifts and donations, net of student activity expenditures. These restricted funds are accounted for in the special revenue fund.

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority (i.e., Board of Education). The District has no committed fund balances as of June 30, 2023.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Equity Classifications (continued)

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are not restricted. Assigned fund balance includes encumbrances reported in the general fund in the amount of \$767,529 and \$3,860,313 of appropriated fund balance in the general fund applied to the June 30, 2024 budget to reduce taxes. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.

Unassigned - Includes all other general fund amounts that do not meet the definition of the above three classifications and are deemed to be available for general use by the District. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the School District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation. The District's general fund unassigned fund balance is within the legal limit.

Order of Use of Fund Balance

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

U. New Accounting Standards

The District has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. During the year ended June 30, 2023, The District adopted the following:

Statement No. 91, *Conduit Debt Obligations*, as amended by Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance", the objective of which are to are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for financial statements for the year ending June 30, 2023.

Statement No. 94, *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"*, this Statement has been issued to improve financial reporting related to public-private and public-public partnership arrangements, in which one a government (transferor) contracts with an operator (governmental or nongovernmental entity) to provide public services by conveying the right to operate or use a nonfinancial assets. The requirements of this Statement are effective for financial statements for the year ending June 30, 2023.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. New Accounting Standards (continued)

GASB Statement No. 96, "Subscription-Based Information Technology Arrangements (SBITA's)", established a single model for SBITA accounting based on the concept that SBITA's are a financing of a "right-to-use" underlying asset. This statement requires a subscriber to recognize a subscription liability and an intangible right-to-use subscription asset. The requirements of GASB Statement No. 96 are effective for the School District's fiscal year ended June 30, 2023. The School District has completed its evaluation of the financial impact of GASB Statement No. 96 and determined that the implementation of this standard was not required as it did not have a material impact on its financial statements.

V. Future Changes in Accounting Standards

The following statements have been issued by the Governmental Accounting Standards Board (GASB) and are to be implemented in future years:

Statement No. 99, "Omnibus 2022", was issued to enhance comparability in accounting and financial reporting and consistency of authoritative language on various topics. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.

Statement No. 100, "Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62", this Statement has been issued to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, "Compensated Absences", provides guidance on the accounting and financial reporting for compensated absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

This is not an all-inclusive list of recently issued GASB pronouncements but rather a listing of Statements that the School District believes will most impact its financial statements. The School District will evaluate the impact of this, and other pronouncements may have on its financial statements and will implement them as applicable and when material.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2023

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

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

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

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional 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, including pensions.

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

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

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences, and workers' compensation claims.

Pension Differences

Pension differences occur as a result of recognizing pension costs under the modified accrual basis of accounting (whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan) versus 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 (OPEB) Differences

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

Capital Related Differences

Capital related differences include the difference between proceeds for 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 and amortization expense on those items as recorded in the Statement of Activities.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2023

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS (continued)

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

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 payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The District's 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 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 lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

| | |
|---|---------------------|
| Various general and instructional expenditures funded by donations and fees | \$ 113,271 |
| Voter approved transfer of capital reserves to the capital projects fund | <u>2,374,944</u> |
| Total | <u>\$ 2,488,215</u> |

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

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

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

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 assigned fund balance, unless classified as restricted, and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

4. DEPOSITS WITH FINANCIAL INSTITUTIONS

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's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- 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.

All of the Districts' aggregate bank balances were covered by Federal deposit insurance or collateralized with securities held by the pledging financial institution in the District's name at year end.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2023 included \$23,119,795 within the governmental funds for general reserves, scholarships, extraclassroom activities, capital and unspent bond proceeds.

5. PARTICIPATION IN BOCES

During the year ended June 30, 2023, the District was billed \$11,101,419 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$2,179,328. Financial statements for BOCES are available from the BOCES administrative offices at 507 Deer Park Road, P.O. Box 8007, Huntington Station, New York 11746-9007.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

6. DUE FROM STATE AND FEDERAL AID

Due from state and federal aid at June 30, 2023, consisted of:

| | |
|----------------------------------|---------------------|
| General Fund: | |
| Excess Cost Aid | \$ 505,196 |
| General Aid | 160,042 |
| | <u>\$ 665,238</u> |
| Special Aid Fund: | |
| Federal Grants | \$ 2,166,389 |
| State Grants | 369,803 |
| | <u>\$ 2,536,192</u> |
| School Food Service Fund: | |
| Federal Meal Reimbursements | \$ 33,312 |
| State Meal Reimbursements | 4,027 |
| | <u>\$ 37,339</u> |
| Capital Projects Fund: | |
| EXCEL Aid | \$ 55,057 |
| SMART Schools Bond Act | 55,456 |
| Total Capital Projects Fund | <u>\$ 110,513</u> |
| Total Due From State and Federal | <u>\$ 3,349,282</u> |

District management has deemed these amounts to be fully collectible.

7. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2023, consisted of:

| | |
|------------------------------|---------------------|
| General Fund: | |
| Tuition from other Districts | \$ 53,530 |
| BOCES | 2,185,328 |
| Other | 401,481 |
| | <u>\$ 2,640,339</u> |

District management has deemed these amounts to be fully collectible.

The \$401,481 included in Other above is also included in unearned revenue at June 30, 2023.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

8. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2023 were as follows:

| | Balance July 1, 2022 | Additions | Retirements/ Reclassifications | Balance June 30, 2023 |
|---|-------------------------|--------------|-----------------------------------|--------------------------|
| Governmental activities: | | | | |
| Capital assets that are not depreciated: | | | | |
| Land | \$ 1,336,364 | | | \$ 1,336,364 |
| Construction in progress | 2,125,817 | \$ 1,696,368 | \$ (2,618,187) | 1,203,998 |
| Total nondepreciable assets | 3,462,181 | 1,696,368 | (2,618,187) | 2,540,362 |
| Capital assets that are depreciated/amortized: | | | | |
| Buildings and improvements | 146,695,232 | 2,126,598 | | 148,821,830 |
| Site improvements | 13,383,851 | 505,348 | | 13,889,199 |
| Furniture, equipment and vehicles | 8,880,198 | 865,081 | (46,367) | 9,698,912 |
| Right-to-use leased equipment | 2,915,850 * | 1,757,938 | | 4,673,788 |
| Total depreciable/amortizable assets | 171,875,131 | 5,254,965 | \$ (46,367) | 177,083,729 |
| Less accumulated depreciation/amortization: | | | | |
| Buildings and improvements | 61,176,626 | 4,406,065 | | 65,582,691 |
| Site improvements | 3,766,776 | 794,936 | | 4,561,712 |
| Furniture, equipment and vehicles | 5,487,101 | 569,152 | (46,367) | 6,009,886 |
| Right-to-use leased equipment | \$ 325,650 * | 1,281,740 | | 1,607,390 |
| Total accumulated depreciation/amortization | 70,756,153 | 7,051,893 | \$ (46,367) | 77,761,679 |
| Total capital assets being depreciated/amortized, net | 101,118,978 | (1,796,928) | -0- | 99,322,050 |
| Total capital assets, net | \$ 104,581,159 | \$ (100,560) | \$ (2,618,187) | \$ 101,862,412 |
| Depreciation/Amortization expense was charged to governmental functions as follows: | | | | |
| General support | | | | \$ 5,476,770 |
| Instruction | | | | 1,447,383 |
| Pupil transportation | | | | 112,216 |
| School food service | | | | 15,524 |
| Total governmental activities depreciation/amortization expense | | | | \$ 7,051,893 |

*Right-to-use leased equipment and leases payable as of July 1, 2022 have been restated to include additional leases recognized under GASB Statement No. 87. This restatement had no impact on net position as of July 1, 2022.

