



**EAST MORICHES UNION FREE SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITOR'S REPORTS**

June 30, 2022

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
East Moriches Union Free School District  
East Moriches, New York

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund of the East Moriches Union Free School District (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary fund of the East Moriches Union Free School District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Management's Responsibility for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibility for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District's proportionate share of the net pension asset/(liability), schedule of District pension contributions, and schedule of changes in the District's total OPEB liability and related ratios on pages 4 through 16 and 52 through 56, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

The other information on pages 57 through 59 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information requested by the New York State Education Department. Management is responsible for the other information. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2022 on our consideration of the East Moriches 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 the East Moriches 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 East Moriches Union Free School District's internal control over financial reporting and compliance.

*Cullen & Danowski, LLP*

October 17, 2022

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The East Moriches 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, 2022 in comparison with the year ended June 30, 2021, 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 2022 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, increased by \$1,366,940. This was due to an excess of revenues over expenses 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 \$30,878,408. Of this amount, \$2,549,093 was offset by program charges for services, and operating grants and contributions. General revenues of \$29,696,255 amount to 92.09% of total revenues, and were adequate to cover the balance of program expenses.
- On May 17, 2022, the voters approved a proposition to utilize \$5,200,000 from available funds in unassigned fund balance, for building-wide HVAC improvements, playground reconstruction, and other projects at the elementary school and middle school.
- The District's general fund fund balance, as reflected in the fund financial statements was \$9,132,589 at June 30, 2022. This balance represents a \$2,624,154 decrease (22.32%) from the prior year, 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, as follows:
  - Nonspendable fund balance decreased by \$48,079.
  - Restricted fund balances increased by \$115,450 due to funding of reserves and interest allocated to the reserves, offset by the use of reserves.
  - Assigned fund balance increased \$15,218, as the District had an increase in encumbrances, offset by a decrease in the fund balance appropriated to fund the 2023 budget.
  - Unassigned fund balance decreased by \$2,706,743 to \$4,468,975, primarily due to voter approved district-wide HVAC building improvements, playground reconstruction and other projects.
- The District's 2022 property tax levy was revised and lowered on September 29, 2021 to \$21,437,511, which was the same as the 2021 tax levy. The District property tax cap was 1.25%.
- During the year ended June 30, 2022, the District issued refunding bonds in the amount of \$5,525,000, with an interest rate of 5.0%, in order to redeem \$5,950,000 of outstanding bonds. The economic gain on this refunding was \$382,570.

**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 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:

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

**EAST MORICHES 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. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of the District's school buildings and other capital assets.

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 fund.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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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 indebtedness, claims and judgments, compensated absences, pension costs and other postemployment benefits (OPEB), which are recognized as expenditures to the extent the related liabilities mature each period.

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

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, the reader may better 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 six individual governmental funds: general fund, special aid fund, school food service fund, debt service fund, capital projects fund, and scholarships fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

The District reports its fiduciary activities in the fiduciary fund – custodial fund. This fund reports real property taxes collected on behalf of other governments and disbursed to those governments, and utilizes the economic resources measurement focus and the accrual basis of accounting. All of the District's fiduciary activities are reported in separate statements. The fiduciary activities have been excluded from the district-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 increased by \$1,366,940 between fiscal year 2022 and 2021. The increase is due to revenues in excess expenses of using the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:



**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

	2022	2021	Increase (Decrease)	Percentage Change
<b>Assets</b>				
Current and Other Assets	\$ 17,426,191	\$ 15,204,828	\$ 2,221,363	14.61 %
Capital Assets, Net	20,516,760	20,247,877	268,883	1.33 %
Net Pension Assets -				
Proportionate Share	7,945,407	-	7,945,407	N/A
Total Assets	<u>45,888,358</u>	<u>35,452,705</u>	<u>10,435,653</u>	29.44 %
<b>Deferred Outflows of Resources</b>	<u>16,281,783</u>	<u>17,233,242</u>	<u>(951,459)</u>	(5.52)%
<b>Liabilities</b>				
Current and Other Liabilities	3,044,641	2,584,785	459,856	17.79 %
Long-Term Liabilities	14,746,189	15,324,274	(578,085)	(3.77)%
Net Pension Liabilities -				
Proportionate Share	-	1,155,803	(1,155,803)	(100.00)%
Total OPEB Liability	<u>35,341,615</u>	<u>41,855,909</u>	<u>(6,514,294)</u>	(15.56)%
Total Liabilities	<u>53,132,445</u>	<u>60,920,771</u>	<u>(7,788,326)</u>	(12.78)%
<b>Deferred Inflows of Resources</b>	<u>20,566,024</u>	<u>4,660,444</u>	<u>15,905,580</u>	341.29 %
<b>Net Position (Deficit)</b>				
Net Investment in Capital Assets	7,898,657	6,837,877	1,060,780	15.51 %
Restricted	4,051,129	3,934,929	116,200	2.95 %
Unrestricted (Deficit)	<u>(23,478,114)</u>	<u>(23,668,074)</u>	<u>189,960</u>	0.80 %
Total Net Position (Deficit)	<u>\$ (11,528,328)</u>	<u>\$ (12,895,268)</u>	<u>\$ 1,366,940</u>	10.60 %

The increase in current and other assets is primarily related to increases in cash and due from state and federal governments.

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

Net pension assets – proportionate share represents the District's share of the New York State Teachers' Retirement System's and the New York State and Local Employees' Retirement System's collective net pension assets, at the measurement date of the respective year. In the current year, the District's proportionate shares shifted from liabilities to assets. 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, and the amount of deferred charges from the bond refunding that is being amortized over the remaining term of the bonds.

The increase in current and other liabilities is primarily due to an increase in accounts payable related to tuition billings from other Districts, and advances on federal grants under the Coronavirus Response and Supplemental Appropriations Act, offset by the decrease in accrued liabilities.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

The decrease in long-term liabilities is the result of the repayment of bond principal, offset by an increase in compensated absences payable.

Net pension liabilities – proportionate share represents the District’s share of the New York State Teachers’ Retirement System’s and the New York State and Local Employees’ Retirement System’s collective net pension liabilities, at the measurement date of the respective year. The decrease is due to the shift from net pension liabilities in the prior year, to net pension assets in the current year. The accompanying Notes to Financial Statements, Note 12 “Pension Plans – New York State”, provides additional information.

