

**KENMORE-TOWN OF TONAWANDA
UNION FREE SCHOOL DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Kenmore-Town of Tonawanda Union Free School District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of Kenmore-Town of Tonawanda 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the District as of June 30, 2023, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the 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 5, 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, 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.


October 5, 2023

Management's Discussion and Analysis (unaudited)

June 30, 2023

Introduction

Management's Discussion and Analysis (MD&A) of Kenmore-Town of Tonawanda Union Free School District (the District) provides an overview of the District's financial activities and performance for the year ended June 30, 2023. The information contained in the MD&A should be considered in conjunction with the information presented as part of the District's financial statements that follow. This MD&A, the financial statements, and notes thereto are essential to obtaining a full understanding of the District's financial position and results of operations. The District's financial statements have the following components: (1) government-wide financial statements; (2) governmental fund financial statements; (3) reconciliations between the government-wide and governmental fund financial statements; (4) fiduciary fund statements; (5) notes to the financial statements; and (6) supplementary information.

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net difference reported as net position. The statement of activities presents information showing how the District's net position changed during each year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about the District as a whole. All of the activities of the District are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the year. Such information may be useful in evaluating the District's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. The reconciliation portion of the financial statements facilitates the comparison between governmental funds and governmental activities.

Fiduciary funds are used to report fiduciary activities, which include pension and other postemployment benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The District maintains a custodial fund for student activity accounts. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support District programs. The notes to the financial statements provide additional information that is essential for a full understanding of the government-wide, governmental fund, and fiduciary fund financial statements.

Supplementary information further explains and supports the financial statements and includes information required by generally accepted accounting principles and the New York State Education Department.

Condensed Statement of Net Position	2023	2022	Change	
			\$	%
Current and other assets	\$ 107,632,000	\$ 177,910,000	\$ (70,278,000)	(39.5%)
Capital assets	175,863,000	156,499,000	19,364,000	12.4%
Total assets	283,495,000	334,409,000	(50,914,000)	(15.2%)
Deferred outflows of resources	65,340,000	59,007,000	6,333,000	10.7%
Long-term liabilities	184,439,000	131,322,000	53,117,000	40.4%
Other liabilities	65,642,000	74,331,000	(8,689,000)	(11.7%)
Total liabilities	250,081,000	205,653,000	44,428,000	21.6%
Deferred inflows of resources	8,788,000	97,939,000	(89,151,000)	(91.0%)
Net position				
Net investment in capital assets	87,501,000	90,577,000	(3,076,000)	(3.4%)
Restricted	30,195,000	27,329,000	2,866,000	10.5%
Unrestricted	(27,730,000)	(28,082,000)	352,000	(1.3%)
Total net position	\$ 89,966,000	\$ 89,824,000	\$ 142,000	0.2%

Net position amounted to \$89,966,000 and \$89,824,000 as of June 30, 2023 and 2022, respectively. A significant portion of the District's net position reflects its investment in capital assets consisting of land, buildings and improvements, vehicles, furniture and equipment, and right-to-use lease assets, less outstanding debt used to acquire or lease those assets. The District uses capital assets to provide services to students; consequently, these assets are not available for future spending.

The District's net position represents resources that are subject to restrictions on how they may be used. Reserves are set aside for specific purposes governed by law, and include the debt service reserve, which is required to be used for the payment of bonds issued to finance capital projects; the capital reserve, which is set aside to pay for future renovations and bus purchases as approved by the District's voters; the employee benefit accrued liability reserve, which is restricted to pay for future accumulated sick and vacation time; a repair reserve, which is restricted for emergency repairs to the District's capital assets; and the tax certiorari reserve, which is used to pay tax judgments and claims. Other restricted resources include the retirement contribution, unemployment insurance, insurance, and workers' compensation insurance reserves.

Capital assets increased by \$19,364,000 (increase of \$10,162,000 in 2022) due to construction in progress related to the 2020 Capital Improvements Project, equipment, and vehicle purchases exceeding depreciation and amortization expense. The decrease in current and other assets of \$70,278,000 (increase of \$101,905,000 in 2022) is primarily due to recognizing net pension liabilities of \$21,011,000 for its proportionate share of the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS) pension plans in 2023 compared to net pension assets of \$72,933,000 in 2022. The change of \$93,944,000 is primarily the result of investment losses on plan assets.

Other liabilities decreased by \$8,689,000 (increase of \$48,851,000 in 2022) due to a decrease in accrued liabilities, primarily accrued payroll of \$5,379,000 and Child Victims Act (CVA) settlements of \$14,750,000 offset by an increase in bond anticipation notes (BANs) payable of \$8,278,000 to fund the 2020 Capital Improvements Project. Long-term liabilities increased by \$53,117,000 (decrease of \$7,102,000 in 2022) due to the issuance of two new bonds totaling \$25,820,000 and the addition of the 2023 net pension liabilities for the TRS and ERS discussed above, offset by principal payments of \$7,329,000 on the District's debt.

Changes in deferred outflows and deferred inflows of resources include changes in pension activity at the State level which are required to be reflected on the District's financial statements. Deferred outflows of resources include contributions required to be paid by the District to the State pension systems after the measurement date. Deferred outflows and deferred inflows of resources also reflect variances from actuarial assumptions, actual results of investment earnings compared to projected earnings, and changes of assumptions. The District has no control or authority over these transactions.

Condensed Statement of Activities	2023	2022	Change	%
	\$	\$	\$	%
Revenues				
Program revenues				
Charges for services	\$ 3,627,000	\$ 3,611,000	\$ 16,000	0.4%
Operating and capital grants and contributions	19,943,000	18,845,000	1,098,000	5.8%
General revenues				
Property taxes	91,928,000	91,102,000	826,000	0.9%
Sales tax	11,400,000	11,069,000	331,000	3.0%
State aid	66,481,000	62,673,000	3,808,000	6.1%
Other	3,918,000	2,225,000	1,693,000	76.1%
Total revenue	197,297,000	189,525,000	7,772,000	4.1%
Expenses				
Instruction	158,820,000	137,364,000	21,456,000	15.6%
Support services				
General support	23,465,000	37,668,000	(14,203,000)	(37.7%)
Pupil transportation	8,319,000	7,024,000	1,295,000	18.4%
Food service	3,462,000	3,056,000	406,000	13.3%
Interest and other	3,089,000	1,978,000	1,111,000	56.2%
Total expenses	197,155,000	187,090,000	10,065,000	5.4%
Change in net position	142,000	2,435,000	(2,293,000)	(94.2%)
Net position – beginning	89,824,000	87,389,000	2,435,000	2.8%
Net position – ending	\$ 89,966,000	\$ 89,824,000	\$ 142,000	0.2%

District revenues increased by \$7,772,000 (increase of \$14,334,000 in 2022). The increase is largely due to an increase of \$3,808,000 (increase of \$2,707,000 in 2022) in state aid, specifically excess cost, building, and lottery aid. Included in other revenue is interest earnings of \$2,096,000 in 2023 compared to \$157,000 in 2022. Property taxes and related items increased by \$826,000 (increase of \$1,864,000 in 2022) as noted in the 2023 budget.

Total expenses increased \$10,065,000 in 2023 (decrease of \$15,264,000 in 2022). Employee related expenses, which are allocated to general support, instruction, food service, and transportation, increased \$18,851,000, primarily due to an increase in pension expense of \$18,044,000, OPEB expense of \$1,965,000, and payroll expenses, which increased approximately \$3,755,000 or 4.1%. These increases were offset by a decrease in CVA settlements of \$14,625,000.

Financial Analysis of the District's Funds

Total fund balances for the governmental funds increased from \$37,998,000 to \$40,089,000 as described below:

- Spending across all governmental funds increased by \$24,518,000 or 12.1% (increase of \$28,589,000 or 16.4% in 2022). This is due to increases in expenditures for instruction of \$4,613,000 or 4.2% (\$7,371,000 or 7.2% in 2022), general support of \$5,416,000 or 20.9% (\$9,848,000 or 61.2% in 2022), debt service of \$3,322,000 or 31.8% (\$753,000 or 7.8% increase in 2022), and an increase in capital outlay expenditures of \$10,568,000 or 92.2% (\$4,474,000 or 64.0% in 2022).
- Total fund revenue increased \$7,968,000 or 4.2% (\$13,842,000 or 7.9% increase in 2022). The increase in revenue is primarily due to the increases in state aid, interest earned, and the tax levy as previously mentioned.
- The capital projects fund decreased \$1,404,000 as a result of \$23,008,000 of expenditures related to the 2020 Capital Improvement Project, offset by state grants of \$1,532,000, bond anticipation notes redeemed of \$3,937,000, and bonds issued of \$16,035,000.

General Fund Budgetary Highlights

The final revenue budget for 2023 was \$169,232,000. Actual revenue was over budget by \$8,109,000 or 4.8%. The largest fluctuations were nonproperty taxes of \$2,400,000, state sources of \$2,065,000, and use of money and property of \$2,020,000 all higher than budget.

Actual expenditures and carryover encumbrances were less than the final amended budget by \$2,791,000 or 1.5%.