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The District's policy is to record an impairment loss in the period when the District determines that the carrying amount of the asset will not be recoverable. The District did not record any capital asset impairments for the year ended June 30, 2023.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

9. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2023, are as follows:

| | Interfund | | Interfund | |
|--------------------------|---------------------|---------------------|---------------------|---------------------|
| | Receivable | Payable | Revenues | Expenditures |
| General Fund | \$ 2,641,537 | | | \$ 5,904,686 |
| Special Aid Fund | | \$ 2,629,014 | 542,616 | |
| School Food Service Fund | | 8,164 | 12,712 | |
| Debt Service Fund | | | | |
| Capital Projects Fund | | 4,359 | 5,349,358 | |
| | <u>\$ 2,641,537</u> | <u>\$ 2,641,537</u> | <u>\$ 5,904,686</u> | <u>\$ 5,904,686</u> |

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

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

The District typically transfers from the general fund to the special aid fund, school food service fund and the capital projects fund in accordance with the general fund budget. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities and the State supported section 4201 schools. The transfer to the school food service fund was to eliminate negative student account balances. The transfer to the capital projects fund was for District-wide improvements.

10. SHORT-TERM DEBT

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

| | Balance July 1, 2022 | Issued | Redeemed | Balance June 30, 2023 |
|------------------------------|-------------------------|----------------------|----------------------|--------------------------|
| TAN matured 3/01/23 at 3.50% | \$ -0- | \$ 35,500,000 | \$ 35,500,000 | \$ -0- |
| Total | <u>\$ -0-</u> | <u>\$ 35,500,000</u> | <u>\$ 35,500,000</u> | <u>\$ -0-</u> |

Interest paid on short-term debt for the year was \$579,833. The premium received for the year was \$167,560, resulting in a net interest cost of \$412,273.

The tax anticipation note was issued for interim financing of the general fund operations.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

11. LONG-TERM DEBT

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

| | Beginning balance | Additions | Reductions | Ending balance | Non-current liabilities due within one year | Non-current liabilities due in more than one year |
|---|----------------------|----------------|---------------|-------------------|---|---|
| Governmental activities: | | | | | | |
| Bonds Payable: | | | | | | |
| General obligation bonds | \$ 39,750,000 | | \$ 1,900,000 | \$ 37,850,000 | \$ 1,990,000 | \$ 35,860,000 |
| Bond premium | 1,960,849 | | 106,955 | 1,853,894 | 106,955 | 1,746,939 |
| General obligation bonds, inclusive of unamortized premiums | 41,710,849 | | 2,006,955 | 39,703,894 | 2,096,955 | 37,606,939 |
| Other liabilities: | | | | | | |
| Energy performance contract | 9,927,093 | | 706,403 | 9,220,690 | 721,084 | 8,499,606 |
| Leases payable | 2,599,861 | * \$ 1,757,938 | 1,239,497 | 3,118,302 | 1,112,307 | 2,005,995 |
| Compensated absences | 6,001,789 | 894,865 | 356,661 | 6,539,993 | 327,000 | 6,212,993 |
| Workers' compensation | 3,330,000 | 977,697 | 1,547,697 | 2,760,000 | 579,600 | 2,180,400 |
| Net pension liability - proportionate share - pensions | | 17,688,023 | | 17,688,023 | | 17,688,023 |
| Total OPEB liability | 249,476,894 | 53,427,451 | 11,217,644 | 291,686,701 | | 291,686,701 |
| Total noncurrent liabilities | \$ 313,046,486 | \$ 74,745,974 | \$ 17,074,857 | \$ 370,717,603 | \$ 4,836,946 | \$ 365,880,657 |

*Leases payable and right-to-use leased equipment as of July 1, 2022 have been restated to include additional leases recognized under GASB Statement No. 87. This restatement had no impact on net position as of July 1, 2022.

The general fund has typically been used to liquidate bonds payable, energy performance contracts, leases payable, compensated absences, workers' compensation, other postemployment benefits and pension liabilities when they become due.

Existing serial bond obligations:

| Description of Issue | Issue Date | Final Maturity | Interest Rate | Outstanding at June 30, 2023 |
|-------------------------|---------------|----------------|---------------|---------------------------------|
| Serial bond - refunding | February 2013 | August 2025 | 2.00-4.00% | \$ 1,655,000 |
| Serial bond | November 2020 | November 2040 | 2.00-5.00% | 36,195,000 |
| | | | | <u>\$ 37,850,000</u> |

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

| | Principal | Interest | Total |
|---------------------------------|----------------------|---------------------|----------------------|
| Fiscal year ended June 30, 2024 | \$ 1,990,000 | \$ 1,080,056 | \$ 3,070,056 |
| 2025 | 2,085,000 | 983,581 | 3,068,581 |
| 2026 | 2,190,000 | 882,331 | 3,072,331 |
| 2027 | 1,695,000 | 788,081 | 2,483,081 |
| 2028 | 1,785,000 | 701,081 | 2,486,081 |
| 2029-2033 | 9,905,000 | 2,512,631 | 12,417,631 |
| 2034-2038 | 11,035,000 | 1,364,798 | 12,399,798 |
| 2039-2041 | 7,165,000 | 242,607 | 7,407,607 |
| Total | <u>\$ 37,850,000</u> | <u>\$ 8,555,166</u> | <u>\$ 46,405,166</u> |

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

11. LONG-TERM DEBT (continued)

Upon default of the payment of principal or interest on the serial bonds of the District, the bond holders have the right to litigate and the New York State Comptroller is required, under the conditions and to the extent prescribed by Section 99-b of the New York State Finance Law, to withhold state aid and assistance of the District and apply the amount so withheld to the payment of the defaulted principal or interest with respect to the serial bonds.