Total OPEB liability decreased, 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 Information, Schedule of Net Investment in Capital Assets provides additional information.

The restricted amount relates to the District’s reserves, which increased over the prior year, due to transfers into, and interest allocated to the reserves, offset by the use of reserves.

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 liability. 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 liability.

**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, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 985,902	\$ 667,378	\$ 318,524	47.73 %
Operating Grants and Contributions	1,563,191	689,849	873,342	126.60 %
General Revenues				
Property Taxes and STAR	21,437,855	21,437,620	235	0.00 %
State Sources	7,972,004	7,607,966	364,038	4.78 %
Other	286,396	362,765	(76,369)	(21.05)%
Total Revenues	<u>32,245,348</u>	<u>30,765,578</u>	<u>1,479,770</u>	4.81 %

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>Expenses</b>				
General Support	\$ 2,916,980	\$ 2,907,437	\$ 9,543	0.33 %
Instruction	25,748,404	26,946,773	(1,198,369)	(4.45)%
Pupil Transportation	1,392,724	1,343,466	49,258	3.67 %
Debt Service - Interest	470,751	530,004	(59,253)	(11.18)%
Food Service Program	349,549	315,459	34,090	10.81 %
Total Expenses	<u>30,878,408</u>	<u>32,043,139</u>	<u>(1,164,731)</u>	<u>(3.63)%</u>
Increase/(Decrease) in Net Position	<u>\$ 1,366,940</u>	<u>\$ (1,277,561)</u>	<u>\$ 2,644,501</u>	<u>(207.00)%</u>

The District's net position increased by \$1,366,940 and decreased by \$1,277,561 for the years ended June 30, 2022 and 2021, respectively.

The District's revenues increased when compared to the prior year, primarily due to the following major changes:

- Operating grants increased as the District was awarded funding under the Coronavirus Response and Supplemental Appropriations (CRRSA) Act through the Elementary and Secondary School Emergency Relief (ESSER) program and the Governor's Emergency Education Relief (GEER) program.
- The increase in state sources is chiefly due to more Angela's House students in the current year.
- Charges for services increased mainly due to the growth in attendance of out-of-district students.

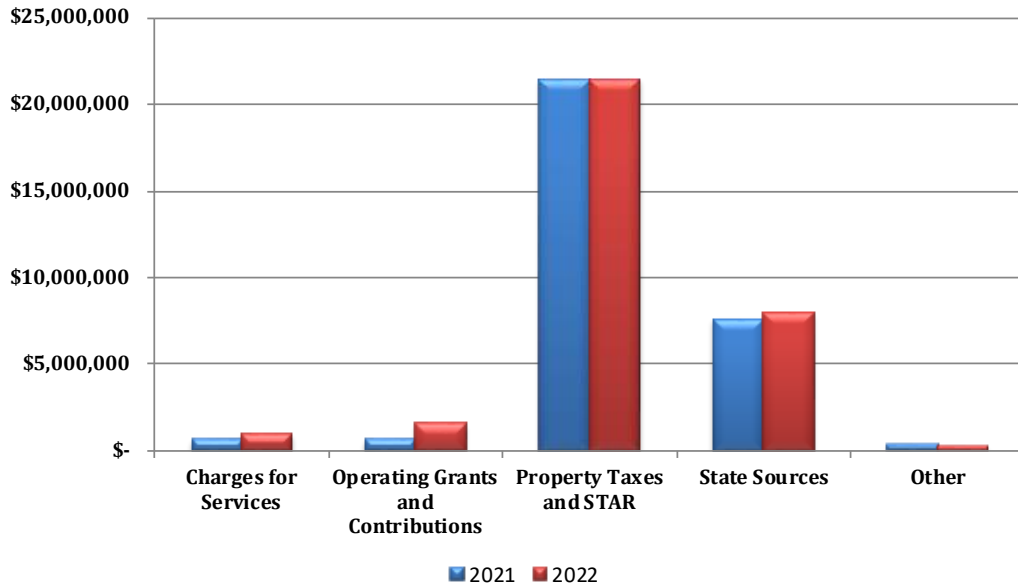
The District's expenses decreased when compared to the prior year, primarily due to the following major change:

- Instruction decreased based on the impact of allocations of the net change in actuarially determined pension expenses for TRS and ERS, and other postemployment benefit costs.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 66.5% and 69.7% of the total for the years 2022 and 2021, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 83.5% and 84.0% of the total for the years 2022 and 2021, respectively).

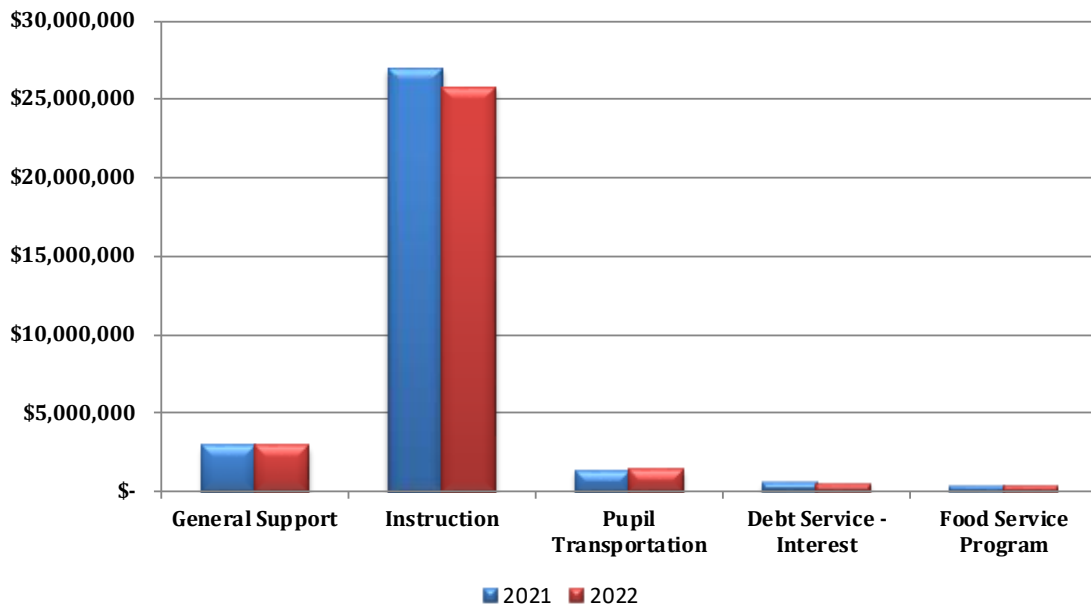
**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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



