

**NORTH MERRICK UNION FREE SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**

**NORTH MERRICK UNION FREE SCHOOL DISTRICT
TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis (MD&A)	3
Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Balance Sheet – Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Statement of Fiduciary Net Position – Fiduciary Funds	21
Notes to Financial Statements	22
Required Supplementary Information other than MD&A:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	47
Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)	49
Schedule of District Pension Contributions	50
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	51
Other Supplementary Information:	
Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund	52
Schedule of Project Expenditures and Financing Resources – Capital Projects Fund	53
Net Investment in Capital Assets	54
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55



R.S. ABRAMS & CO., LLP

Accountants & Consultants for Over 75 years

Robert S. Abrams
(1926-2014)

Marianne E. Van Duyne, CPA
Alexandria M. Battaglia, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
North Merrick Union Free School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the North Merrick Union Free School District as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary fund of the North Merrick Union Free School District as of June 30, 2019, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

ISLANDIA: 3033 EXPRESS DRIVE NORTH, SUITE 100 • ISLANDIA, NY 11749
WHITE PLAINS: 50 MAIN STREET, SUITE 1000 • WHITE PLAINS, NY 10606
PHONE: (631) 234-4444 • FAX: (631) 234-4234

www.rsabrams.com

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in District's total OPEB liability, and the schedule of District's contributions on pages 3 through 14 and 47 through 51, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Merrick Union Free School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2019, on our consideration of the North Merrick Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Merrick Union Free School 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 North Merrick Union Free School District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 7, 2019

**NORTH MERRICK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The North Merrick Union Free School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019 in comparison with the year ended June 30, 2018, with emphasis on the current year. This should be read in conjunction with the financial statements and notes, which immediately follow this section.

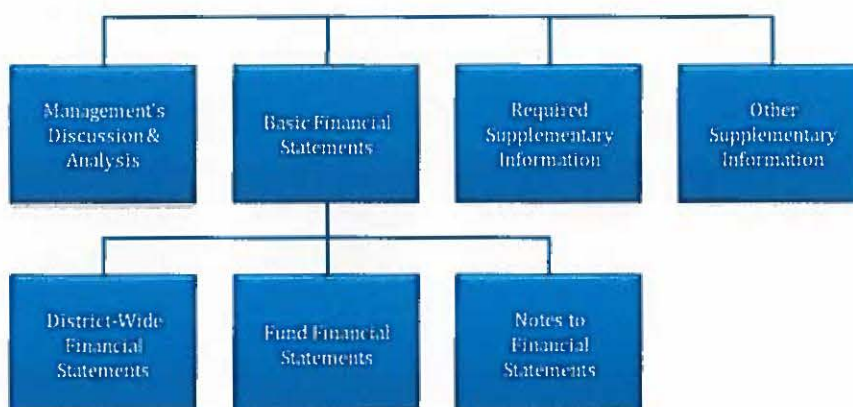
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2019 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, decreased by \$2,220,921. This was due to expenses exceeding revenues based on the economic resources measurement focus and the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$34,116,379. Of this amount, \$1,114,165 was offset by program charges for services and operating grants. General revenues of \$30,781,293 amount to 96.51% of total revenues and were not adequate to cover the balance of program expenses.
- The general fund's total fund balance, as reflected in the fund financial statements, decreased by \$238,235. This was due to expenditures and other uses exceeding revenues and other sources based on the current financial resources measurement focus and the modified accrual basis of accounting.
- On May 18, 2017, the District issued serial bonds in the amount of \$14,650,000 to fund improvements to the District's facilities. As of June 30, 2019, the District has expended \$14,526,230 related to these capital projects.
- The District's 2019 property tax levy of \$22,761,266 was a 3.34% increase over the 2018 tax levy. The District's property tax cap was 3.38%.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



NORTH MERRICK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A. District-Wide Financial Statements

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

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

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities

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

B. Fund Financial Statements

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

Governmental Funds

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

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

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, the reader may better

NORTH MERRICK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Fiduciary Funds

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position decreased by \$2,220,921 between fiscal year 2019 and 2018. The decrease is due to expenses in excess of revenues based on the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Assets				
Current and Other Assets	\$ 9,493,976	\$ 14,680,287	\$ (5,186,311)	(35.33)%
Capital Assets, Net	19,892,087	16,619,283	3,272,804	19.69 %
Net Pension Asset - Proportionate Share	<u>1,551,031</u>	<u>639,489</u>	<u>911,542</u>	142.54 %
Total Assets	<u>30,937,094</u>	<u>31,939,059</u>	<u>(1,001,965)</u>	(3.14)%
Deferred Outflows of Resources	<u>14,398,842</u>	<u>9,946,670</u>	<u>4,452,172</u>	44.76 %
Liabilities				
Current and Other Liabilities	2,870,045	3,922,402	(1,052,357)	(26.83)%
Long-Term Liabilities	17,444,712	18,258,948	(814,236)	(4.46)%
Net Pension Liability - Proportionate Share	<u>733,809</u>	<u>346,541</u>	<u>387,268</u>	111.75 %
Total OPEB Obligation	<u>34,703,139</u>	<u>28,647,227</u>	<u>6,055,912</u>	21.14 %
Total Liabilities	<u>55,751,705</u>	<u>51,175,118</u>	<u>4,576,587</u>	8.94 %
Deferred Inflows of Resources	<u>3,963,339</u>	<u>2,868,798</u>	<u>1,094,541</u>	38.15 %
Net Position				
Net Investment in Capital Assets	6,100,857	6,243,712	(142,855)	(2.29)%
Restricted	4,345,617	4,474,432	(128,815)	(2.88)%
Unrestricted (Deficit)	<u>(24,825,582)</u>	<u>(22,876,331)</u>	<u>(1,949,251)</u>	(8.52)%
Total Net Position (Deficit)	<u>\$ (14,379,108)</u>	<u>\$ (12,158,187)</u>	<u>\$ (2,220,921)</u>	(18.27)%

The decrease in current and other assets is primarily related to decreases in cash, as a result of the current year's capital outlay.

NORTH MERRICK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The capital assets, net increase is due to capital asset additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 8 "Capital Assets" provides additional information.

Net pension asset – proportionate share represents the District's share of the New York State Teachers' Retirement System's net pension asset at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 11 "Pension Plans – New York State", provides additional information.

Deferred outflows of resources represents contributions to the pension plans subsequent to the measurement dates and actuarial adjustments at the retirement and OPEB plan level that will be amortized in future years.

The decrease in current and other liabilities is primarily due to decreases in the District's accounts payable and the compensated absences liability for unpaid retirees effective June 30, 2019.

The long-term liabilities decrease is due to the repayment of the current maturity of the bond indebtedness of \$735,000 and a decrease in the long-term compensated absences liability.

Net pension liability – proportionate share represents the District's share of the New York State and Local Employees' Retirement System's net pension liability at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 11 "Pension Plans – New York State", provides additional information.

The total other postemployment benefits (OPEB) obligation increase is based on the actuarial valuation for the plan. The accompanying Notes to Financial Statements, Note 13 "Postemployment Healthcare Benefits", provides additional information.

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

The net investment in capital assets is the investment in capital assets at cost such as land; construction in progress; buildings and improvements; site improvements; and, furniture and equipment, net of depreciation and related outstanding debt. This number decreased from the prior year as follows:

	<u>Increase (Decrease)</u>
Capital asset additions - total	\$ 3,596,820
Additions financed by debt	(4,150,659)
Principal debt reduction of construction bonds	735,000
Depreciation expense	<u>(324,016)</u>
	<u>\$ (142,855)</u>

The restricted net position relates to the District's reserves. This number decreased from the prior year principally due to the appropriation of reserves to fund current year expenses of \$764,273 in excess of transfers into the reserves in the amount of \$607,000 and interest earned on reserves of \$28,458.

The unrestricted deficit amount relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state

NORTH MERRICK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the OPEB obligation.