The following is a summary of debt service requirements for the energy performance contract:

| | Principal | Interest | Total |
|---------------------------------|---------------------|---------------------|----------------------|
| Fiscal year ended June 30, 2024 | \$ 721,084 | \$ 179,922 | \$ 901,006 |
| 2025 | 735,505 | 165,501 | 901,006 |
| 2026 | 750,215 | 150,792 | 901,007 |
| 2027 | 765,218 | 135,788 | 901,006 |
| 2028 | 780,522 | 120,485 | 901,007 |
| 2029-2033 | 4,143,092 | 361,940 | 4,505,032 |
| 2034-2035 | 1,325,054 | 26,456 | 1,351,510 |
| Total | <u>\$ 9,220,690</u> | <u>\$ 1,140,884</u> | <u>\$ 10,361,574</u> |

Leases payable is comprised of the following individual agreements:

| Description | Issue Date | Final Maturity | Interest Rate | Outstanding at 6/30/23 |
|------------------------------|------------|----------------|---------------|------------------------|
| Chromebooks & Laptops: BOCES | 5/29/2020 | 5/28/2025 | 3.00% | \$ 237,980 |
| Various Equipment: BOCES | 10/15/2020 | 10/14/2025 | 3.00% | 104,872 |
| Various Equipment: BOCES | 7/1/2022 | 6/30/2026 | 4.00% | 458,292 |
| Various Equipment: BOCES | 7/1/2022 | 6/30/2027 | 3.00% | 934,739 |
| Copiers: Konica | 11/3/2022 | 11/2/2026 | 0.33% | 5,758 |
| Various Equipment: BOCES | 7/1/2021 | 6/30/2026 | 3.00% | 912,438 |
| Chromebooks & Laptops: BOCES | 7/1/2021 | 6/30/2026 | 3.00% | 277,761 |
| Various Equipment: BOCES | 10/15/2020 | 10/14/2025 | 3.00% | 186,462 |
| | | | | <u>\$ 3,118,302</u> |

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

| Fiscal Year Ended June 30, | Principal | Interest | Total |
|----------------------------|---------------------|-------------------|---------------------|
| 2024 | \$ 1,112,307 | \$ 98,160 | \$ 1,210,467 |
| 2025 | 955,110 | 63,305 | 1,018,415 |
| 2026 | 806,128 | 33,106 | 839,234 |
| 2027 | 244,757 | 7,329 | 252,086 |
| | <u>\$ 3,118,302</u> | <u>\$ 201,900</u> | <u>\$ 3,320,202</u> |

Interest expense of \$136,693 was recorded in the fund financial statements in the General Fund and in the district-wide financial statements.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

11. LONG-TERM DEBT (continued)

Interest on long-term debt for the year ended June 30, 2023 was composed of:

| | |
|--|---------------------|
| Interest paid | \$ 1,503,403 |
| Less: interest accrued in the prior year | (282,431) |
| Less: amortization of bond premium | (106,955) |
| Plus: interest accrued in the current year | 257,770 |
| Total interest expense on long-term debt | <u>\$ 1,371,787</u> |

12. PENSION PLANS

A. Pension Obligations

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems).

B. Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. 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 TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

12. PENSION PLANS (continued)

B. Plan Descriptions and Benefits Provided (continued)

Employees' Retirement System (ERS) (continued)

The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

C. Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who contribute 3.0 (ERS) to 3.5 (TRS) percent of their salary for their entire length of service. In addition, employee contribution rates that joined after April 1, 2012 are required to contribute between 3% and 6% depending on their salary through active membership. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. The District's contribution rate for the ERS fiscal year ended March 31, 2023 was 17.3% of covered payroll for Tier 1, 13.0% for Tier 3 and 4, 11.1% for Tier 5 and 8.2% for Tier 6. The District's contribution rate for the TRS fiscal year ended June 30, 2022 was 10.29% of covered payroll.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

| <u>Year</u> | <u>ERS</u> | <u>TRS</u> |
|-------------|--------------|--------------|
| 2022-2023 | \$ 2,066,575 | \$ 7,446,710 |
| 2021-2022 | 2,545,989 | 6,877,040 |
| 2020-2021 | 2,632,230 | 6,862,666 |

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

12. PENSION PLANS (continued)

D. Pension Liabilities, Assets, Pension Expense, Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2023, 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) were measured as of March 31, 2023 for ERS and June 30, 2022 for TRS. 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 ERS and TRS Systems in reports provided to the District.

| | ERS | TRS |
|--|-----------------|----------------|
| Measurement date | March 31, 2023 | June 30, 2022 |
| Net pension asset/(liability) | \$ (10,087,323) | \$ (7,600,700) |
| District's portion of the Plan's total | | |
| net pension asset/(liability) | 0.0470402% | 0.396098% |
| Change in proportion since the | | |
| prior measurement date | -0.001199% | -0.028593% |

For the year ended June 30, 2023, the District's recognized pension expense of \$4,079,101 for ERS and \$10,035,973 for TRS. At June 30, 2023 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|---|--------------------------------|----------------------|-------------------------------|---------------------|
| | ERS | TRS | ERS | TRS |
| Differences between expected and actual experience | \$ 1,074,379 | \$ 7,964,572 | \$ 283,290 | \$ 152,305 |
| Changes of assumptions | 4,899,055 | 14,744,073 | 54,144 | 3,061,777 |
| Net difference between projected and actual earnings on pension plan investments | -0- | 9,820,826 | 59,263 | |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 1,106,043 | 2,088,981 | 73,957 | 325,610 |
| District's contributions subsequent to the measurement date | 702,575 | 7,446,710 | -0- | -0- |
| Total | <u>\$ 7,782,052</u> | <u>\$ 42,065,162</u> | <u>\$ 470,654</u> | <u>\$ 3,539,692</u> |

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

12. PENSION PLANS (continued)

D. Pension Liabilities, Assets, Pension Expense, Deferred Outflows and Inflows of Resources Related to Pensions (continued)

The District's contributions subsequent to the measurement date will be recognized as a reduction/increase of the net pension liability/asset in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | ERS | TRS |
|---------------------------|---------------------|----------------------|
| Year ending June 30, 2024 | \$ 1,759,903 | \$ 6,152,943 |
| 2025 | (224,958) | 3,301,624 |
| 2026 | 2,257,931 | (913,467) |
| 2027 | 2,815,947 | 19,557,475 |
| 2028 | -0- | 2,703,683 |
| Thereafter | -0- | 276,502 |
| | <u>\$ 6,608,823</u> | <u>\$ 31,078,760</u> |

E. Actuarial Assumptions

The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension asset/(liability) to the measurement date.

Significant actuarial assumptions used in the valuations were as follows:

| | ERS | TRS |
|---------------------------|--|--|
| Measurement date | March 31, 2023 | June 30, 2022 |
| Actuarial valuation date | April 1, 2022 | June 30, 2021 |
| Investment rate of return | 5.9% | 6.95% |
| Salary increase | 4.4% | 5.18% - 1.95% |
| Decrement tables | April 1, 2015 - March 31, 2020 System's Experience | July 1, 2015 - June 30, 2020 System's Experience |
| Inflation rate | 2.90% | 2.40% |
| Cost of living adjustment | 1.5% | 1.3% |

For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2021. For TRS, annuitant mortality rates are based on July 1, 2015 – June 30, 2020 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2021.

For ERS, the actuarial assumptions used in the April 1, 2022 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

12. PENSION PLANS (continued)

E. Actuarial Assumptions (continued)

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

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 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.

