

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

FINANCIAL STATEMENTS

JUNE 30, 2024

Table of Contents

June 30, 2024

Independent Auditors' Report

Management's Discussion and Analysis

Financial Statements

Statement of Net Position

Statement of Activities

Balance Sheet – Governmental Funds

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

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

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

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

Statements of Fiduciary Net Position and Changes in Fiduciary Net Position – Custodial Fund

Notes to Financial Statements

Required Supplementary Information (Unaudited)

Schedule of the District's Proportionate Share of the Net Pension Position – New York State Teachers' Retirement System and Related Notes

Schedule of District Contributions – New York State Teachers' Retirement System

Schedule of the District's Proportionate Share of the Net Pension Position – New York State and Local Employees' Retirement System and Related Notes

Schedule of District Contributions – New York State and Local Employees' Retirement System

Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability and Related Ratios and Notes

Supplementary Information

Schedule of Change from Original to Final Budget and Calculation of Unrestricted Fund Balance Limit – General Fund

Schedule of Capital Project Expenditures

Schedule of Expenditures of Federal Awards (SEFA)

Notes to SEFA

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*

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

Schedule of Findings and Questioned Costs

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, 2024, 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, 2024, 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

GAAP requires 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 (GASB), 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 September 10, 2024 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.



September 10, 2024

Management's Discussion and Analysis (unaudited)

June 30, 2024

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, 2024. 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 and deferred outflows of resources less liabilities and deferred inflows of resources with the 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, the New York State Education Department, and the Federal government.

Condensed Statement of Net Position	2024	2023	Change	
			\$	%
Current and other assets	\$ 93,621,000	\$ 107,632,000	\$ (14,011,000)	(13.0%)
Capital assets	197,414,000	175,863,000	21,551,000	12.3%
Total assets	291,035,000	283,495,000	7,540,000	2.7%
Deferred outflows of resources	53,071,000	65,340,000	(12,269,000)	(18.8%)
Long-term liabilities	175,231,000	184,964,000	(9,733,000)	(5.3%)
Other liabilities	68,843,000	65,117,000	3,726,000	5.7%
Total liabilities	244,074,000	250,081,000	(6,007,000)	(2.4%)
Deferred inflows of resources	11,984,000	8,788,000	3,196,000	36.4%
Net position				
Net investment in capital assets	102,718,000	87,501,000	15,217,000	17.4%
Restricted	27,702,000	30,195,000	(2,493,000)	(8.3%)
Unrestricted	(42,372,000)	(27,730,000)	(14,642,000)	52.8%
Total net position	\$ 88,048,000	\$ 89,966,000	\$ (1,918,000)	(2.1%)

Net position amounted to \$88,048,000 and \$89,966,000 as of June 30, 2024 and 2023, 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; the retirement contribution reserve, restricted to fund contributions paid by the District to the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS); 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 unemployment insurance, insurance, and workers' compensation insurance reserves.

Capital assets increased by \$21,551,000 (increase of \$19,364,000 or 12.4% in 2023) 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 \$14,011,000 (decrease of \$70,278,000 or 39.5% in 2023) is primarily due to timing of cash flows as well as the results of operations.

Other liabilities increased by \$3,726,000 (decrease of \$8,689,000 or 11.7% in 2023) due to an increase in bond anticipation notes (BANs) of \$8,278,000 to fund the 2020 Capital Improvements Project offset by a decrease in accrued liabilities due to an accrual of \$2,750,000 for Child Victims Act (CVA) settlements in 2023. Long-term liabilities decreased by \$9,733,000 (increase of \$53,117,000 or 40.4% in 2023) due to principal payments of \$9,513,000 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. Also included in deferred outflows and deferred inflows of resources are differences between expected and actual experience and changes of assumptions related to the District's total OPEB liability.

Condensed Statement of Activities	2024	2023	Change	
			\$	%
Revenues				
Program revenues				
Charges for services	\$ 3,886,000	\$ 3,627,000	\$ 259,000	7.1%
Operating and capital grants and contributions	21,018,000	19,943,000	1,075,000	5.4%
General revenues				
Property taxes	94,319,000	91,928,000	2,391,000	2.6%
Sales tax	11,036,000	11,400,000	(364,000)	(3.2%)
State aid	71,857,000	66,481,000	5,376,000	8.1%
Other	5,238,000	3,918,000	1,320,000	33.7%
Total revenue	207,354,000	197,297,000	10,057,000	5.1%
Expenses				
Instruction	165,918,000	158,820,000	7,098,000	4.5%
Support services				
General support	24,584,000	23,465,000	1,119,000	4.8%
Pupil transportation	9,454,000	8,319,000	1,135,000	13.6%
Food service	4,401,000	3,462,000	939,000	27.1%
Interest and other	4,915,000	3,089,000	1,826,000	59.1%
Total expenses	209,272,000	197,155,000	12,117,000	6.1%
Change in net position	(1,918,000)	142,000	(2,060,000)	(1450.7%)
Net position – beginning	89,966,000	89,824,000	142,000	0.2%
Net position – ending	\$ 88,048,000	\$ 89,966,000	\$ (1,918,000)	(2.1%)

District revenues increased by \$10,057,000 (increase of \$7,772,000 or 4.1% in 2023). The increase is largely due to an increase of \$5,376,000 (increase of \$3,808,000 or 6.1% in 2023) in state aid, specifically excess cost, building, and foundation aid. Included in other revenue is interest earnings of \$3,597,000 in 2024 compared to \$2,096,000 in 2023. Property taxes and related items increased by \$2,391,000 (increase of \$826,000 or 0.9% in 2023) as noted in the 2024 budget. Operating and capital grants and contributions increased \$1,075,000 (increase of \$1,098,000 or 5.8% in 2023) due to increases in federal and state funds received for the District's food service program.