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2019 and 2018 is as follows:

	2019	2018	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 557,823	\$ 786,221	\$ (228,398)	(29.05)%
Operating Grants	556,342	681,920	(125,578)	(18.42)%
General Revenues				
Property Taxes and STAR	22,761,266	22,039,524	721,742	3.27 %
State Sources	7,447,919	7,224,994	222,925	3.09 %
Other	572,108	519,349	52,759	10.16 %
Total Revenues	<u>31,895,458</u>	<u>31,252,008</u>	<u>643,450</u>	2.06 %
Expenses				
General Support	5,993,328	5,761,441	231,887	4.02 %
Instruction	26,796,547	26,474,789	321,758	1.22 %
Pupil Transportation	523,071	533,561	(10,490)	(1.97)%
Debt Service - Interest	411,324	380,020	31,304	8.24 %
Food Service Program	392,109	401,620	(9,511)	(2.37)%
Total Expenses	<u>34,116,379</u>	<u>33,551,431</u>	<u>564,948</u>	1.68 %
Decrease in Net Position	<u>\$ (2,220,921)</u>	<u>\$ (2,299,423)</u>	<u>\$ 78,502</u>	3.41 %

The District's net position decreased by \$2,220,921 and \$2,299,423 for the years ended June 30, 2019 and 2018, respectively.

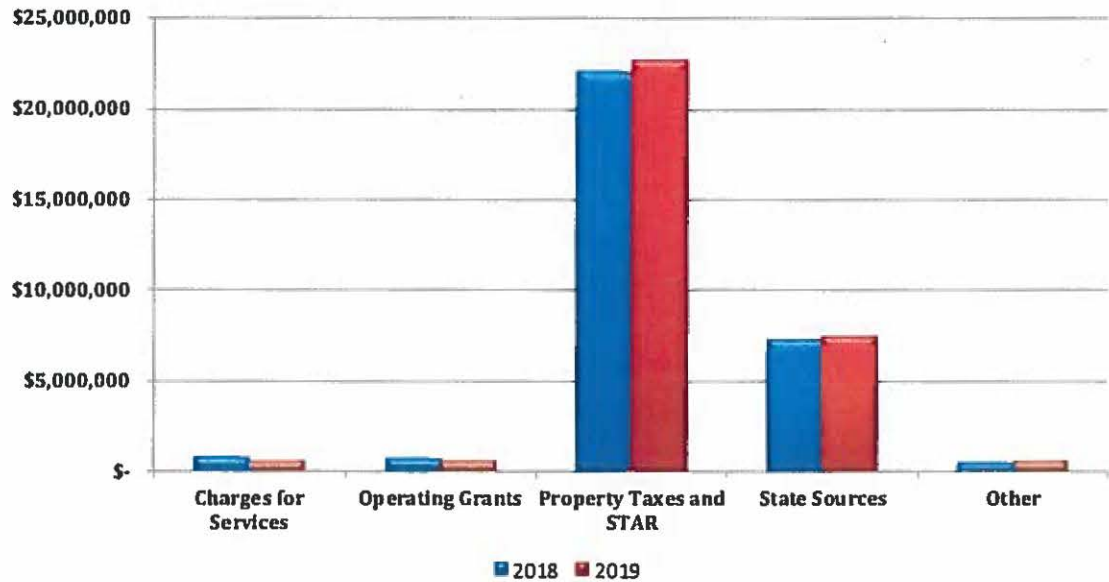
The District's revenues increased by \$643,450 or 2.06%. This increase was primarily due to increases in property taxes and STAR, and state sources. The increase in property taxes and STAR is due to an increase in the tax levy in accordance with the 2018-2019 budget. The increase in state sources is due to the District receiving more state aid than in prior years. These increases were offset by decreases in charges for services and operating grants. The decrease in charges for services is primarily due to a decrease in tuition received from other districts as a result is a decrease in enrollment. The decrease in operating grants is due to the District receiving less in federal and state grants then it received in the prior year.

The District's expenses for the year increased by \$564,948 or 1.68%. This increase was primarily within general support and instruction.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 71.4% and 70.5% of the total for the years 2019 and 2018, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 78.6% and 78.9% of the total for the years 2019 and 2018, respectively).

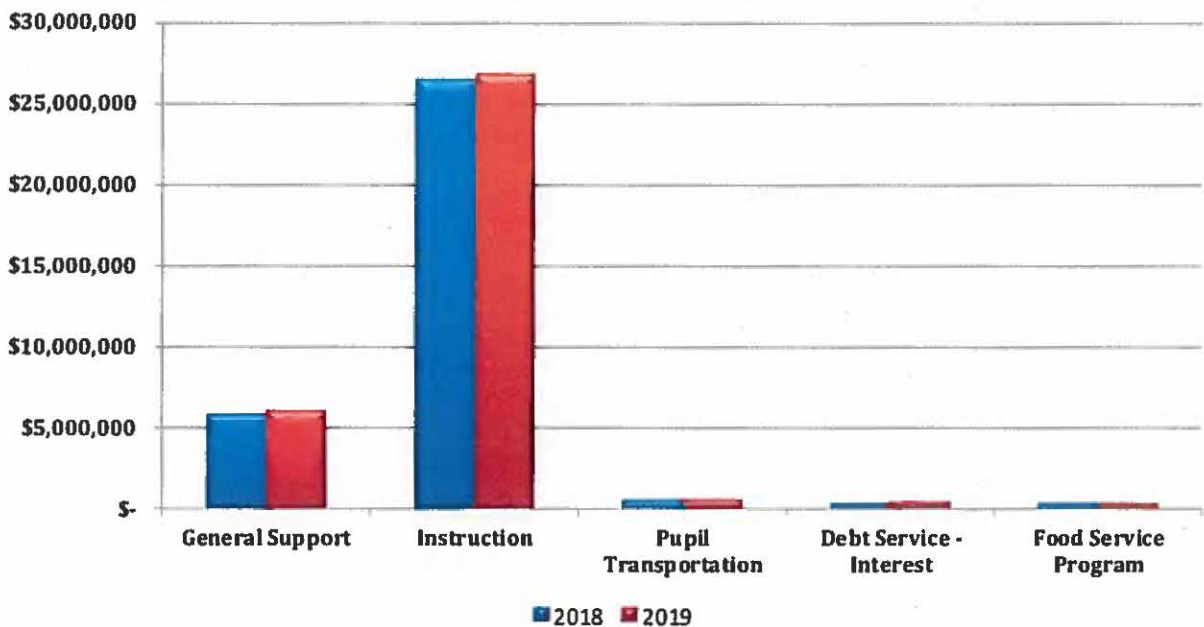
NORTH MERRICK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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



	Charges for Services	Operating Grants	Property Taxes and STAR	State Sources	Other
2018	2.5%	2.2%	70.5%	23.1%	1.7%
2019	1.7%	1.7%	71.4%	23.4%	1.8%

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2018	17.2%	78.9%	1.6%	1.1%	1.2%
2019	17.6%	78.6%	1.5%	1.2%	1.1%

NORTH MERRICK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2019, the District's governmental funds reported a combined fund balance of \$6,645,401, which is a decrease of \$4,119,317 from the prior year. This decrease is due to an excess of expenditures over revenues, primarily in the capital projects fund, based upon the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2019	2018	Increase (Decrease)
General Fund			
Restricted			
Unemployment insurance	\$ 69,965	\$ 74,310	\$ (4,345)
Retirement contribution			
Teachers' retirement system	205,000		205,000
Employees' retirement system	1,620,050	1,919,124	(299,074)
Insurance	144,757	144,299	458
Employee benefit accrued liability	825,111	874,850	(49,739)
Capital	1,426,927	1,422,407	4,520
Assigned:			
Appropriated fund balance	669,000	735,000	(66,000)
Unappropriated fund balance	25,984	80,133	(54,149)
Unassigned: Fund balance	1,323,933	1,298,839	25,094
	<u>6,310,727</u>	<u>6,548,962</u>	<u>(238,235)</u>
 School Food Service Fund			
Nonspendable: Inventory	4,036	3,747	289
Assigned: Unappropriated fund balance	76,859	101,825	(24,966)
	<u>80,895</u>	<u>105,572</u>	<u>(24,677)</u>
 Debt Service Fund			
Restricted debt service	79,736	455,371	(375,635)
 Capital Projects Fund			
Restricted: Unspent bond proceeds	123,770	3,539,429	(3,415,659)
Assigned: Unappropriated fund balance	50,273	115,384	(65,111)
	<u>174,043</u>	<u>3,654,813</u>	<u>(3,480,770)</u>
 Total Fund Balance	<u>\$ 6,645,401</u>	<u>\$ 10,764,718</u>	<u>\$ (4,119,317)</u>

