

**NORTH MERRICK UNION FREE SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2020**

**NORTH MERRICK UNION FREE SCHOOL DISTRICT  
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## 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 year ended June 30, 2020, 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, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***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 50 through 54, 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 13, 2020, 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 13, 2020

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

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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, 2020 in comparison with the year ended June 30, 2019, with emphasis on the current year. This should be read in conjunction with the financial statements and notes to financial statements, which immediately follow this section.

**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2020 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, decreased by \$5,883,083. This was due to expenses exceeding revenues using the economic resources measurement focus and the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$38,389,059. Of this amount, \$1,003,562 was offset by program charges for services and operating grants. General revenues of \$31,502,414 amount to 96.91% 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 \$452,577. This was due to expenditures and other uses exceeding revenues and other sources using 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, 2020, the District has expended \$14,599,276 related to these capital projects.
- The District's 2020 property tax levy of \$23,527,976 was a 3.37% increase over the 2019 tax levy. The District's property tax cap was 3.41%.
- On May 21, 2019, the voters approved the use of the capital reserve in the amount of \$225,000 to fund district-wide improvements. The District transferred the funds during 2019-2020, to the capital projects fund.
- The District's latest underlying long-term credit rating from Moody's Investor Service, Inc. is Aa2.
- On March 16, 2020, all District facilities were closed due to the COVID-19 pandemic. All students began remote instruction from home on March 18, 2020. Students and staff spent about 25% of the school year on remote instruction. The District experienced corresponding decreases in expenditures in some areas of the budget such as substitute employees' payroll, co-curricular activities and overtime payroll costs. Some of these savings were partially offset by increases in unemployment costs. In addition, New York State notified school districts in August 2020 that 20% of the outstanding 2019-2020 state aid scheduled to be paid to school districts in August and September will be withheld because of the State's revenue receipt shortfall caused by the COVID-19 pandemic. Due to the uncertainty as to when the State may release the withheld aid, the District's 2019-2020 state aid revenue has effectively been reduced by the withheld amount of \$113,326.

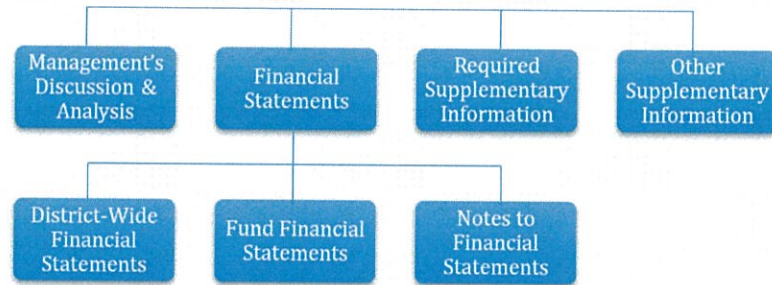
**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

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



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

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**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 when they become measurable and available. It recognizes expenditures in the period when the District incurs the liability, except for certain expenditures such as debt service on general long-term debt, compensated absences, pension costs and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

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

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

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of 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 \$5,883,083 between fiscal year 2020 and 2019. The decrease is due to expenses in excess of revenues using the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2020	2019	Increase (Decrease)	Percentage Change
<b>Assets</b>				
Current and Other Assets	\$ 9,435,761	\$ 9,493,976	\$ (58,215)	(0.61)%
Capital Assets, Net	19,714,299	19,892,087	(177,788)	(0.89)%
Net Pension Asset -				
Proportionate Share	2,173,058	1,551,031	622,027	40.10 %
Total Assets	31,323,118	30,937,094	386,024	1.25 %
<b>Deferred Outflows of Resources</b>	20,220,646	14,398,842	5,821,804	40.43 %
<b>Liabilities</b>				
Current and Other Liabilities	3,189,978	2,870,045	319,933	11.15 %
Long-Term Liabilities	17,017,102	17,444,712	(427,610)	(2.45)%
Net Pension Liability -				
Proportionate Share	2,674,384	733,809	1,940,575	264.45 %
Total OPEB Obligation	44,423,222	34,703,139	9,720,083	28.01 %
Total Liabilities	67,304,686	55,751,705	11,552,981	20.72 %

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

	2020	2019	Increase (Decrease)	Percentage Change
<b>Deferred Inflows of Resources</b>	<u>\$ 4,501,269</u>	<u>\$ 3,963,339</u>	<u>\$ 537,930</u>	13.57 %
<b>Net Position (Deficit)</b>				
Net Investment in Capital Assets	6,610,023	6,100,857	509,166	8.35 %
Restricted	3,911,341	4,345,617	(434,276)	(9.99)%
Unrestricted (Deficit)	<u>(30,783,555)</u>	<u>(24,825,582)</u>	<u>(5,957,973)</u>	(24.00)%
Total Net Position (Deficit)	<u>\$ (20,262,191)</u>	<u>\$ (14,379,108)</u>	<u>\$ (5,883,083)</u>	(40.91)%

The decrease in current and other assets is primarily related to decreases in cash, offset by increases in taxes receivable and amounts due from state and federal.

The decrease in capital assets, net is due to depreciation expense in excess of capital asset additions. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

Net pension asset – proportionate share represents the District's share of the New York State Teachers' Retirement System's collective net pension asset, at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 12 "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 of the pension and OPEB plans that will be amortized in future years.

The increase in current and other liabilities is primarily due to increases in the District's accounts payable, accrued liabilities and amounts due to other governments, offset by decreases in the compensated absences liability for unpaid retirees effective June 30, 2020, and amounts due to teachers' retirement system.

The decrease in long-term liabilities is the result of the repayment of the current maturity of the bond indebtedness, net of an increase 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 12 "Pension Plans – New York State", provides additional information.

The total other postemployment benefits (OPEB) obligation increased, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 14 "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, net of accumulated depreciation and related outstanding debt. The accompanying Other Supplementary Information, Schedule of Net Investment in Capital Assets provides additional information.

The restricted net position 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 in excess of transfers into the reserves, and interest earned on reserves.



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

The unrestricted deficit amount relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, certain unfunded liabilities will have the effect of reducing the District's unrestricted net position. One such unfunded liability is the total OPEB obligation. In accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the OPEB 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, 2020 and 2019 is as follows:

	2020	2019	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 426,584	\$ 557,823	\$ (131,239)	(23.53)%
Operating Grants	576,978	556,342	20,636	3.71 %
General Revenues				
Property Taxes and STAR	23,527,976	22,761,266	766,710	3.37 %
State Sources	7,573,562	7,447,919	125,643	1.69 %
Other	400,876	572,108	(171,232)	(29.93)%
Total Revenues	<u>32,505,976</u>	<u>31,895,458</u>	<u>610,518</u>	1.91 %
<b>Expenses</b>				
General Support	6,461,566	5,993,328	468,238	7.81 %
Instruction	30,778,176	26,796,547	3,981,629	14.86 %
Pupil Transportation	467,893	523,071	(55,178)	(10.55)%
Debt Service - Interest	373,078	411,324	(38,246)	(9.30)%
Food Service Program	308,346	392,109	(83,763)	(21.36)%
Total Expenses	<u>38,389,059</u>	<u>34,116,379</u>	<u>4,272,680</u>	12.52 %
Change in Net Position	<u>\$ (5,883,083)</u>	<u>\$ (2,220,921)</u>	<u>\$ (3,662,162)</u>	(164.89)%

The District's net position decreased by \$5,883,083 and \$2,220,921 for the years ended June 30, 2020 and 2019, respectively.