Total expenses increased \$12,117,000 in 2024 (increase of \$10,065,000 or 5.4% in 2023). Employee-related expenses, which are allocated to general support, instruction, food service, and transportation, increased \$9,731,000, primarily due to increases in pension, OPEB, health insurance, and workers' compensation expenses.

Financial Analysis of the District's Funds

Total fund balances for the governmental funds decreased from \$40,089,000 to \$24,033,000 as described below:

- Spending across all governmental funds decreased by \$3,106,000 or 1.4% (increase of \$24,518,000 or 12.1% in 2023). This is due to decreases in expenditures for instruction of \$2,033,000 or 1.8% (increase of \$4,613,000 or 4.2% in 2023) and general support of \$8,947,000 or 28.5% (increase of \$5,416,000 or 20.9% in 2023). The decrease in general support is due to the payment of CVA claims in 2023 of \$12,875,000. The decreases were partially offset by increases in employee benefits of \$3,691,000 or 10.2% (decrease of \$130,000 or 0.4% in 2023), interest expense of \$2,010,000 or 80.2% (decrease of \$804,000 or 32.1% in 2023), and capital expenditures of \$1,753,000 or 8.0% (increase of \$10,568,000 or 92.2% in 2023).
- Total fund revenue increased \$10,017,000 or 5.1% (\$7,968,000 or 4.2% increase in 2023). 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 \$14,670,000 as a result of \$24,648,000 of expenditures related to the 2020 Capital Improvement Project, offset by \$8,465,000 of interfund transfers and \$1,322,000 of bond anticipations notes redeemed.

General Fund Budgetary Highlights

The final revenue budget for 2024 was \$178,163,000. Actual revenue was over budget by \$7,909,000 or 4.4%. The largest positive fluctuations were state sources of \$2,694,000 and use of money and property of \$3,200,000.

Actual expenditures and carryover encumbrances were less than the final amended budget by \$6,536,000 or 3.5%.

Capital Assets

	2024	2023
Land and land improvements	\$ 4,994,000	\$ 4,994,000
Buildings and improvements	200,493,000	200,488,000
Furniture and equipment	16,000,000	13,804,000
Vehicles	16,147,000	14,919,000
Construction in progress	43,505,000	19,306,000
	281,139,000	253,511,000
Accumulated depreciation	(84,074,000)	(78,255,000)
	197,065,000	175,256,000
Right-to-use lease equipment, net	349,000	607,000
	\$ 197,414,000	\$ 175,863,000

Current year additions of \$28,261,000 were offset by depreciation expense, amortization expense, and disposals of \$6,710,000. 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, 2024, the District had \$63,627,000 in outstanding bonds and leases, with \$9,088,000 due within one year (\$73,140,000 outstanding at June 30, 2023). Outstanding compensated absences and other employee benefits payable were \$23,109,000 (\$20,913,000 at June 30, 2023), with \$3,201,000 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 remain elevated due to pandemic-related funding but are expected to decrease beginning in 2024-2025. The District continues to plan for years when these additional funds are no longer available. School districts in New York State also remain 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 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, 2024

(With comparative totals as of June 30, 2023)

	2024	2023
Assets		
Cash	\$ 48,478,055	\$ 72,585,537
Accounts receivable	353,128	280,293
Due from other governments	3,426,422	4,949,543
State and federal aid receivable	12,383,836	11,168,123
Investments	25,976,279	14,837,603
Inventory	222,463	289,958
Lease receivable	1,900,729	2,426,219
Cash surrender value of life insurance	880,000	1,095,000
Capital assets (Note 5)	282,279,612	254,922,188
Accumulated depreciation and amortization	(84,865,990)	(79,059,609)
Total assets	291,034,534	283,494,855
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	39,284,171	49,994,762
Deferred outflows of resources related to OPEB	13,786,585	15,345,575
Total deferred outflows of resources	53,070,756	65,340,337
Liabilities		
Accounts payable	6,231,863	7,210,138
Accrued liabilities	6,449,547	9,164,588
Due to retirement systems	8,165,472	8,958,540
Unearned revenue	438,232	504,558
Bond anticipation notes	47,557,400	39,279,100
Long-term liabilities		
Due within one year:		
Leases	14,988	183,402
Bonds and energy performance contracts	9,072,999	9,329,490
Compensated absences and other benefits	3,201,000	2,954,000
Due beyond one year:		
Leases	-	14,988
Bonds, energy performance contracts, and related premiums	59,428,004	69,076,071
Compensated absences and other benefits	19,908,000	17,959,000
Net pension liability	14,481,652	21,010,999
Total OPEB liability	69,124,037	64,436,589
Total liabilities	244,073,194	250,081,463
Deferred Inflows of Resources		
Deferred inflows of resources related to leases	1,900,729	2,426,219
Deferred inflows of resources related to pensions	8,452,709	4,660,050
Deferred inflows of resources related to OPEB	1,630,495	1,701,452
Total deferred inflows of resources	11,983,933	8,787,721
Net Position		
Net investment in capital assets	102,718,269	87,501,271
Restricted	27,701,853	30,194,830
Unrestricted	(42,371,959)	(27,730,093)
Total net position	\$ 88,048,163	\$ 89,966,008

See accompanying notes.