A. General Fund

The net change in the general fund – fund balance is a decrease of \$238,235 for fiscal 2019, compared to a decrease of \$448,802 in fiscal 2018. This resulted from expenditures and other uses of \$31,660,486 in excess of revenues and other sources of \$31,422,251. Revenues and other sources increased by \$1,163,073 (3.84%) over the prior year revenues. This increase was primarily due to increases in property taxes and STAR, and state aid. A \$756,396 combined increase in property taxes, STAR and other taxes items is due to the District increasing the levy to fund increases in appropriations in the 2018-2019 budget. A \$222,925 increase in state sources is due to an increase to the District's basic state aid and in BOCES aid. In addition, the District transferred \$389,706 more than it had in the prior year from the debt service fund. The transfer

NORTH MERRICK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

represents a portion of bond premiums received in the prior year that are offsetting current year debt service expenditures. These increases were offset by a decrease in charges for services as previously noted.

Expenditures and other uses increased by \$952,506 (3.10%) over the prior year. This increase was primarily due to increases in central services, pupil services, employee benefits and debt service principal. These increases were offset by decreases in administration and improvement, teaching – regular school and programs for students with disabilities.

As part of the 2018-2019 budget the District anticipated appropriating \$30,000 from the unemployment insurance reserve and \$603,000 from the State and Local Retirement System contribution reserve. The District also appropriated an additional \$252,520 from the employee benefit accrued liability reserve to fund unanticipated retirement payouts during the year. Actual costs were less than anticipated and the District appropriated \$4,582 from the unemployment insurance reserve and \$507,172 from the State and Local Retirement system contribution reserve. At the end of the fiscal year the District transferred \$202,000 to the State and Local Retirement System contribution reserve to fund future retirement contribution costs, \$200,000 to the employee benefit accrued liability reserve to fund future payments of unused accumulated sick and vacation time and \$205,000 to the Teachers' Retirement System contribution reserve to fund future retirement contribution costs. The District expects to appropriate \$30,000 from the unemployment insurance reserve and \$590,000 from the retirement contribution reserve in the 2019-2020 school year.

In May 2015, the voters of the District authorized the creation of a capital reserve for \$3,000,000 to be funded for a period of 5 years. As of June 30, 2019, \$1,420,000 of funding has been provided to the reserve and the reserve has earned interest in the amount of \$6,927. The combined balance at June 30, 2019 is \$1,426,927.

B. School Food Service Fund

The net change in the school food service fund – fund balance is a decrease of \$24,677, which was the operating loss of the food service program.

C. Debt Service Fund

The net change in the debt service fund-fund balance is a decrease of \$375,635, due to the District using \$390,000 to offset current year debt payments. This was offset by \$14,365 in interest earnings. The District's plan is to use \$78,566 from the debt service fund to offset the debt service costs in the 2019-2020 school year.

D. Capital Projects Fund

The net change in the capital projects fund – fund balance is a decrease of \$3,480,770, primarily due to incurring expenditures on the bond projects during the year.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2018-2019 Budget

The District's general fund adopted budget for the year ended June 30, 2019 was \$32,492,312. This amount was increased by encumbrances carried forward from the prior year in the amount of \$80,133 and a budget revision in the amount of \$252,520 for a total final budget of \$32,824,965. The budget revision was for the appropriation from the employee benefit accrued liability reserve for unanticipated retirement payments.

NORTH MERRICK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$22,761,266 in estimated property taxes and STAR.

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

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

Opening, Unassigned Fund Balance	\$ 1,298,839
Revenues Over Budget	297,939
Expenditures and Encumbrances Under Budget	1,138,495
Unused Appropriated Reserves	(121,246)
Allocation to Reserves	(621,094)
Appropriated to Fund the June 30, 2020 Budget	<u>(669,000)</u>
Closing, Unassigned Fund Balance	<u>\$ 1,323,933</u>

Opening, Unassigned Fund Balance

The \$1,298,839 shown in the table is the portion of the District's June 30, 2018 fund balance that was retained as unassigned. This was 4% of the District's 2018-2019 approved operating budget of \$32,492,312, the maximum unassigned fund balance permitted by law.

Revenues Over Budget

The 2018-2019 final budget for revenues was \$31,124,312. Actual revenues and other financing sources recognized for the year were \$31,422,251. The excess of actual revenue over estimated or budgeted revenue was \$297,939, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2018 to June 30, 2019.

Expenditures and Encumbrances Under Budget

The 2018-2019 final budget for expenditures was \$32,824,965. Actual expenditures and other financing uses as of June 30, 2019 were \$31,660,486 and outstanding encumbrances were \$25,984. Combined, the expenditures plus encumbrances for 2018-2019 were \$31,686,470. The final budget was under expended by \$1,138,495. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2018 to June 30, 2019.

NORTH MERRICK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Unused Appropriated Reserves

In the 2018-2019 budget, \$633,000 of reserves were appropriated to reduce the tax levy. Due to lower than anticipated expenditures, \$121,246 of this funding was not needed and, therefore, it was returned to the reserves for future use.

Allocation to Reserves

Monies transferred into authorized reserves do not affect the total fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers.

The \$(621,094) shown in the above table is due to transfers to fund reserves; \$202,000 to the State and Local Retirement System contribution reserve, \$200,000 to the employee benefit accrued liability reserve and \$205,000 to the Teachers' Retirement System contribution reserve. Additionally, interest earnings of \$14,094 were allocated to the reserves.

Appropriated Fund Balance

The District has chosen to use \$669,000 of the available June 30, 2019 unassigned fund balance to partially fund the 2019-2020 approved operating budget. As such, the June 30, 2019 unassigned fund balance must be reduced by this amount.

Closing Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2019 was \$1,323,933. This amount equals 4.00% of the 2019-2020 budget and is at the statutory limit.

6. CAPITAL ASSETS, DEBT ADMINISTRATION AND OTHER LONG-TERM LIABILITIES

A. Capital Assets

At June 30, 2019, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$3,596,820 less depreciation of \$324,016 recorded for the year ended June 30, 2019. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2019 and 2018 is as follows:

	2019	2018	Increase (Decrease)
Land	\$ 120,104	\$ 120,104	\$ -
Construction in progress	15,126,517	11,648,347	3,478,170
Buildings & building improvements	3,692,730	3,883,448	(190,718)
Site improvements	603,370	666,399	(63,029)
Furniture & equipment	324,464	274,869	49,595
Vehicles	24,902	26,116	(1,214)
Capital assets, net	<u>\$ 19,892,087</u>	<u>\$ 16,619,283</u>	<u>\$ 3,272,804</u>

**NORTH MERRICK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

B. Debt Administration

At June 30, 2019, the District had total bonds payable of \$13,915,000. The bonds were issued on May 18, 2017 for facilities improvements; principal repayments began in the 2018-2019 fiscal year. A summary of the outstanding debt at June 30, 2019 is as follows:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
2017	3.00%	<u>\$ 13,915,000</u>	<u>\$ 14,650,000</u>	<u>\$ (735,000)</u>

The District's latest underlying long-term credit rating from Moody's Investor Service, Inc. is Aa2.

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, net pension liability – proportionate share and total other postemployment benefits obligation. The compensated absences liability is based on employment contracts. The net pension liability – proportionate share and the total other postemployment benefits obligation are based on actuarial valuations.