	Charges for Services	Operating Grants and Contributions	Property Taxes and STAR	State Sources	Other
<b>2021</b>	2.2%	2.2%	69.7%	24.7%	1.2%
<b>2022</b>	3.1%	4.8%	66.5%	24.7%	0.9%

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
<b>2021</b>	9.1%	84.0%	4.2%	1.7%	1.0%
<b>2022</b>	9.4%	83.5%	4.5%	1.5%	1.1%

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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

At June 30, 2022, the District's governmental funds reported a combined fund balance of \$14,626,369, which is an increase of \$1,744,658 over the prior year. This increase is due to an excess of revenues and other financing sources over expenditures and other financing uses using 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:

	2022	2021	Increase (Decrease)	Percentage Change
<b>General Fund</b>				
Nonspendable: Advances	\$	\$ 48,079	\$ (48,079)	(100.00)%
Restricted				
Workers' compensation	290,281	290,252	29	0.01 %
Unemployment insurance	99,555	99,545	10	0.01 %
Retirement contribution				
Teachers' retirement system	367,152	317,120	50,032	15.78 %
Employees retirement system	1,389,285	1,389,146	139	0.01 %
Employee benefit accrued liability	1,901,478	1,836,238	65,240	3.55 %
Assigned:				
Appropriated fund balance	314,307	400,000	(85,693)	(21.42)%
Unappropriated fund balance	301,556	200,645	100,911	50.29 %
Unassigned: Fund balance	4,468,975	7,175,718	(2,706,743)	(37.72)%
	<u>9,132,589</u>	<u>11,756,743</u>	<u>(2,624,154)</u>	<u>(22.32)%</u>
<b>School Food Service Fund</b>				
Nonspendable: Inventory	3,152	1,121	2,031	181.18 %
Unassigned: Fund balance (deficit)		(48,079)	48,079	100.00 %
	<u>3,152</u>	<u>(46,958)</u>	<u>50,110</u>	<u>(106.71)%</u>
<b>Capital Projects Fund</b>				
Assigned: Unappropriated fund balance	5,487,250	1,169,298	4,317,952	369.28 %
<b>Scholarships Fund</b>				
Restricted: Scholarships	3,378	2,628	750	28.54 %
Total Fund Balance	<u>\$ 14,626,369</u>	<u>\$ 12,881,711</u>	<u>\$ 1,744,658</u>	<u>13.54 %</u>

**A. General Fund**

The general fund – fund balance is a net decrease of \$2,624,154, compared to an increase of \$2,803,267 in 2021. This resulted from expenditures and other financing uses in excess of revenues and other financing sources.

Revenues and other financing sources increased by \$1,017,274, or 3.37%. The following is a summary of the major changes:

- Other financing sources increased as a result of grant funds transferred from the Special Aid Fund for prior year expenditures that were paid through the General Fund.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

- Charges for services increased due to the growth in attendance of out-of-district students.
- State sources increased mainly due to more Angela's House students in the current year.

Expenditures and other financing uses increased by \$6,444,695, or 23.55% over the prior year. The following is a summary of the major changes:

- Instruction costs increased due to an increased number of students receiving services, as well as, an increase in the number of Angela's House students.
- Other financing uses increased due to a transfer to the Capital Projects Fund for building-wide improvements at both the elementary and middle schools.

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

	Balance @ June 30, 2021	Use of Reserves	Interest	Funding	Balance @ June 30, 2022
Workers' compensation	\$ 290,252	\$	\$ 29	\$	\$ 290,281
Unemployment insurance	99,545		10		99,555
Retirement contribution					
TRS	317,120		32	50,000	367,152
ERS	1,389,146		139		1,389,285
EBALR	1,836,238	(84,944)	184	150,000	1,901,478
	<u>\$ 3,932,301</u>	<u>\$ (84,944)</u>	<u>\$ 394</u>	<u>\$ 200,000</u>	<u>\$ 4,047,751</u>

**B. School Food Service Fund**

The school food service fund - fund balance net increase can be attributed to greater state and federal reimbursements, the result of an Executive Order, granting school districts waivers, which authorized the distribution of free meals to all students, regardless of their eligibility status.

**C. Capital Projects Fund**

The capital projects fund – fund balance net increase is the result of the 2022-2023 voter-approved proposition authorizing \$5,200,000 for building-wide HVAC improvements, playground reconstruction, and other District projects exceeding capital expenditures.

**D. Scholarships Fund**

The scholarships fund – fund balance net increase is the result of scholarship donations and contributions exceeding scholarships awarded.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2021-2022 Budget**

The District's general fund adopted budget for the year ended June 30, 2022 was \$29,519,101. This amount was increased by encumbrances carried forward from the prior year in the amount of \$200,645 and budget revisions in the amount of \$5,583,960 for a total final budget of \$35,303,706.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$21,437,511 in estimated property taxes and STAR, and \$7,297,884 in estimated state aid.

**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 current and prior years' excess revenues and other financing sources over expenditures and other financing uses, net of transfers to reserves, appropriations to fund the subsequent year's budget, encumbrances, and amounts classified as nonspendable. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 7,175,718
Fund Balance Appropriated for Budget Revision	(5,200,000)
Revenues Over Budget	1,774,103
Expenditures and Encumbrances Under Budget	1,185,776
Change in Nonspendable Fund Balance	48,079
Allocation to Reserves - Including Interest	(200,394)
Appropriated for the 2022-2023 Budget	<u>(314,307)</u>
Closing, Unassigned Fund Balance	<u>\$ 4,468,975</u>

**Opening, Unassigned Fund Balance**

The \$7,175,718 shown in the table is the portion of the District's June 30, 2021 fund balance that was retained as unassigned.