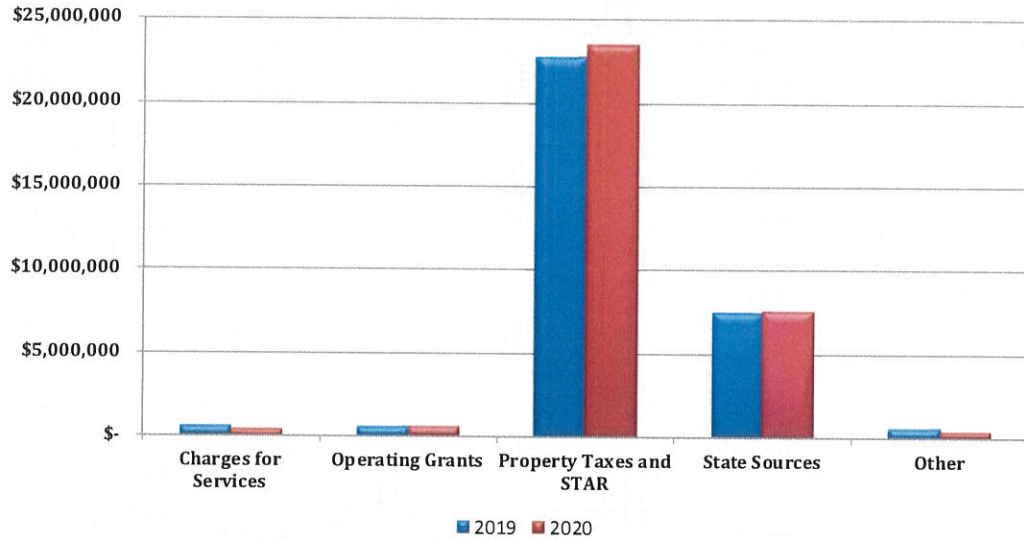
The District's revenues increased by \$610,518 or 1.91%. This increase was primarily due to increases in property taxes and STAR, and state sources. The increase in property taxes and STAR is due to an increase in the tax levy in accordance with the 2019-2020 budget. The increase in state sources is due to the District receiving more Lottery and BOCES aid than in prior years. These increases were offset by decreases in charges for services and other. The decrease in charges for services is primarily due to a decrease in tuition received from other districts as a result of a decrease in enrollment. The decrease in other revenues is due to the District receiving less in interest earnings, insurance recoveries and gifts and donations than it received in the prior year.

The District's total expenses for the year increased by \$4,272,680 or 12.52%. The increase in expense is primarily due to increases in instruction and general support. The primary reason for the increases in instruction and general support is the impact of the net change in other postemployment benefits and pension costs allocated.

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

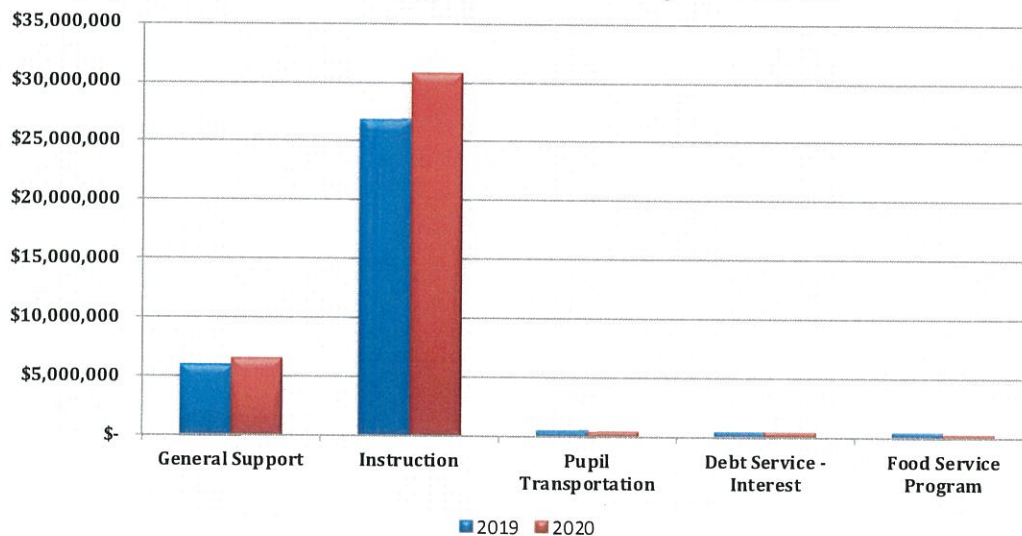
As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 72.4% and 71.4% of the total for the years 2020 and 2019, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 80.2% and 78.6% of the total for the years 2020 and 2019, respectively).

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
2019	1.7%	1.7%	71.4%	23.4%	1.8%
2020	1.3%	1.8%	72.4%	23.3%	1.2%

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2019	17.6%	78.6%	1.5%	1.2%	1.1%
2020	16.8%	80.2%	1.2%	1.0%	0.8%

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

**4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At June 30, 2020, the District's governmental funds reported a combined fund balance of \$6,150,127, which is a decrease of \$495,274 from the prior year. This decrease is due to an excess of expenditures and other financing uses over revenues and other financing sources using the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in the components of fund balance by fund is as follows:

	2020	2019	Increase (Decrease)
<b>General Fund</b>			
Restricted:			
Unemployment insurance	\$ 70,049	\$ 69,965	\$ 84
Retirement contribution:			
Teachers' retirement system	205,396	205,000	396
Employees' retirement system	1,149,707	1,620,050	(470,343)
Insurance	145,037	144,757	280
Employee benefit accrued liability	969,441	825,111	144,330
Capital	1,204,687	1,426,927	(222,240)
Assigned:			
Appropriated fund balance	669,000	669,000	-
Unappropriated fund balance	83,147	25,984	57,163
Unassigned: Fund balance	1,361,686	1,323,933	37,753
	<u>5,858,150</u>	<u>6,310,727</u>	<u>(452,577)</u>
<b>School Food Service Fund</b>			
Nonspendable: Inventory	4,425	4,036	389
Assigned: Unappropriated fund balance	51,455	76,859	(25,404)
	<u>55,880</u>	<u>80,895</u>	<u>(25,015)</u>
<b>Debt Service Fund</b>			
Restricted debt service	1,170	79,736	(78,566)
<b>Capital Projects Fund</b>			
Restricted:			
Capital	165,854		165,854
Unspent bond proceeds	50,724	123,770	(73,046)
Assigned: Unappropriated fund balance	18,349	50,273	(31,924)
	<u>234,927</u>	<u>174,043</u>	<u>60,884</u>
Total Fund Balance	<u>\$ 6,150,127</u>	<u>\$ 6,645,401</u>	<u>\$ (495,274)</u>

**A. General Fund**

The net change in the general fund – fund balance is a decrease of \$452,577. This resulted from expenditures and other uses in excess of revenues and other sources.

The District's revenues and other financing sources increased by \$300,361 or 0.96%, as compared to the prior year. This increase is attributable to an increase in property taxes, offset by decreases in STAR and operating transfers in. The increase in property taxes is due to an increase in the tax levy in accordance with the 2019-2020 budget. The decrease in operating transfers in is due to a decrease in amounts transferred from debt service, offset by a transfer in from the capital projects fund for unused monies on completed capital projects.

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

Expenditures and other financing uses increased by \$514,703 or 1.63% over the prior year. This increase was primarily due to increases in instruction and operating transfers out, offset by decreases in general support and employee benefits. In the current year, the District transferred \$225,000 to the capital projects fund to fund district-wide improvements, whereas, in the prior year, the District did not transfer any monies to the capital projects fund.