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Compensated absences payable	\$ 3,200,511	\$ 3,236,934	\$ (36,423)
Net pension liability - proportionate share	733,809	346,541	387,268
Total OPEB obligation	<u>34,703,139</u>	<u>28,647,227</u>	<u>6,055,912</u>
	<u>\$ 38,637,459</u>	<u>\$ 32,230,702</u>	<u>\$ 6,406,757</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, as approved by the voters on May 21, 2019, for the year ending June 30, 2020, is \$33,107,869. This is an increase of \$615,557 or 1.89% over the previous year's budget. The increase is principally in the instructional program (\$221,701) and capital (\$217,483) areas of the budget.

The District budgeted revenues other than property taxes and STAR at a \$72,153 decrease from the prior year's estimate. The assigned, appropriated fund balance applied to the budget in the amount of \$669,000 is a decrease of \$66,000 from the previous year. Additionally, the District has elected to appropriate \$620,00 of reserves towards the next year's budget, which is a decrease of \$13,000 from the previous year. A property tax increase of \$766,710 (3.37%), levy to levy, was needed to meet the funding shortfall and cover the increase in appropriations.

B. Future Budgets

Significant increases in costs of health insurance, the property tax cap and uncertainty in state aid and federal funds will greatly impact the District's future budgets.

**NORTH MERRICK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2019-2020 is 3.41%. The District's 2019-2020 property tax increase of 3.37% was less than the tax cap and did not require an override vote.

D. Property Tax Relief Credit

New York State law provides a "Property Tax Relief Credit" to eligible taxpayers through the 2019-2020 school year. To be eligible, a taxpayer, based on income tax return filings for the taxable two years prior, must be a New York State resident, who owned and primarily resided in real property receiving the STAR exemption, and had adjusted gross income no greater than \$275,000. A taxpayer is ineligible for the tax credit if the real property is located in a school district that adopted a budget in excess of the tax levy limit. Eligible District taxpayers will receive a tax credit in the form of a check. The amount of the credit (check) is a function of the basic STAR savings and the taxpayer's income. This program provides an incentive for the District to be tax cap compliant.

8. CONTACTING THE DISTRICT

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

Mr. Thomas McDaid
Assistant Superintendent Business & Operations
North Merrick Union Free School District
1057 Merrick Avenue
North Merrick, New York 11566

NORTH MERRICK UNION FREE SCHOOL DISTRICT
Statement of Net Position
June 30, 2019

ASSETS

Cash	
Unrestricted	\$ 2,910,941
Restricted	4,495,316
Receivables	
Taxes receivable	837,866
Due from fiduciary funds	22,967
Due from state and federal	1,015,158
Due from other governments	207,692
Inventory	4,036
Capital assets:	
Not being depreciated	15,246,621
Being depreciated, net of accumulated depreciation	4,645,466
Net pension asset - proportionate share	1,551,031
Total Assets	30,937,094

DEFERRED OUTFLOWS OF RESOURCES

Pensions	8,933,617
Other postemployment benefits obligation	5,465,225
Total Deferred Outflows of Resources	14,398,842

LIABILITIES

Payables	
Accounts payable	411,146
Accrued liabilities	190,454
Due to other governments	386,510
Due to teachers' retirement system	1,532,459
Due to employees' retirement system	140,586
Compensated absences payable	191,739
Unearned credits	
Collections in advance	17,151
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	800,572
Due and payable after one year	
Bonds payable, net	13,443,629
Compensated absences payable	3,200,511
Net pension liability - proportionate share	733,809
Total other postemployment benefits obligation	34,703,139
Total Liabilities	55,751,705

DEFERRED INFLOWS OF RESOURCES

Pensions	2,297,323
Other postemployment benefits obligation	1,666,016
Total Deferred Inflows of Resources	3,963,339

NET POSITION (DEFICIT)

Net investment in capital assets	6,100,857
Restricted:	
Unemployment insurance	69,965
Retirement contribution	
Teachers' retirement system	205,000
Employees' retirement system	1,620,050
Insurance	144,757
Employee benefit accrued liability	825,111
Capital	1,426,927
Debt service	53,807
	4,345,617
Unrestricted (deficit)	(24,825,582)
Total Net Position (Deficit)	\$ (14,379,108)

NORTH MERRICK UNION FREE SCHOOL DISTRICT

Statement of Activities
For The Year Ended June 30, 2019

		<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS				
General support	\$ 5,993,328	\$	\$	\$ (5,993,328)
Instruction	26,796,547	265,323	483,394	(26,047,830)
Pupil transportation	523,071			(523,071)
Debt service - interest	411,324			(411,324)
Food service program	392,109	292,500	72,948	(26,661)
	<u>\$ 34,116,379</u>	<u>\$ 557,823</u>	<u>\$ 556,342</u>	<u>(33,002,214)</u>
GENERAL REVENUES				
Real property taxes				19,628,744
Other tax items				3,454,647
Use of money and property				88,085
Sale of property and compensation for loss				58,518
Miscellaneous				95,183
State sources				7,447,919
Medicaid reimbursement				<u>8,197</u>
Total General Revenues				<u>30,781,293</u>
Change in Net Position				(2,220,921)
Total Net Position (Deficit) - Beginning of Year				<u>(12,158,187)</u>
Total Net Position (Deficit) - End of Year				<u>\$ (14,379,108)</u>

NORTH MERRICK UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2019

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 2,298,171	\$ 20,669	\$ 189,012	\$	\$ 403,089	\$ 2,910,941
Restricted	4,371,546				123,770	4,495,316
Receivables						
Taxes receivable	837,866					837,866
Due from other funds	816,356	26,144		79,736		922,236
Due from state and federal	525,286	483,951	5,921			1,015,158
Due from other governments	207,692					207,692
Inventory			4,036			4,036
Total Assets	<u>\$ 9,056,917</u>	<u>\$ 530,764</u>	<u>\$ 198,969</u>	<u>\$ 79,736</u>	<u>\$ 526,859</u>	<u>\$ 10,393,245</u>
LIABILITIES						
Payables						
Accounts payable	\$ 300,646	\$ 6,915	\$ 38,531	\$	\$ 65,054	\$ 411,146
Accrued liabilities	120,001	878				120,879
Due to other funds	26,144	522,971	62,392		287,762	899,269
Due to other governments	386,510					386,510
Due to teachers' retirement system	1,532,459					1,532,459
Due to employees' retirement system	140,586					140,586
Compensated absences payable	191,739					191,739
Unearned credits						
Collections in advance			17,151			17,151
Total Liabilities	<u>2,698,085</u>	<u>530,764</u>	<u>118,074</u>	<u>-</u>	<u>352,816</u>	<u>3,699,739</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	<u>48,105</u>					<u>48,105</u>
FUND BALANCES						
Nonspendable: Inventory			4,036			4,036
Restricted:						
Unemployment insurance	69,965					69,965
Retirement contribution						
Teachers' retirement system	205,000					205,000
Employees' retirement system	1,620,050					1,620,050
Insurance	144,757					144,757
Employee benefit accrued liability	825,111					825,111
Capital	1,426,927					1,426,927
Debt service				79,736		79,736
Unspent bond proceeds					123,770	123,770
Assigned:						
Appropriated fund balance	669,000					669,000
Unappropriated fund balance	25,984		76,859		50,273	153,116
Unassigned: Fund balance	<u>1,323,933</u>					<u>1,323,933</u>
Total Fund Balances	<u>6,310,727</u>	<u>-</u>	<u>80,895</u>	<u>79,736</u>	<u>174,043</u>	<u>6,645,401</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,056,917</u>	<u>\$ 530,764</u>	<u>\$ 198,969</u>	<u>\$ 79,736</u>	<u>\$ 526,859</u>	<u>\$ 10,393,245</u>

NORTH MERRICK UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Total Governmental Fund Balances \$ 6,645,401

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

The costs of building and acquiring capital assets (land, construction in progress, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 26,166,310	
Less: Accumulated depreciation	<u>(6,274,223)</u>	19,892,087

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

Net pension asset - teachers' retirement system	1,551,031	
Deferred outflows of resources	8,933,617	
Net pension liability - employees' retirement system	(733,809)	
Deferred inflows of resources	<u>(2,297,323)</u>	7,453,516