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Statement of Activities

For the year ended June 30, 2024
 (With summarized comparative totals for June 30, 2023)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2024	2023
Governmental activities						
General support	\$ 24,584,111	\$ 719,347	\$ -	\$ -	\$ (23,864,764)	\$ (22,832,722)
Instruction	165,918,401	2,967,889	16,401,250	191,724	(146,357,538)	(139,549,640)
Pupil transportation	9,453,764	-	-	-	(9,453,764)	(8,318,970)
Community services	829,762	-	-	-	(829,762)	(634,428)
Interest expense	4,084,718	-	-	-	(4,084,718)	(2,455,972)
School food service	4,401,123	199,003	4,425,300	-	223,180	206,439
	<u>\$ 209,271,879</u>	<u>\$ 3,886,239</u>	<u>\$ 20,826,550</u>	<u>\$ 191,724</u>	<u>(184,367,366)</u>	<u>(173,585,293)</u>
General revenues						
					94,319,127	91,927,833
					11,035,683	11,400,475
					5,237,558	3,918,353
					71,857,153	66,480,817
					<u>182,449,521</u>	<u>173,727,478</u>
					(1,917,845)	142,185
					89,966,008	89,823,823
					<u>\$ 88,048,163</u>	<u>\$ 89,966,008</u>

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2024

(With summarized comparative totals as of June 30, 2023)

	General	Capital Projects	Special Aid	Food Service	Miscellaneous Special Revenue	Total Governmental Funds	
						2024	2023
Assets							
Cash	\$ 19,872,537	\$ 23,637,613	\$ 103,895	\$ 4,764,725	\$ 99,285	\$ 48,478,055	\$ 72,585,537
Accounts receivable	350,712	-	-	2,416	-	353,128	280,293
Due from other governments	3,426,422	-	-	-	-	3,426,422	4,949,543
State and federal aid receivable	5,386,061	1,751,621	4,952,795	293,359	-	12,383,836	11,168,123
Due from other funds	4,788,084	-	-	-	-	4,788,084	8,490,335
Investments	25,976,279	-	-	-	-	25,976,279	14,837,603
Inventory	-	-	-	222,463	-	222,463	289,958
Lease receivable	1,900,729	-	-	-	-	1,900,729	2,426,219
Cash surrender value of life insurance	880,000	-	-	-	-	880,000	1,095,000
Total assets	\$ 62,580,824	\$ 25,389,234	\$ 5,056,690	\$ 5,282,963	\$ 99,285	\$ 98,408,996	\$ 116,122,611
Liabilities							
Accounts payable	\$ 2,398,967	\$ 2,220,058	\$ 342,545	\$ 53,827	\$ -	\$ 5,015,397	\$ 7,210,138
Accrued liabilities	6,332,560	-	83,802	94,185	-	6,510,547	9,164,588
Due to retirement systems	8,165,472	-	-	-	-	8,165,472	8,958,540
Due to other funds	-	39,517	4,453,891	294,676	-	4,788,084	8,490,335
Unearned revenue	261,780	-	176,452	-	-	438,232	504,558
Bond anticipation notes	-	47,557,400	-	-	-	47,557,400	39,279,100
Total liabilities	17,158,779	49,816,975	5,056,690	442,688	-	72,475,132	73,607,259
Deferred Inflows of Resources							
Leases	1,900,729	-	-	-	-	1,900,729	2,426,219
Fund Balances							
Nonspendable	880,000	-	-	222,463	-	1,102,463	1,384,958
Restricted	28,644,568	-	-	-	99,285	28,743,853	30,194,830
Assigned	6,329,610	-	-	4,617,812	-	10,947,422	10,825,289
Unassigned	7,667,138	(24,427,741)	-	-	-	(16,760,603)	(2,315,944)
Total fund balances (deficit)	43,521,316	(24,427,741)	-	4,840,275	99,285	24,033,135	40,089,133
Total liabilities, deferred inflows, and fund balances	\$ 62,580,824	\$ 25,389,234	\$ 5,056,690	\$ 5,282,963	\$ 99,285	\$ 98,408,996	\$ 116,122,611

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, 2024

Total fund balances - governmental funds \$ 24,033,135

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. 197,413,622

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	39,284,171	
Net pension liability	(14,481,652)	
Deferred inflows of resources related to pensions	<u>(8,452,709)</u>	16,349,810

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	13,786,585	
Total OPEB liability	(69,124,037)	
Deferred inflows of resources related to OPEB	<u>(1,630,495)</u>	(56,967,947)

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

Leases	(14,988)	
Bonds, energy performance contracts, and related premiums	(68,501,003)	
Accrued interest	61,000	
Retainages payable	(1,216,466)	
Compensated absences and other benefits	<u>(23,109,000)</u>	(92,780,457)

Net position - governmental activities \$ 88,048,163

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, 2024

(With summarized comparative totals for June 30, 2023)