**Fund Balance Appropriated for Budget Revision**

The District increased appropriations by \$5,200,000, which was funded by unassigned fund balance. Per voter approval, these funds will be used for building-wide HVAC, playground improvements, and other projects throughout the District. The increase was needed to fund the capital project fund. This decreased the unassigned portion of the general fund fund balance.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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Revenues Over Budget

The 2021-2022 final budget for revenues was \$29,418,117. Actual revenues recognized for the year were \$31,192,220. The excess of actual revenues and other financing sources over estimated or budgeted revenues was \$1,774,103, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2021 to June 30, 2022. 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 2021-2022 final budget for expenditures and other uses was \$35,303,706. Actual expenditures, other financing uses, and encumbrances as of June 30, 2022 were \$34,117,930. The final budget variance was \$1,185,776, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2021 to June 30, 2022. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Change in Nonspendable Fund Balance

The decrease in nonspendable fund balance increases the unassigned fund balance.

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 \$314,307 of the available June 30, 2022 unassigned fund balance to partially fund the 2022-2023 approved operating budget. As such, the June 30, 2022 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the changes shown in the summary table, the unassigned fund balance at June 30, 2022 was \$4,468,975. This amount exceeds the 4% statutory limitation established by New York State Real Property Tax Law §1318.

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

**A. Capital Assets**

At June 30, 2022, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$1,106,973 in excess of depreciation expense of \$838,090 recorded for the year ended June 30, 2022. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2022 and 2021 is as follows:



**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

	2022	2021	Increase (Decrease)
Land	\$ 265,000	\$ 265,000	\$ -
Construction work in progress	906,869	30,702	876,167
Buildings and improvements	18,922,188	19,585,373	(663,185)
Furniture and equipment	419,116	358,432	60,684
Vehicles	3,587	8,370	(4,783)
Capital assets, net	<u>\$ 20,516,760</u>	<u>\$ 20,247,877</u>	<u>\$ 268,883</u>

**B. Debt Administration**

At June 30, 2022, the District had total debt of \$12,125,000. The decreases in outstanding debt represent principal payments made throughout the year, while the increase indicates a new issuance. A summary of the outstanding debt at June 30, 2022 and 2021 is as follows:

Issue Date	Interest Rate	2022	2021	Increase (Decrease)
<b>Bonds Payable</b>				
2011	4.0-4.75%	\$ 210,000	\$ 245,000	\$ (35,000)
2012	2.0-5.0%	830,000	7,570,000	(6,740,000)
2015	2.0-3.375%	5,560,000	5,595,000	(35,000)
2022	5.00%	5,525,000	-	5,525,000
		<u>\$ 12,125,000</u>	<u>\$ 13,410,000</u>	<u>\$ (1,285,000)</u>

The District's latest underlying, long-term credit rating from S&P Global Ratings is AA-.

**C. Other Long-Term Liabilities**

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, which are based on employment contracts, and net pension liabilities – proportionate share and total other postemployment benefits liability, which are based on actuarial valuations. A summary of the outstanding other long-term liabilities at June 30, 2022 and 2021 is as follows:

	2022	2021	Increase (Decrease)
Compensated absences payable	\$ 2,005,670	\$ 1,914,274	\$ 91,396
Net pension liabilities			
- proportionate share	-	1,155,803	(1,155,803)
Total OPEB liability	<u>35,341,615</u>	<u>41,855,909</u>	<u>(6,514,294)</u>
	<u>\$ 37,347,285</u>	<u>\$ 44,925,986</u>	<u>\$ (7,578,701)</u>

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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

**A. Subsequent Year's Budget**

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 17, 2022, for the year ending June 30, 2023, is \$30,398,630. This is an increase of \$879,529 or 2.98% over the previous year's budget.

The District budgeted revenues other than property taxes and STAR at an increase of \$955,222 over the prior year's estimate, which is principally due to estimated increases in state sources and tuition. The assigned, appropriated fund balance applied to the budget in the amount of \$314,307, is an \$85,693 decrease from the prior year. Additionally, the District has elected to appropriate reserves of \$10,000 towards the next year's budget, which it did not do in the previous year. As a result, the tax levy remained the same as the prior year.

**B. Future Budgets**

Dwindling state and federal support of initiatives established during the pandemic, the continued need for additional resources to close learning gaps, fluctuating rates in this inflationary environment, and increases in charges of fuel, goods, and borrowing costs may impact the District's future budgets.

**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 2022-2023 property tax cap was 2.18%; however, the District has chosen not to increase the tax levy for the 2023 year.

**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. Dean Mittleman  
Superintendent of Schools  
East Moriches Union Free School District  
9 Adelaide Avenue  
East Moriches, NY 11940

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**Statement of Net Position**  
June 30, 2022

**ASSETS**

Cash	
Unrestricted	\$ 11,229,320
Restricted	4,051,129
Receivables	
Accounts receivable	4,435
Due from state and federal	2,010,804
Due from other governments	127,351
Inventory	3,152
Capital assets:	
Not being depreciated	1,171,869
Being depreciated, net of accumulated depreciation	19,344,891
Net pension assets - proportionate share	<u>7,945,407</u>
 Total Assets	 <u>45,888,358</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charges from advance refunding, net	122,416
Pensions	5,096,990
Other postemployment benefits	<u>11,062,377</u>
 Total Deferred Outflows of Resources	 <u>16,281,783</u>

**LIABILITIES**

Payables	
Accounts payable	1,627,876
Accrued liabilities	277,190
Due to other governments	2,402
Due to teachers' retirement system	830,108
Due to employees' retirement system	43,014
Compensated absences	84,944
Other liabilities	66,314
Unearned credits	
Collections in advance	112,793
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	1,027,918
Due and payable after one year	
Bonds payable, net	11,712,601
Compensated absences payable	2,005,670
Total other postemployment benefits liability	<u>35,341,615</u>
 Total Liabilities	 <u>53,132,445</u>

**DEFERRED INFLOWS OF RESOURCES**

Pensions	9,876,034
Other postemployment benefits	<u>10,689,990</u>
 Total Deferred Inflows of Resources	 <u>20,566,024</u>

**NET POSITION (DEFICIT)**

Net investment in capital assets	<u>7,898,657</u>
Restricted:	
Workers' compensation	290,281
Unemployment insurance	99,555
Retirement contribution	
Teachers' retirement system	367,152
Employees' retirement system	1,389,285
Employee benefit accrued liability	1,901,478
Scholarships	<u>3,378</u>
	<u>4,051,129</u>
Unrestricted (deficit)	<u>(23,478,114)</u>
 Total Net Position (Deficit)	 <u>\$ (11,528,328)</u>

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**Statement of Activities**  
For the Year Ended June 30, 2022