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

	Balance @ June 30, 2019	Use of Reserves	Interest	Funding	Balance @ June 30, 2020	Appropriated for June 30, 2021
Unemployment insurance	\$ 69,965	\$ (51)	\$ 135	\$	\$ 70,049	\$ 40,000
Retirement contribution:						
TRS	205,000		396		205,396	205,000
ERS	1,620,050	(525,477)	3,134	52,000	1,149,707	595,700
Insurance	144,757		280		145,037	
EBALR	825,111	(57,265)	1,595	200,000	969,441	
Capital	1,426,927	(225,000)	2,760		1,204,687	
	<u>\$ 4,291,810</u>	<u>\$ (807,793)</u>	<u>\$ 8,300</u>	<u>\$ 252,000</u>	<u>\$ 3,744,317</u>	<u>\$ 840,700</u>

Additional detail regarding capital reserves can be found in Note 19 "Restricted for Capital Reserve."

**B. School Food Service Fund**

The net change in the school food service fund – fund balance is a decrease of \$25,015, 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 \$78,566, due to the District transferring \$78,566 to offset current year debt payments. The District's plan is to use the remaining fund balance from the debt service fund to offset the debt service costs in the 2020-2021 school year.

**D. Capital Projects Fund**

The net change in the capital projects fund – fund balance is an increase of \$60,884, primarily due to the transfer in from the general fund capital reserve, offset by expenditures on the capital projects during the year and a transfer of unspent funds on completed projects to the general fund.

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

	Balance @ June 30, 2019	Funding	Use of Reserves	Balance @ June 30, 2020
Capital Reserve #1	\$	\$ 225,000	\$ (59,146)	\$ 165,854

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

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**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2019-2020 Budget**

The District's general fund adopted budget for the year ended June 30, 2020 was \$33,107,869. This amount was increased by encumbrances carried forward from the prior year in the amount of \$25,984. The District also appropriated an additional \$57,265 during the year for unanticipated retirement payments funded by the employee benefit accrued liability reserve, as well as a \$225,000 voter approved transfer to the capital projects fund for capital improvements funded by the capital reserve, for a total final budget of \$33,416,118.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$23,527,976 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	\$ 1,323,933
Revenues Under Budget	(96,257)
Expenditures and Encumbrances Under Budget	1,157,782
Unused Appropriated Reserves	(94,472)
Allocation to Reserves	(260,300)
Appropriated to Fund the June 30, 2021 Budget	<u>(669,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 1,361,686</u></u>

**Opening, Unassigned Fund Balance**

The \$1,323,933 shown in the table is the portion of the District's June 30, 2019 fund balance that was retained as unassigned.

**Revenues Under Budget**

The 2019-2020 final budget for revenues was \$31,818,869. Actual revenue and other financing sources recognized for the year were \$31,722,612. The shortage of actual revenue under estimated or budgeted revenue was \$96,257, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2019 to June 30, 2020. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

**Expenditures and Encumbrances Under Budget**

The 2019-2020 final budget for expenditures was \$33,416,118. Actual expenditures and other financing uses as of June 30, 2020 were \$32,175,189 and outstanding encumbrances were \$83,147. Combined, the expenditures plus encumbrances for 2019-2020 were \$32,258,336. The final budget variance was \$1,157,782, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2019 to June 30, 2020. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.



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

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Unused Appropriated Reserves

In the 2019-2020 budget, \$620,000 of reserves were appropriated to reduce the tax levy. Due to lower than anticipated expenditures, \$94,472 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 table in §4.A. of this Management's Discussion and Analysis details the allocation of interest earnings and funding transfers to the reserves.

Appropriated Fund Balance

The District has chosen to use \$669,000 of the available June 30, 2020 unassigned fund balance to partially fund the 2020-2021 approved operating budget. As such, the June 30, 2020 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, 2020 was \$1,361,686. This amount equals 3.98% of the 2020-2021 budget and is within the 4.00% statutory limit.

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

**A. Capital Assets**

At June 30, 2020, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation expense of \$325,623 in excess of capital additions of \$147,835 recorded for the year ended June 30, 2020. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2020 and 2019 is as follows:

	2020	2019	Increase (Decrease)
Land	\$ 120,104	\$ 120,104	\$ -
Construction in progress	15,258,709	15,126,517	132,192
Buildings & building improvements	3,499,425	3,692,730	(193,305)
Site improvements	545,663	603,370	(57,707)
Furniture & equipment	270,611	324,464	(53,853)
Vehicles	19,787	24,902	(5,115)
Capital assets, net	<u>\$ 19,714,299</u>	<u>\$ 19,892,087</u>	<u>\$ (177,788)</u>

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

**B. Debt Administration**

At June 30, 2020, the District had total bonds payable of \$13,155,000. 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, 2020 is as follows:

Issue Date	Interest Rate	2020	2019	Increase (Decrease)
2017	3.00%	\$ 13,155,000	\$ 13,915,000	\$ (760,000)

The District's latest underlying long-term credit rating from Moody's Investor Service, Inc. is Aa2. The District's outstanding serial bonds at June 30, 2020 are approximately 9.26% of the District's debt limit.

**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 total other postemployment benefits obligation are based on actuarial valuations.

	2020	2019	Increase (Decrease)
Compensated absences payable	\$ 3,573,473	\$ 3,200,511	\$ 372,962
Net pension liability - proportionate share	2,674,384	733,809	1,940,575
Total OPEB obligation	44,423,222	34,703,139	9,720,083
	\$ 50,671,079	\$ 38,637,459	\$ 12,033,620

**7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

**A. Subsequent Year's Budget**

The general fund budget, as approved by the voters on June 9, 2020, for the year ending June 30, 2021, is \$34,178,656. This is an increase of \$1,070,787 or 3.23% over the previous year's budget. The increase is principally in the instructional program (\$1,225,292) area of the budget.

The District budgeted revenues other than property taxes and STAR at a \$381,643 increase over the prior year's estimate. The assigned, appropriated fund balance applied to the budget in the amount of \$669,000 is the same as the previous year. Additionally, the District has elected to appropriate \$840,700 of reserves towards the next year's budget, which is an increase of \$220,700 over the previous year. A property tax increase of \$468,444 (1.99%), levy to levy, was needed to meet the funding shortfall and cover the increase in appropriations.

**B. Future Budgets**

The property tax cap and uncertainty in state aid and federal funds, as well as operating adjustments attributed to COVID-19, may impact the District's future budgets.

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

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**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 2020-2021 is 1.99%. The District's 2020-2021 property tax increase of 1.99% was equal to the tax cap and did not require an override vote.

**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, 2020

**ASSETS**

Cash	
Unrestricted	\$ 2,650,151
Restricted	3,962,065
Receivables	
Taxes receivable	1,266,699
Accounts receivable	2,892
Due from fiduciary funds	22,966
Due from state and federal	1,356,161
Due from other governments	170,402
Inventory	4,425
Capital assets:	
Not being depreciated	15,378,813
Being depreciated, net of accumulated depreciation	4,335,486
Net pension asset - proportionate share	<u>2,173,058</u>
 Total Assets	 <u>31,323,118</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Pensions	9,076,934
Other postemployment benefits	<u>11,143,712</u>
 Total Deferred Outflows of Resources	 <u>20,220,646</u>

**LIABILITIES**

Payables	
Accounts payable	563,636
Accrued liabilities	475,543
Due to other governments	668,583
Due to teachers' retirement system	1,316,860
Due to employees' retirement system	142,144
Unearned credits	
Collections in advance	23,212
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	823,257
Due and payable after one year	
Bonds payable, net	12,620,372
Compensated absences payable	3,573,473
Net pension liability - proportionate share	2,674,384
Total other postemployment benefits obligation	<u>44,423,222</u>
 Total Liabilities	 <u>67,304,686</u>