	General	Capital Projects	Special Aid	Food Service	Miscellaneous Special Revenue	Total Governmental Funds	
						2024	2023
Revenues							
Real property taxes	\$ 83,055,500	\$ -	\$ -	\$ -	\$ -	\$ 83,055,500	\$ 79,796,805
Real property tax items	11,263,627	-	-	-	-	11,263,627	12,131,028
Nonproperty taxes	11,035,683	-	-	-	-	11,035,683	11,400,475
Charges for services	2,967,889	-	-	-	-	2,967,889	2,443,247
Use of money and property	4,222,918	-	-	90,797	2,349	4,316,064	2,727,873
Sale of property and compensation for loss	508,587	-	-	-	-	508,587	698,457
Miscellaneous	779,897	-	264,432	16,181	16,464	1,076,974	1,103,075
State sources	71,857,153	191,724	3,763,171	1,166,854	-	76,978,902	71,224,909
Federal sources	380,608	-	11,993,039	3,242,265	-	15,615,912	14,923,451
Sales	-	-	-	199,003	-	199,003	552,045
Total revenues	186,071,862	191,724	16,020,642	4,715,100	18,813	207,018,141	197,001,365
Expenditures							
General support	16,617,642	-	4,423,696	1,355,048	-	22,396,386	31,343,778
Instruction	101,407,643	-	11,503,091	-	7,499	112,918,233	114,951,637
Pupil transportation	6,364,479	1,586,476	122,725	-	-	8,073,680	7,577,500
Community services	276,772	-	443,491	-	-	720,263	603,856
Employee benefits	39,468,381	-	-	466,260	-	39,934,641	36,243,554
Debt service							
Principal	10,834,592	-	-	-	-	10,834,592	11,266,049
Interest	4,516,786	-	-	-	-	4,516,786	2,507,020
Cost of sales	-	-	-	1,611,220	-	1,611,220	1,371,485
Capital outlay	-	23,061,927	-	725,930	-	23,787,857	22,034,623
Total expenditures	179,486,295	24,648,403	16,493,003	4,158,458	7,499	224,793,658	227,899,502
Excess revenues (expenditures)	6,585,567	(24,456,679)	(472,361)	556,642	11,314	(17,775,517)	(30,898,137)
Other financing sources (uses)							
Operating transfers, net	(8,745,940)	8,464,595	472,361	(191,016)	-	-	-
BANs redeemed from appropriations	-	1,321,700	-	-	-	1,321,700	3,936,700
Premiums on debt	397,819	-	-	-	-	397,819	3,232,542
Proceeds from the issuance of debt	-	-	-	-	-	-	25,820,000
Total other financing sources	(8,348,121)	9,786,295	472,361	(191,016)	-	1,719,519	32,989,242
Net change in fund balances	(1,762,554)	(14,670,384)	-	365,626	11,314	(16,055,998)	2,091,105
Fund balances (deficit) - beginning	45,283,870	(9,757,357)	-	4,474,649	87,971	40,089,133	37,998,028
Fund balances (deficit) - ending	\$ 43,521,316	\$ (24,427,741)	\$ -	\$ 4,840,275	\$ 99,285	\$ 24,033,135	\$ 40,089,133

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, 2024

Total net change in fund balances - governmental funds \$ (16,055,998)

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 (net of retainages) exceed depreciation and amortization expense and disposals. 20,334,577

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:

2024 TRS and ERS contributions	9,541,162	
2024 ERS accrued contribution	799,337	
2023 ERS accrued contribution	(672,073)	
2024 TRS pension expense	(13,157,392)	
2024 ERS pension expense	<u>(4,484,937)</u>	(7,973,903)

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. (6,175,481)

Payments of long-term liabilities are reported as expenditures in governmental funds and as a reduction of debt in the statement of net position. 9,512,892

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:

Amortization of bond premiums	575,068	
Compensated absences and other benefits	(1,992,000)	
Interest	<u>(143,000)</u>	(1,559,932)

Change in net position - governmental activities \$ (1,917,845)

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, 2024

	Budgeted Amounts		Actual	Encumbrances	Variance with Final Budget Over/(Under)
	Original	Final	(Budgetary Basis)		
Revenues					
Local sources					
Real property taxes	\$ 83,005,322	\$ 83,005,322	\$ 83,055,500		\$ 50,178
Real property tax items	11,255,778	11,255,778	11,263,627		7,849
Nonproperty taxes	10,250,000	10,250,000	11,035,683		785,683
Charges for services	2,345,000	2,605,000	2,967,889		362,889
Use of money and property	1,022,600	1,022,600	4,222,918		3,200,318
Sale of property and compensation for loss	14,200	14,200	508,587		494,387
Miscellaneous	646,000	646,000	779,897		133,897
State sources	69,163,401	69,163,401	71,857,153		2,693,752
Federal sources	201,000	201,000	380,608		179,608
Total revenues	177,903,301	178,163,301	186,071,862		7,908,561
Expenditures					
General support					
Board of education	96,263	96,263	72,540	53	(23,670)
Central administration	359,000	355,993	342,113	-	(13,880)
Finance	936,253	1,292,857	1,210,815	220	(81,822)
Staff	1,622,555	1,608,940	1,394,572	32,060	(182,308)
Central services	13,178,590	11,913,571	11,473,842	138,756	(300,973)
Special items	2,208,021	2,238,253	2,123,760	-	(114,493)
Instruction					
Instruction, administration, and improvement	7,196,607	7,796,457	7,194,387	4,201	(597,869)
Teaching - regular school	55,353,471	55,059,097	51,775,707	406,452	(2,876,938)
Programs for children with handicapping conditions	25,433,529	26,118,404	25,949,447	105,920	(63,037)
Occupational education	5,361,251	5,356,420	5,125,964	-	(230,456)
Teaching - special schools	614,050	614,050	345,356	20	(268,674)
Instructional media	3,561,496	3,643,391	3,457,077	10,022	(176,292)
Pupil services	7,902,209	7,797,489	7,559,705	22,821	(214,963)
Pupil transportation	6,681,974	6,552,408	6,364,479	162,147	(25,782)
Community services	317,817	317,817	276,772	16,889	(24,156)
Employee benefits	40,642,008	40,805,004	39,468,381	91,944	(1,244,679)
Debt service					
Principal	10,816,171	10,861,751	10,834,592	-	(27,159)
Interest	4,445,047	4,585,147	4,516,786	-	(68,361)
Total expenditures	186,726,312	187,013,312	179,486,295	991,505	(6,535,512)
Excess revenues (expenditures)	(8,823,011)	(8,850,011)	6,585,567	(991,505)	14,444,073
Other financing sources (uses)					
Operating transfers in	100,000	100,000	293,198		193,198
Operating transfers out	(400,000)	(9,039,777)	(9,039,138)		(639)
Premiums on debt	-	-	397,819		397,819
Appropriated reserves	2,482,413	11,149,190	-		(11,149,190)
Appropriated fund balance and carryover encumbrances	6,640,598	6,640,598	-		(6,640,598)
Total other financing sources (uses)	8,823,011	8,850,011	(8,348,121)		(17,198,132)
Excess revenues (expenditures) and other financing sources (uses)	\$ -	\$ -	\$ (1,762,554)	\$ (991,505)	\$ (2,754,059)

See accompanying notes.