Capital Assets

	2023	2022
Land and land improvements	\$ 4,994,000	\$ 4,850,000
Buildings and improvements	200,488,000	183,847,000
Furniture and equipment	13,804,000	10,916,000
Vehicles	14,919,000	14,557,000
Construction in progress	19,306,000	14,987,000
	<u>253,511,000</u>	229,157,000
Accumulated depreciation	(78,255,000)	(73,583,000)
	<u>175,256,000</u>	155,574,000
Right-to-use lease equipment, net	607,000	925,000
	<u>\$ 175,863,000</u>	\$ 156,499,000

Current year additions of \$25,402,000 were offset by depreciation expense, amortization expense and disposals of \$6,038,000. Most of the current year additions were related to the District's 2020 Capital Improvement project and the purchase of buses.

Debt

At June 30, 2023, the District had \$73,140,000 in outstanding bonds, energy performance contracts, and leases, with \$9,513,000 due within one year (\$54,649,000 outstanding in 2022). Outstanding compensated absences and other employee benefits payable were \$20,388,000 (\$20,202,000 in 2022), with \$2,429,000 expected to be paid within one year.

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

Current Financial Issues and Concerns

Federal revenue sources have increased due to additional pandemic-related funding, but the full extent of Federal assistance is not yet known. The District will need to plan accordingly to ensure continuity of programs upon the eventual reduction in these funds. School districts in New York State are also impacted by the political pressures imposed on elected officials in funding of education. Year to year changes in funding levels and State aid formulas complicate this planning process.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nicole Morasco, Assistant Superintendent for Finance, Kenmore-Town of Tonawanda Union Free School District, 1500 Colvin Boulevard, Buffalo, New York 14223.

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Statement of Net Position

June 30, 2023

(With comparative totals as of June 30, 2022)

	2023	2022
Assets		
Cash	\$ 72,585,537	\$ 79,443,295
Accounts receivable	280,293	322,179
Due from other governments	4,949,543	5,045,073
State and federal aid receivable	11,168,123	10,570,774
Investments	14,837,603	5,043,308
Inventory	289,958	311,005
Lease receivable	2,426,219	2,931,137
Cash surrender value of life insurance	1,095,000	1,310,000
Net pension asset	-	72,933,128
Capital assets (Note 5)	254,922,188	230,799,463
Accumulated depreciation and amortization	(79,059,609)	(74,300,125)
Total assets	283,494,855	334,409,237
Deferred Outflows of Resources		
Grants	-	124,623
Deferred outflows of resources related to pensions	49,994,762	48,712,386
Deferred outflows of resources related to OPEB	15,345,575	10,170,264
Total deferred outflows of resources	65,340,337	59,007,273
Liabilities		
Accounts payable	7,210,138	4,769,770
Accrued liabilities	9,689,588	30,091,427
Due to retirement systems	8,958,540	7,982,438
Unearned revenue	504,558	487,171
Bond anticipation notes	39,279,100	31,000,800
Long-term liabilities		
Due within one year:		
Leases	183,402	403,109
Bonds and energy performance contracts	9,329,490	6,926,240
Compensated absences and other benefits	2,429,000	2,151,000
Due beyond one year:		
Leases	14,988	198,390
Bonds and energy performance contracts	69,076,071	50,041,626
Compensated absences and other benefits	17,959,000	18,051,000
Net pension liability	21,010,999	-
Total OPEB liability	64,436,589	53,550,652
Total liabilities	250,081,463	205,653,623
Deferred Inflows of Resources		
Grants	-	124,623
Deferred inflows of resources related to leases	2,426,219	2,931,137
Deferred inflows of resources related to pensions	4,660,050	92,788,135
Deferred inflows of resources related to OPEB	1,701,452	2,095,169
Total deferred inflows of resources	8,787,721	97,939,064
Net Position		
Net investment in capital assets	87,501,271	90,576,578
Restricted	30,194,830	27,329,523
Unrestricted	(27,730,093)	(28,082,278)
Total net position	\$ 89,966,008	\$ 89,823,823

See accompanying notes.

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Statement of Activities

For the year ended June 30, 2023
 (With summarized comparative totals for June 30, 2022)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2023	2022
Governmental activities						
General support	\$ 23,464,537	\$ 631,815	\$ -	\$ -	\$ (22,832,722)	\$ (37,056,241)
Instruction	158,820,070	2,443,247	15,294,753	1,532,430	(139,549,640)	(119,995,750)
Pupil transportation	8,318,970	-	-	-	(8,318,970)	(7,024,335)
Community services	634,428	-	-	-	(634,428)	(429,281)
Interest expense	2,455,972	-	-	-	(2,455,972)	(1,548,591)
School food service	3,461,773	552,045	3,116,167	-	206,439	1,420,116
	<u>\$ 197,155,750</u>	<u>\$ 3,627,107</u>	<u>\$ 18,410,920</u>	<u>\$ 1,532,430</u>	<u>(173,585,293)</u>	<u>(164,634,082)</u>
General revenues						
					91,927,833	91,101,903
Real property taxes					11,400,475	11,069,062
Sales taxes					3,918,353	2,225,105
Miscellaneous					66,480,817	62,672,683
State aid					<u>173,727,478</u>	167,068,753
Total general revenues						
Change in net position					142,185	2,434,671
Net position - beginning					89,823,823	87,389,152
Net position - ending					<u>\$ 89,966,008</u>	<u>\$ 89,823,823</u>

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2023

(With summarized comparative totals as of June 30, 2022)

	General	Capital Projects	Special Aid	Food Service	Miscellaneous Special Revenue	Total Governmental Funds	
						2023	2022
Assets							
Cash	\$ 34,912,375	\$ 32,765,966	\$ 669,842	\$ 4,149,383	\$ 87,971	\$ 72,585,537	\$ 79,443,295
Accounts receivable	277,762	-	-	2,531	-	280,293	322,179
Due from other governments	4,949,543	-	-	-	-	4,949,543	5,045,073
State and federal aid receivable	2,736,015	1,559,899	6,837,458	34,751	-	11,168,123	10,570,774
Due from other funds	8,376,838	-	-	113,497	-	8,490,335	7,684,142
Investments	14,837,603	-	-	-	-	14,837,603	5,043,308
Inventory	-	-	-	289,958	-	289,958	311,005
Lease receivable	2,426,219	-	-	-	-	2,426,219	2,931,137
Cash surrender value of life insurance	1,095,000	-	-	-	-	1,095,000	1,310,000
Total assets	69,611,355	34,325,865	7,507,300	4,590,120	87,971	116,122,611	112,660,913
Deferred Outflows of Resources							
Grants	-	-	-	-	-	-	124,623
Total assets and deferred outflows	\$ 69,611,355	\$ 34,325,865	\$ 7,507,300	\$ 4,590,120	\$ 87,971	\$ 116,122,611	\$ 112,785,536
Liabilities							
Accounts payable	\$ 3,786,054	\$ 2,906,803	\$ 451,109	\$ 66,172	\$ -	\$ 7,210,138	\$ 4,769,770
Accrued liabilities	9,041,486	-	73,803	49,299	-	9,164,588	19,807,427
Due to retirement systems	8,958,540	-	-	-	-	8,958,540	7,982,438
Due to other funds	-	1,897,319	6,593,016	-	-	8,490,335	7,684,142
Unearned revenue	115,186	-	389,372	-	-	504,558	487,171
Bond anticipation notes	-	39,279,100	-	-	-	39,279,100	31,000,800
Total liabilities	21,901,266	44,083,222	7,507,300	115,471	-	73,607,259	71,731,748
Deferred Inflows of Resources							
Grants	-	-	-	-	-	-	124,623
Leases	2,426,219	-	-	-	-	2,426,219	2,931,137
Total deferred inflows or resources	2,426,219	-	-	-	-	2,426,219	3,055,760
Fund Balances							
Nonspendable	1,095,000	-	-	289,958	-	1,384,958	1,621,005
Restricted	30,106,859	-	-	-	87,971	30,194,830	27,329,523
Assigned	6,640,598	-	-	4,184,691	-	10,825,289	11,201,698
Unassigned	7,441,413	(9,757,357)	-	-	-	(2,315,944)	(2,154,198)
Total fund balances (deficit)	45,283,870	(9,757,357)	-	4,474,649	87,971	40,089,133	37,998,028
Total liabilities, deferred inflows, and fund balances	\$ 69,611,355	\$ 34,325,865	\$ 7,507,300	\$ 4,590,120	\$ 87,971	\$ 116,122,611	\$ 112,785,536

See accompanying notes.