**DEFERRED INFLOWS OF RESOURCES**

Pensions	3,066,644
Other postemployment benefits	<u>1,434,625</u>
 Total Deferred Inflows of Resources	 <u>4,501,269</u>

**NET POSITION (DEFICIT)**

Net investment in capital assets	<u>6,610,023</u>
Restricted:	
Unemployment insurance	70,049
Retirement contribution	
Teachers' retirement system	205,396
Employees' retirement system	1,149,707
Insurance	145,037
Employee benefit accrued liability	969,441
Capital	1,370,541
Debt service	<u>1,170</u>
	<u>3,911,341</u>
Unrestricted (deficit)	<u>(30,783,555)</u>
 Total Net Position (Deficit)	 <u>\$ (20,262,191)</u>

**NORTH MERRICK UNION FREE SCHOOL DISTRICT**  
**Statement of Activities**  
For The Year Ended June 30, 2020

		Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
	Expenses	Services	Grants	Changes in
				Net Position
<b>FUNCTIONS/PROGRAMS</b>				
General support	\$ 6,461,566	\$	\$	\$ (6,461,566)
Instruction	30,778,176	223,034	499,267	(30,055,875)
Pupil transportation	467,893			(467,893)
Debt service - interest	373,078			(373,078)
Food service program	308,346	203,550	77,711	(27,085)
Total Functions and Programs	<u>\$ 38,389,059</u>	<u>\$ 426,584</u>	<u>\$ 576,978</u>	<u>(37,385,497)</u>
<b>GENERAL REVENUES</b>				
Real property taxes				20,757,105
Other tax items				3,049,841
Use of money and property				57,822
Sale of property and compensation for loss				1,186
Miscellaneous				60,860
State sources				7,573,562
Medicaid reimbursement				<u>2,038</u>
Total General Revenues				<u>31,502,414</u>
Change in Net Position				(5,883,083)
Total Net Position (Deficit) - Beginning of Year				<u>(14,379,108)</u>
Total Net Position (Deficit) - End of Year				<u>\$ (20,262,191)</u>



**NORTH MERRICK UNION FREE SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2020

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Cash						
Unrestricted	\$ 2,275,766	\$ 74,015	\$ 133,525	\$	\$ 166,845	\$ 2,650,151
Restricted	3,744,317				217,748	3,962,065
Receivables						
Taxes receivable	1,266,699					1,266,699
Accounts receivable	2,892					2,892
Due from other funds	828,951			1,170		830,121
Due from state and federal	824,511	529,533	2,117			1,356,161
Due from other governments	170,402					170,402
Inventory			4,425			4,425
Total Assets	<u>\$ 9,113,538</u>	<u>\$ 603,548</u>	<u>\$ 140,067</u>	<u>\$ 1,170</u>	<u>\$ 384,593</u>	<u>\$ 10,242,916</u>
<b>LIABILITIES</b>						
Payables						
Accounts payable	\$ 557,602	\$ 4,995	\$ 1,039	\$	\$	\$ 563,636
Accrued liabilities	408,768	1,000				409,768
Due to other funds		597,553	59,936		149,666	807,155
Due to other governments	668,583					668,583
Due to teachers' retirement system	1,316,860					1,316,860
Due to employees' retirement system	142,144					142,144
Unearned credits						
Collections in advance			23,212			23,212
Total Liabilities	<u>3,093,957</u>	<u>603,548</u>	<u>84,187</u>	<u>-</u>	<u>149,666</u>	<u>3,931,358</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	<u>161,431</u>					<u>161,431</u>
<b>FUND BALANCES</b>						
Nonspendable: Inventory			4,425			4,425
Restricted:						
Unemployment insurance	70,049					70,049
Retirement contribution						
Teachers' retirement system	205,396					205,396
Employees' retirement system	1,149,707					1,149,707
Insurance	145,037					145,037
Employee benefit accrued liability	969,441					969,441
Capital	1,204,687				165,854	1,370,541
Debt service				1,170		1,170
Unspent bond proceeds					50,724	50,724
Assigned:						
Appropriated fund balance	669,000					669,000
Unappropriated fund balance	83,147		51,455		18,349	152,951
Unassigned: Fund balance	<u>1,361,686</u>					<u>1,361,686</u>
Total Fund Balances	<u>5,858,150</u>	<u>-</u>	<u>55,880</u>	<u>1,170</u>	<u>234,927</u>	<u>6,150,127</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,113,538</u>	<u>\$ 603,548</u>	<u>\$ 140,067</u>	<u>\$ 1,170</u>	<u>\$ 384,593</u>	<u>\$ 10,242,916</u>

**NORTH MERRICK UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**

June 30, 2020

Total Governmental Fund Balances	\$ 6,150,127
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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	\$ 26,314,145	
Less: Accumulated depreciation	<u>(6,599,846)</u>	
		19,714,299

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	2,173,058	
Deferred outflows of resources	9,076,934	
Net pension liability - employees' retirement system	(2,674,384)	
Deferred inflows of resources	<u>(3,066,644)</u>	
		5,508,964

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	11,143,712	
Total other postemployment benefits obligation	(44,423,222)	
Deferred inflows of resources	<u>(1,434,625)</u>	
		(34,714,135)

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.

161,431

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	(65,775)	
Bonds payable	(13,443,629)	
Compensated absences payable	<u>(3,573,473)</u>	
		<u>(17,082,877)</u>

Total Net Position (Deficit)	<u>\$ (20,262,191)</u>
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**NORTH MERRICK UNION FREE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For The Year Ended June 30, 2020

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 20,757,105	\$	\$	\$	\$	\$ 20,757,105
Other tax items	3,049,841					3,049,841
Charges for services	223,034					223,034
Use of money and property	57,822					57,822
Sale of property and compensation for loss	1,186					1,186
Miscellaneous	60,860		6,145			67,005
State sources	7,460,236	142,015	3,981			7,606,232
Medicaid reimbursement	2,038					2,038
Federal sources		357,252	73,730			430,982
Sales			197,405			197,405
Total Revenues	31,612,122	499,267	281,261	-	-	32,392,650
<b>EXPENDITURES</b>						
General support	4,592,939					4,592,939
Instruction	17,974,391	511,064				18,485,455
Pupil transportation	450,744	17,149				467,893
Employee benefits	7,725,719					7,725,719
Debt service						
Principal	760,000					760,000
Interest	417,450					417,450
Food service program			306,276			306,276
Capital outlay					132,192	132,192
Total Expenditures	31,921,243	528,213	306,276	-	132,192	32,887,924
Excess (Deficiency) of Revenues Over Expenditures	(309,121)	(28,946)	(25,015)	-	(132,192)	(495,274)
<b>OTHER FINANCING SOURCES AND (USES)</b>						
Operating transfers in	110,490	28,946			225,000	364,436
Operating transfers (out)	(253,946)			(78,566)	(31,924)	(364,436)
Total Other Financing Sources and (Uses)	(143,456)	28,946	-	(78,566)	193,076	-
Net Change in Fund Balances	(452,577)	-	(25,015)	(78,566)	60,884	(495,274)
Fund Balances - Beginning of Year	6,310,727		80,895	79,736	174,043	6,645,401
End of Year	\$ 5,858,150	\$ -	\$ 55,880	\$ 1,170	\$ 234,927	\$ 6,150,127

**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, 2020**

Net Change in Fund Balances \$ (495,274)

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

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items is measured by the amount of financial resources provided (essentially, the amounts actually received). \$ 113,326

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

Increase in compensated absences payable (372,962)

Capital Related Differences (259,636)

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, depreciation exceeded capital outlays in the period.

Capital outlays and other additions 147,835  
 Depreciation expense (325,623)  
(177,788)

Long-Term Debt Transactions Differences

The amortization of deferred premium on bond issuance, decreases interest expense in the Statement of Activities. 40,572

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 760,000

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 decreased from June 30, 2019 to June 30, 2020.