Total other postemployment benefits obligation and deferred outflows and inflows related to providing benefits in retirement are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	5,465,225	
Total other postemployment benefits obligation	(34,703,139)	
Deferred inflows of resources	<u>(1,666,016)</u>	(30,903,930)

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position. 48,105

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Accrued interest on bonds payable	(69,575)	
Bonds payable	(14,244,201)	
Compensated absences payable	<u>(3,200,511)</u>	(17,514,287)

Total Net Position (Deficit) \$ (14,379,108)

NORTH MERRICK UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2019

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 19,628,744	\$	\$	\$	\$	\$ 19,628,744
Other tax items	3,454,647					3,454,647
Charges for services	265,323					265,323
Use of money and property	73,720			14,365		88,085
Sale of property and compensation for loss	58,518					58,518
Miscellaneous	95,183					95,183
State sources	7,447,919	130,564	5,249			7,583,732
Medicaid reimbursement	8,197					8,197
Federal sources		352,830	67,699			420,529
Sales			292,500			292,500
Total Revenues	31,032,251	483,394	365,448	14,365	-	31,895,458
EXPENDITURES						
General support	4,704,239					4,704,239
Instruction	17,401,922	487,805				17,889,727
Pupil transportation	481,393	21,733				503,126
Employee benefits	7,872,288					7,872,288
Debt service						
Principal	735,000					735,000
Interest	439,500					439,500
Food service program			390,125			390,125
Capital outlay					3,480,770	3,480,770
Total Expenditures	31,634,342	509,538	390,125	-	3,480,770	36,014,775
Excess (Deficiency) of Revenues Over Expenditures	(602,091)	(26,144)	(24,677)	14,365	(3,480,770)	(4,119,317)
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in	390,000	26,144				416,144
Operating transfers (out)	(26,144)			(390,000)		(416,144)
Total Other Financing Sources and (Uses)	363,856	26,144	-	(390,000)	-	-
Net Change in Fund Balances	(238,235)	-	(24,677)	(375,635)	(3,480,770)	(4,119,317)
Fund Balances - Beginning of Year	6,548,962		105,572	455,371	3,654,813	10,764,718
End of Year	\$ 6,310,727	\$ -	\$ 80,895	\$ 79,736	\$ 174,043	\$ 6,645,401

NORTH MERRICK UNION FREE SCHOOL DISTRICT
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, 2019

Net Change in Fund Balances \$ (4,119,317)

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

Long-Term Revenue and Expense Differences

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position.

Decrease in compensated absences payable 36,423

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which, capital outlays exceeded depreciation in the period.

Capital outlays	\$ 3,596,820	
Depreciation expense	(324,016)	
		3,272,804

Long-Term Debt Transactions Differences

The amortization of deferred premium on bond issuance, decreases interest expense in the Statement of Activities. 42,813

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Repayment of bond principal 735,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest increased from June 30, 2018 to June 30, 2019.

	(14,637)	
		763,176

Pension and Other Postemployment Benefits Differences

The change in the proportionate share of the collective pension expense of the state retirement plans and the change in other postemployment benefits expense reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds.

Teachers' retirement system	263,199	
Employees' retirement system	(74,806)	
Other postemployment benefits	(2,362,400)	
		(2,174,007)

Change in Net Position (Deficit) of Governmental Activities \$ (2,220,921)

NORTH MERRICK UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2019

	<u>Agency</u>
ASSETS	
Cash	<u>\$ 100,699</u>
Total Assets	<u><u>\$ 100,699</u></u>
 LIABILITIES	
Due to governmental funds	\$ 22,967
Other liabilities	<u>77,732</u>
Total Liabilities	<u><u>\$ 100,699</u></u>

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Joint Venture

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

C. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants, if applicable.

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Agency Funds - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups and for payroll or employee withholding.

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Measurement Focus and Basis of Accounting

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

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

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

E. Real Property Taxes

Calendar

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

Enforcement

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

Payments In Lieu of Taxes (PILOTs)

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

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Restricted Resources

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

G. Interfund Transactions

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

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

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

A detailed disclosure by individual fund for interfund receivables, payables, transfers in and transfers out activity is provided subsequently in these Notes to Financial Statements.

H. Use of Estimates

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

I. Cash and Cash Equivalents

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

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

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

J. Receivables

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

K. Inventory

Inventory of food in the school food service fund is recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Inventory is accounted for on the consumption method. Under the consumption method, a current asset for the inventory is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods or services are consumed.

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

A portion of fund balance has been classified as nonspendable to indicate that inventory does not constitute available spendable resources.

L. Capital Assets

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

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings & building improvements	\$ 15,000	50 years
Site improvements	15,000	20 years
Furniture & equipment	1,000	5-20 years
Vehicles	1,000	8 years

M. Deferred Outflows of Resources

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

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

N. Collections in Advance

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

O. Deferred Inflows of Resources

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

P. Employee Benefits – Compensated Absences

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

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

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

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

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

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

Q. Other Benefits

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

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

R. Equity Classifications

District-Wide Statements

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

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

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

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

Fund Statements

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

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance includes the inventory, which is recorded in the school food service fund.

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

Unemployment Insurance Reserve

Unemployment Insurance Reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is accounted for in the general fund.

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. These reserves are accounted for in the general fund.

Insurance Reserve

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

Employee Benefit Accrued Liability Reserve

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

Capital Reserve

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

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. The reserve is accounted for in the general fund.

Restricted for Debt Service

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

Restricted – Unspent Bond Proceeds

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

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

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

Fund Balance Classification

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

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

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

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

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

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

economic resource measurement focus of the District-wide statements, compared with the current financial resource measurement focus of the governmental funds.

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

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

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension and Other Postemployment Benefits Differences

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

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for insurance premiums and other postemployment benefit costs as they

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The District appropriated an additional \$252,520 during the year for unanticipated retirement payments funded by the employee benefit accrued liability reserve.

Budgets are adopted annually on a basis consistent with GAAP.

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

B. Encumbrances

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

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

- A. Uncollateralized,
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

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

5. PARTICIPATION IN BOCES

During the year ended June 30, 2019, the District was billed \$1,281,940 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$653,909. Financial statements for the BOCES are available from the BOCES administrative offices at 71 Clinton Road, P.O. Box 9195, Garden City, New York 11530-9195.

6. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2019 consisted of:

General Fund	
New York State - excess cost aid	\$ 217,630
BOCES aid	307,656
	<u>525,286</u>
Special Aid Fund	
Federal and state grants	483,951
School Food Service Fund	
Federal and state food service program reimbursements	5,921
	<u>\$ 1,015,158</u>

District management has deemed these amounts to be fully collectible.

7. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2019 consisted of:

General Fund	
Nassau County	\$ 52,839
Other districts - tuition	135,333
Other districts - health services	7,465
Other	12,055
	<u>\$ 207,692</u>

District management has deemed these amounts to be fully collectible.

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

8. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Governmental activities				
Capital assets not being depreciated				
Land	\$ 120,104	\$	\$	\$ 120,104
Construction in progress	11,648,347	3,480,770	(2,600)	15,126,517
Total capital assets not being depreciated	11,768,451	3,480,770	(2,600)	15,246,621
Capital assets being depreciated				
Buildings & building improvements	8,297,669	2,600		8,300,269
Site improvements	1,565,306			1,565,306
Furniture & equipment	959,406	112,550	(146,632)	925,324
Vehicles	125,290	3,500		128,790
Total capital assets being depreciated	10,947,671	118,650	(146,632)	10,919,689
Less accumulated depreciation for:				
Buildings & building improvements	4,414,221	193,318		4,607,539
Site improvements	898,907	63,029		961,936
Furniture & equipment	684,537	62,955	(146,632)	600,860
Vehicles	99,174	4,714		103,888
Total accumulated depreciation	6,096,839	324,016	(146,632)	6,274,223
Total capital assets, being depreciated, net	4,850,832	(205,366)	-	4,645,466
Capital assets, net	\$ 16,619,283	\$ 3,275,404	\$ (2,600)	\$ 19,892,087

Depreciation expense was charged to governmental functions as follows:

General support	\$ 13,666
Instruction	308,366
Food service program	1,984
Total depreciation expense	\$ 324,016

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

9. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2019, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 816,356	\$ 26,144	\$ 390,000	\$ 26,144
Special Aid Fund	26,144	522,971	26,144	
School Food Service Fund		62,392		
Debt Service Fund	79,736			390,000
Capital Projects Fund		287,762		
Total Governmental Funds	922,236	899,269	\$ 416,144	\$ 416,144
Fiduciary Funds		22,967		
Total	\$ 922,236	\$ 922,236		

The District typically transfers from the general fund to the special aid fund for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools. The transfer from the debt service fund to the general fund represents the return of unexpended amounts on capital projects originally funded by general fund appropriations.