		Program Revenues		Net (Expense)
Expenses	Charges for Services	Operating Grants & Contributions	Revenue and Changes in Net Position	
<b>FUNCTIONS/PROGRAMS</b>				
General support	\$ 2,916,980	\$	\$	\$ (2,916,980)
Instruction	25,748,404	958,287	1,278,180	(23,511,937)
Pupil transportation	1,392,724			(1,392,724)
Debt service - interest	470,751			(470,751)
Food service program	349,549	27,615	285,011	(36,923)
Total Functions and Programs	\$ 30,878,408	\$ 985,902	\$ 1,563,191	(28,329,315)
<b>GENERAL REVENUES</b>				
Real property taxes				20,023,836
Other tax items				1,469,264
Use of money and property				58,850
Miscellaneous				145,320
State sources				7,972,004
Medicaid reimbursement				26,981
Total General Revenues				29,696,255
Change in Net Position				1,366,940
Total Net Position (Deficit) - Beginning of Year				(12,895,268)
Total Net Position (Deficit) - End of Year				\$ (11,528,328)

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2022

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Scholarships	Total Governmental Funds
<b>ASSETS</b>							
Cash							
Unrestricted	\$ 5,725,080	\$ 5,343	\$ 5,766	\$ -	\$ 5,493,131	\$ -	\$ 11,229,320
Restricted	4,047,751					3,378	4,051,129
Receivables							
Accounts receivable	4,194		241				4,435
Due from other funds	841,608	8,235	68,598				918,441
Due from state and federal	1,084,774	847,222	78,808				2,010,804
Due from other governments	127,351						127,351
Inventory			3,152				3,152
Total Assets	<u>\$ 11,830,758</u>	<u>\$ 860,800</u>	<u>\$ 156,565</u>	<u>\$ -</u>	<u>\$ 5,493,131</u>	<u>\$ 3,378</u>	<u>\$ 18,344,632</u>
<b>LIABILITIES</b>							
Payables							
Accounts payable	\$ 1,572,820	\$ 28,889	\$ 20,286	\$ -	\$ 5,881		\$ 1,627,876
Accrued liabilities	32,371						32,371
Due to other funds	68,598	738,554	111,289				918,441
Due to other governments		2,400	2				2,402
Due to teachers' retirement system	830,108						830,108
Due to employees' retirement system	43,014						43,014
Compensated absences	84,944						84,944
Other liabilities	66,314						66,314
Unearned credits							
Collections in advance		90,957	21,836				112,793
Total Liabilities	<u>2,698,169</u>	<u>860,800</u>	<u>153,413</u>	<u>-</u>	<u>5,881</u>	<u>-</u>	<u>3,718,263</u>
<b>FUND BALANCES</b>							
Nonspendable:							
Inventory			3,152				3,152
Restricted:							
Workers' compensation	290,281						290,281
Unemployment insurance	99,555						99,555
Retirement contribution							
Teachers' retirement system	367,152						367,152
Employees' retirement system	1,389,285						1,389,285
Employee benefit accrued liability	1,901,478						1,901,478
Scholarships						3,378	3,378
Assigned:							
Appropriated fund balance	314,307						314,307
Unappropriated fund balance	301,556				5,487,250		5,788,806
Unassigned: Fund balance (Deficit)	4,468,975						4,468,975
Total Fund Balances	<u>9,132,589</u>	<u>-</u>	<u>3,152</u>	<u>-</u>	<u>5,487,250</u>	<u>3,378</u>	<u>14,626,369</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,830,758</u>	<u>\$ 860,800</u>	<u>\$ 156,565</u>	<u>\$ -</u>	<u>\$ 5,493,131</u>	<u>\$ 3,378</u>	<u>\$ 18,344,632</u>

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
June 30, 2022

Total Governmental Fund Balances \$ 14,626,369

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

The costs of building and acquiring capital assets 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	\$ 33,366,689	
Less: Accumulated depreciation	<u>(12,849,929)</u>	20,516,760

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

Net pension asset - teachers' retirement system	7,562,030	
Net pension asset - employees' retirement system	383,377	
Deferred outflows of resources	5,096,990	
Deferred inflows of resources	<u>(9,876,034)</u>	3,166,363

Deferred charges on advance refunding of bonds are not reported on the Balance Sheet, but are reflected on the Statement of Net Position and amortized over the life of the related bonds.

Deferred charges on advance refunding	127,105	
Less: Accumulated amortization	<u>(4,689)</u>	122,416

Total other postemployment benefits liability, as well as deferred outflows and inflows related to providing benefits in retirement are not current financial resources or liabilities and are not reported in the funds.

Deferred outflows of resources	11,062,377	
Total other postemployment benefits liability	<u>(35,341,615)</u>	
Deferred inflows of resources	<u>(10,689,990)</u>	(34,969,228)

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	(244,819)	
Bonds payable	(12,740,519)	
Compensated absences payable	<u>(2,005,670)</u>	<u>(14,991,008)</u>

Total Net Position (Deficit) \$ (11,528,328)

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For the Year Ended June 30, 2022

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Scholarships	Total Governmental Funds
<b>REVENUES</b>							
Real property taxes	\$ 20,023,836	\$	\$	\$	\$	\$	\$ 20,023,836
Other tax items	1,469,264						1,469,264
Charges for services	958,287						958,287
Use of money and property	58,850						58,850
Miscellaneous	145,320					1,000	146,320
Interfund revenues	18,872						18,872
State sources	7,972,004	330,950	4,078				8,307,032
Medicaid reimbursement	26,981						26,981
Federal sources		946,230	280,933				1,227,163
Sales			27,615				27,615
<b>Total Revenues</b>	<b>30,673,414</b>	<b>1,277,180</b>	<b>312,626</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>32,264,220</b>
<b>EXPENDITURES</b>							
General support	2,352,414			86,991			2,439,405
Instruction	19,115,818	762,150				250	19,878,218
Pupil transportation	1,338,449	54,275					1,392,724
Employee benefits	4,286,556						4,286,556
Debt service							
Principal	860,000						860,000
Interest	506,488						506,488
Food service program			361,114				361,114
Capital outlay					882,048		882,048
<b>Total Expenditures</b>	<b>28,459,725</b>	<b>816,425</b>	<b>361,114</b>	<b>86,991</b>	<b>882,048</b>	<b>250</b>	<b>30,606,553</b>
Excess (Deficiency) of Revenues Over Expenditures	2,213,689	460,755	(48,488)	(86,991)	(882,048)	750	1,657,667
<b>OTHER FINANCING SOURCES AND (USES)</b>							
Proceeds of obligations				5,525,000			5,525,000
Premium on obligation				639,096			639,096
Payment to escrow agent				(6,077,105)			(6,077,105)
Operating transfers in	518,806	58,051	98,598		5,200,000		5,875,455
Operating transfers (out)	(5,356,649)	(518,806)					(5,875,455)
<b>Total Other Financing Sources and (Uses)</b>	<b>(4,837,843)</b>	<b>(460,755)</b>	<b>98,598</b>	<b>86,991</b>	<b>5,200,000</b>	<b>-</b>	<b>86,991</b>
Net Change in Fund Balances	(2,624,154)	-	50,110	-	4,317,952	750	1,744,658
Fund Balances (Deficit) - Beginning of Year	11,756,743		(46,958)		1,169,298	2,628	12,881,711
End of Year	\$ 9,132,589	\$ -	\$ 3,152	\$ -	\$ 5,487,250	\$ 3,378	\$ 14,626,369