3,800  
804,372

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 (1,458,851)  
 Employees' retirement system (485,701)  
 Other postemployment benefits (3,810,205)  
(5,754,757)

Change in Net Position (Deficit) of Governmental Activities \$ (5,883,083)

**NORTH MERRICK UNION FREE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Funds**  
June 30, 2020

	<u>Agency</u>
<b>ASSETS</b>	
Cash	<u>\$ 260,549</u>
Total Assets	<u><u>\$ 260,549</u></u>
 <b>LIABILITIES</b>	
Due to governmental funds	\$ 22,966
Other liabilities	<u>237,583</u>
Total Liabilities	<u><u>\$ 260,549</u></u>



**NORTH MERRICK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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

**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)

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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.

**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)

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**D. Measurement Focus and Basis of Accounting**

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

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

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 financial 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 15<sup>th</sup> and become a lien on October 1<sup>st</sup> and April 1<sup>st</sup>. Taxes are collected by the Town of Hempstead and remitted to the District from October through June.

The District also levies the real property taxes for the Bellmore-Merrick Central High School District (CHSD), which are collected by the town and included in the amount remitted to the District. The District remits the CHSD's share of the tax levy to the CHSD as received from the Town. These pass-through amounts are not included in the District's real property tax revenues.

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

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Enforcement

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

**F. Payments in Lieu of Taxes (PILOT)**

The District reports PILOT revenues in the general fund as part of other tax items revenues. These PILOT revenues are often the result of tax abatements granted by industrial development agencies of the Town and/or the County to help promote local economic development. Property owners make PILOT payments to the government agencies, which in turn remit the collected payments to the District.

PILOT payments collected on behalf of the Bellmore-Merrick Central High School District (CHSD) are remitted to the CHSD. These pass-through amounts are not included in the District's other tax items revenues.

The District's PILOT revenues also include payments from the Long Island Power Authority (LIPA) remitted by Nassau County. Beginning in the 2015-16 fiscal year, the Nassau County Legislature removed properties owned by LIPA from the assessment and tax rolls and, instead, allowed LIPA to make payments in lieu of taxes with annual increases of no more than 2% in response to the New York State Public Authorities Law §1020-q (the "LIPA Reform Act") enacted by the state in 2013. These LIPA PILOT payments are not the result of tax abatement agreements as defined by GASB Statement No. 77, *Tax Abatement Disclosures*, under which an entity receiving a reduction in tax revenues promises to take specific action that contributes to economic development or otherwise benefits the governments or residents of the governments. The District received \$268,264 in LIPA PILOT revenue during the 2019-2020 fiscal year.

**G. Restricted Resources**

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

**H. Interfund Transactions**

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

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

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**I. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported 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 costs, other postemployment benefits, potential contingent liabilities and useful lives of capital assets.

**J. 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.

**K. Receivables**

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

**L. 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 inventorable 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.

**M. 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:

	Capitalization Threshold	Estimated Useful Life
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



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

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**N. 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 two items that qualify for reporting in this category. The first item is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The second item is related to OPEB and represents the change in the total other postemployment benefits obligation not included in OPEB expense.

**O. Short-Term Debt**

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

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

No short-term debt was issued during the year ended June 30, 2020.

**P. 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.

**Q. 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.

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

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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 30<sup>th</sup>.

**R. Other Benefits**

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

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

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

In addition to providing these benefits, the District provides individual, family or surviving spouse postemployment health insurance coverage for retired employees. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. 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.

**S. Deferred Inflows of Resources**

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue/expense credit) until that time. The District has three items that qualify for reporting in this category. First is unavailable 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.

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

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**T. Equity Classifications**

District-Wide Statements

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

*Net investment in capital assets* – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the 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 use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is accounted for in the general fund.

*Retirement Contribution Reserve*

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. 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

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

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by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The Board may also 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 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 reserves are accounted for in the general fund and the capital projects 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.

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

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*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 the budget or any Board approved budget revision, then from the assigned fund balance to the extent appropriated by the Board, and then from the unassigned fund balance.

**2. FUTURE ACCOUNTING STANDARDS**

The Governmental Accounting Standards Board (GASB) Statements are issued to set generally accepted accounting principles (GAAP) for state and local governments. The following is not an all-inclusive list of GASB standards issued, but statements that the District feels may have a future impact on these financial statements. The District will evaluate the impact of these pronouncements and implement them, as applicable, if material.

<b>Effective for the Year Ending</b>	<b>Statement</b>
June 30, 2021	GASB No. 84 - <i>Fiduciary Activities</i>
June 30, 2022	GASB No. 87 - <i>Leases</i>

GASB Statement No. 84 will require the District to assess activities currently classified as fiduciary and reported in the fiduciary funds to determine if these activities should be considered fiduciary in nature or if these activities should be reported as governmental funds.

GASB Statement No. 87 will change the reporting of leases in the district-wide financial statements. A lessee will be required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of financial resources.

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

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

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

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

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

**B. Statement of 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.

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

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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 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.

**4. 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 \$57,265 during the year for unanticipated retirement payments funded by the employee benefit accrued liability reserve, as well as \$225,000 to transfer to the capital projects' fund for capital improvements from the capital reserve as approved by the voters.

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.

**5. 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

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

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as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

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

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

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

**6. PARTICIPATION IN BOCES**

During the year ended June 30, 2020, the District was billed \$1,879,951 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$714,991. 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.

**7. DUE FROM STATE AND FEDERAL**

Due from state and federal at June 30, 2020 consisted of:

General Fund	
New York State - excess cost aid	\$ 201,735
BOCES aid	<u>622,776</u>
	824,511
Special Aid Fund	
Federal and state grants	529,533
School Food Service Fund	
Federal and state food service program reimbursements	<u>2,117</u>
	<u>\$ 1,356,161</u>

District management expects these amounts to be fully collectible.

**8. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2020 consisted of:

General Fund	
Other districts - tuition	\$ 144,698
Other districts - health services	<u>25,704</u>
	<u>\$ 170,402</u>

District management expects these amounts to be fully collectible.



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

**9. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2020 were as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 120,104	\$	\$	\$ 120,104
Construction in progress	15,126,517	132,192		15,258,709
Total capital assets not being depreciated	15,246,621	132,192	-	15,378,813
Capital assets being depreciated				
Buildings & building improvements	8,300,269			8,300,269
Site improvements	1,565,306			1,565,306
Furniture & equipment	925,324	15,643		940,967
Vehicles	128,790			128,790
Total capital assets being depreciated	10,919,689	15,643	-	10,935,332
Less accumulated depreciation for:				
Buildings & building improvements	4,607,539	193,305		4,800,844
Site improvements	961,936	57,707		1,019,643
Furniture & equipment	600,860	69,496		670,356
Vehicles	103,888	5,115		109,003
Total accumulated depreciation	6,274,223	325,623	-	6,599,846
Total capital assets, being depreciated, net	4,645,466	(309,980)	-	4,335,486
Capital assets, net	<u>\$ 19,892,087</u>	<u>\$ (177,788)</u>	<u>\$ -</u>	<u>\$ 19,714,299</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 15,295
Instruction	308,258
Food service program	2,070
Total depreciation expense	<u>\$ 325,623</u>

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

**10. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2020, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 828,951	\$	\$ 110,490	\$ 253,946
Special Aid Fund		597,553	28,946	
School Food Service Fund		59,936		
Debt Service Fund	1,170			78,566
Capital Projects Fund		149,666	225,000	31,924
Total Governmental Funds	830,121	807,155	\$ 364,436	\$ 364,436
Fiduciary Funds		22,966		
Total	\$ 830,121	\$ 830,121		

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. The transfer from the debt service fund to the general fund represents the premiums and interest on debt issuances, amounts will be used towards payment of the related debt. The transfer to the capital projects fund was for a voter approved use of the capital reserve and was a general fund budget revision. The transfer to the general fund from the capital projects fund represented unspent funds from completed projects.