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position**

June 30, 2023

Total fund balances - governmental funds \$ 40,089,133

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 are not reported as assets in governmental funds. 175,862,579

The District's proportionate share of the net pension position as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:

Deferred outflows of resources related to pensions	49,994,762	
Net pension liability	(21,010,999)	
Deferred inflows of resources related to pensions	<u>(4,660,050)</u>	24,323,713

The District's total OPEB liability as well as OPEB-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:

Deferred outflows of resources related to OPEB	15,345,575	
Total OPEB liability	(64,436,589)	
Deferred inflows of resources related to OPEB	<u>(1,701,452)</u>	(50,792,466)

Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:

Leases	(198,390)	
Bonds, energy performance contracts, and related premiums	(78,405,561)	
Accrued interest	(525,000)	
Compensated absences and other benefits	<u>(20,388,000)</u>	(99,516,951)

Net position - governmental activities \$ 89,966,008

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds**

For the year ended June 30, 2023

(With summarized comparative totals for June 30, 2022)

	General	Capital Projects	Special Aid	Food Service	Miscellaneous Special Revenue	Total Governmental Funds	
						2023	2022
Revenues							
Real property taxes	\$ 79,796,805	\$ -	\$ -	\$ -	\$ -	\$ 79,796,805	\$ 78,415,162
Real property tax items	12,131,028	-	-	-	-	12,131,028	12,686,741
Nonproperty taxes	11,400,475	-	-	-	-	11,400,475	11,069,062
Charges for services	2,443,247	-	-	-	-	2,443,247	2,855,420
Use of money and property	2,688,263	-	-	38,271	1,339	2,727,873	769,740
Sale of property and compensation for loss	698,457	-	-	-	-	698,457	94,547
Miscellaneous	826,543	-	256,055	19,752	725	1,103,075	2,008,187
State sources	66,480,817	1,532,430	3,039,875	171,787	-	71,224,909	65,746,638
Federal sources	478,307	-	11,520,516	2,924,628	-	14,923,451	15,244,357
Sales	-	-	-	552,045	-	552,045	143,302
Total revenues	176,943,942	1,532,430	14,816,446	3,706,483	2,064	197,001,365	189,033,156
Expenditures							
General support	29,114,038	-	1,181,543	1,048,197	-	31,343,778	25,928,186
Instruction	101,459,968	-	13,487,269	-	4,400	114,951,637	110,338,964
Pupil transportation	6,067,118	1,198,841	311,541	-	-	7,577,500	7,230,873
Community services	204,515	-	399,341	-	-	603,856	371,365
Employee benefits	35,842,257	-	-	401,297	-	36,243,554	36,373,691
Debt service							
Principal	11,266,049	-	-	-	-	11,266,049	8,748,875
Interest	2,507,020	-	-	-	-	2,507,020	1,702,639
Cost of sales	-	-	-	1,371,485	-	1,371,485	1,220,632
Capital outlay	-	21,809,251	-	225,372	-	22,034,623	11,466,335
Total expenditures	186,460,965	23,008,092	15,379,694	3,046,351	4,400	227,899,502	203,381,560
Excess revenues (expenditures)	(9,517,023)	(21,475,662)	(563,248)	660,132	(2,336)	(30,898,137)	(14,348,404)
Other financing sources (uses)							
Operating transfers, net	(526,111)	100,000	563,248	(137,137)	-	-	-
BANs redeemed from appropriations	-	3,936,700	-	-	-	3,936,700	1,182,700
Premiums on debt	3,232,542	-	-	-	-	3,232,542	492,067
Proceeds from the issuance of debt	9,785,000	16,035,000	-	-	-	25,820,000	-
Total other financing sources	12,491,431	20,071,700	563,248	(137,137)	-	32,989,242	1,674,767
Net change in fund balances	2,974,408	(1,403,962)	-	522,995	(2,336)	2,091,105	(12,673,637)
Fund balances (deficit) - beginning	42,309,462	(8,353,395)	-	3,951,654	90,307	37,998,028	50,671,665
Fund balances (deficit) - ending	\$ 45,283,870	\$ (9,757,357)	\$ -	\$ 4,474,649	\$ 87,971	\$ 40,089,133	\$ 37,998,028

See accompanying notes.

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the year ended June 30, 2023

Total net change in fund balances - governmental funds \$ 2,091,105

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

Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of assets is allocated over their estimated useful lives as depreciation and amortization expense. This is the amount by which capital outlays exceed depreciation and amortization expense and disposals. 19,363,241

Pension expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities. These differences are:

2023 TRS and ERS contributions	10,012,228	
2023 ERS accrued contribution	672,073	
2022 ERS accrued contribution	(660,886)	
2023 TRS pension expense	(9,642,231)	
2023 ERS pension expense	<u>(4,914,850)</u>	(4,533,666)

OPEB expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities. (5,316,909)

Payments of long-term liabilities are reported as expenditures in governmental funds and as a reduction of debt in the statement of net position. 7,329,349

Debt proceeds including premiums are recorded as other financing sources in governmental funds but increase long-term liabilities in the statement of net position. (28,655,983)

In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds these expenditures are reported when paid. These differences are:

CVA settlement	10,000,000	
Amortization of bond premiums	292,048	
Compensated absences and other benefits	(186,000)	
Interest	<u>(241,000)</u>	9,865,048

Change in net position - governmental activities \$ 142,185

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP) and Actual - General Fund

For the year ended June 30, 2023

	Budgeted Amounts		Actual (Budgetary Basis)	Encumbrances	Variance with Final Budget Over/(Under)
	Original	Final			
Revenues					
Local sources					
Real property taxes	\$ 79,733,948	\$ 79,733,948	\$ 79,796,805		\$ 62,857
Real property tax items	12,092,831	12,092,831	12,131,028		38,197
Nonproperty taxes	9,000,000	9,000,000	11,400,475		2,400,475
Charges for services	2,139,000	2,139,000	2,443,247		304,247
Use of money and property	668,000	668,000	2,688,263		2,020,263
Sale of property and compensation for loss	14,200	105,112	698,457		593,345
Miscellaneous	550,000	550,000	826,543		276,543
State sources	64,366,303	64,416,303	66,480,817		2,064,514
Federal sources	130,000	130,000	478,307		348,307
Total revenues	168,694,282	168,835,194	176,943,942		8,108,748
Expenditures					
General support					
Board of education	79,915	82,560	71,171	213	(11,176)
Central administration	341,694	341,374	322,767	-	(18,607)
Finance	880,547	928,653	850,145	-	(78,508)
Staff	1,503,717	1,838,233	1,684,591	45,407	(108,235)
Central services	12,654,257	11,843,830	11,201,294	285,760	(356,776)
Special items	2,267,652	15,278,612	14,984,070	141,462	(153,080)
Instruction					
Instruction, administration, and improvement	6,968,440	6,582,475	6,341,065	4,166	(237,244)
Teaching - regular school	56,825,195	54,285,839	54,081,145	161,435	(43,259)
Programs for children with handicapping conditions	22,968,384	25,495,025	25,254,605	174,043	(66,377)
Occupational education	5,131,627	5,081,208	4,901,128	-	(180,080)
Teaching - special schools	626,700	662,047	351,523	-	(310,524)
Instructional media	3,640,113	3,334,736	3,070,124	3,387	(261,225)
Pupil services	6,738,703	7,763,498	7,460,378	33,213	(269,907)
Pupil transportation	6,661,375	6,342,485	6,067,118	156,951	(118,416)
Community services	260,020	260,020	204,515	7,976	(47,529)
Employee benefits	39,425,842	36,318,027	35,842,257	76,585	(399,185)
Debt service					
Principal	8,187,941	11,397,160	11,266,049	-	(131,111)
Interest	2,943,209	2,507,020	2,507,020	-	-
Total expenditures	178,105,331	190,342,802	186,460,965	1,090,598	(2,791,239)
Excess revenues (expenditures)	(9,411,049)	(21,507,608)	(9,517,023)	(1,090,598)	10,899,987
Other financing sources (uses)					
Operating transfers in	100,000	100,000	137,137		37,137
Operating transfers out	(400,000)	(665,000)	(663,248)		(1,752)
Premiums on debt	-	2,361,559	3,232,542		870,983
Proceeds from issuance of debt	-	10,000,000	9,785,000		(215,000)
Appropriated reserves	2,150,000	2,150,000	-		(2,150,000)
Appropriated fund balance and carryover encumbrances	7,561,049	7,561,049	-		(7,561,049)
Total other financing sources (uses)	9,411,049	21,507,608	12,491,431		(9,016,177)
Excess revenues (expenditures) and other financing sources (uses)	\$ -	\$ -	\$ 2,974,408	\$ (1,090,598)	\$ 1,883,810

See accompanying notes.

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Statement of Fiduciary Net Position - Custodial Fund

June 30, 2023

Assets

Cash \$ 277,554

Liabilities

Sales tax payable 393

Net Position

Extraclassroom activity balances \$ 277,161

* * *

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position - Custodial Fund

For the year ended June 30, 2023

Additions

Student activity additions \$ 537,917

Sales tax collections 13,144

551,061

Deductions

Student activity deductions 493,894

Sales tax payments 14,099

507,993

Change in net position 43,068

Net position - beginning 234,093

Net position - ending \$ 277,161

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

Kenmore-Town of Tonawanda Union Free School District (the District) is governed by Education and other laws of the State of New York (the State). The District's Board of Education has responsibility and control over all activities related to public school education within the District. The District's Superintendent is the chief executive officer and the President of the Board serves as the chief fiscal officer. The Board members are elected by the public and have decision-making authority, the power to designate management, the ability to influence operations, and the primary accountability for fiscal matters.

The District provides education and support services such as administration, transportation, and plant maintenance. The District receives funding from local, state, and federal sources and must comply with requirements of these funding sources. However, the District is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America (GAAP), nor does it contain any component units.