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Statement of Fiduciary Net Position - Custodial Fund

June 30, 2024

Assets

Cash \$ 282,864

Liabilities

Due to other governments 741

Net Position

Extraclassroom activity balances \$ 282,123

* * *

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position - Custodial Fund

For the year ended June 30, 2024

Additions

Student activity additions \$ 534,840

Deductions

Student activity deductions 529,878

Change in net position 4,962

Net position - beginning 277,161

Net position - ending \$ 282,123

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, 2024, the District was billed \$11,143,000 for BOCES administrative and program costs and recognized revenue of \$392,000 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) capital 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. 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 GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2023, 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, 2024, the tax lien was issued on August 8, 2023 for collection from September 15 through November 30, 2023. 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, 2024, the impact of tax abatements through ECIDA amounted to \$1,306,000.

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, 2023 was approved by a majority of the voters in a general election held on May 16, 2023.

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 through budget appropriations.

Cash and Investments

Cash and investment management is governed by State laws and as established in the District's written policies. Cash must be deposited in FDIC-insured commercial banks or trust companies located within the State. The District's policies permit the Treasurer to use demand and time accounts, certificates of deposit, obligations of the United States Treasury and its Agencies, and obligations of the State or its localities, including those held under repurchase agreements or in external investment pools.

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. 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. At June 30, 2024, the District's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institution's trust departments through a perfected security interest in pledged assets and by the pledging institutions' agents.

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 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.

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 for 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	\$ 222,463
Life insurance	880,000
Restricted:	
Capital	3,252,267
Debt service	5,359,438
Employee benefit accrued liability	1,874,402
Workers’ compensation	1,042,211
Retirement contribution	8,683,662
Unemployment insurance	720,329
Repair	1,699,145
Tax certiorari	235,969
Insurance	5,777,145
Scholarships	99,285
Assigned:	
Designated for subsequent year	5,338,105
Encumbrances	991,505
Food service	4,617,812
Unassigned	(16,760,603)
	<u>\$ 24,033,135</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. In 2021, the voters approved a capital reserve of \$20,000,000, which has been funded to \$2,931,395. Amounts remaining and available for use in the general fund at June 30, 2024 total \$3,252,267.
- *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, 2024, the retirement contribution reserve includes \$3,683,066 for TRS and \$5,000,596 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, 2024 include \$301,000 for equipment and \$264,000 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 \$24,427,741 will be funded when bond anticipation notes are redeemed from subsequent budget appropriations or converted to permanent financing.

3. Investments

At June 30, 2024, the District's investments were held in an external investment pool comprised of U.S. Treasury Securities, repurchase agreements, and deposits held by custodian banks. Investments are recognized at fair value using quoted prices for similar assets and liabilities in active markets. The external investment pool issues its own financial statements which are included in its annual report available at www.newyorkclass.org.

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 by S&P 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, 2024 is 38 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 72 days.

4. Interfund Transactions – Fund Financial Statements

Fund	Receivable	Payable	Transfers	
			In	Out
General	\$ 4,788,084	\$ -	\$ 293,198	\$ 9,039,138
Capital projects	-	39,517	8,566,777	102,182
Special aid	-	4,453,891	472,361	-
Food service	-	294,676	-	191,016
	<u>\$ 4,788,084</u>	<u>\$ 4,788,084</u>	<u>\$ 9,332,336</u>	<u>\$ 9,332,336</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 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 capital projects fund to the general fund is for unexpended project funds. The amount transferred from the school lunch fund to the general fund is to reimburse the general fund for administrative costs. All such transfers are considered permanent.

5. Capital Assets

	July 1, 2023	Increases	Retirements/ Reclassifications	June 30, 2024
Non-depreciable and non-amortizable capital assets:				
Land	\$ 1,877,916	\$ -	\$ -	\$ 1,877,916
Construction in progress	19,305,629	24,198,984	-	43,504,613
Total non-depreciable and non-amortizable assets	21,183,545	24,198,984	-	45,382,529
Depreciable capital assets:				
Land improvements	3,116,507	-	-	3,116,507
Buildings and improvements	200,487,861	5,507	-	200,493,368
Furniture and equipment	13,804,000	2,293,533	(97,827)	15,999,706
Vehicles	14,918,555	1,739,433	(511,099)	16,146,889
Total depreciable assets	232,326,923	4,038,473	(608,926)	235,756,470
Accumulated depreciation:				
Land improvements	(2,975,593)	(7,242)	-	(2,982,835)
Buildings and improvements	(58,014,800)	(3,807,476)	-	(61,822,276)
Furniture and equipment	(6,774,739)	(1,450,111)	94,882	(8,129,968)
Vehicles	(10,490,086)	(1,159,747)	511,099	(11,138,734)
Total accumulated depreciation	(78,255,218)	(6,424,576)	605,981	(84,073,813)
Total depreciable assets, net	154,071,705	(2,386,103)	(2,945)	151,682,657
Right-to-use lease assets:				
Equipment	1,411,720	23,610	(294,717)	1,140,613
Accumulated amortization	(804,391)	(223,522)	235,736	(792,177)
Total right-to-use assets, net	607,329	(199,912)	(58,981)	348,436
	\$ 175,862,579	\$ 21,612,969	\$ (61,926)	\$ 197,413,622

Depreciation and amortization expense has been allocated to the following functions: general support \$545,804, instruction \$5,687,131, pupil transportation \$319,918, and school lunch \$95,245.