10. LONG-TERM LIABILITIES

A. Changes

Long-term liability balances and activity, excluding pension and other postemployment benefits obligations, for the year are summarized below:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 14,650,000	\$	\$ (735,000)	\$ 13,915,000	\$ 760,000
Add: Premium on obligation	372,014		(42,813)	329,201	40,572
	15,022,014		(777,813)	14,244,201	800,572
Other long-term liabilities:					
Compensated absences	3,236,934		(36,423)	3,200,511	-
	\$ 18,258,948	\$ -	\$ (814,236)	\$ 17,444,712	\$ 800,572

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

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2019
Serial bond - Improvements to facilities	5/18/2017	5/1/2034	3.00%	<u>\$ 13,915,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2020	\$ 760,000	\$ 417,450	\$ 1,177,450
2021	785,000	394,650	1,179,650
2022	810,000	371,100	1,181,100
2023	835,000	346,800	1,181,800
2024	860,000	321,750	1,181,750
2025-2029	4,735,000	1,204,650	5,939,650
2030-2034	5,130,000	447,000	5,577,000
Total	<u>\$ 13,915,000</u>	<u>\$ 3,503,400</u>	<u>\$ 17,418,400</u>

C. Premium on Obligation

In the district-wide statements, the District is amortizing premium received on bonds as a component of interest expense on a weighted average basis as follows:

Year Ending June 30,	Amortization of Premium
2020	\$ 40,572
2021	38,257
2022	35,866
2023	33,401
2024	30,860
2025 - 2029	113,270
2030 - 2034	36,975
Total	<u>\$ 329,201</u>

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Interest Expense

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

Interest paid	\$ 439,500
Less interest accrued in the prior year	(54,938)
Plus interest accrued in the current year	69,575
Less amortization of deferred premiums	<u>(42,813)</u>
Total interest expense on long-term debt	<u>\$ 411,324</u>

11. PENSION PLANS – NEW YORK STATE

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

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

Employees' Retirement System

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

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 9.80% of covered payroll for the TRS' fiscal year ended June 30, 2018. The District's average contribution rate was 14.20% of covered payroll for the ERS' fiscal year ended March 31, 2019.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2019, was \$1,482,062 for TRS and \$507,172 for ERS.

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

At June 30, 2019, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2018, for TRS and March 31, 2019 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS systems in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2018	March 31, 2019
District's proportionate share of the net pension asset/(liability)	\$ 1,551,031	\$ (733,809)
District's portion of the Plan's total net pension asset/(liability)	0.0857750%	0.0103568%
Change in proportion since the prior measurement date	0.0016430	(0.0003805)

For the year ended June 30, 2019, the District recognized pension expense of \$1,218,863 for TRS and \$581,978 for ERS. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 1,159,073	\$ 144,502	\$ 209,953	\$ 49,259
Changes of assumptions	5,421,872	184,450		
Net difference between projected and actual earnings on pension plan investments			1,721,763	188,336
Changes in proportion and differences between the District's contributions and proportionate share of contributions	172,661	227,770	103,386	24,626
District's contributions subsequent to the measurement date	<u>1,482,703</u>	<u>140,586</u>		
Total	<u>\$ 8,236,309</u>	<u>\$ 697,308</u>	<u>\$ 2,035,102</u>	<u>\$ 262,221</u>

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

<u>Year Ending June 30,</u>	<u>TRS</u>	<u>ERS</u>
2020	\$ 1,571,116	\$ 232,756
2021	1,071,983	(84,947)
2022	127,781	30,295
2023	1,068,328	116,397
2024	726,224	
Thereafter	<u>153,072</u>	
	<u>\$ 4,718,504</u>	<u>\$ 294,501</u>

Actuarial Assumptions

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

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2018	March 31, 2019
Actuarial valuation date	June 30, 2017	April 1, 2018
Inflation	2.25%	2.50%
Salary increases	1.90-4.72%	4.20%
Investment rate of return (net of investment expense, including inflation)	7.25%	7.00%
Cost of living adjustments	1.50%	1.30%

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014, applied on a generational basis. Active member mortality rates are based on plan member experience. For ERS, annuitant mortality rates are based on system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

For TRS, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

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

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

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2018		March 31, 2019
Asset type				
Domestic equity	33.0%	5.80%	36.0%	4.55%
International equity	16.0%	7.30%	14.0%	6.35%
Global equity	4.0%	6.70%		
Real estate	11.0%	4.90%	10.0%	5.55%
Private equities	8.0%	8.90%	10.0%	7.50%
Alternative investments			8.0%	3.75-5.68%
Domestic fixed income securities	16.0%	1.30%		
Global fixed income securities	2.0%	0.90%		
High-yield fixed income securities	1.0%	3.50%		
Bonds and mortgages	8.0%	2.80-6.80%	17.0%	1.31%
Short-term	1.0%	0.30%		
Cash			1.0%	-0.25%
Inflation indexed bonds			4.0%	1.25%
	100.0%		100.0%	

Real rates of return are net of long-term inflation assumption of 2.3% for TRS and 2.5% for ERS.

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for TRS and 7.0% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.25% for TRS and 7.00% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.25% for TRS and 6.00% for ERS) or 1 percentage point higher (8.25% for TRS and 8.00% for ERS) than the current rate:

	1% Decrease (6.25)%	Current Assumption (7.25)%	1% Increase (8.25)%
TRS			
District's proportionate share of the net pension asset (liability)	<u>\$ (10,655,838)</u>	<u>\$ 1,551,031</u>	<u>\$ 11,776,996</u>
	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
ERS			
District's proportionate share of the net pension asset (liability)	<u>\$ (3,208,332)</u>	<u>\$ (733,809)</u>	<u>\$ 1,344,965</u>

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	<u>(Dollars in Thousands)</u>	
Measurement date	June 30, 2018	March 31, 2019
Employers' total pension liability	\$ (118,107,254)	\$ (189,803,429)
Plan fiduciary net position	<u>119,915,518</u>	<u>182,718,124</u>
Employers' net pension asset/(liability)	<u>\$ 1,808,264</u>	<u>\$ (7,085,305)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	101.53%	96.27%

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019, are paid to the system in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019, represent employer and employee contributions for the fiscal year ended June 30, 2019, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2019 amounted to \$1,482,703 of employer contributions and \$49,756 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2019, represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$140,586 of employer contributions. Employee contributions are remitted monthly.

12. PENSION PLANS - OTHER

Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the employees for the year ended June 30, 2019, totaled \$832,071.

13. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District provides other postemployment benefits to retired employees and their eligible dependents. The benefits provided to employees upon retirement are based on provisions in various contracts that the District has in place with different classifications of employees. The plan is a single-employer defined benefit healthcare plan primarily administered through the New York State Health Insurance Program – Empire Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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

Employees Covered by Benefit Terms – At July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees, spouses, or beneficiaries currently receiving benefit payments	122
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>248</u>
	<u>370</u>

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Total OPEB Liability

The District's total OPEB liability of \$34,703,139 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%
Discount rate	3.50%
Healthcare cost trend rates	6.10% for 2019, decreasing to an ultimate rate of 4.10% over 57 years
Retirees' share of benefit-related costs	10% - 65% of projected health insurance premiums for retirees

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

Mortality rates were based on RP-2014 adjusted to 2006 total dataset mortality table projected to the valuation date with Scale MP-2018, as appropriate, with adjustments for mortality improvements projected to date of decrement using Scale MP-2018 (generational mortality).