The financial statements of the District have been prepared in conformity with GAAP as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Joint Venture

The District is one of 19 participating school districts in the Erie 1 Board of Cooperative Educational Services (BOCES). Formed under §1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that shares planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES.

The component school district boards elect the members of the BOCES governing body. There are no equity interests and no single participant controls the financial or operating policies. BOCES may also contract with other municipalities on a cooperative basis under State General Municipal Law.

A BOCES' budget is comprised of separate spending plans for administrative, program, and capital costs. Each component school district shares in administrative and capital costs determined by its enrollment. Participating districts are charged a service fee for programs in which students participate and for other shared contracted administrative services. Participating districts may issue debt on behalf of BOCES; there is no such debt issued by the District.

During the year ended June 30, 2023, the District was billed \$10,581,000 for BOCES administrative and program costs and recognized revenue of \$540,000 as a refund from prior year expenditures paid to BOCES. Audited financial statements are available from BOCES' administrative offices.

Risk Management

The District is self-insured pursuant to Article 5 of the Workers' Compensation law to finance the liability and risks related to workers' compensation claims. The District also self-funds health insurance. These activities are further discussed in Note 10.

Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. These statements are required to distinguish between *governmental* and *business-type* activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The District does not maintain any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities.

- Direct expenses are those that are specifically associated with a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the District's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational requirements of a particular program, and (c) grants and contributions limited to the purchase or construction of specific capital assets, if any. Revenues that are not classified as program revenues, including all 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 the fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major funds:

- *General fund.* This is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Capital projects fund.* This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District also elected to display the following as major funds:

- *Special aid fund.* This fund is used to account for the proceeds of specific revenue sources – other than expendable trusts or major capital projects – such as federal, state, and local grants and awards that are restricted or committed to expenditure for specific purposes. Either governments or other third parties providing the grant funds impose these restrictions.
- *Food service fund.* This fund is a special revenue fund whose specific revenue sources, including free and reduced meal subsidies received from state and federal programs, are assigned to the operation of the District's breakfast and lunch programs.
- *Miscellaneous special revenue fund.* This fund is used to account for resources that are restricted to student scholarships. Donations are made by third parties and District personnel manage the funds and assist with determination of scholarship recipients.

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report fiduciary activities, which may include pension and other postemployment benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The District maintains a custodial fund for its student activity accounts.

The District has elected not to use a debt service fund as debt activity is currently reflected in the general fund. Amounts accumulated for future principal and interest payments and restricted for such purposes are also included in the general fund.

The financial statements include certain prior year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Basis of Accounting and Measurement Focus

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District receives value directly without giving equal value in exchange, include property and sales taxes, grants, and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within ninety days after year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset purchases are reported as expenditures in governmental funds. Proceeds of long-term liabilities are reported as other financing sources.

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Amounts received in advance of the expenditures are considered unearned and reported as revenue when the expense is incurred.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Property Taxes

The District levies real property taxes no later than September 1. For the year ended June 30, 2023, the tax lien was issued on August 9, 2022 for collection from September 12 through November 30, 2022. Thereafter, uncollected amounts became the responsibility of Erie County. Such amounts were submitted to the District by April 1st of the following year as required by law.

The District is subject to tax abatements granted by the Erie County Industrial Development Agency (ECIDA). ECIDA is a public benefit corporation created by an act of the New York State Legislature to promote and assist private sector industrial and business development. Through ECIDA, companies promise to expand or maintain facilities or employment within the communities served by the District, establish new businesses, or to relocate an existing business to these communities. Economic development agreements entered into by ECIDA can include the abatement of county, town, and school district taxes, in addition to other assistance. In the case of the District, these abatements have resulted in reductions of property taxes, which the District administers as a temporary reduction in the assessed value of the property involved. The abatement agreement stipulates a percentage reduction of property taxes, which can be as much as 100%. For the year ended June 30, 2023, the impact of tax abatements through ECIDA amounted to \$1,146,000.

Budget Process, Amendments, and Encumbrances

District administration prepares a proposed budget for the general fund requiring approval by the Board. A public hearing is held upon completion and filing of the tentative budget. Subsequently, the budget is adopted by the Board. The proposed budget is then presented to voters of the District. The budget for the fiscal year beginning July 1, 2022 was approved by a majority of the voters in a general election held on May 17, 2022.

Annual appropriations are adopted and employed for control of the general fund. These budgets are adopted on a GAAP basis under the modified accrual basis of accounting. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations authorized for the current year may be increased by the planned use of specific restricted, committed, and assigned fund balances and subsequent budget amendments approved by the Board as a result of new revenue sources not included in the original budget.

Major capital expenditures are subject to individual project budgets based on the cost of the project and external financing rather than annual appropriations. For the capital projects fund, these budgets do not lapse at year end and are carried over to the completion of the project.

Encumbrance accounting is used to assure budgetary control over commitments related to unperformed (executory) contracts for goods or services outstanding at the end of each year. Encumbrances are budgetary expenditures in the year committed and again in the subsequent period when the expenditure is paid. All budget appropriations that are unencumbered lapse at the end of the fiscal year. Encumbrances outstanding at year end are presented for GAAP-related purposes as committed or assigned fund balances and do not constitute expenditures or liabilities. At July 1, encumbrances carried forward from the prior year are reestablished as budgeted appropriations.

Investments

Investments include collateralized bank deposits, repurchase agreements, and U.S. Treasury Securities held in external investment pools and recorded at fair value.

Inventory

Inventory consists of food and similar goods related to food service operations and is recorded at the lower of first-in, first-out cost or net realizable value. Donated commodities are stated at values which approximate market.

Cash Surrender Value of Life Insurance

Cash surrender value of life insurance is stated at the lower of accumulated premiums paid or surrender value of the contracts.

Capital Assets

Capital assets are generally reported at actual or estimated historical cost based on appraisals. Financed right-to-use lease assets are recorded at the present value of the initial lease liability. Contributed assets are recorded at fair value at the time received. Depreciation and amortization are provided in the government-wide statements over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which assets are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization Policy	Estimated Useful Life in Years
Land improvements	\$ 5,000	20
Buildings and improvements	\$ 5,000	30 - 50
Furniture, equipment, and vehicles	\$ 5,000	5 - 15

Bond Premiums

Premiums received upon the issuance of debt are included as other financing sources in the governmental funds statements when issued. In the government-wide statements, premiums are recognized with the related debt issue and amortized on a straight-line basis as a component of interest expense over the life of the related obligation.

Deferred Outflows and Deferred Inflows of Resources – Grants

Voluntary nonexchange transactions represented by grants accrued in advance of the receipt of contributed services are recognized as deferred outflows and deferred inflows of resources on the government-wide and governmental funds statements. The grants represent in-kind services to be received by the District and are recognized at the estimated net present value of the services; revenue and expense/expenditures were recognized ratably over the term of the agreement.

Pensions

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS) (the Systems) as mandated by State law. The Systems recognize benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value. On the government-wide statements, the District recognizes its proportionate share of net pension position, deferred outflows and deferred inflows of resources, pension expense (revenue), and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans.

Other Postemployment Benefits (OPEB)

On the government-wide statements, the total OPEB liability, deferred outflows and deferred inflows of resources, and OPEB expense of the District's defined benefit healthcare plan (Note 9) have been measured on the same basis as reported by the plan. Benefit payments are due and payable in accordance with benefit terms.

Compensated Absences and Other Benefits

The liability for compensated absences reported in the government-wide financial statements consists of unpaid accumulated sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and those expected to become eligible to receive such payments are included. Sick pay is accrued on the basis of negotiated contracts with administrators and employee groups which provide for the payment of accumulated sick time at retirement or the option of converting this vested amount to provide for payment of health insurance until exhausted. Certain bargaining unit employees are also entitled to contributions made by the District to medical accounts, health reimbursement accounts, or health savings accounts. The accumulation of these benefits is determined by the contracts and provides employees with contributions annually. Contributions to these plans accumulate until retirement, and are accrued annually as they are earned.

The government-wide financial statements reflect the entire liability, while in the governmental funds financial statements, only the amount of matured liabilities is accrued based on expendable available financial resources.

Equity Classifications

Government-Wide Statements

The District is required to classify net position into three categories:

- *Net investment in capital assets* – consists of capital assets net of accumulated depreciation and amortization, reduced by outstanding balances of any related debt obligations that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets reduced by related liabilities and deferred inflows of resources. Restrictions are imposed by external organizations such as federal or state laws or required by the terms of the District’s bonds.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by the District.

Governmental Fund Statements

The District considers unrestricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, unless the use of the restricted amount was appropriated in the current year's budget. Within unrestricted fund balance, the District considers committed, assigned, then unassigned resources to have been spent when an expenditure is incurred for which amounts in any of those fund balance classifications could be used.