**11. 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, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 13,915,000	\$	\$ (760,000)	\$ 13,155,000	\$ 785,000
Add: Premium on obligation	329,201		(40,572)	288,629	38,257
	14,244,201		(800,572)	13,443,629	823,257
Other long-term liabilities:					
Compensated absences	3,200,511	430,227	(57,265)	3,573,473	-
	\$ 17,444,712	\$ 430,227	\$ (857,837)	\$ 17,017,102	\$ 823,257

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

**NORTH MERRICK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**B. Bonds Payable**

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2020
Serial bond - Improvements to facilities	5/18/2017	5/1/2034	3.00%	<u>\$ 13,155,000</u>

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

Year Ending June 30,	Principal	Interest	Total
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	890,000	295,950	1,185,950
2026 - 2030	4,885,000	1,062,600	5,947,600
2031 - 2034	<u>4,090,000</u>	<u>293,100</u>	<u>4,383,100</u>
Total	<u>\$ 13,155,000</u>	<u>\$ 3,085,950</u>	<u>\$ 16,240,950</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
2021	\$ 38,257
2022	35,866
2023	33,401
2024	30,860
2025	28,237
2026 - 2030	98,852
2031 - 2034	<u>23,156</u>
Total	<u>\$ 288,629</u>

**D. Interest Expense**

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

Interest paid	\$ 417,450
Less interest accrued in the prior year	(69,575)
Plus interest accrued in the current year	65,775
Less amortization of deferred premiums	<u>(40,572)</u>
Total interest expense on long-term debt	<u>\$ 373,078</u>

**NORTH MERRICK UNION FREE SCHOOL DISTRICT**  
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**12. 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](http://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](http://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.

**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 30<sup>th</sup>, 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 31<sup>st</sup>, and

**NORTH MERRICK UNION FREE SCHOOL DISTRICT**  
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employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. 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 10.62% of covered payroll for the TRS' fiscal year ended June 30, 2019. The District's average contribution rate was 13.75% of covered payroll for the ERS' fiscal year ended March 31, 2020.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2020, was \$1,264,090 for TRS at the contribution rate of 8.86% and \$525,477 for ERS at an average contribution rate of 13.75%.

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

At June 30, 2020, 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, 2019, for TRS and March 31, 2020 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, 2019	March 31, 2020
District's proportionate share of the net pension asset/(liability)	\$ 2,173,058	\$ (2,674,384)
District's portion of the Plan's total net pension asset/(liability)	0.083643%	0.0100994%
Change in proportion since the prior measurement date	(0.002132)	(0.0002574)

For the year ended June 30, 2020, the District recognized pension expense of \$2,722,941 for TRS and \$1,011,178 for ERS. At June 30, 2020, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$ 1,472,626	\$ 157,398	\$ 161,593	\$
Changes of assumptions	4,105,196	53,849	1,000,963	46,498
Net difference between projected and actual earnings on pension plan investments		1,371,019	1,742,680	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	269,868	240,744	86,215	28,695
District contributions subsequent to the measurement date	1,264,090	142,144		
Total	<u>\$ 7,111,780</u>	<u>\$ 1,965,154</u>	<u>\$ 2,991,451</u>	<u>\$ 75,193</u>

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District contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	TRS	ERS
2021	\$ 1,020,373	\$ 339,793
2022	99,633	451,788
2023	1,016,810	535,095
2024	683,060	421,141
2025	85,578	
Thereafter	(49,215)	
	<u>\$ 2,856,239</u>	<u>\$ 1,747,817</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:

	TRS	ERS
Measurement date	June 30, 2019	March 31, 2020
Actuarial valuation date	June 30, 2018	April 1, 2019
Inflation	2.20%	2.50%
Salary increases	1.90-4.72%	4.20%
Investment rate of return (net of investment expense, including inflation)	7.10%	6.80%
Cost of living adjustments	1.30%	1.30%

For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018, applied on a generational basis. Active member mortality rates are based on plan member experience. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018.

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.

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(Continued)

For ERS, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment 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, 2019		March 31, 2020
Asset type				
Domestic equity	33.0%	6.30%	36.0%	4.05%
International equity	16.0%	7.80%	14.0%	6.15%
Global equity	4.0%	7.20%		
Real estate	11.0%	4.60%	10.0%	4.95%
Private equities	8.0%	9.90%	10.0%	6.75%
Alternative investments			8.0%	3.25-5.95%
Domestic fixed income securities	16.0%	1.30%		
Global fixed income securities	2.0%	0.90%		
High-yield fixed income securities	1.0%	3.60%		
Bonds and mortgages			17.0%	0.75%
Private debt	1.0%	6.50%		
Real estate debt	7.0%	2.90%		
Cash and equivalents	1.0%	0.30%		
Cash			1.0%	0.00%
Inflation indexed bonds			4.0%	0.50%
	100.0%		100.0%	

Real rates of return are net of long-term inflation assumption of 2.20% for TRS and 2.50% for ERS.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10% for TRS and 6.80% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2018, was 7.25% and the discount rate used by the ERS at the prior year's measurement date of March 31, 2019, was 7.00%). 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.

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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 7.10% for TRS and 6.80% 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 (6.10% for TRS and 5.80% for ERS) or 1 percentage point higher (8.10% for TRS and 7.80% for ERS) than the current rate:

	1% Decrease 6.10 %	Current Assumption 7.10 %	1% Increase 8.10 %
<u>TRS</u>			
District's proportionate share of the net pension asset (liability)	<u>\$ (9,808,955)</u>	<u>\$ 2,173,058</u>	<u>\$ 12,224,614</u>
	1% Decrease 5.80 %	Current Assumption 6.80 %	1% Increase 7.80 %
<u>ERS</u>			
District's proportionate share of the net pension asset (liability)	<u>\$ (4,908,250)</u>	<u>\$ (2,674,384)</u>	<u>\$ (616,984)</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:

	<u>TRS</u>	<u>ERS</u>
	<u>(Dollars in Thousands)</u>	
Measurement date	June 30, 2019	March 31, 2020
Employers' total pension liability	\$ (119,879,474)	\$ (194,596,261)
Plan fiduciary net position	<u>122,477,481</u>	<u>168,115,682</u>
Employers' net pension asset/(liability)	<u>\$ 2,598,007</u>	<u>\$ (26,480,579)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	102.17%	86.39%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020, are paid to the system in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020, represent employer and employee contributions for the fiscal year ended June 30, 2020, 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, 2020 amounted to \$1,264,090 of employer contributions and \$52,770 of employee contributions.



**NORTH MERRICK UNION FREE SCHOOL DISTRICT**  
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For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2020, represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$142,144 of employer contributions. Employee contributions are remitted monthly.

**13. PENSION PLANS – OTHER**

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, however, the District made no contributions into this plan. Contributions made by the employees for the year ended June 30, 2020, totaled \$792,220.

**14. POSTEMPLOYMENT HEALTHCARE BENEFITS**

**A. General Information about the OPEB Plan**

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

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

*Employees Covered by Benefit Terms* – At July 1, 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>

**B. Total OPEB Liability**

The District's total OPEB liability of \$44,423,222 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2018. Update procedures were used to roll forward the total OPEB liability to the measurement date.