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

C. Changes in the Total OPEB Liability

Balance at June 30, 2018	<u>\$ 28,647,227</u>
Changes for the year	
Service cost	1,577,839
Interest	897,215
Changes of benefit terms	-
Differences between expected and actual experience	(1,897,407)
Changes in assumptions or other inputs	6,118,768
Benefit payments	<u>(640,503)</u>
	<u>6,055,912</u>
Balance at June 30, 2019	<u><u>\$ 34,703,139</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% in 2018 to 3.50% in 2019. In addition, the valuation reflects a change in the inflation rate from 3.0% in 2018 to 2.60% in 2019 and a change in the medical trend rates from 7.5% to 4.5% over seven years in 2018 to 6.10% to 4.10% over 57 years in 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current discount rate:

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

OPEB	1% Decrease (2.50)%	Discount Rate (3.50)%	1% Increase (4.50)%
Total OPEB Liability	<u>\$(41,143,176)</u>	<u>\$(34,703,139)</u>	<u>\$(29,580,346)</u>

Sensitivity of the Total OPEB Liability Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.10-3.10%) or 1 percentage point higher (7.10-5.10%) than the current healthcare cost trend rate:

OPEB	1% Decrease (5.10 decreasing to 3.10%)	Healthcare Cost Trend Rates (6.10 decreasing to 4.10%)	1% Increase (7.10 decreasing to 5.10%)
Total OPEB liability	<u>\$ (29,183,856)</u>	<u>\$ (34,703,139)</u>	<u>\$ (42,599,232)</u>

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year June 30, 2019, the District recognized OPEB expense of \$3,002,903. At June 30, 2019, the District reported deferred outflows of resources 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	\$ 92,648	\$ 1,666,016
Changes of assumptions	<u>5,372,577</u>	
Total	<u>\$ 5,465,225</u>	<u>\$ 1,666,016</u>

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

Year Ending June 30,	Amount
2020	\$ 527,849
2021	527,849
2022	527,849
2023	527,849
2024	527,849
Thereafter	<u>1,159,964</u>
	<u>\$ 3,799,209</u>

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

14. RISK MANAGEMENT

A. General Information

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

B. Public Entity Risk Pool

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

The District participates in the Nassau County Schools Cooperative Workers Compensation Self-Insured Plan (the Workers' Compensation Plan), a risk-sharing pool, to insure workers' compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law to administer claims, finance liability and manage risks related to workers' compensation claims. The District pays an annual assessment determined by the Plan's Board of Trustees. In the event that the Plan has insufficient funds to meet its obligations, the Plan's Board of Trustees may issue supplemental assessments to the Plan's members. Plan members who withdraw or are terminated from the Plan's membership will assume responsibilities for all open and unpaid claims associated with them. As of June 30, 2019, the discounted Workers' Compensation Plan's total liability for unbilled and open claims was \$15,794,170 at a 3.00% discount rate. The Workers' Compensation Plan has assets of \$20,655,439 to pay these liabilities. If the District leaves the plan or if the plan is terminated, the District will be liable for the District's open claims at that time. At June 30, 2019, the District's open claims, discounted 3.00%, are \$356,790.

15. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2019 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2020:

Unemployment Insurance	\$ 30,000
Retirement Contributions	<u>590,000</u>
	<u>\$ 620,000</u>

In addition, \$78,566 of restricted for debt service will be transferred to the general fund pursuant to the 2019-2020 budget.

16. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$669,000 has been appropriated to reduce taxes for the year ending June 30, 2020.

NORTH MERRICK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

17. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2019, the District encumbered the following significant amounts:

Restricted:

Capital Projects Fund	
Capital projects	\$ 108,240

Assigned: Unappropriated Fund Balance:

General Fund	
General Support	24,339
Instruction	1,645
	<u>25,984</u>
	<u>\$ 134,224</u>

B. Grants

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

C. Litigation

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

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$89,614. The minimum remaining operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 86,008
2021	73,618
2022	<u>68,721</u>
	<u>\$ 228,347</u>

18. SUBSEQUENT EVENTS

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

SUPPLEMENTARY INFORMATION

NORTH MERRICK UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 22,761,266	\$ 19,628,744	\$ 19,628,744	\$ -
Other tax items	284,311	3,416,833	3,454,647	37,814
Charges for services	286,000	286,000	265,323	(20,677)
Use of money and property	20,010	20,010	73,720	53,710
Sale of property and compensation for loss			58,518	58,518
Miscellaneous	40,000	40,000	95,183	55,183
Total Local Sources	23,391,587	23,391,587	23,576,135	184,548
State Sources	7,340,725	7,340,725	7,447,919	107,194
Medicaid Reimbursement	2,000	2,000	8,197	6,197
Total Revenues	30,734,312	30,734,312	31,032,251	297,939
OTHER FINANCING SOURCES				
Operating Transfers In	390,000	390,000	390,000	-
Total Revenues and Other Sources	31,124,312	31,124,312	31,422,251	\$ 297,939
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	735,000	735,000		
Prior Year's Encumbrances	80,133	80,133		
Appropriated Reserves	633,000	885,520		
Total Appropriated Fund Balance	1,448,133	1,700,653		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 32,572,445	\$ 32,824,965		

Note to Required Supplementary Information

Budget Basis of Accounting

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

NORTH MERRICK UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 87,300	\$ 87,927	\$ 74,603	\$	\$ 13,324
Central administration	530,550	533,450	501,927		31,523
Finance	678,110	699,649	664,671	14,076	20,902
Staff	116,320	153,732	130,352		23,380
Central services	3,078,195	3,352,004	3,012,102	10,263	329,639
Special items	368,000	322,500	320,584		1,916
Total General Support	4,858,475	5,149,262	4,704,239	24,339	420,684
Instruction					
Administration & improvement	1,018,784	1,007,694	940,920		66,774
Teaching - regular school	9,919,959	9,944,012	9,903,922	845	39,245
Programs for students with disabilities	4,790,368	4,937,718	4,935,709	800	1,209
Teaching - special schools	21,000	32,952	30,344		2,608
Instructional media	492,740	576,109	492,804		83,305
Pupil services	1,080,096	1,137,513	1,098,223		39,290
Total Instruction	17,322,947	17,635,998	17,401,922	1,645	232,431
Pupil Transportation	579,900	489,789	481,393		8,396
Employee Benefits	8,548,623	8,320,280	7,872,288		447,992
Debt Service					
Principal	735,000	735,000	735,000		-
Interest	475,500	468,492	439,500		28,992
Total Debt Service	1,210,500	1,203,492	1,174,500		28,992
Total Expenditures	32,520,445	32,798,821	31,634,342	25,984	1,138,495
OTHER FINANCING USES					
Operating Transfers Out	52,000	26,144	26,144		-
Total Expenditures and Other Uses	\$ 32,572,445	\$ 32,824,965	31,660,486	\$ 25,984	\$ 1,138,495
Net Change in Fund Balance			(238,235)		
Fund Balance - Beginning of Year			6,548,962		
Fund Balance - End of Year			\$ 6,310,727		

Note to Required Supplementary Information

Budget Basis of Accounting

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

See Paragraph on Required Supplementary Information Included in Auditor's Report

NORTH MERRICK UNION FREE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)
Last Six Fiscal Years

<i>Teachers' Retirement System</i>						
	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset/(liability)	0.0857750%	0.0841320%	0.0867460%	0.0875700%	0.0879080%	0.0865900%
District's proportionate share of the net pension asset/(liability)	\$ 1,551,031	\$ 639,489	\$ (929,083)	\$ 9,095,733	\$ 9,792,385	\$ 569,985
District's covered payroll	\$ 13,971,723	\$ 13,306,817	\$ 13,669,218	\$ 13,540,447	\$ 13,299,079	\$ 13,076,288
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	11.10 %	4.81 %	6.80 %	67.17 %	73.63 %	4.36 %
Plan fiduciary net position as a percentage of the total pension liability	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

<i>Employees' Retirement System</i>						
	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0103568%	0.0107373%	0.0100984%	0.0105252%	0.0107264%	0.0107264%
District's proportionate share of the net pension liability	\$ (733,809)	\$ (346,541)	\$ (948,871)	\$ (1,689,322)	\$ (362,364)	\$ (484,710)
District's covered payroll	\$ 3,650,671	\$ 3,544,269	\$ 3,585,354	\$ 3,468,990	\$ 3,412,328	\$ 3,399,625
District's proportionate share of the net pension liability as a percentage of its covered payroll	20.10 %	9.78 %	26.47 %	48.70 %	10.62 %	14.26 %
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%

An additional year of historical information will be added each year, subsequent to the year of implementation until 10 years of historical data is available.