**EAST MORICHES 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, 2022

Net Change in Fund Balances \$ 1,744,658

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

Long-Term Revenue and Expense Differences

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	(91,396)	
		(91,396)

Capital Related Differences

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

Capital outlays and other additions	1,106,973	
Depreciation expense	(838,090)	
		268,883

Long-Term Debt Transactions Differences

Proceeds and premium from the issuance of bonds are other financing sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.

(6,164,096)

Payment to escrow agent is an other financing use in the governmental funds, but it decreases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

6,077,105

The amortization of the deferred premium, net of the amortization of the deferred charges on the advance refunding of bonds, decreases interest expense in the Statement of Activities.

18,888

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	860,000	
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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, 2021 to June 30, 2022.

16,849

808,746

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	1,200,357	
Employees' retirement system	142,250	
Other postemployment benefits	(2,706,558)	
		(1,363,951)

Change in Net Position of Governmental Activities		\$ 1,366,940
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**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position - Fiduciary Fund**  
June 30, 2022

	Custodial
<b>ASSETS</b>	
Cash and cash equivalents	\$ -
<b>NET POSITION</b>	
Restricted for individuals, organizations, and other governments	\$ -

**Statement of Changes in Fiduciary Net Position - Fiduciary Fund**  
For the Year Ended June 30, 2022

	Custodial
<b>ADDITIONS</b>	
Real property taxes collected for the Library	\$ 853,870
<b>DEDUCTIONS</b>	
Disbursements of real property taxes to the Library	853,870
Change in Net Position	-
Net Position - Beginning of Year	-
Net Position - End of Year	\$ -

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the East Moriches 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 (Board) consisting of five 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 reporting entity.

**B. Joint Venture**

The District is a component district in the Board of Cooperative Educational Services of Eastern Suffolk (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.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**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 financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants and contributions include operating-specific and discretionary (either operating or capital) grants and contributions, 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** - is used to account for the advance refunding of a portion of the District's outstanding serial bonds.

**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.

**Scholarships Fund** - is used to account for funds collected that benefit annual third-party awards and scholarships for students.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

***Custodial Fund*** – is used to account for real property taxes collected on behalf of other governments and disbursed to those governments.

**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 funds 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, claims and judgments, 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.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**E. Real Property Taxes and Other Tax Items**

Calendar

Real property taxes are levied annually by the Board no later than November 1st and become a lien on December 1<sup>st</sup>. Taxes are collected by the town of Brookhaven and remitted to the District from December to June.

Enforcement

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

School Tax Relief (STAR) Aid

New York State implemented the STAR program with the enactment of Chapter 389 of the Laws of 1997 to reduce the school property tax burden on residential homeowners. A school district's annual property tax levy as adopted is reduced by the total amount of the STAR exemptions granted to homeowners. School districts are reimbursed for this loss in property tax revenues by the state with STAR aid, which is reported as other tax items revenues.

**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.

**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 eliminations have been made for all interfund receivables and payables between the funds.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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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.

**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 outflows of resources, liabilities and 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 revenue availability, compensated absences, pension costs, other postemployment benefits, workers' compensation liabilities, 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.

**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 are consumed.

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

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

**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.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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 and improvements	\$ 15,000	30-50 years
Furniture and equipment	500	5-20 years
Vehicles	500	5-20 years

**N. Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has three items that qualify for reporting in this category. The first item is the unamortized amount of deferred charges from a refunding of bonds that is being amortized as a component of interest expense on a weighted average basis over the remaining life of the new debt. The second item is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liabilities not included in collective pension expense and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The third item is related to the District's OPEB plan and represents the change in the total other postemployment benefits liability not included in the 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, seven years if originally issued during calendar year 2015 through, and including, 2021. 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, 2022.

**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, and the supply chain assistance monies in the school food service fund. 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.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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.

Certain collectively bargained agreements require these 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 plans established under Internal Revenue Code Sections 403(b) and 457.

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 eligible 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. Healthcare 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, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.



**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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 two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension assets or liabilities not included in collective pension expense. The second item is related to OPEB reported in the district-wide Statement of Net Position and represents the change in the total other postemployment benefits liability not included in OPEB expense.

**T. Long-Term Debt**

The District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The repayment of principal and interest will be in the general fund and debt service fund.

In the fund financial statements, governmental funds recognize bond premiums during the current period, with the face amount of debt issued reported as other financing sources. Premiums received on long-term debt issuances are reported as other financing sources. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

In the district-wide financial statements, premiums received on long-term debt issuances are netted with bonds payable and amortized over the life of the bonds.

**U. 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:

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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*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 consists of inventory, which is recorded in the school food service fund and the long-term portion of loans receivable, which is recorded in the general 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:

*Workers' Compensation Reserve*

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

*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 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.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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*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.

*Restricted for Scholarships*

Amounts restricted for scholarships are used to account for monies donated for scholarship purposes, including earnings and net of awards. These restricted funds are accounted for in the scholarships 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 could also include 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 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 Board will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classification will be charged.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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 statements issued, but the statement that the District feels may have a future impact on these financial statements. The District will evaluate the impact of this pronouncement and implement it, as applicable, if material.