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

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Inflation	2.60%
Discount rate	2.21%
Healthcare cost trend rates	6.10% for 2020, 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, 2019	<u>\$ 34,703,139</u>
Changes for the year	
Service cost	1,769,724
Interest	1,263,686
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	7,428,146
Benefit payments	<u>(741,473)</u>
	<u>9,720,083</u>
Balance at June 30, 2020	<u><u>\$ 44,423,222</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% in 2019 to 2.21% in 2020.

*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 (1.21%) or 1 percentage point higher (3.21%) than the current discount rate:

OPEB	1% Decrease 1.21 %	Discount Rate 2.21 %	1% Increase 3.21 %
Total OPEB Liability	<u><u>\$(53,161,490)</u></u>	<u><u>\$(44,423,222)</u></u>	<u><u>\$(37,530,121)</u></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:

**NORTH MERRICK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	5.10 %	6.10 %	7.10 %
	decreasing to	decreasing to	decreasing to
OPEB	3.10 %	4.10 %	5.10 %
Total OPEB liability	<u>\$(37,539,419)</u>	<u>\$(44,423,222)</u>	<u>\$(53,621,435)</u>

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

For the year June 30, 2020, the District recognized OPEB expense of \$4,551,678. At June 30, 2020, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 79,599	\$ 1,434,625
Changes of assumptions or other inputs	<u>11,064,113</u>	
Total	<u>\$ 11,143,712</u>	<u>\$ 1,434,625</u>

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

Year Ending June 30,	Amount
2021	\$ 1,518,268
2022	1,518,268
2023	1,518,268
2024	1,518,268
2025	1,518,268
Thereafter	<u>2,117,747</u>
	<u>\$ 9,709,087</u>

**15. DEFERRED INFLOWS OF RESOURCES**

In the governmental fund financial statements, deferred inflows of resources at June 30, 2020, consists of excess cost aid due to the District from prior years and that portion of the amount due from New York State for local aid payments, including BOCES aid, which is unavailable. Of the 2019-2020 school year aid payments outstanding at June 30, 2020, 20% was effectively withheld by the State due to the loss of revenue coupled with increased costs on the State level as a result of the COVID-19 pandemic. Unavailable revenues in the general fund at June 30, 2020, total \$161,431.

**NORTH MERRICK UNION FREE SCHOOL DISTRICT**  
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**16. RISK MANAGEMENT**

**A. General Information**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. These risks are covered by a commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage as compared to the prior year, and settled claims from these risks have not exceeded 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, 2020, the discounted Workers' Compensation Plan's total liability for unbilled and open claims was \$15,030,420 at a 3.00% discount rate. The Workers' Compensation Plan has assets of \$21,721,509 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, 2020, the District's open claims, discounted 3.00%, are \$369,598.

**17. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES**

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2020 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2021:

Unemployment Insurance	\$ 40,000
Retirement Contributions	
Teachers' retirement system	205,000
Employees' retirement system	<u>595,700</u>
	<u>\$ 840,700</u>

In addition, the remaining balance in the restricted for debt service will be transferred to the general fund pursuant to the 2020-2021 budget.

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**18. ASSIGNED: APPROPRIATED FUND BALANCE**

The amount of \$669,000 has been appropriated to reduce taxes for the year ending June 30, 2021.

**19. RESTRICTED FOR CAPITAL RESERVE**

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

	<u>Capital Reserve #1</u>
Date Created	May 2015
Number of Years to Fund	10
Maximum Funding	<u>\$ 3,000,000</u>
<b>General Fund</b>	
Funding Provided Since Inception	\$ 1,420,000
Interest Earnings Since Inception	9,687
Use of Reserve Since Inception	<u>(225,000)</u>
Total General Fund	<u>1,204,687</u>
<b>Capital Projects Fund</b>	
Funding Provided Since Inception	\$ 225,000
Use of Reserve Since Inception	<u>59,146</u>
Total Capital Projects Fund	<u>165,854</u>
Balance as of June 30, 2020	<u>\$ 1,370,541</u>

**20. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2020, the District encumbered the following significant amounts:

Restricted:

Capital Projects Fund	
Capital projects	<u>\$ 50,774</u>

Assigned: Unappropriated Fund Balance:

General Fund	
General Support	81,690
Instruction	<u>1,457</u>
	<u>83,147</u>

Capital Projects Fund	
Capital projects	<u>3,187</u>
	<u>\$ 137,108</u>

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**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 \$5,935. The minimum remaining operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 5,935
2022	4,475
2023	<u>405</u>
	<u>\$ 10,815</u>

**E. Purchase Agreements**

The District has various agreements with BOCES to purchase equipment. The expenditure for these agreements was \$104,520 for the year ended June 30, 2020. The following is summary of future obligations under these purchase agreements:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 97,993
2022	74,918
2023	33,142
2024	13,240
2025	<u>1,637</u>
	<u>\$ 220,930</u>

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

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**21. 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, excluding the following:

**A. Issuance of TANs**

On September 29, 2020, the District issued tax anticipation notes in the amount of \$3,000,000, which are due June 25, 2021, and bear interest at a stated interest rate of 1.25%. The District received premiums of \$17,425 with the borrowing to yield an effective interest rate of 0.4639%.

**B. Impact of COVID-19**

On March 11, 2020, coronavirus disease (COVID-19) was declared a pandemic by the World Health Organization. COVID-19 is an international, national and New York State public health emergency. As such, the COVID-19 outbreak is disrupting business activity across a range of industries. At this point, the extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the effect on the District's residents, employees and vendors, as well as the state, all of which are uncertain and cannot be predicted.

## **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, 2020**

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 23,527,976	\$ 20,757,105	\$ 20,757,105	\$ -
Other tax items	294,263	3,065,134	3,049,841	(15,293)
Charges for services	204,000	204,000	223,034	19,034
Use of money and property	59,250	59,250	57,822	(1,428)
Sale of property and compensation for loss			1,186	1,186
Miscellaneous	25,000	25,000	60,860	35,860
Total Local Sources	24,110,489	24,110,489	24,149,848	39,359
State Sources	7,627,814	7,627,814	7,460,236	(167,578)
Medicaid Reimbursement	2,000	2,000	2,038	38
Total Revenues	31,740,303	31,740,303	31,612,122	(128,181)
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In	78,566	78,566	110,490	31,924
Total Revenues and Other Sources	31,818,869	31,818,869	31,722,612	\$ (96,257)
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	669,000	669,000		
Prior Year's Encumbrances	25,984	25,984		
Appropriated Reserves	620,000	902,265		
Total Appropriated Fund Balance	1,314,984	1,597,249		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 33,133,853	\$ 33,416,118		

**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, 2020

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 85,750	\$ 99,449	\$ 87,213	\$ 260	\$ 11,976
Central administration	538,545	538,545	521,181		17,364
Finance	688,943	721,261	668,273	13,620	39,368
Staff	117,000	99,179	95,408		3,771
Central services	3,324,199	3,239,915	2,897,187	67,810	274,918
Special items	365,200	332,447	323,677		8,770
Total General Support	5,119,637	5,030,796	4,592,939	81,690	356,167
Instruction					
Administration & improvement	1,027,885	1,015,812	980,354	137	35,321
Teaching - regular school	9,829,047	10,439,899	10,381,647		58,252
Programs for students with disabilities	4,983,107	5,350,881	5,054,231	404	296,246
Teaching - special schools	60,000	34,689	30,760		3,929
Instructional media	538,474	528,961	505,097	916	22,948
Pupil services	1,052,316	1,047,787	1,022,302		25,485
Total Instruction	17,490,829	18,418,029	17,974,391	1,457	442,181
Pupil Transportation	503,295	477,550	450,744		26,806
Employee Benefits	8,729,642	8,035,293	7,725,719		309,574
Debt Service					
Principal	760,000	760,000	760,000		-
Interest	478,450	417,450	417,450		-
Total Debt Service	1,238,450	1,177,450	1,177,450		-
Total Expenditures	33,081,853	33,139,118	31,921,243	83,147	1,134,728
<b>OTHER FINANCING USES</b>					
Operating Transfers Out	52,000	277,000	253,946		23,054
Total Expenditures and Other Uses	\$ 33,133,853	\$ 33,416,118	32,175,189	\$ 83,147	\$ 1,157,782
Net Change in Fund Balance			(452,577)		
Fund Balance - Beginning of Year			6,310,727		
Fund Balance - End of Year			\$ 5,858,150		