Fund balance is categorized as follows:

Nonspendable:	
Inventory	\$ 289,958
Life insurance	1,095,000
Restricted:	
Capital	9,963,362
Debt service	4,069,236
Employee benefit accrued liability	1,814,130
Workers’ compensation	980,000
Retirement contribution	8,165,323
Unemployment insurance	677,332
Repair	1,597,721
Tax certiorari	228,381
Insurance	2,611,374
Scholarships	87,971
Assigned:	
Designated for subsequent year	5,550,000
Encumbrances	1,090,598
Food service	4,184,691
Unassigned	(2,315,944)
	<u>\$ 40,089,133</u>

Nonspendable fund balances represent resources that cannot be spent as they are not expected to be converted to cash.

Restricted fund balances generally result from reserves created by the State of New York Legislature and included in General Municipal Law, State Education Law, or Real Property Tax Law as authorized for use by the Board of Education. Certain reserves may require voter approval for their establishment and/or use. Earnings on invested resources are required to be added to the various reserves.

Fund balance restrictions include scholarships donated to the District by third parties for the benefit of students and the following reserves:

- *Capital* – is used to accumulate funds to finance all or a portion of future capital projects for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and payments from the reserve. During 2016, voters approved the creation of a capital reserve of \$15,000,000 that has been fully funded. In 2021, the voters approved a capital reserve of \$20,000,000, which has been funded to \$1,396,585. Amounts remaining and available for use in the general fund at June 30, 2023 total \$9,963,362.
- *Debt service* – is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations (including bond and BAN premiums), and remaining bond proceeds not needed for their original purpose as required by §165 of Finance Law. This reserve must be used to pay the debt service obligations for which the original money was generated.
- *Employee benefit accrued liability* – is used to account for the payment of accumulated vacation and sick time due upon termination of an employee’s services. It is 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.
- *Workers’ compensation* – 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-funded plan.
- *Retirement contribution* – is used to finance retirement contributions payable to TRS and ERS. For TRS, funding is limited to 2% annually of eligible salaries with a maximum reserve of 10%. At June 30, 2023, the retirement contribution reserve includes \$3,463,219 for TRS and \$4,702,104 for ERS.
- *Unemployment insurance* – is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants as the District has elected to use the benefit reimbursement method.
- *Repair* – is used to accumulate funds to finance costs of major repairs to capital improvements or equipment, and requires a public hearing for its use.
- *Tax certiorari* – is used to pay judgments and claims resulting from certiorari proceedings. Funds not used by July 1 of the fourth fiscal year following their deposit must be returned to unassigned fund balance.
- *Insurance* – is used to pay liability, casualty, and other types of losses except losses incurred for which insurance may be purchased. The amount is funded through budgetary appropriation and may not exceed 5% of the budget.

Committed fund balances are authorized by the Board of Education as recommended by the District’s management prior to the end of the fiscal year, although funding of the commitment may be established subsequent to year end.

Assigned fund balances include the planned use of existing fund balance to offset the subsequent year’s tax levy. Additionally, the Board of Education has given the District’s management the authority to assign fund balances for specific purposes that are neither restricted nor committed. Significant outstanding encumbrances in the general fund as of June 30, 2023 include \$170,000 for educational supplies and \$503,000 for contractual services.

Interfund Balances

The operations of the District include transactions between funds including resources for cash flow purposes. These interfund receivables and payables are repaid within one year. Permanent transfers of funds provide financing or other services.

In the government-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 fiduciary funds.

Interfund receivables and payables are netted on the accompanying governmental funds balance sheet as the right of legal offset exists. It is the District’s practice to settle these amounts at the net balances due between funds.

2. Stewardship and Compliance

The capital projects fund's deficit fund balance of \$9,757,357 will be funded when bond anticipation notes are redeemed from subsequent budget appropriations or converted to permanent financing.

3. Cash and Investments

Cash management is governed by State laws and as established in the District's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. The District's banking policies permit the Treasurer to use demand accounts and certificates of deposit. Invested resources are limited to obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit 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 school districts.

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. At June 30, 2023, the District's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institutions' trust departments through a perfected security interest in the pledged assets and by the pledging institutions' agents.

Credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's external investment pool is rated AAAM from Standard and Poor's Global Ratings.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In order to limit its exposure, the District's external investment pool limits the maturity date of its investments. The dollar weighted average days to maturity (WAM) at June 30, 2023 is 33 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life of the pool is 74 days.

4. Interfund Transactions – Fund Financial Statements

Fund	Receivable	Payable	Transfers	
			In	Out
General	\$ 8,495,069	\$ 118,231	\$ 137,137	\$ 663,248
Capital projects	-	1,897,319	100,000	-
Special aid	-	6,593,016	563,248	-
Food service	124,504	11,007	-	137,137
	<u>\$ 8,619,573</u>	<u>\$ 8,619,573</u>	<u>\$ 800,385</u>	<u>\$ 800,385</u>

The general fund provides cash flow to the various other funds; these amounts will be repaid when funds are received from the State after final expenditure reports have been submitted and approved or when permanent financing is obtained. The general fund made permanent transfers to the special aid fund to cover its share of costs related to the summer school handicap program and to the capital projects fund for annually budgeted expenditures. The amount transferred from the school lunch fund to the general fund is to reimburse the general fund for administrative costs.

5. Capital Assets

	July 1, 2022	Increases	Retirements/ Reclassifications	June 30, 2023
Non-depreciable and non-amortizable capital assets:				
Land	\$ 1,877,916	\$ -	\$ -	\$ 1,877,916
Construction in progress	14,986,632	19,305,629	(14,986,632)	19,305,629
Total non-depreciable and non-amortizable assets	16,864,548	19,305,629	(14,986,632)	21,183,545
Depreciable capital assets:				
Land improvements	2,971,670	144,837	-	3,116,507
Buildings and improvements	183,847,273	1,653,956	14,986,632	200,487,861
Furniture and equipment	10,915,861	2,955,789	(67,650)	13,804,000
Vehicles	14,557,582	1,330,424	(969,451)	14,918,555
Total depreciable assets	212,292,386	6,085,006	13,949,531	232,326,923
Accumulated depreciation:				
Land improvements	(2,971,670)	(3,923)	-	(2,975,593)
Buildings and improvements	(54,524,501)	(3,490,299)	-	(58,014,800)
Furniture and equipment	(5,784,070)	(1,006,653)	15,984	(6,774,739)
Vehicles	(10,302,446)	(1,157,090)	969,450	(10,490,086)
Total accumulated depreciation	(73,582,687)	(5,657,965)	985,434	(78,255,218)
Total depreciable assets, net	138,709,699	427,041	14,934,965	154,071,705
Right-to-use lease assets:				
Equipment	1,642,529	10,757	(241,566)	1,411,720
Accumulated amortization	(717,438)	(280,197)	193,244	(804,391)
Total right-to-use assets, net	925,091	(269,440)	(48,322)	607,329
	\$ 156,499,338	\$ 19,463,230	\$ (99,989)	\$ 175,862,579

Depreciation and amortization expense has been allocated to the following functions: general support \$460,054, instruction \$5,153,859, pupil transportation \$259,533, and school lunch \$64,716.

As of June 30, 2023, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation and amortization	\$ 175,862,579
Lease liability	(198,390)
Bonds, energy performance contracts, and related premiums	(78,405,561)
Bonds anticipation notes, net of unspent proceeds	(9,757,357)
	<u>\$ 87,501,271</u>

6. Short-Term Debt

Bond anticipation notes (BANs) outstanding at June 30, 2023 amounted to \$39,279,100 (\$31,000,800 as of June 30, 2022). In 2023, BANs of \$3,936,700 were redeemed from appropriations, \$16,035,000 was converted to a bond, and the balance of \$11,029,100 was reissued into new BANs totaling \$39,279,100 with interest at 2.68%-3.61%. Subsequent to June 30, 2023, the District also issued BANs of \$3,677,400, with interest at 4.5%, to refinance a maturing BAN and to finance capital projects.

7. Long-Term Liabilities

	July 1, 2022	Increases	Decreases	June 30, 2023	Amount Due in One Year
Leases	\$ 601,499	\$ -	\$ 403,109	\$ 198,390	\$ 183,402
Bonds	53,798,246	25,820,000	6,786,747	72,831,499	9,219,838
Bond premiums	2,920,475	2,835,983	292,048	5,464,410	-
Energy performance contracts	249,145	-	139,493	109,652	109,652
Compensated absences	13,192,000	388,000	-	13,580,000	1,000,000
Other employee benefits	7,010,000	-	202,000	6,808,000	1,429,000
	<u>\$ 77,771,365</u>	<u>\$ 29,043,983</u>	<u>\$ 7,823,397</u>	<u>\$ 98,991,951</u>	<u>\$ 11,941,892</u>

Existing Obligations

Description	Maturity	Rate	Balance
2013 Qualified Zone Academy bonds	June 2028	0.53%	\$ 1,740,488
2013 Qualified Zone Academy bonds	June 2028	0.53%	10,791,011
2014 Qualified Zone Academy bonds	June 2028	0.39%	1,415,000
2014 Improvement and bus bond	September 2023	2.0%-4.0%	470,000
2015 Qualified Zone Academy bonds	June 2029	0.92%	3,395,000
2016 Qualified Zone Academy bonds	September 2025	0.0%	435,000
2009 Energy performance contract	January 2024	4.73%-5.39%	109,652
2019 Improvement bond	June 2032	2.125%-5.0%	28,765,000
2023 DASNY Serial Bond	August 2027	4.00%	9,785,000
2023 Serial Bond	June 2037	5.00%	16,035,000
Equipment lease – 2019	June 2023	2.17%	168,603
Equipment lease – 2020	June 2024	1.26%	29,787
			<u>\$ 73,139,541</u>