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation, as of the actuarial valuation date, are summarized in the following table:

| | ERS | | TRS | |
|------------------------------------|-----------------------|-------------------------------------|----------------------|-------------------------------------|
| | Target Allocation | Long-term Expected Rate of Return * | Target Allocation | Long-term Expected Rate of Return * |
| Measurement date | <u>March 31, 2023</u> | | <u>June 30, 2022</u> | |
| Asset type | | | | |
| Domestic equity | 32.0% | 4.30% | 33.0% | 6.50% |
| International equity | 15.0% | 6.85% | 16.0% | 7.20% |
| Global equity | | | 4.0% | 6.90% |
| Private equity | 10.0% | 7.50% | 8.0% | 9.90% |
| Real estate | 9.0% | 4.60% | 11.0% | 6.20% |
| Opportunistic portfolio | 3.0% | 5.38% | | |
| Real assets | 3.0% | 5.84% | | |
| Cash and cash equivalents | 1.0% | 0.00% | 1.0% | -0.30% |
| Credit | 4.0% | 5.43% | | |
| Domestic fixed income securities | 23.0% | 1.50% | 16.0% | 1.10% |
| High-yield fixed income securities | | | 1.0% | 3.30% |
| Global bonds | | | 2.0% | 0.60% |
| Real estate debt | | | 6.0% | 2.40% |
| Global equities | | | | |
| Private debt | | | 2.0% | 5.30% |
| | <u>100.0%</u> | | <u>100.0%</u> | |

Real rates of return are net of the long-term inflation assumptions of 2.4% for 2022 (TRS) and of 2.5% for 2023 (ERS).

*Excludes equity-oriented long-only funds. For investment management purposes, these funds are included in domestic equity and international equity.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

12. PENSION PLANS (continued)

F. Discount Rate

The discount rate used to calculate the total pension asset/(liability) was 5.9% for ERS and 6.95% for TRS (the discount rate used by the ERS and TRS at the prior year's measurement date were 5.9% and 6.95%, respectively). 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 asset/(liability).

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 5.9% for ERS and 6.95% for TRS, 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 (4.9% for ERS and 5.95% for TRS) or 1-percentage point higher (6.9% for ERS and 7.95% for TRS) than the current rate:

| ERS | 1% Decrease (4.9%) | Current Assumption (5.9%) | 1% Increase (6.9%) |
|--|---------------------------|----------------------------------|---------------------------|
| Employer's proportionate share Of the net pension asset/(liability) | \$ (24,376,734) | \$ (10,087,323) | \$ 1,853,142 |
| TRS | 1% Decrease (5.95%) | Current Assumption (6.95%) | 1% Increase (7.95%) |
| Employer's proportionate share Of the net pension asset/(liability) | \$ (70,082,020) | \$ (7,600,700) | \$ 44,945,680 |

H. Pension Plan Fiduciary Net Position

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

| | (Dollars in Thousands) | |
|---|------------------------|-----------------------|
| | ERS | TRS |
| Measurement date | March 31, 2023 | June 30, 2022 |
| Employers' total pension liability | \$ (232,627,259) | \$ (133,883,474) |
| Plan Net Position | 211,183,223 | 131,964,582 |
| Employers' net pension asset/(liability) | <u>\$ (21,444,036)</u> | <u>\$ (1,918,892)</u> |
| Ratio of plan net position to the Employers' total pension liability | 90.78% | 98.57% |

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

12. PENSION PLANS (continued)

I. PAYABLES TO THE PENSION PLAN

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, 2023 represent the projected employer contribution for the period of April 1, 2023 through June 30, 2023 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2023 amounted to \$702,575.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2023 are paid to the System in September, October and November 2023 through a state aid intercept. Accrued retirement contributions as of June 30, 2023 represent employee and employer contributions for the fiscal year ended June 30, 2023 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 System. Accrued retirement contributions as of June 30, 2023 amounted to \$7,446,710 of employer contributions and \$480,004 of employee contributions.

13. OTHER PENSION PLANS

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 termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2023, totaled \$246,940 and \$4,677,951 respectively.

Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for some employees. The District makes no contributions into this plan. The amount deferred by eligible employees for the year ended June 30, 2023 totaled \$201,035.

14. OTHER POSTEMPLOYMENT BENEFITS THAN PENSIONS (OPEB)

A. Plan Description

The District established and administers a single-employer defined benefit OPEB plan for its employees and their spouses. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board subject to applicable collective bargaining and employment agreements, and Board of Education policy. The Plan does not issue a separate financial report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

14. OTHER POSTEMPLOYMENT BENEFITS THAN PENSIONS (OPEB) (continued)

B. Benefits Provided

Medical coverage, including prescription drugs as part of the medical plan, is offered to retirees on a fully insured basis through a consortium known as the New York State Health Insurance Program (NYSHIP). The administration, confidential supervisors, superintendents and assistant superintendents contribute 15% toward the cost of benefits when retired. All other employees will contribute 50% toward individual coverage and 65% toward the excess premium (the difference between individual and family) coverage when retired. Some current retirees have an additional level of contribution at 25%. All employees are eligible once they have attained the age of 55 and have at least 5 years of service with the District. The District will also reimburse the full premium costs for Medicare Part B payments. This contract will be renegotiated at various times in the future. Upon death of a retiree, the District will only continue the Medicare Part B reimbursement for the surviving spouse.

C. Employees Covered by Benefit Terms

The number of participants as of July 1, 2021, the effective date of the OPEB valuation, is as follows:

| | <u>Participants</u> |
|--|---------------------|
| Active employees | 910 |
| Inactive employees or beneficiaries currently receiving benefit payments | 1,033 |
| Inactive employees entitled to but not yet receiving benefit payments | <u>0</u> |
| Total | <u>1,943</u> |

There have been no significant changes in the number of participants or the type of coverage since the last published valuation.

D. Total OPEB Liability

The District's total OPEB liability of \$291,686,701 was measured as of June 30, 2023 and was determined by an actuarial valuation as of July 1, 2021, with update procedures used to rollforward the OPEB liability to the measurement date.

E. Funding Policy

The District currently pays for other postemployment benefits on a pay-as-you-go basis.

F. Actuarial Assumptions and Other Inputs

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

F. Actuarial Assumptions and Other Inputs (continued)

The total OPEB liability in the July 1, 2021 valuation was determined using the following actuarial assumptions and other inputs:

| | |
|-----------------------------|---|
| Salary increases | 2.4% |
| Discount rate | 3.65% |
| Healthcare cost trend rates | 5.1% for January 1, 2023, decreasing per year to an ultimate rate of 4.1% in 2074 |

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index as of June 30, 2023 for the rate as of June 30, 2023.

Mortality rates for the June 30, 2023 measurement date were based on the Pub-2010 mortality table with generational projection of future improvements per the MP-2021 ultimate scale. Mortality rates for the June 30, 2022 measurement date were based on the RP-2014 projected to date of decrement using Scale MP-2014.

The decrement tables used for this valuation are based on the New York State Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS).

The actuarial assumptions used in the July 1, 2021 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable.