As of June 30, 2024, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation and amortization	\$ 197,413,622
Lease liability	(14,988)
Bonds, energy performance contracts, and related premiums	(68,501,003)
Bonds anticipation notes, net of unspent proceeds	(26,179,362)
	<u>\$ 102,718,269</u>

6. Short-Term Debt

Bond anticipation notes (BANs) outstanding at June 30, 2024 amounted to \$47,557,400 (\$39,279,100 as of June 30, 2023). In 2024, BANs of \$1,321,700 were redeemed from appropriations and \$37,957,400 was reissued into new BANs totaling \$47,557,400 with interest at 4.5%. Subsequent to June 30, 2024, the District also issued BANs of \$2,670,700, with interest at 4.25%, to refinance a BAN and to finance capital projects.

7. Long-Term Liabilities

	July 1, 2023	Increases	Decreases	June 30, 2024	Amount Due in One Year
Leases	\$ 198,390	\$ -	\$ 183,402	\$ 14,988	\$ 14,988
Bonds	72,831,499	-	9,219,838	63,611,661	9,072,999
Bond premiums	5,464,410	-	575,068	4,889,342	-
Energy performance contracts	109,652	-	109,652	-	-
Compensated absences	13,580,000	256,000	-	13,836,000	1,025,000
Other employee benefits	7,333,000	1,940,000	-	9,273,000	2,176,000
	<u>\$ 99,516,951</u>	<u>\$ 2,196,000</u>	<u>\$ 10,087,960</u>	<u>\$ 91,624,991</u>	<u>\$ 12,288,987</u>

Existing Obligations

Description	Maturity	Rate	Balance
2013 Qualified Zone Academy bonds	June 2028	0.53%	\$ 1,396,066
2013 Qualified Zone Academy bonds	June 2028	0.53%	8,655,595
2014 Qualified Zone Academy bonds	June 2028	0.39%	1,130,000
2015 Qualified Zone Academy bonds	June 2029	0.92%	2,820,000
2016 Qualified Zone Academy bonds	September 2025	0.0%	290,000
2019 Improvement bond	June 2032	2.125%-5.0%	25,940,000
2023 DASNY Serial Bond	August 2027	4.00%	8,130,000
2023 Serial Bond	June 2037	5.00%	15,250,000
Equipment lease – 2020	June 2024	1.26%	14,988
			<u>\$ 63,626,649</u>

Debt Service Requirements

Years ending June 30,	Bonds		Leases	
	Principal	Interest	Principal	Interest
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	4,925,000	884,696	-	-
2030-2034	16,635,000	2,520,150	-	-
2035-2037	4,350,000	436,750	-	-
	<u>\$ 63,611,661</u>	<u>\$ 10,122,759</u>	<u>\$ 14,988</u>	<u>\$ 102</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 9.76% for 2024. 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 2024, these rates ranged from 9.6% - 19.9%.

The amount outstanding and payable to TRS for the year ended June 30, 2024 was \$6,866,763. A liability to ERS of \$799,337 is accrued based on the District’s legally required contribution for employee services rendered from April 1 through June 30, 2024.

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

At June 30, 2024, District reported a liability of \$4,706,172 for its proportionate share of the TRS net pension position and a liability of \$9,775,480 for its proportionate share of the ERS net pension position.

The TRS total pension liability at the June 30, 2023 measurement date was determined by an actuarial valuation as of June 30, 2022, with update procedures applied to roll forward the total pension liability to June 30, 2023. 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, 2023, the District’s proportion was 0.411528%, an increase of 0.011752 from its proportion measured as of June 30, 2022.

The ERS total pension liability at the March 31, 2024 measurement date was determined by an actuarial valuation as of April 1, 2023, with update procedures applied to roll forward the total pension liability to March 31, 2024. 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 March 31, 2024, the District’s proportion was 0.0663913%, an increase of 0.0041841 from its proportion measured as of March 31, 2023.

For the year ended June 30, 2024, the District recognized net pension expense of \$17,642,329 on the government-wide statements (TRS expense of \$13,157,392 and ERS expense of \$4,484,937). At June 30, 2024, 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	\$ 11,411,214	\$ (28,202)	\$ 3,148,674	\$ (266,552)
Changes of assumptions	10,132,247	(2,208,268)	3,695,889	-
Net difference between projected and actual earnings on pension plan investments	2,405,701	-	-	(4,775,270)
Changes in proportion and differences between contributions and proportionate share of contributions	92,866	(1,073,762)	731,480	(100,655)
District contributions subsequent to the measurement date	6,866,763	-	799,337	-
	<u>\$ 30,908,791</u>	<u>\$ (3,310,232)</u>	<u>\$ 8,375,380</u>	<u>\$ (5,142,477)</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
2025	\$ 1,749,001	\$ (1,605,883)
2026	(2,644,713)	2,023,279
2027	18,727,393	2,974,440
2028	1,273,595	(958,270)
2029	990,470	-
Thereafter	636,050	-
	<u>\$ 20,731,796</u>	<u>\$ 2,433,566</u>

Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2022 valuation, with update procedures used to roll forward the total pension liability to June 30, 2023, 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, 2023 valuation, with update procedures used to roll forward the total pension liability to March 31, 2024, 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%	6.8%	32%	4.0%
Global and international equities	19%	7.2%-7.6%	15%	6.7%
Private equities	9%	10.1%	10%	7.3%
Real estate equities	11%	6.3%	9%	4.6%
Domestic fixed income securities	16%	2.2%	23%	1.5%
Global fixed income securities	2%	1.6%	-	-
Bonds and mortgages	6%	3.2%	-	-
Short-term	1%	0.3%	1%	0.3%
Other	3%	4.4%-6.0%	10%	5.3%-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)	\$ (71,677,378)	\$ (4,706,172)	\$ 51,619,509
District's proportionate share of the ERS net pension asset (liability)	\$ (32,735,109)	\$ (9,775,480)	\$ 7,730,158

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	-
	<u>2,268</u>

Total OPEB Liability

The District’s total OPEB liability of \$69,124,037 was measured as of March 31, 2024 and was determined by an actuarial valuation as of June 30, 2023, rolled forward through an interim valuation to June 30, 2024.