Debt Service Requirements

Years ending June 30,	Bonds and Energy Performance Contract		Leases	
	Principal	Interest	Principal	Interest
2024	\$ 9,329,490	\$ 2,705,968	\$ 183,402	\$ 2,278
2025	9,072,999	2,004,176	14,988	102
2026	9,361,230	1,723,344	-	-
2027	9,484,530	1,429,796	-	-
2028	9,782,902	1,123,847	-	-
2029-2033	20,215,000	3,120,096	-	-
2034-2037	5,695,000	721,500	-	-
	<u>\$ 72,941,151</u>	<u>\$ 12,828,727</u>	<u>\$ 198,390</u>	<u>\$ 2,380</u>

8. Pension Plans

Plan Descriptions

The District participates in the following cost-sharing, multiple employer, public employee retirement systems:

- TRS is administered by the New York State Teachers' Retirement Board and provides 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. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from the New York State Teachers' Retirement System at www.nystrs.org.
- ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

Benefits: The Systems provide retirement, disability, and death benefits for eligible members, including automatic cost of living adjustments. In general, retirement benefits are determined based on an employee’s individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual’s employment tier. Pension factors are determined based on tier and an employee’s years of service, among other factors.

Contribution Requirements: No employee contribution is required for those hired prior to July 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% (TRS) or 3% (ERS) of compensation throughout their active membership in the Systems. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually for TRS by the New York State Teachers' Retirement Board. This rate was 10.29% for 2023. For ERS, the Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the District to the pension accumulation fund. For 2023, these rates ranged from 8.3% - 17.5%.

The amount outstanding and payable to TRS for the year ended June 30, 2023 was \$7,820,103. A liability to ERS of \$672,073 is accrued based on the District’s legally required contribution for employee services rendered from April 1 through June 30, 2023.

Net Pension Position, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At June 30, 2023, District reported a liability of \$7,671,268 for its proportionate share of the TRS net pension position and a liability of \$13,339,731 for its proportionate share of the ERS net pension position.

The TRS total pension liability at the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2021, with update procedures applied to roll forward the total pension liability to June 30, 2022. The District’s proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to TRS’s total actuarially determined employer contributions for the fiscal year ended on the measurement date. At June 30, 2022, the District’s proportion was 0.399776%, an increase of 0.006854 from its proportion measured as of June 30, 2021.

The ERS total pension liability at the March 31, 2023 measurement date was determined by an actuarial valuation as of April 1, 2022, with update procedures applied to roll forward the total pension liability to March 31, 2023. The District’s proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to ERS’s total actuarially determined employer contributions for the fiscal year ended on the measurement date. At the March 31, 2023 measurement date, the District’s proportion was 0.0622072%, an increase of 0.0029573 from its proportion measured as of March 31, 2022.

For the year ended June 30, 2023, the District recognized net pension expense of \$14,557,081 on the government-wide statements (TRS expense of \$9,642,231 and ERS expense of \$4,914,850). At June 30, 2023, the District reported deferred outflows and deferred inflows of resources as follows:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,038,518	\$ (153,719)	\$ 1,420,786	\$ (374,630)
Changes of assumptions	14,880,962	(3,090,204)	6,478,634	(71,601)
Net difference between projected and actual earnings on pension plan investments	9,912,005	-	-	(78,370)
Changes in proportion and differences between contributions and proportionate share of contributions	167,355	(720,736)	604,326	(170,790)
District contributions subsequent to the measurement date	7,820,103	-	672,073	-
	<u>\$ 40,818,943</u>	<u>\$ (3,964,659)</u>	<u>\$ 9,175,819</u>	<u>\$ (695,391)</u>

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

Years ending June 30,	TRS	ERS
2024	\$ 5,596,442	\$ 1,919,200
2025	2,899,425	(599,079)
2026	(1,370,163)	2,799,113
2027	19,391,974	3,689,121
2028	2,438,115	-
Thereafter	78,388	-
	<u>\$ 29,034,181</u>	<u>\$ 7,808,355</u>

Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2021 valuation, with update procedures used to roll forward the total pension liability to June 30, 2022, were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2020. These assumptions are:

Inflation – 2.4%

Salary increases – Based on TRS member experience, dependent on service, ranging from 1.95%-5.18%

Projected Cost of Living Adjustments (COLA) – 1.3% compounded annually

Investment rate of return – 6.95% compounded annually, net of investment expense, including inflation

Mortality – Based on TRS member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2021, applied on a generational basis

Discount rate – 6.95%

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

For ERS, the actuarial assumptions used in the April 1, 2022 valuation, with update procedures used to roll forward the total pension liability to March 31, 2023, were based on the results of an actuarial experience study for the period April 1, 2015 to March 31, 2020. These assumptions are:

Inflation – 2.9%

Salary increases – 4.4%

COLA – 1.5% annually

Investment rate of return – 5.9% compounded annually, net of investment expense, including inflation

Mortality – Society of Actuaries' Scale MP-2021

Discount rate – 5.9%

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

Investment Asset Allocation

Best estimates of arithmetic real rates of return (net of the long-term inflation assumption) for each major asset class and the Systems' target asset allocations as of the applicable valuation dates are summarized as follows:

Asset Class	TRS		ERS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	33%	6.5%	32%	4.3%
Global and international equities	20%	6.9%-7.2%	15%	6.9%
Private equities	8%	9.9%	10%	7.5%
Real estate equities	11%	6.2%	9%	4.6%
Domestic fixed income securities	16%	1.1%	23%	1.5%
Global fixed income securities	2%	0.6%	-	-
Bonds and mortgages	6%	2.4%	-	-
Short-term	1%	(0.3)%	1%	-
Other	3%	3.3%-5.3%	10%	5.4%-5.8%
	<u>100%</u>		<u>100%</u>	

Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the District's proportionate share of its net pension position calculated using the discount rate of 6.95% (TRS) and 5.9% (ERS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

	At Current		
	1.0% Decrease	Discount Rate	1.0% Increase
District's proportionate share of the TRS net pension asset (liability)	\$ (70,732,685)	\$ (7,671,268)	\$ 45,362,970
District's proportionate share of the ERS net pension asset (liability)	\$ (32,236,408)	\$ (13,339,731)	\$ 2,450,641

9. OPEB

Plan Description

The District maintains a single-employer defined benefit healthcare plan (the Plan) providing for continuation of medical insurance benefits for certain District employees and their spouses based on various bargaining unit agreements and individual contracts. Benefits are provided through a combination of self-funded and community-rated health insurance plans. Eligibility for benefits is based on covered employees who retire from the District and have met vesting requirements. The Plan has no assets, does not issue financial statements, and is not a trust.

At June 30, 2023 employees covered by the Plan include:

Active employees	1,489
Inactive employees or beneficiaries currently receiving benefits	779
Inactive employees entitled to but not yet receiving benefits	-
	2,268

Total OPEB Liability

The District’s total OPEB liability of \$64,436,589 was measured as of March 31, 2023 and was determined by an actuarial valuation as of June 30, 2023.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Healthcare cost trend rates* – based on the National Health Expenditure Projections 2014-2030 for short-term rates and the Society of Actuaries Getzen Long-Term Healthcare Cost Trend Resource Model v2023 version 1f (updated October 2022) for long-term rates, initially 5.5% and an ultimate rate of 4.0% after 2070
- Salary increases* – 3.53%
- Mortality* – Pub-2010 Public Retirement Plans Mortality Table, Headcount-Weighted, fully generational using Mortality Improvement Scale MP-2021 for retirees and surviving spouses
- Discount rate* – 3.78% based on the Fidelity Municipal GO AA 20-Year Bond rate as of the measurement date
- Inflation rate* – 2.53%

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2022	\$ 53,550,652
Changes for the year:	
Service cost	2,044,272
Interest	1,527,106
Changes of benefit terms	-
Differences between expected and actual experience	9,210,462
Changes of assumptions or other inputs	(262,336)
Benefit payments	(1,633,567)
Net changes	10,885,937
Balance at June 30, 2023	\$ 64,436,589

The following presents the sensitivity of the District’s total OPEB liability to changes in the discount rate, including what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current discount rate:

	1.0% Decrease (2.78%)	Discount Rate (3.78%)	1.0% Increase (4.78%)
Total OPEB liability	\$ (68,839,530)	\$ (64,436,589)	\$ (60,243,245)

The following presents the sensitivity of the District’s total OPEB liability to changes in the healthcare cost trend rates, including what the District’s total OPEB liability would be if it were calculated using trend rates that are 1% higher or lower than the current healthcare cost trend rates:

	1.0% Decrease (4.5% to 3.0%)	Healthcare Cost Trend Rate (5.5% to 4.0%)	1.0% Increase (6.5% to 5.0%)
Total OPEB liability	\$ (59,012,261)	\$ (64,436,589)	\$ (70,645,254)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended June 30, 2023, the District recognized OPEB expense of \$7,033,588. At June 30, 2023, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,662,445	\$ (34,799)
Changes of assumptions or other inputs	274,738	(1,666,653)
Benefit payments subsequent to the measurement date	408,392	-
	<u>\$ 15,345,575</u>	<u>\$ (1,701,452)</u>

Benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent year. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30,	
2024	\$ 3,500,279
2025	3,211,394
2026	2,347,966
2027	1,273,996
2028	1,209,206
Thereafter	1,692,890
	<u>\$ 13,235,731</u>

10. Risk Management

General Liability

The District purchases commercial insurance for various risks of loss due to torts, theft, damage, errors and omissions, and natural disasters. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years.