G. Changes in the Total OPEB Liability

The following table shows the components of the District's other postemployment benefits liability:

| | |
|--|-----------------------|
| Balance at June 30, 2022 | \$ 249,476,894 |
| Changes for the year: | |
| Service cost | 6,783,255 |
| Interest | 8,874,783 |
| Differences between expected and actual experience | |
| Changes of assumptions or other inputs | 37,769,413 |
| Benefit payments | (11,217,644) |
| Net Changes | 42,209,807 |
| Balance at June 30, 2023 | <u>\$ 291,686,701</u> |

H. 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 (2.65%) or 1-percentage-point higher (4.65%) than the current discount rate:

| | One Percent Decrease (2.65%) | Current Discount Rate (3.65%) | One Percent Increase (4.65%) |
|----------------------|------------------------------------|-------------------------------------|------------------------------------|
| Total OPEB liability | \$ 333,885,042 | \$ 291,686,701 | \$ 257,063,426 |

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

14. OTHER POSTEMPLOYMENT BENEFITS THAN PENSIONS (OPEB) (continued)

I. Sensitivity of the Total OPEB liability to changes in the healthcare cost trend 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 healthcare cost trend rates that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

| | One Percent Decrease | Healthcare Cost Trend Rates | One Percent Increase |
|----------------------|-------------------------|--------------------------------|-------------------------|
| Total OPEB liability | \$ 249,386,957 | \$ 291,686,701 | \$ 344,710,487 |

J. OPEB Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to OPEB

For the year ended June 30, 2023, the District recognized OPEB expense of \$22,097,903. At June 30, 2023, the district reported deferred outflows and inflows of resources related to OPEB as shown below:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 5,705,556 | \$ 9,186,937 |
| Changes of assumptions or other inputs | 47,413,847 | 39,048,602 |
| Total | <u>\$ 53,119,403</u> | <u>\$ 48,235,539</u> |

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

| | |
|------------------------------------|---------------------|
| For the years ending June 30, 2024 | \$ 6,439,866 |
| 2025 | 2,990,333 |
| 2026 | (3,107,502) |
| 2027 | (2,891,501) |
| 2028 | 1,452,668 |
| | <u>\$ 4,883,864</u> |

15. COMPENSATED ABSENCES

District employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave, subject to certain limitations.

Estimated vacation, sick leave and compensatory absences accumulated by governmental fund type employees have been recorded in the Statement of Net Position. Payment of vacation time and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. As of June 30, 2023, the value of the accumulated vacation time and sick leave was \$6,759,397, of which \$219,404 is recorded as compensated absences in the general fund.

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

16. RISK MANAGEMENT

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

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported (IBNR).

Claim liabilities are discounted at an estimated interest rate of 3%, and are calculated considering the effect of inflation, recent claim settlement trends including frequency and amounts of payouts, and other economic and social factors. The District has not purchased any annuity contracts with regard to its workers' compensation claims. The District has a reserve for workers' compensation in the general fund of \$2,145,305 to pay related claims. Changes in the balances of claim liabilities for workers' compensation during the past two fiscal years are as follows:

| | 2023 | 2022 |
|---------------------------------------|---------------------|---------------------|
| Unpaid claims at beginning of year | \$ 3,330,000 | \$ 2,940,000 |
| Incurred claims and claim adjustments | 977,697 | 1,674,517 |
| Claim payments | <u>(1,547,697)</u> | <u>(1,284,517)</u> |
| Unpaid claims at year end | <u>\$ 2,760,000</u> | <u>\$ 3,330,000</u> |

17. FUND BALANCES – ASSIGNED: APPROPRIATED FOR SUBSEQUENT YEAR'S BUDGET

The amount of \$3,860,313 has been assigned as the amount to be appropriated to reduce taxes for the year ending June 30, 2024.

18. FUND BALANCES – RESTRICTED: APPROPRIATED RESERVES

The District has appropriated the following amounts from reserves, which are reported in the June 30, 2023 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2024:

| | |
|------------------------------------|-------------------|
| Employee benefit accrued liability | \$ 50,000 |
| Workers' compensation | 140,000 |
| Unemployment | 5,000 |
| Retirement contributions | <u>541,721</u> |
| | <u>\$ 736,721</u> |

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

19. COMMITMENTS AND CONTINGENCIES

A. 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, will be immaterial.

B. Litigation

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

C. Encumbrances

At June 30, 2023, the District encumbered the following amounts:

Restricted:

| | |
|-----------------------|---------------------|
| Capital Projects Fund | |
| Capital Projects | <u>\$ 5,731,015</u> |

Assigned:

| | |
|----------------------|----------------|
| General Fund | |
| General Support | 507,391 |
| Instruction | 258,397 |
| Pupil Transportation | 1,741 |
| | <u>767,529</u> |

| | |
|-------------------|----------------|
| School Lunch Fund | |
| Instruction | <u>370,868</u> |

| | |
|------------------|---------------|
| Special Aid Fund | |
| Grant Programs | <u>44,897</u> |

| | |
|-----------------------|------------------|
| Capital Projects Fund | |
| Capital Projects | <u>3,498,991</u> |

| | |
|--------------------|-----------------------------|
| Total Encumbrances | <u><u>\$ 10,413,300</u></u> |
|--------------------|-----------------------------|

20. SUBSEQUENT EVENTS

On September 12, 2023, the District issued a tax anticipation note in the amount of \$35,500,000, which is due June 28, 2024, and bears an average net interest rate of 5.00%.