<b>Effective for the Year Ending</b>	<b>Statement</b>
June 30, 2023	GASB No. 96 - <i>Subscription Based Information Technology Agreements</i>

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users.

**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 deferred outflows of resources, and long-term assets and liabilities, and deferred inflows of resources.

**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 resources 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.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Long-Term Debt Transaction Differences

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

Pension and Other Postemployment Benefits Differences

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

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for health 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 following supplemental appropriations occurred during the year:

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**NOTES TO FINANCIAL STATEMENTS**  
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Scoreboard funded by gifts and donations	\$ 28,016
Capital projects funded by prior year's unassigned fund balance with voter-approval in May 2022	5,200,000
Angela's House students funded by additional state aid	271,000
Retirement payouts funded by the employee benefits accrued liability reserve	<u>84,944</u>
	<u>\$ 5,583,960</u>

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 would be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

**C. Unassigned Fund Balance**

The District's general fund unassigned fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The District is in the process of formulating additional plans to reduce the unassigned fund balance to be within the permissible limit. This plan will address funding its reserves to a fiscally prudent level and also assessing the capital needs of the District.

**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 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

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**NOTES TO FINANCIAL STATEMENTS**  
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- 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 and a letter of credit pledged on the District's behalf at year-end.

The District did not have any investments at year-end or during the year. Consequently, the District was not exposed to any material interest rate risk or foreign currency risk.

**6. PARTICIPATION IN BOCES**

During the year ended June 30, 2022, the District was billed \$1,928,760 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$292,352. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

**7. DUE FROM STATE AND FEDERAL**

Due from state and federal at June 30, 2022 consisted of:

General Fund	
New York State - tuition chapter 47	\$ 594,446
New York State - excess cost aid	167,343
BOCES aid	292,352
Medicaid	9,608
General aid	14,217
Other	<u>6,808</u>
	1,084,774
Special Aid Fund	
Federal and state grants	847,222
School Food Service Fund	
Federal and state food service program reimbursements	<u>78,808</u>
	<u>\$ 2,010,804</u>

District management expects these amounts to be collectible.

**8. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2022 consisted of:

General Fund	
Other districts - tuition	\$ 114,742
Eastern Suffolk BOCES	2,171
Suffolk County Department of Health	<u>10,438</u>
	<u>\$ 127,351</u>

District management expects these amounts to be collectible.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
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**9. CAPITAL ASSETS**

**A. Changes**

Capital asset balances and activity for the year ended June 30, 2022 were as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 265,000	\$	\$	\$ 265,000
Construction work in progress	30,702	876,167		906,869
Total capital assets not being depreciated	295,702	876,167	-	1,171,869
Capital assets being depreciated:				
Buildings and improvements	30,670,375	97,318		30,767,693
Furniture and equipment	1,255,370	133,488		1,388,858
Vehicles	38,269			38,269
Total capital assets being depreciated	31,964,014	230,806	-	32,194,820
Less accumulated depreciation for:				
Buildings and improvements	11,085,002	760,503		11,845,505
Furniture and equipment	896,938	72,804		969,742
Vehicles	29,899	4,783		34,682
Total accumulated depreciation	12,011,839	838,090	-	12,849,929
Total capital assets, being depreciated, net	19,952,175	(607,284)	-	19,344,891
Capital assets, net	<u>\$ 20,247,877</u>	<u>\$ 268,883</u>	<u>\$ -</u>	<u>\$ 20,516,760</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 14,686
Instruction	823,404
Total depreciation/amortization expense	<u>\$ 838,090</u>

**B. Impairment Losses**

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The District's policy is to record an impairment loss in the period when the District determines that the carrying amount of the asset will not be recoverable. At June 30, 2022, the District has not recorded any such impairment losses.



**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**10. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2022 are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 841,608	\$ 68,598	\$ 518,806	\$ 5,356,649
Special Aid Fund	8,235	738,554	58,051	518,806
School Food Service Fund	68,598	111,289	98,598	
Capital Projects Fund			5,200,000	
	<u>\$ 918,441</u>	<u>\$ 918,441</u>	<u>\$ 5,875,455</u>	<u>\$ 5,875,455</u>

The District typically transfers from the general fund to the special aid fund, and school food service fund. The transfer to the special aid fund was for the District's share of the costs for the summer placement program. The transfer to the school food service fund was to provide support for the program per the approved budget. The transfer to the capital projects fund was voter approved for various building-wide improvements at the elementary and middle schools, and was a general fund budget revision. The transfer from the special aid fund to the general fund is for reimbursement of federal expenditures incurred by the general fund in the prior year.

**11. LONG-TERM LIABILITIES**

**A. Changes**

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

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 13,410,000	\$ 5,525,000	\$ (6,810,000)	\$ 12,125,000	\$ 910,000
Premium on obligation	-	639,096	(23,577)	615,519	117,918
	<u>13,410,000</u>	<u>6,164,096</u>	<u>(6,833,577)</u>	<u>12,740,519</u>	<u>1,027,918</u>
Other long-term liabilities:					
Compensated absences	<u>1,914,274</u>	<u>91,396</u>		<u>2,005,670</u>	
	<u>\$ 15,324,274</u>	<u>\$ 6,255,492</u>	<u>\$ (6,833,577)</u>	<u>\$ 14,746,189</u>	<u>\$ 1,027,918</u>

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

**EAST MORICHES 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, 2022
Serial bonds - EXCEL	7/1/2011	7/1/2026	4.0-4.75%	\$ 210,000
Advance refunding bond	1/10/2012	7/1/2028	2.0-5.0%	830,000
Advance refunding bond	8/5/2015	7/1/2033	2.0-3.375%	5,560,000
Advance refunding bond	4/7/2022	7/1/2028	5.00%	<u>5,525,000</u>
				<u>\$ 12,125,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2023	\$ 910,000	\$ 670,127	\$ 1,580,127
2024	875,000	438,016	1,313,016
2025	920,000	394,313	1,314,313
2026	970,000	348,131	1,318,131
2027	1,030,000	299,144	1,329,144
2028 - 2032	5,905,000	779,188	6,684,188
2033 - 2034	<u>1,515,000</u>	<u>36,306</u>	<u>1,551,306</u>
Total	<u>\$ 12,125,000</u>	<u>\$ 2,965,225</u>	<u>\$ 15,090,225</u>

**C. Advance Bond Refunding**

On March 23, 2022, the District issued \$5,525,000 in general obligation bonds with an interest rate of 5.0% to advance refund \$5,950,000 of outstanding serial bonds with an average interest rate of 2.0% to 5.0%. The net proceeds of \$6,077,105 (including a premium of \$639,096, and after payments of \$86,991 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the District's financial statements. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$382,570. The outstanding principal balance of the defeased bonds is \$5,950,000 at June 30, 2022 and were paid on July 1, 2022.