Workers' Compensation

The District has chosen to establish self-insured plans for risks associated with employee workers' compensation claims and health insurance. Generally, liabilities 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). The District's exposure is calculated with consideration of the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other benefit costs. For workers' compensation, the District purchases excess insurance limiting their self-funded rate to \$1,000,000 per incident and \$1,000,000 in the aggregate. The changes in reported liabilities are as follows:

	Beginning of Year	Current Claims and Changes in Estimates	Claims Paid	End of Year
2023	\$ 1,579,000	\$ 419,000	\$ 493,000	\$ 1,505,000
2022	\$ 1,274,000	\$ 1,206,000	\$ 901,000	\$ 1,579,000

Estimated liabilities have been accrued on the government-wide and governmental funds financial statements to the extent they are expected to be paid with currently available financial resources.

Health Insurance

The District's self-funded health insurance coverage includes various plan options. The District provides a monthly premium equivalent equal to adjusted actual claims and an excess amount to fund an approximate 15% allowance for claims run-off and other uncertainties. The District purchases excess insurance that limits exposure to \$235,000 per incident. The changes in reported liabilities are as follows:

	Beginning of Year	Current Claims and Changes in Estimates	Claims Paid	End of Year
2023	\$ 2,700,000	\$ 17,126,000	\$ 17,076,000	\$ 2,750,000
2022	\$ 2,400,000	\$ 19,634,000	\$ 19,334,000	\$ 2,700,000

Estimated liabilities for both plans have been accrued on the government-wide and governmental funds financial statements as they are expected to be paid with currently available financial resources.

11. Commitments and Contingencies

Grants

The District receives financial assistance from federal and state agencies in the form of grants and calculated aid as determined by the State. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and is subject to audit by the grantor agencies. State aid payments are based upon estimated expenditures and pupil statistics, are complex, and subject to adjustment. Any disallowed claims resulting from such audits could become a liability of the District. Based on prior experience, management expects such amounts to be immaterial.

Construction Commitments

The District has entered into contracts with various construction companies for several capital projects. District voters approved spending up to \$75,000,000, which will be performed in various phases over the next few years. To date, the District has spent \$38,268,000 and has open commitments to contractors of \$23,581,000.

Litigation

The District is subject to claims and lawsuits that arise in the ordinary course of business. In the opinion of management, these claims typically will not have a material adverse effect upon the financial position of the District.

Separate from claims and lawsuits that arise in the ordinary course of business, legislation was put in place regarding historical claims that were previously time-barred. The Child Victims Act, as amended, allowed any individual who was a minor at the time they suffered any alleged sexual abuse to file a lawsuit before August 14, 2021 regardless of when the alleged abuse occurred. This has resulted in the filing of thousands of lawsuits State-wide. Lawsuits have been initiated against the District by former students who allege that inappropriate sexual contact occurred between them and employees of the District between 30 and 50 years ago. The District has retained counsel and is not currently aware of any insurance available for these claims.

In May 2022, the District settled several CVA cases levied against the District at a total cost of \$17,500,000, with \$7,500,000 from existing district funds and serial bonds issued in August 2022 of \$9,785,000 at an interest rate of 4.0%, maturing in August 2027. At June 30, 2023, general fund accrued liabilities include \$2,750,000 of estimated additional claims. As of the report date of the financial statements, the District's total exposure to the remaining CVA claims has not been determined.

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

**Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Position
New York State Teachers' Retirement System**

As of the measurement date of June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension position	0.399776%	0.392922%	0.394245%	0.387117%	0.385116%	0.391218%	0.386670%	0.390101%	0.388234%	0.389726%
District's proportionate share of the net pension asset (liability)	\$ (7,671,268)	\$ 68,089,698	\$ (10,894,056)	\$ 10,057,319	\$ 6,963,923	\$ 2,973,643	\$ (4,141,399)	\$ 40,519,036	\$ 43,246,834	\$ 2,565,385
District's covered payroll	\$ 70,821,408	\$ 66,672,676	\$ 66,913,488	\$ 64,591,874	\$ 62,731,163	\$ 61,990,239	\$ 59,667,098	\$ 58,598,426	\$ 57,348,189	\$ 57,086,407
District's proportionate share of the net pension position as a percentage of its covered payroll	10.83%	102.13%	16.28%	15.57%	11.10%	4.80%	6.94%	69.15%	75.41%	4.49%
Plan fiduciary net position as a percentage of the total pension liability	98.57%	113.20%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

The following is a summary of changes of assumptions:

Inflation	2.4%	2.4%	2.2%	2.2%	2.25%	2.5%	2.5%	3.0%	3.0%	3.0%
Salary increases	1.95%-5.18%	1.95%-5.18%	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	4.0%-10.9%	4.0%-10.9%	4.0%-10.9%
Cost of living adjustments	1.3%	1.3%	1.3%	1.3%	1.5%	1.5%	1.5%	1.625%	1.625%	1.625%
Investment rate of return	6.95%	6.95%	7.1%	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%	8.0%
Discount rate	6.95%	6.95%	7.1%	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%	8.0%
Society of Actuaries' mortality scale	MP-2021	MP-2020	MP-2019	MP-2018	MP-2014	MP-2014	MP-2014	AA	AA	AA

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

**Required Supplementary Information
Schedule of District Contributions
New York State Teachers' Retirement System**

For the years ended June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 7,820,103	\$ 6,940,498	\$ 6,353,906	\$ 5,928,535	\$ 6,859,657	\$ 6,147,654	\$ 7,265,256	\$ 7,911,857	\$ 10,272,304	\$ 9,319,081
Contribution in relation to the contractually required contribution	(7,820,103)	(6,940,498)	(6,353,906)	(5,928,535)	(6,859,657)	(6,147,654)	(7,265,256)	(7,911,857)	(10,272,304)	(9,319,081)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 75,997,114	\$ 70,821,408	\$ 66,672,676	\$ 66,913,488	\$ 64,591,874	\$ 62,731,163	\$ 61,990,239	\$ 59,667,098	\$ 58,598,426	\$ 57,348,189
Contributions as a percentage of covered payroll	10.29%	9.80%	9.53%	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

**Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Position
New York State and Local Employees' Retirement System**

As of the measurement date of March 31,	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension position	0.0622072%	0.0592499%	0.0609704%	0.0625275%	0.0627090%	0.0620890%	0.0651351%	0.0666985%	0.0654566%
District's proportionate share of the net pension asset (liability)	\$ (13,339,731)	\$ 4,843,430	\$ (60,711)	\$ (16,557,645)	\$ (4,443,125)	\$ (2,003,888)	\$ (6,120,244)	\$ (10,705,293)	\$ (2,211,283)
District's covered payroll	\$ 19,464,579	\$ 18,438,570	\$ 19,777,499	\$ 19,378,661	\$ 19,052,904	\$ 18,696,414	\$ 19,658,393	\$ 18,581,980	\$ 18,340,435
District's proportionate share of the net pension position as a percentage of its covered payroll	68.53%	26.27%	0.31%	85.44%	23.32%	10.72%	31.13%	57.61%	12.06%
Plan fiduciary net position as a percentage of the total pension liability	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

The following is a summary of changes of assumptions:

Inflation	2.9%	2.7%	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	4.4%	4.4%	4.4%	4.2%	4.2%	3.8%	3.8%	3.8%	4.9%
Cost of living adjustments	1.5%	1.4%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	5.9%	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	5.9%	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Society of Actuaries' mortality scale	MP-2021	MP-2020	MP-2020	MP-2018	MP-2014	MP-2014	MP-2014	MP-2014	MP-2014

Data prior to 2015 is unavailable.