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2023

| | Original Budget | Final Budget | Actual | | Variance With Final Budget |
|---|--------------------|-----------------|----------------|--------------------------|---|
| REVENUES | | | | | |
| Local Sources: | | | | | |
| Real property taxes | \$ 144,628,324 | \$ 145,002,234 | \$ 145,002,234 | \$ | -0- |
| School tax relief reimbursement | 6,000,000 | 5,626,090 | 5,626,090 | | -0- |
| Other tax items | -0- | -0- | 4,573 | | 4,573 |
| Charges for services | 882,000 | 953,918 | 879,050 | | (74,868) |
| Use of money and property | 420,100 | 421,220 | 1,379,975 | | 958,755 |
| Sale of property and compensation for loss | 165,000 | 165,000 | 82,013 | | (82,987) |
| Miscellaneous | 2,645,000 | 2,660,233 | 3,309,394 | | 649,161 |
| Total Local Sources | 154,740,424 | 154,828,695 | 156,283,329 | | 1,454,634 |
| State aid | 19,919,699 | 19,944,699 | 19,633,391 | | (311,308) |
| Federal aid - Medicaid reimbursement | 50,000 | 50,000 | 104,602 | | 54,602 |
| Total Revenues | 174,710,123 | 174,823,394 | 176,021,322 | | 1,197,928 |
| OTHER FINANCING SOURCES | | | | | |
| Premium on short term obligations | 250,000 | 250,000 | 167,560 | | (82,440) |
| Total Financing Sources | 250,000 | 250,000 | 167,560 | | (82,440) |
| Assigned fund balance | 2,559,240 | 2,559,240 | | | |
| Appropriated reserves | 1,671,020 | 4,045,964 | | | |
| Total Revenues, other financing sources and Assigned and Appropriated Fund Balance | \$ 179,190,383 | \$ 181,678,598 | 176,188,882 | \$ | 1,115,488 |
| | | | | | |
| | Original Budget | Final Budget | Actual | Year-end Encumbrances | Variance With Final Budget and Encumbrances |
| EXPENDITURES | | | | | |
| General Support | | | | | |
| Board of education | \$ 341,193 | \$ 408,618 | 314,367 | \$ 15,500 | \$ 78,751 |
| Central administration | 286,908 | 291,961 | 286,232 | | 5,729 |
| Finance | 1,444,118 | 1,470,976 | 1,386,439 | 22,777 | 61,760 |
| Staff | 1,324,787 | 1,306,512 | 1,277,627 | | 28,885 |
| Central services | 15,688,898 | 16,420,072 | 15,274,503 | 469,114 | 676,455 |
| Special items | 1,319,873 | 1,390,740 | 1,320,633 | | 70,107 |
| Total General Support | 20,405,777 | 21,288,879 | 19,859,801 | 507,391 | 921,687 |
| Instruction | | | | | |
| Instruction, administration and improvement | 7,079,983 | 7,234,389 | 7,079,174 | 18,039 | 137,176 |
| Teaching - regular school | 51,155,969 | 51,621,130 | 50,654,438 | 166,796 | 799,896 |
| Programs for children with handicapping conditions | 22,654,069 | 22,314,005 | 21,078,607 | 12,350 | 1,223,048 |
| Occupational education | 671,663 | 671,663 | 656,000 | | 15,663 |
| Teaching - special school | 410,549 | 451,330 | 336,970 | | 114,360 |
| Instructional media | 4,813,460 | 3,497,903 | 3,340,632 | 5,922 | 151,349 |
| Pupil services | 8,932,176 | 8,819,048 | 8,325,184 | 55,290 | 438,574 |
| Total Instruction | 95,717,869 | 94,609,468 | 91,471,005 | 258,397 | 2,880,066 |
| Pupil Transportation | 10,175,089 | 9,894,061 | 9,088,231 | 1,741 | 804,089 |
| Community Services | 459,943 | 460,353 | 345,300 | | 115,053 |
| Employee Benefits | 43,884,095 | 43,432,102 | 43,057,504 | | 374,598 |
| Debt Service - Principal | 2,606,404 | 3,845,901 | 3,845,900 | | 1 |
| Debt Service - Interest | 2,176,792 | 2,083,236 | 2,083,236 | | -0- |
| Total Expenditures | 175,425,969 | 175,614,000 | 169,750,977 | 767,529 | 5,095,494 |
| OTHER FINANCING USES | | | | | |
| Transfers to other funds | 3,764,414 | 6,064,598 | 5,904,686 | | 159,912 |
| Total Expenditures and Other Uses | \$ 179,190,383 | \$ 181,678,598 | 175,655,663 | \$ 767,529 | \$ 5,255,406 |
| | | | | | |
| Net change in fund balance | | | 533,219 | | |
| Fund balance - beginning | | | 27,073,099 | | |
| Fund balance - ending | | | \$ 27,606,318 | | |

Note to Required Supplementary Information

Budget Basis of Accounting

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

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY AND RELATED RATIOS
June 30, 2023

| Period | Total OPEB Liability - Beginning of the Period | Service cost | Interest on Total OPEB Liability | Differences between expected and actual experience | Changes in benefit terms | Changes of assumptions or other inputs | Benefit payments | Total OPEB Liability - End of the Period | Covered- employee payroll | Total OPEB Liability as a Percentage of Covered- employee Payroll |
|------------------------------|---|---------------|--|---|--------------------------------|--|---------------------|--|------------------------------|--|
| July 1, 2022 - June 30, 2023 | \$ 249,476,894 | \$ 6,783,255 | \$ 8,874,783 | \$ - | \$ - | \$ 37,769,413 | \$ (11,217,644) | \$ 291,686,701 | \$ 78,455,605 | 371.8% |
| July 1, 2021 - June 30, 2022 | \$ 319,235,637 | \$ 7,739,474 | \$ 6,946,410 | \$ (14,022,167) | \$ -0- | \$ (59,600,498) | \$ (10,821,962) | \$ 249,476,894 | \$ 78,455,605 | 318.0% |
| July 1, 2020 - June 30, 2021 | \$ 292,131,286 | \$ 10,332,090 | \$ 7,191,769 | \$ -0- | \$ -0- | \$ 15,226,657 | \$ (5,646,165) | \$ 319,235,637 | \$ 78,591,429 | 406.2% |
| July 1, 2019 - June 30, 2020 | \$ 244,977,419 | \$ 10,080,088 | \$ 7,509,450 | \$ 17,116,668 | \$ -0- | \$ 17,921,870 | \$ (5,474,209) | \$ 292,131,286 | \$ 78,591,429 | 371.7% |
| July 1, 2018 - June 30, 2019 | \$ 212,647,895 | \$ 9,341,954 | \$ 7,560,462 | \$ -0- | \$ -0- | \$ 20,697,205 | \$ (5,270,097) | \$ 244,977,419 | \$ 78,757,744 | 311.1% |
| July 1, 2017 - June 30, 2018 | \$ 201,637,938 | \$ 8,897,099 | \$ 7,258,966 | \$ -0- | \$ -0- | \$ -0- | \$ (5,146,108) | \$ 212,647,895 | \$ 76,325,674 | 278.6% |

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4, to pay other postemployment benefits (OPEB).

The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

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:

| | |
|------|-------|
| 2023 | 3.65% |
| 2022 | 3.54% |
| 2021 | 2.16% |
| 2020 | 2.40% |
| 2019 | 3.10% |
| 2018 | 3.60% |

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/(LIABILITY)
LAST NINE FISCAL YEARS

| NYSERS | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|---------------|-----------------|
| District's proportion of the net pension asset/(liability) | 0.0523119% | 0.0500618% | 0.0499429% | 0.0488485% | 0.0475294% | 0.0481855% | 0.0476867% | 0.0482391% | 0.0470402% |
| District's proportionate share of the net pension asset/(liability) | \$ (1,767,224) | \$ (8,035,059) | \$ (4,692,746) | \$ (1,576,557) | \$ (3,367,603) | \$ (12,759,810) | \$ (47,484) | \$ 3,943,349 | \$ (10,087,323) |
| District's covered payroll | 15,983,442 | 16,053,707 | 16,535,569 | 16,865,436 | 17,386,492 | 18,118,125 | 18,117,233 | 17,867,193 | 19,222,108 |
| District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll | 11.06% | 50.05% | 28.38% | 9.35% | 19.37% | 70.43% | 0.26% | 22.07% | 52.48% |
| Plan fiduciary net position as a percentage of the total pension liability coming from plan | 97.95% | 90.70% | 94.70% | 98.24% | 96.27% | 86.39% | 99.95% | 103.65% | 90.78% |
| NYSTRS | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| District's proportion of the net pension asset/(liability) | 0.445478% | 0.422221% | 0.435189% | 0.422842% | 0.424581% | 0.414785% | 0.414179% | 0.424691% | 0.396098% |
| District's proportionate share of the net pension asset/(liability) | \$ 49,623,455 | \$ 43,855,268 | \$ (4,661,055) | \$ 3,214,018 | \$ 7,677,537 | \$ 10,776,144 | \$ (11,444,896) | \$ 73,594,809 | \$ (7,600,700) |
| District's covered payroll | 66,912,386 | 64,568,886 | 67,988,347 | 67,677,371 | 69,916,152 | 70,002,329 | 70,881,074 | 72,644,019 | 70,881,441 |
| District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll | 74.16% | 67.92% | 6.86% | 4.75% | 10.98% | 15.39% | 16.15% | 101.31% | 10.72% |
| Plan fiduciary net position as a percentage of the total pension liability coming from plan | 111.48% | 110.46% | 99.01% | 100.66% | 101.53% | 102.17% | 97.80% | 113.25% | 98.57% |

Notes to Required Supplementary Information

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

Teachers' Retirement System

The discounted rate remained at 6.95% as reflected in 2022 and 2023 above.