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 2015-2031 for short-term rates and the Society of Actuaries Getzen Long-Term Healthcare Cost Trend Resource Model v2024 version 1b (updated October 2022) for long-term rates, initially 5.1% and an ultimate rate of 3.86% after 2070
- Salary increases* – 3.42%
- 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* – 3.98% based on the Fidelity Municipal GO AA 20-Year Bond rate as of the measurement date
- Inflation rate* – 2.42%

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2023	\$ (64,436,589)
Changes for the year:	
Service cost	(2,195,688)
Interest	(2,437,868)
Changes of benefit terms	(9,896)
Differences between expected and actual experience	(2,800,688)
Changes of assumptions or other inputs	618,270
Benefit payments	<u>2,138,422</u>
Net changes	(4,687,448)
Balance at June 30, 2024	<u>\$ (69,124,037)</u>

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 (2.98%)	Discount Rate (3.98%)	1.0% Increase (4.98%)
Total OPEB liability	<u>\$ (73,680,788)</u>	<u>\$ (69,124,037)</u>	<u>\$ (64,785,652)</u>

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 (4.1% to 2.86%)	Healthcare Cost Trend Rate (5.1% to 3.86%)	1.0% Increase (6.1% to 4.86%)
Total OPEB liability	<u>\$ (62,977,192)</u>	<u>\$ (69,124,037)</u>	<u>\$ (76,169,562)</u>

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended June 30, 2024, the District recognized OPEB expense of \$8,438,652. At June 30, 2024, 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	\$ 13,227,737	\$ (1)
Changes of assumptions or other inputs	25,707	(1,630,494)
Benefit payments subsequent to the measurement date	533,141	-
	<u>\$ 13,786,585</u>	<u>\$ (1,630,495)</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,	
2025	\$ 3,506,315
2026	2,642,887
2027	1,568,917
2028	1,504,127
2029	1,504,127
Thereafter	896,576
	<u>\$ 11,622,949</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
2024	\$ (1,505,000)	\$ (1,253,000)	\$ 987,000	\$ (1,771,000)
2023	\$ (1,579,000)	\$ (419,000)	\$ 493,000	\$ (1,505,000)

Estimated liabilities have been accrued in the general fund to the extent they are expected to be paid with currently available financial resources. On a government-wide basis, the entire liability is included in compensated absences and other benefits.

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 \$250,000 per incident. The changes in reported liabilities are as follows:

	Beginning of Year	Current Claims and Changes in Estimates	Claims Paid	End of Year
2024	\$ (2,750,000)	\$ (17,681,000)	\$ 18,659,000	\$ (1,772,000)
2023	\$ (2,700,000)	\$ (17,126,000)	\$ 17,076,000	\$ (2,750,000)

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 \$61,138,000 and has open commitments to contractors of \$13,505,000.

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. As of the report date of the financial statements, four additional CVA cases remain open and the District's total exposure has not yet been determined.

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Required Supplementary Information (Unaudited)
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,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension position	0.411528%	0.399776%	0.392922%	0.394245%	0.387117%	0.385116%	0.391218%	0.386670%	0.390101%	0.388234%
District's proportionate share of the net pension asset (liability)	\$ (4,706,172)	\$ (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
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
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	(6.19%)	(10.83%)	102.13%	(16.28%)	15.57%	11.10%	4.80%	(6.94%)	69.15%	75.41%
Plan fiduciary net position as a percentage of the total pension liability	99.17%	98.57%	113.20%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%

The following is a summary of changes of assumptions:

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

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Required Supplementary Information (Unaudited)
Schedule of District Contributions
New York State Teachers' Retirement System

For the years ended June 30,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 6,866,763	\$ 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
Contribution in relation to the contractually required contribution	(6,866,763)	(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)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 70,356,178	\$ 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
Contributions as a percentage of covered payroll	9.76%	10.29%	9.80%	9.53%	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Required Supplementary Information (Unaudited)
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,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension position	0.0663913%	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)	\$ (9,775,480)	\$ (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	\$ 21,366,332	\$ 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 asset (liability) as a percentage of its covered payroll	(45.75%)	(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	93.88%	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%	2.9%	2.7%	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	4.4%	4.4%	4.4%	4.4%	4.2%	4.2%	3.8%	3.8%	3.8%	4.9%
Cost of living adjustments	1.5%	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%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	5.9%	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-2021	MP-2020	MP-2020	MP-2018	MP-2014	MP-2014	MP-2014	MP-2014	MP-2014

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

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

For the years ended June 30,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,674,399	\$ 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
Contribution in relation to the contractually required contribution	(2,674,399)	(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)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 21,366,332	\$ 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
Contributions as a percentage of covered payroll	12.52%	11.26%	15.87%	14.32%	14.31%	14.59%	15.15%	15.35%	18.23%	19.61%