Note to Required Supplementary Information

Teachers' Retirement System

The discount rate decreased from 8.0% to 7.5% to 7.25% as reflected in 2016, 2017 and 2018 above.

Employees' Retirement System

The discount rate decreased from 7.5% to 7.0% as reflected in 2015 and 2016 above.

NORTH MERRICK UNION FREE SCHOOL DISTRICT
Schedule of District Pension Contributions
Last Ten Fiscal Years

Teachers' Retirement System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 1,482,062	\$ 1,362,853	\$ 1,559,559	\$ 1,773,687	\$ 2,305,932	\$ 2,110,120	\$ 1,501,742	\$ 1,420,941	\$ 1,078,361	\$ 747,149
Contributions in relation to the contractually required contribution	1,482,062	1,362,853	1,559,559	1,773,687	2,305,932	2,110,120	1,501,742	1,420,941	1,078,361	747,149
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$13,961,420	\$ 13,971,723	\$ 13,306,817	\$ 13,669,218	\$ 13,540,447	\$ 13,299,079	\$ 13,076,288	\$ 13,046,042	\$ 12,730,464	\$ 12,310,616
Contributions as a percentage of covered payroll	11%	10%	12%	13%	17%	16%	11%	11%	8%	6%

Employees' Retirement System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 507,172	\$ 522,521	\$ 480,601	\$ 563,150	\$ 624,587	\$ 660,258	\$ 692,390	\$ 473,099	\$ 347,192	\$ 262,101
Contributions in relation to the contractually required contribution	507,172	522,521	480,601	563,150	624,587	660,258	692,390	473,099	347,192	262,101
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,682,740	\$ 3,570,870	\$ 3,486,613	\$ 3,614,593	\$ 3,473,662	\$ 3,410,183	\$ 3,325,573	\$ 3,286,350	\$ 2,946,070	\$ 3,031,616
Contributions as a percentage of covered payroll	14%	15%	14%	16%	18%	19%	21%	14%	12%	9%

NORTH MERRICK UNION FREE SCHOOL DISTRICT
Schedule of the Changes in The District's Total OPEB Liability and Related Ratios
Last Two Fiscal Years

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 1,577,839	\$ 1,390,855
Interest	897,215	839,883
Changes in benefit terms	-	-
Differences between expected and actual experience	(1,897,407)	118,746
Changes of assumptions or other inputs	6,118,768	-
Benefit payments	<u>(640,503)</u>	<u>(610,455)</u>
Net change in total OPEB liability	6,055,912	1,739,029
Total OPEB liability, beginning	<u>28,647,227</u>	<u>26,908,198</u>
Total OPEB liability, ending	<u><u>\$ 34,703,139</u></u>	<u><u>\$ 28,647,227</u></u>
Covered employee payroll	\$ 17,392,279	\$ 17,000,446
Total OPEB liability as a percentage of covered employee payroll	199.53%	168.51%

An additional year of historical information will be added each year, subsequent to the year of implementation until 10 years of historical data is available.

Note to Required Supplementary Information

Trust Assets

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay benefits.

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

The discount rate decreased from 3.87% in 2018 to 3.50% in 2019. The inflation rate decreased from 3.0% in 2018 to 2.60% in 2019 and the medical trend rates decreased from 7.50% to 4.50% over 7 years in 2018 to 6.10% to 4.10 over 57 years in 2019.

NORTH MERRICK UNION FREE SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For The Year Ended June 30, 2019

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 32,492,312
Additions:	
Prior year's encumbrances	<u>80,133</u>
Original Budget	32,572,445
Budget revision	<u>252,520</u>
Final Budget	<u><u>\$ 32,824,965</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-2020 voter-approved expenditure budget	<u><u>\$ 33,107,869</u></u>
Maximum allowed (4% of 2019-2020 budget)	<u><u>\$ 1,324,315</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 694,984
Unassigned fund balance	<u>1,323,933</u>
	\$ 2,018,917
Less:	
Appropriated fund balance	669,000
Encumbrances	<u>25,984</u>
Total adjustments	<u>694,984</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u><u>\$ 1,323,933</u></u>
Actual Percentage	4.00%

NORTH MERRICK UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources - Capital Projects Fund
For The Year Ended June 30, 2019

PROJECT TITLE	Budget		Expenditures			Unexpended Balance	Methods of Financing			Fund Balance	
	June 30, 2018	June 30, 2019	Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	June 30, 2019
HDF solar panels	\$ 73,157	\$ 73,157	\$ 2,600	\$	\$ 2,600	\$ 70,557	\$	\$ 73,157	\$	\$ 73,157	\$ 70,557
OMR garage roof	72,200	62,159	62,159		62,159	-			62,159	62,159	-
School security	480,934	454,259	448,032		448,032	6,227			454,259	454,259	6,227
OMR HVAC	73,000	73,000	44,454	713	45,167	27,833			73,000	73,000	27,833
HDF hot water heater	50,900	50,900	50,438		50,438	462			50,900	50,900	462
HDF HVAC	2,953,127	2,959,163	2,724,505	222,407	2,946,912	12,251	2,959,163			2,959,163	12,251
HDF windows & doors	1,414,565	1,409,599	1,293,864	98,945	1,392,809	16,790	1,409,599			1,409,599	16,790
OMR HVAC	3,123,239	3,178,973	1,939,237	1,237,650	3,176,887	2,086	3,178,973			3,178,973	2,086
OMR windows & doors	1,452,421	1,352,744	1,251,241	98,652	1,349,893	2,851	1,352,744			1,352,744	2,851
Camp HVAC, windows & doors	5,657,748	5,749,521	3,852,824	1,806,905	5,659,729	89,792	5,749,521			5,749,521	89,792
Camp Café Floors	37,913	37,913	37,913		37,913	-			37,913	37,913	-
OMR Café Floors	37,087	24,903	24,903		24,903	-			24,903	24,903	-
OMR gym hallway doors	19,115	19,115	13,761	5,354	19,115	-			19,115	19,115	-
Camp gym hallway doors	21,885	21,885	14,052	4,790	18,842	3,043			21,885	21,885	3,043
HDF gym hall & admin. doors	34,000	34,000	13,338	5,354	18,692	15,308			34,000	34,000	15,308
Totals	\$ 15,501,291	\$ 15,501,291	\$ 11,773,321	\$ 3,480,770	\$ 15,254,091	\$ 247,200	\$ 14,650,000	\$ 73,157	\$ 778,134	\$ 15,501,291	247,200
Grant funds not realized											(73,157)
											\$ 174,043

NORTH MERRICK UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2019

Capital assets, net	<u>\$ 19,892,087</u>
Deductions:	
Short-term portion of bonds payable	760,000
Long-term portion of bonds payable	13,155,000
Less: Unspent bond proceeds	<u>(123,770)</u>
	<u>13,791,230</u>
Net Investment in Capital Assets	<u><u>\$ 6,100,857</u></u>

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

To the Board of Education
North Merrick Union Free School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of the North Merrick Union Free School District, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the North Merrick Union Free School District's basic financial statements, and have issued our report thereon dated October 7, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the North Merrick Union Free School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Merrick Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Merrick Union Free School 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Merrick Union Free School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

R. S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 7, 2019