Employees' Retirement System

The discounted rate remained at 5.90% as reflected in 2022 and 2023 above.

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
Last Ten Fiscal Years

| | NYSERS | | | | | | | | | |
|--|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Contractually required contribution | \$ 3,315,720 | \$ 3,014,318 | \$ 2,606,198 | \$ 2,462,134 | \$ 2,480,484 | \$ 2,482,184 | \$ 2,462,461 | \$ 2,632,230 | \$ 2,545,989 | \$ 2,066,575 |
| Contributions in relation to the contractually required contribution | 3,315,720 | 3,014,318 | 2,606,198 | 2,462,134 | 2,480,484 | 2,482,184 | 2,462,461 | 2,632,230 | 2,545,989 | 2,066,575 |
| Contribution deficiency (excess) | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| District's covered payroll | 15,801,767 | 15,569,194 | 16,589,817 | 16,729,488 | 16,981,365 | 18,614,836 | 18,044,871 | 17,730,363 | 18,153,286 | 19,316,859 |
| Contributions as a percentage of covered payroll | 20.98% | 19.36% | 15.71% | 14.72% | 14.61% | 13.33% | 13.65% | 14.85% | 14.02% | 10.70% |
| | NYSTRS | | | | | | | | | |
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Contractually required contribution | \$ 10,693,152 | \$ 11,409,312 | \$ 8,613,769 | \$ 7,856,255 | \$ 6,769,019 | \$ 7,360,878 | \$ 6,224,860 | \$ 6,862,666 | \$ 6,877,040 | \$ 7,446,710 |
| Contributions in relation to the contractually required contribution | 10,693,152 | 11,409,312 | 8,613,769 | 7,856,255 | 6,769,019 | 7,360,878 | 6,224,860 | 6,862,666 | 6,877,040 | 7,446,710 |
| Contribution deficiency (excess) | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| District's covered payroll | 66,912,386 | 64,568,886 | 67,988,347 | 67,677,371 | 69,916,152 | 70,002,329 | 70,881,074 | 72,644,019 | 70,881,441 | 73,340,696 |
| Contributions as a percentage of covered payroll | 15.98% | 17.67% | 12.67% | 11.61% | 9.68% | 10.52% | 8.78% | 9.45% | 9.70% | 10.15% |

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND
For the Year Ended June 30, 2023

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

| | | | |
|---|----|------------------|---------------------------|
| Adopted Budget | | \$ | 177,856,084 |
| Add: Prior year's encumbrances | | | <u>1,334,299</u> |
| Original budget | | | 179,190,383 |
| Use of capital reserves | | | 2,374,944 |
| Budget revision - Donations/Gifts/Fees | | | <u>113,271</u> |
| Final budget | | \$ | <u><u>181,678,598</u></u> |
| | | | |
| 2023-24 voter-approved expenditure budget | | \$ | <u><u>183,038,428</u></u> |
| | | | |
| Maximum allowed (4% of 2023-24 budget) | | \$ | <u><u>7,321,537</u></u> |
| | | | |
| Unrestricted fund balance: | | | |
| Assigned fund balance | \$ | 4,627,842 | |
| Unassigned fund balance | | <u>7,321,537</u> | \$ <u>11,949,379</u> |
| | | | |
| Less: | | | |
| Appropriated fund balance | \$ | 3,860,313 | |
| Encumbrances | | <u>767,529</u> | <u>4,627,842</u> |
| | | | |
| General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law: | | \$ | <u><u>7,321,537</u></u> |
| | | | |
| Actual Percentage | | | 4.00% |