**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 Seven Fiscal Years

*Teachers' Retirement System*

	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset/(liability)	0.083643%	0.085775%	0.084132%	0.086746%	0.087570%	0.087908%	0.086590%
District's proportionate share of the net pension asset/(liability)	\$ 2,173,058	\$ 1,551,031	\$ 639,489	\$ (929,083)	\$ 9,095,733	\$ 9,792,385	\$ 569,985
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
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	15.56 %	11.10 %	4.81 %	6.80 %	67.17 %	73.63 %	4.36 %
Plan fiduciary net position as a percentage of the total pension liability	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%
Discount rate	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%	8.00%

*Employees' Retirement System*

	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0100994%	0.0103568%	0.0107373%	0.0100984%	0.0105252%	0.0107264%	0.0107264%
District's proportionate share of the net pension liability	\$ (2,674,384)	\$ (733,809)	\$ (346,541)	\$ (948,871)	\$ (1,689,322)	\$ (362,364)	\$ (484,710)
District's covered payroll	\$ 3,809,678	\$ 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	70.20 %	20.10 %	9.78 %	26.47 %	48.70 %	10.62 %	14.26 %
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%
Discount rate	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%	7.50%

*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.*

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

*Teachers' Retirement System*

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 1,264,090	\$ 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
Contributions in relation to the contractually required contribution	1,264,090	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
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 14,267,364	\$ 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
Contributions as a percentage of covered payroll	9%	11%	10%	12%	13%	17%	16%	11%	11%	8%

*Employees' Retirement System*

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 525,477	\$ 507,172	\$ 522,521	\$ 480,601	\$ 563,150	\$ 624,587	\$ 660,258	\$ 692,390	\$ 473,099	\$ 347,192
Contributions in relation to the contractually required contribution	525,477	507,172	522,521	480,601	563,150	624,587	660,258	692,390	473,099	347,192
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,803,049	\$ 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
Contributions as a percentage of covered payroll	14%	14%	15%	14%	16%	18%	19%	21%	14%	12%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 1,769,724	\$ 1,577,839	\$ 1,390,855
Interest	1,263,686	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	7,428,146	6,118,768	-
Benefit payments	<u>(741,473)</u>	<u>(640,503)</u>	<u>(610,455)</u>
Net change in total OPEB liability	9,720,083	6,055,912	1,739,029
Total OPEB liability, beginning	<u>34,703,139</u>	<u>28,647,227</u>	<u>26,908,198</u>
Total OPEB liability, ending	<u><u>\$ 44,423,222</u></u>	<u><u>\$ 34,703,139</u></u>	<u><u>\$ 28,647,227</u></u>
Covered employee payroll	\$ 17,392,279	\$ 17,392,279	\$ 17,000,446
Total OPEB liability as a percentage of covered employee payroll	255.42%	199.53%	168.51%
Discount rate	2.21%	3.50%	3.87%
Healthcare trend rates	6.10% to 4.10% over 57 years	6.10% to 4.10% over 57 years	7.00% to 4.00% over 7 years

*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.

**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, 2020

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 33,107,869
Additions:	
Prior year's encumbrances	<u>25,984</u>
Original Budget	33,133,853
Budget revision	<u>282,265</u>
Final Budget	<u><u>\$ 33,416,118</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2020-2021 voter-approved expenditure budget	<u><u>\$ 34,178,656</u></u>
Maximum allowed (4% of 2020-2021 budget)	<u><u>\$ 1,367,146</u></u>

General Fund Fund Balance Subject to §1318 of Real Property Tax Law:

Unrestricted fund balance:		
Assigned fund balance	\$ 752,147	
Unassigned fund balance	<u>1,361,686</u>	
		\$ 2,113,833

Less:		
Appropriated fund balance	669,000	
Encumbrances	<u>83,147</u>	
Total adjustments		<u>752,147</u>

General Fund Fund Balance Subject to §1318 of Real Property Tax Law:	<u><u>\$ 1,361,686</u></u>
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Actual Percentage	3.98%
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**NORTH MERRICK UNION FREE SCHOOL DISTRICT**  
**Schedule of Project Expenditures and Financing Resources - Capital Projects Fund**  
For The Year Ended June 30, 2020

PROJECT TITLE	Budget		Expenditures		Unexpended		Methods of Financing			Fund
	June 30, 2019	Budget June 30, 2020	Prior Years	Current Year	Total	Balance	Proceeds of Obligations	State Aid	Local Sources	Balance June 30, 2020
School security	\$ 454,259	\$ 454,259	\$ 448,032	\$	\$ 448,032	\$ 6,227	\$	\$	\$ 454,259	\$ 6,227
OMR HVAC	73,000	73,000	45,167		45,167	27,833			73,000	27,833
HDF hot water heater	50,900	50,900	50,438		50,438	462			50,900	462
HDF HVAC	2,959,163	2,956,640	2,946,912		2,946,912	9,728	2,956,640			9,728
HDF windows & doors	1,409,599	1,409,599	1,392,809		1,392,809	16,790	1,409,599			16,790
OMR HVAC	3,178,973	3,178,973	3,176,887		3,176,887	2,086	3,178,973			2,086
OMR windows & doors	1,352,744	1,352,744	1,349,893		1,349,893	2,851	1,352,744			2,851
Camp HVAC, windows & doors	5,749,521	5,752,044	5,659,729	73,046	5,732,775	19,269	5,752,044			19,269
Camp gym hallway doors	21,885	21,885	18,842		18,842	3,043			21,885	3,043
HDF gym hall & admin. doors	34,000	34,000	18,692		18,692	15,308			34,000	15,308
HDF site work		73,000		11,110	11,110	61,890			73,000	61,890
OMR asbestos & boiler floor		59,000		40,542	40,542	18,458			59,000	18,458
Camp asbestos & floor		93,000		7,494	7,494	85,506			93,000	85,506
Totals	\$ 15,284,044	\$ 15,509,044	\$ 15,107,401	\$ 132,192	\$ 15,239,593	\$ 269,451	\$ 14,650,000	\$ -	\$ 859,044	\$ 269,451
Transfer to general fund - completed Projects										{34,524}
										\$ 234,927

**NORTH MERRICK UNION FREE SCHOOL DISTRICT**  
**Schedule of Net Investment in Capital Assets**  
June 30, 2020

Capital assets, net	<u>\$ 19,714,299</u>
Deductions:	
Short-term portion of bonds payable	785,000
Long-term portion of bonds payable	12,370,000
Less: Unspent bond proceeds	<u>(50,724)</u>
	<u>13,104,276</u>
Net Investment in Capital Assets	<u><u>\$ 6,610,023</u></u>



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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 year ended June 30, 2020, 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 13, 2020.

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

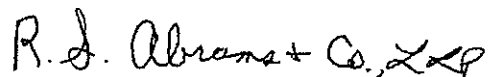
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "R.S. Abrams & Co., LLP". The signature is written in a cursive, flowing style.

R.S. Abrams & Co., LLP  
Islandia, NY  
October 13, 2020