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

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

For the years ended June 30,	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability - beginning	\$ (64,436,589)	\$ (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	(2,195,688)	(2,044,272)	(1,802,626)	(510,868)	(445,042)	(460,536)	(463,103)	(482,122)
Interest	(2,437,868)	(1,527,106)	(1,013,210)	(371,356)	(488,436)	(518,916)	(549,562)	(483,469)
Changes of benefit terms	(9,896)	-	-	(27,436,759)	(1,370)	-	(1,245)	-
Differences between expected and actual experience	(2,800,688)	(9,210,462)	(10,146,395)	(1,154,117)	173,991	251,885	457,692	(1,649,734)
Changes of assumptions or other inputs	618,270	262,336	2,243,775	(197,070)	(1,030,951)	(61,539)	(218,651)	505,104
Benefit payments	2,138,422	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	(4,687,448)	(10,885,937)	(9,417,336)	(28,587,832)	(842,504)	70,947	1,286,080	(77,882)
Total OPEB liability - ending	\$ (69,124,037)	\$ (64,436,589)	\$ (53,550,652)	\$ (44,133,316)	\$ (15,545,484)	\$ (14,702,980)	\$ (14,773,927)	\$ (16,060,007)
Covered-employee payroll	\$ 88,504,231	\$ 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	78.1%	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	5.1%-3.86%	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	3.42%	3.53%	3.44%	3.11%	3.22%	3.36%	3.31%	3.31%
Discount rate	3.98%	3.78%	2.83%	2.27%	2.48%	3.44%	3.61%	3.80%
Inflation rate	2.42%	2.53%	2.44%	2.11%	2.22%	2.36%	2.31%	2.20%
Society of Actuaries' mortality scale	MP-2021	MP-2021	MP-2021	MP-2020	MP-2019	MP-2018	MP-2017	MP-2016

Data prior to 2017 is unavailable.

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

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, 2024

Original expenditure budget	\$ 186,035,714
Encumbrances carried over from prior year	1,090,598
Budget amendments:	
Use of reserves	8,666,777
Day school tuition	<u>260,000</u>
Revised expenditure budget	<u>\$ 196,053,089</u>

* * *

Unrestricted Fund Balance

Assigned	\$ 6,329,610
Unassigned	<u>7,667,138</u>
	13,996,748
Encumbrances included in assigned fund balance	(991,505)
Appropriated fund balance used for tax levy	<u>(5,338,105)</u>
Amount subject to 4% limit pursuant to Real Property Tax Law §1318	<u>\$ 7,667,138</u>
§1318 of Real Property Tax Law - unrestricted fund balance limit calculation	
2025 expenditure budget (unaudited)	\$ 191,678,603
4% of budget	<u>7,667,144</u>
Actual percentage of 2025 expenditure budget	<u>4.0%</u>

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Supplementary Information
Schedule of Capital Project Expenditures

June 30, 2024

Project Title	Original Budget	Expenditures		Total	Unexpended Balance
		Prior Years	Current Year		
Smart Schools Bond Act	\$ 4,951,929	\$ 2,414,825	\$ 191,723	\$ 2,606,548	\$ 2,345,381
2020 Capital improvements	75,000,000	38,267,630	22,870,204	61,137,834	13,862,166
	<u>\$ 79,951,929</u>	<u>\$ 40,682,455</u>	<u>\$ 23,061,927</u>	<u>\$ 63,744,382</u>	<u>\$ 16,207,547</u>

Supplementary Information
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2024

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	0032-24-0241	\$ 2,799,972
Special Education Grants to States	84.027	0032-23-0241	13,024
COVID-19 - Special Education Grants to States	84.027	5532-22-0241	209,752
Special Education Preschool Grants	84.173	0033-24-0241	102,737
Special Education Preschool Grants	84.173	0033-23-0241	1,618
COVID-19 - Special Education Preschool Grants	84.173	5533-22-0241	32,121
Total Special Education Cluster			3,159,224
Adult Education - Basic Grants to States	84.002	2338-24-5101	71,889
Title I Grants to Local Educational Agencies	84.010	0011-24-8198	1,465
Title I Grants to Local Educational Agencies	84.010	0021-24-0850	1,460,771
Title I Grants to Local Educational Agencies	84.010	0021-23-0850	223,641
Career and Technical Education - Basic Grants to States	84.048	8000-24-0093	83,250
Career and Technical Education - Basic Grants to States	84.048	8000-23-0093	598
English Language Acquisition State Grants	84.365	0293-24-0850	28,117
English Language Acquisition State Grants	84.365	0293-23-0850	682
Supporting Effective Instruction State Grants	84.367	0147-24-0850	159,035
Supporting Effective Instruction State Grants	84.367	0147-23-0850	112,707
Student Support and Academic Enrichment Program	84.424	0204-24-0850	103,105
Student Support and Academic Enrichment Program	84.424	0204-23-0850	83,955
Education Stabilization Fund:			
Elementary and Secondary School Emergency Relief Fund	84.425D	5891-21-0850	2,064,886
American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	5880-21-0850	3,680,909
American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	5870-24-9152	510,462
American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	5870-23-9152	111,135
Total Education Stabilization Fund			6,367,392
Total U.S. Department of Education			11,855,831
U.S. Department of Justice:			
Passed Through Bureau of Justice Assistance:			
STOP School Violence	16.839	2020-YS-BX-0084	45,771
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	91,437
Passed Through New York State Education Department:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	689,279 ¹
National School Lunch Program	10.555	N/A	2,274,758 ¹
Local Food for Schools Cooperative Agreement Program	10.185	N/A	49,808
Passed Through New York State Office of General Services:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	228,420 ¹
Total U.S. Department of Agriculture			3,333,702
Total Expenditures of Federal Awards			\$ 15,235,304

¹ Total Child Nutrition Cluster - \$3,192,457

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, 2024, the District used \$228,420 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 (GAAP) 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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 10, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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.

September 10, 2024

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, 2024. 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, 2024.

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.

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

September 10, 2024

Schedule of Findings and Questioned Costs

For the year ended June 30, 2024

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
Child Nutrition Cluster:		
National School Lunch Program	10.555	\$ 2,503,178
School Breakfast Program	10.553	689,279
		<u>\$ 3,192,457</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.