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2023

| PROJECT TITLE | Budget | Budget | Expenditures | | | Unexpended | Methods of Financing | | | | Fund |
|--|----------------------|----------------------|----------------------|---------------------|----------------------|----------------------|----------------------|-------------------|----------------------|----------------------|----------------------|
| | June 30, 2022 | June 30, 2023 | Prior | Current | Total | | Proceeds of | State Aid | Local Sources | Total | Balance |
| | | | Years | Year | | Balance | Obligations | | | | June 30, 2023 |
| <u>Projects funded by Capital Reserves</u> | | | | | | | | | | | |
| William J. Brosnan Fence, Tennis Courts & Auditorium Seating | \$ 1,455 | \$ -0- | | | \$ -0- | \$ -0- | | | | \$ -0- | \$ -0- |
| East Northport Middle School Gymnasium Windows | 8,044 | -0- | | | -0- | -0- | | | | -0- | -0- |
| NHS Generator & Circuit Breakers | 1,546,184 | 1,545,939 | \$ 1,281,526 | \$ 264,413 | 1,545,939 | -0- | | | \$ 1,545,939 | 1,545,939 | -0- |
| DW HVAC Upgrades | 450,000 | 450,000 | 366,003 | 77,528 | 443,531 | 6,469 | | | 450,000 | 450,000 | 6,469 |
| DW Fencing, gates, bollards, doors & windows | 450,000 | 450,000 | 26,915 | | 26,915 | 423,085 | | | 450,000 | 450,000 | 423,085 |
| 19-20 Capital Reserve - Temp | 33,176 | 33,176 | | | -0- | 33,176 | | | | 33,176 | \$ 33,176 |
| NHS Roof & HVAC | -0- | 2,039,969 | | 264,096 | 264,096 | 1,775,873 | | | 2,039,969 | 2,039,969 | 1,775,873 |
| Various Roof & HVAC | | 744,544 | | | - | 744,544 | | | | 744,544 | 744,544 |
| NMS Vestibule - Bond | -0- | 3,176,168 | | 80,966 | 80,966 | 3,095,202 | | | 3,176,168 | 3,176,168 | 3,095,202 |
| DW Roof, HVAC, Bleachers, Abatements | 5,694,660 | 2,108,923 | | | -0- | 2,108,923 | | | 2,108,923 | 2,108,923 | 2,108,923 |
| 17-18 Capital Reserve - Temp | | 9,744 | | | -0- | 9,744 | | | 9,744 | 9,744 | 9,744 |
| <u>Projects funded by General Fund - Appropriations</u> | | | | | | | | | | | |
| NMS Library Htg & Vent | 438,100 | 438,100 | 1 | | 1 | 438,099 | | | 438,100 | 438,100 | 438,099 |
| 1718 General Fund Temp Capital | 485,000 | 485,000 | | | -0- | 485,000 | | | 485,000 | 485,000 | 485,000 |
| Roof - NHS, BAS, DAS 1819 GF | 40,939 | 40,939 | | | -0- | 40,939 | | | 40,939 | 40,939 | 40,939 |
| DW Roof Repairs | 616,750 | 616,750 | | | -0- | 616,750 | | | 616,750 | 616,750 | 616,750 |
| DW Bathroom renovations | 616,750 | 616,750 | 11,770 | 147,535 | 159,305 | 457,445 | | | 616,750 | 616,750 | 457,445 |
| Various Roof & HVAC | 2,469,066 | 2,469,066 | 73,713 | 581,622 | 655,335 | 1,813,731 | | | 2,469,066 | 2,469,066 | 1,813,731 |
| Ocean Ave Abatements & Roof | -0- | 925,081 | | 15,018 | 15,018 | 910,063 | | | 925,081 | 925,081 | 910,063 |
| DW Roof and HVAC Repairs | -0- | 2,049,333 | | | -0- | 2,049,333 | | | 2,049,333 | 2,049,333 | 2,049,333 |
| <u>EXCEL Projects</u> | | | | | | | | | | | |
| Security Upgrades | 10,229 | 10,229 | | | -0- | 10,229 | | \$ 10,229 | | 10,229 | 10,229 |
| <u>Bond Proposition</u> | | | | | | | | | | | |
| NHS Field Recon, HVAC & Lab Recon | 13,823,502 | 13,866,573 | 13,746,223 | 120,350 | 13,866,573 | -0- | \$ 13,866,573 | | | 13,866,573 | -0- |
| NHS Drain, Flr, Toilet Recon, Stage, Vest, Site Development | 1,134,364 | 1,125,422 | 1,018,780 | 19,308 | 1,038,088 | 87,334 | 1,125,422 | | | 1,125,422 | 87,334 |
| DAS Vestibule, Toilets, Htg Lines | 937,540 | 935,440 | 861,019 | 585 | 861,604 | 73,836 | 935,440 | | | 935,440 | 73,836 |
| ENMS Drain, Aud Stage, Toilets, Field/Track Recon, Science | | | | | - | | | | | | |
| Rms Recon | 4,195,289 | 4,120,894 | 4,061,015 | 59,879 | 4,120,894 | -0- | 4,120,894 | | | 4,120,894 | -0- |
| Fifth Ave Vestibule, Sinks, Toilets | 1,002,192 | 994,865 | 982,824 | 5,997 | 988,821 | 6,044 | 994,865 | | | 994,865 | 6,044 |
| Norwood Ave Casework, Drain, Flr | 1,060,203 | 1,040,298 | 1,030,872 | 9,426 | 1,040,298 | -0- | 1,040,298 | | | 1,040,298 | -0- |
| WJB Windows, Masonry, HVAC | 319,877 | 300,530 | 253,459 | | 253,459 | 47,071 | 300,530 | | | 300,530 | 47,071 |
| Ocean Ave Vest, ADA Sink, Casework, Kitchen HVAC | 1,635,912 | 1,640,987 | 1,565,972 | 13,122 | 1,579,094 | 61,893 | 1,640,987 | | | 1,640,987 | 61,893 |
| NMS Vestibule | 649,934 | 791,368 | 17,901 | 29,540 | 47,441 | 743,927 | 791,368 | | | 791,368 | 743,927 |
| NMS Toilets & Labs Recon | 6,472,458 | 6,474,025 | 6,400,771 | (755) | 6,400,016 | 74,009 | 6,474,025 | | | 6,474,025 | 74,009 |
| Bellerose Ave Vestibule | 383,571 | 381,951 | 377,463 | 4,488 | 381,951 | -0- | 381,951 | | | 381,951 | -0- |
| BAS Toilet Recon, Clg/Light, Gym HVAC, Windows | 483,394 | 448,907 | 446,692 | 2,215 | 448,907 | -0- | 448,870 | | 37 | 448,907 | -0- |
| Pulaski Rd Vestibule & Toilet Recon | 456,875 | 453,725 | 449,945 | 1,035 | 450,980 | 2,745 | 453,725 | | | 453,725 | 2,745 |
| PRS Casework, Drain, Flr, Sitework | 884,475 | 872,755 | 872,755 | | 872,755 | -0- | 872,755 | | | 872,755 | -0- |
| NHS Drain, paving, auditorium floor | 8,154 | -0- | | | -0- | -0- | | | | -0- | -0- |
| <u>Smart Schools Bond Act</u> | | | | | | | | | | | |
| District-wide | 871,557 | 871,557 | 863,812 | | 863,812 | 7,745 | | 871,557 | | 871,557 | 7,745 |
| <u>Leases</u> | | | | | | | | | | | |
| District-wide | | 1,757,938 | | 1,757,938 | 1,757,938 | - | 1,757,938 | | | 1,757,938 | - |
| | <u>\$ 47,179,650</u> | <u>\$ 54,286,946</u> | <u>\$ 34,709,431</u> | <u>\$ 3,454,306</u> | <u>\$ 38,163,737</u> | <u>\$ 16,123,209</u> | <u>\$ 35,205,641</u> | <u>\$ 881,786</u> | <u>\$ 18,199,519</u> | <u>\$ 54,286,946</u> | <u>\$ 16,123,209</u> |
| Smart Schools Bond Act revenue not realized | | | | | | | | | | | (63,201) |
| EXCEL project revenue not realized | | | | | | | | | | | (55,057) |
| capital projects fund - fund balance | | | | | | | | | | | <u>\$ 16,004,951</u> |

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
For the Year Ended June 30, 2023

| | | | |
|--|--------------------|---------------------|-----------------------------|
| Capital assets, net | | | \$101,862,412 |
| Deduct: | | | |
| Short-term portion of bonds payable, inclusive of premiums | \$ (2,096,955) | | |
| Long-term portion of bonds payable, inclusive of premiums | (37,606,939) | | |
| Less: unspent bond proceeds | <u>1,096,859</u> | <u>(38,607,035)</u> | |
| Short-term portion of energy performance contract | (721,084) | | |
| Long-term portion of energy performance contract | <u>(8,499,606)</u> | <u>(9,220,690)</u> | |
| Short-term portion of leases payable | (1,112,307) | | |
| Long-term portion of leases payable | <u>(2,005,995)</u> | <u>(3,118,302)</u> | |
| Net Investment in capital assets | | | <u><u>\$ 50,916,385</u></u> |

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

To the Board of Education
Northport-East Northport Union Free School District

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 Northport-East Northport Union Free School District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 10, 2023.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

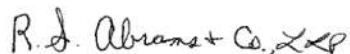
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

A handwritten signature in dark ink that reads "R.S. Abrams & Co., LLP". The signature is written in a cursive, slightly stylized font.

R.S. Abrams & Co., LLP
Islandia, New York
October 10, 2023