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Required Supplementary Information
Schedule of District Contributions
New York State and Local Employees' Retirement System

For the years ended June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,192,125	\$ 2,925,838	\$ 2,831,409	\$ 2,773,849	\$ 2,779,773	\$ 2,832,481	\$ 3,018,242	\$ 3,386,702	\$ 3,595,876	\$ 3,525,162
Contribution in relation to the contractually required contribution	(2,192,125)	(2,925,838)	(2,831,409)	(2,773,849)	(2,779,773)	(2,832,481)	(3,018,242)	(3,386,702)	(3,595,876)	(3,525,162)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 19,464,579	\$ 18,438,570	\$ 19,777,499	\$ 19,378,661	\$ 19,052,904	\$ 18,696,414	\$ 19,658,393	\$ 18,581,980	\$ 18,340,435	\$ 18,355,278
Contributions as a percentage of covered payroll	11.26%	15.87%	14.32%	14.31%	14.59%	15.15%	15.35%	18.23%	19.61%	19.21%

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

**Required Supplementary Information
Schedule of Changes in the District's
Total OPEB Liability and Related Ratios**

For the years ended June 30,	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability - beginning	\$ 53,550,652	\$ 44,133,316	\$ 15,545,484	\$ 14,702,980	\$ 14,773,927	\$ 16,060,007	\$ 15,982,125
Changes for the year:							
Service cost	2,044,272	1,802,626	510,868	445,042	460,536	463,103	482,122
Interest	1,527,106	1,013,210	371,356	488,436	518,916	549,562	483,469
Changes of benefit terms	-	-	27,436,759	1,370	-	1,245	-
Differences between expected and actual experience	9,210,462	10,146,395	1,154,117	(173,991)	(251,885)	(457,692)	1,649,734
Changes of assumptions or other inputs	(262,336)	(2,243,775)	197,070	1,030,951	61,539	218,651	(505,104)
Benefit payments	(1,633,567)	(1,301,120)	(1,082,338)	(949,304)	(860,053)	(2,060,949)	(2,032,339)
Net change in total OPEB liability	10,885,937	9,417,336	28,587,832	842,504	(70,947)	(1,286,080)	77,882
Total OPEB liability - ending	\$ 64,436,589	\$ 53,550,652	\$ 44,133,316	\$ 15,545,484	\$ 14,702,980	\$ 14,773,927	\$ 16,060,007
Covered-employee payroll	\$ 85,486,556	\$ 86,190,170	\$ 83,323,830	\$ 74,148,673	\$ 71,835,568	\$ 69,533,993	\$ 69,533,993
Total OPEB liability as a percentage of covered-employee payroll	75.4%	62.1%	53.0%	21.0%	20.5%	21.2%	23.1%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

For 2021, changes to benefit terms include plan provisions for certain contracts which changed the calculation method for the District's share of health insurance upon retirement. Generally, differences between expected and actual experience include the impact of changes in personnel and their associated contract provisions upon retirement and changes in assumptions or other inputs include changes in the discount rate and updated mortality rates.

The following is a summary of changes of assumptions:

Healthcare cost trend rates	5.50% - 4.00%	6.10% - 4.37%	4.00% - 4.08%	5.20% - 4.18%	5.20% - 4.32%	6.20% - 4.17%	5.30% - 4.17%
Salary increases	3.53%	3.44%	3.11%	3.22%	3.36%	3.31%	3.31%
Discount rate	3.78%	2.83%	2.27%	2.48%	3.44%	3.61%	3.80%
Inflation rate	2.53%	2.44%	2.11%	2.22%	2.36%	2.31%	2.20%
Society of Actuaries' mortality scale	MP-2021	MP-2021	MP-2020	MP-2019	MP-2018	MP-2017	MP-2016

Data prior to 2017 is unavailable.

Supplementary Information
Schedule of Change from Original to Final Budget and
Calculation of Unrestricted Fund Balance Limit - General Fund

For the year ended June 30, 2023

Original expenditure budget	\$ 176,494,282
Encumbrances carried over from prior year	2,011,049
Budget amendments:	
Bond proceeds for judgements and claims	10,000,000
Premium on debt	1,965,000
Insurance recoveries - transportation	90,912
State aid increase	50,000
BAN premium to pay down debt	<u>396,559</u>
Revised expenditure budget	<u>\$ 191,007,802</u>

* * *

Unrestricted Fund Balance

Assigned	\$ 6,640,598
Unassigned	<u>7,441,413</u>
	14,082,011
Encumbrances included in assigned fund balance	(1,090,598)
Appropriated fund balance used for tax levy	<u>(5,550,000)</u>
Amount subject to 4% limit pursuant to Real Property Tax Law §1318	<u>\$ 7,441,413</u>
§1318 of Real Property Tax Law - unrestricted fund balance limit calculation	
2024 expenditure budget (unaudited)	\$ 186,035,714
4% of budget	<u>7,441,429</u>
Actual percentage of 2024 expenditure budget	<u>4.0%</u>

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Supplementary Information
Schedule of Capital Project Expenditures

June 30, 2023

Project Title	Original Budget	Expenditures			Unexpended Balance
		Prior Years	Current Year	Total	
Smart Schools Bond Act	\$ 4,951,929	\$ 882,395	\$ 1,532,430	\$ 2,414,825	\$ 2,537,104
2020 Capital improvements	75,000,000	17,990,809	20,276,821	38,267,630	36,732,370
	<u>\$ 79,951,929</u>	<u>\$ 18,873,204</u>	<u>\$ 21,809,251</u>	<u>\$ 40,682,455</u>	<u>\$ 39,269,474</u>

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Supplementary Information
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Grantor Number	Expenditures
U.S. Department of Education:			
Passed Through New York State Education Department:			
Special Education Cluster:			
Special Education Grants to States	84.027	0032-23-0241	\$ 2,638,194
COVID-19 - Special Education Grants to States	84.027	5532-22-0241	280,809
Special Education Preschool Grants	84.173	0033-23-0241	92,113
COVID-19 - Special Education Preschool Grants	84.173	5533-22-0241	22,496
Total Special Education Cluster			3,033,612
Adult Education - Basic Grants to States	84.002	2338-23-5101	71,274
Title I Grants to Local Educational Agencies	84.010	0021-23-0850	1,329,649
Career and Technical Education - Basic Grants to States	84.048	8000-23-0093	56,550
English Language Acquisition State Grants	84.365	0293-23-0850	27,455
English Language Acquisition State Grants	84.365	0293-22-0850	915
English Language Acquisition State Grants	84.365	0149-22-0850	27,325
Supporting Effective Instruction State Grants	84.367	0147-23-0850	114,323
Supporting Effective Instruction State Grants	84.367	0147-22-0850	141,895
Student Support and Academic Enrichment Program	84.424	0204-23-0850	62,257
Student Support and Academic Enrichment Program	84.424	0204-22-0850	33,747
Education Stabilization Fund:			
Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-0850	45,889
Elementary and Secondary School Emergency Relief Fund	84.425D	5891-21-0850	1,873,847
American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	5880-21-0850	3,436,184
American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	5870-23-9152	820,413
American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	5870-22-9152	119,381
American Rescue Plan Elementary and Secondary School Emergency Relief Fund - Homeless Children and Youth	84.425W	5218-21-0850	44,640
Total Education Stabilization Fund			6,340,354
Total U.S. Department of Education			11,239,356
U.S. Department of Justice:			
Passed Through Bureau of Justice Assistance:			
STOP School Violence	16.839	2020-YS-BX-0084	226,115
U.S. Department of Agriculture:			
Passed Through Board of Cooperative Educational Services Second Supervisory District of Erie-Chautauqua-Cattaraugus Counties:			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	100,934
Passed Through New York State Education Department:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	593,436 ¹
National School Lunch Program	10.555	N/A	2,071,598 ¹
Pandemic EBT Administrative Costs	10.649	N/A	5,652
Passed Through New York State Office of General Services:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	253,942 ¹
Total U.S. Department of Agriculture			3,025,562
Total Expenditures of Federal Awards			\$ 14,591,967

¹ Total Child Nutrition Cluster - \$2,918,976

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs administered by Kenmore-Town of Tonawanda Union Free School District (the District), an entity as defined in Note 1 to the District’s basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule of Expenditures of Federal Awards.

Basis of Accounting

The District uses the modified accrual basis of accounting for each federal program, consistent with the fund basis financial statements.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the District’s financial reporting system.

Indirect Costs

The District does not use the 10% de minimis indirect cost rate permitted by the Uniform Guidance.

Non-Monetary Federal Program

The District is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a “non-monetary program.” During the year ended June 30, 2023, the District used \$253,942 worth of commodities under the National School Lunch Program (Assistance Listing Number 10.555).

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

The Board of Education
Kenmore-Town of Tonawanda 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 remaining fund information of Kenmore-Town of Tonawanda 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 5, 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.

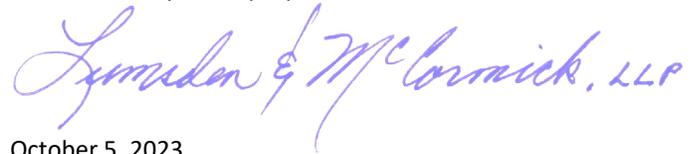
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Lyndon & McCormick, LLP". The signature is written in a cursive, flowing style.

October 5, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Education
Kenmore-Town of Tonawanda Union Free School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kenmore-Town of Tonawanda Union Free School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Symon & McCormick, LLP

October 5, 2023

Schedule of Findings and Questioned Costs

For the year ended June 30, 2023

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? No

Identification of major programs:

Name of Federal Program or Cluster	Assistance Listing Number	Amount
Special Education Grants to States	84.027	\$ 2,638,194
COVID-19 – Special Education Grants to States	84.027	280,809
Special Education Preschool Grants	84.173	92,113
COVID-19 – Special Education Preschool Grants	84.173	22,496
		<u>3,033,612</u>
Education Stabilization Fund	84.425	6,340,354
		<u>\$ 9,373,966</u>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.