The advance refunded serial bonds resulted in a deferred charge and a refunding bond premium. These amounts are being amortized as a component of interest expense on a straight-line basis over the life of the bonds in the district-wide statement as follows:

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Year Ending June 30,	Amortization of Deferred Charges	Amortization of Premium	Interest Expense Increase / (Decrease)
2023	\$ 29,467	\$ (148,162)	\$ (118,695)
2024	27,319	(137,363)	(110,044)
2025	22,931	(115,297)	(92,366)
2026	18,302	(92,023)	(73,721)
2027	13,393	(67,340)	(53,947)
2028 - 2029	11,004	(55,334)	(44,330)
Total	\$ 122,416	\$ (615,519)	\$ (493,103)

**D. Interest Expense**

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

Interest paid	\$ 506,488
Less interest accrued in the prior year	(261,668)
Plus interest accrued in the current year	244,819
Less amortization of deferred amounts on refunding, net	(18,888)
Total interest expense on long-term debt	\$ 470,751

**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, defined benefit, 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.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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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 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 9.53% of covered payroll for the TRS' fiscal year ended June 30, 2021. The District's average contribution rate was 13.30% of covered payroll for the ERS' fiscal year ended March 31, 2022.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2022 was \$751,098 for TRS at the contribution rate of 9.80% and \$178,654 for ERS at an average contribution rate of 12.92%.

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

At June 30, 2022, 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, 2021, for TRS and March 31, 2022 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 in reports provided to the District.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2021	March 31, 2022
District's proportionate share of the net pension asset	\$ 7,562,030	\$ 383,377
District's portion of the Plan's total net pension asset	0.043638%	0.0046899%
Change in proportion since the prior measurement date	0.001966	0.0003889

For the year ended June 30, 2022, the District recognized pension expense (credit) of \$(448,800) for TRS and \$37,914 for ERS. At June 30, 2022, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 1,042,346	\$ 29,034	\$ 39,288	\$ 37,658
Changes of assumptions	2,487,310	639,813	440,466	10,796
Net difference between projected and actual earnings on pension plan investments			7,914,447	1,255,399
Changes in proportion and differences between the District's contributions and proportionate share of contributions	39,835	64,540	155,608	22,372
District contributions subsequent to the measurement date	751,098	43,014		
<b>Total</b>	<u>\$ 4,320,589</u>	<u>\$ 776,401</u>	<u>\$ 8,549,809</u>	<u>\$ 1,326,225</u>

District contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>TRS</u>	<u>ERS</u>
2023	\$ (991,438)	\$ (77,536)
2024	(1,165,867)	(128,296)
2025	(1,472,008)	(321,632)
2026	(1,936,923)	(65,374)
2027	342,656	
Thereafter	243,262	
	<u>\$ (4,980,318)</u>	<u>\$ (592,838)</u>

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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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, 2021	March 31, 2022
Actuarial valuation date	June 30, 2020	April 1, 2021
Inflation	2.40%	2.70%
Salary increases	1.95-5.18%	4.40%
Investment rate of return (net of investment expense, including inflation)	6.95%	5.90%
Cost of living adjustments	1.30%	1.40%

For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2020, 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, 2015 – March 31, 2020 system experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2020. The previous actuarial valuation as of April 1, 2020 used the same assumptions for the measurement of total pension liability.

For TRS, the June 30, 2021 demographic actuarial assumptions and the salary scale were based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020. The June 30, 2020 demographic actuarial assumptions and the salary scale 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, 2015 – March 31, 2020.

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

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

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

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**NOTES TO FINANCIAL STATEMENTS**  
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	TRS		ERS	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Measurement date		June 30, 2021		March 31, 2022
Asset type				
Domestic equity	33.0%	6.80%	32.0%	3.30%
International equity	16.0%	7.60%	15.0%	5.85%
Global equity	4.0%	7.10%		
Real estate equity	11.0%	6.50%	9.0%	5.00%
Private equity	8.0%	10.00%	10.0%	6.50%
Alternatives investments			10.0%	3.78-5.58%
Domestic fixed income	16.0%	1.30%		
Global bonds	2.0%	0.80%		
High-yield bonds	1.0%	3.80%		
Fixed income			23.0%	0.00%
Private debt	1.0%	5.90%		
Real estate debt	7.0%	3.30%		
Cash equivalents	1.0%	(0.20)%		
Cash			1.0%	(1.00)%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.4% for TRS and 2.5% for ERS.

Discount Rate

The discount rate used to measure the total pension liability was 6.95% for TRS and 5.90% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2020 was 7.10%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 6.95% for TRS and 5.90% 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 (5.95% for TRS and 4.90% for ERS) or 1 percentage point higher (7.95% for TRS and 6.90% for ERS) than the current rate:

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**NOTES TO FINANCIAL STATEMENTS**  
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TRIS	1% Decrease 5.95%	Current Assumption 6.95%	1% Increase 7.95%
District's proportionate share of the net pension asset (liability)	\$ 793,525	\$ 7,562,030	\$ 13,250,468
ERS	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
District's proportionate share of the net pension asset (liability)	\$ (986,808)	\$ 383,377	\$ 1,529,471

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:

	TRIS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2021	March 31, 2022
Employers' total pension liability	\$ (130,819,415)	\$ (223,874,888)
Plan fiduciary net position	148,148,457	232,049,473
Employers' net pension asset	\$ 17,329,042	\$ 8,174,585
Ratio of plan fiduciary net position to the employers' total pension liability	113.25%	103.65%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2022, are paid to the system in September, October, and November 2022 through a state aid intercept. Accrued retirement contributions as of June 30, 2022, represent employer and employee contributions for the fiscal year ended June 30, 2022, 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, 2022 amounted to \$751,098 of employer contributions and \$79,010 of employee contributions.

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, 2022, represent the projected employer contribution for the period of April 1, 2022 through June 30, 2022 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2022 amounted to \$43,014 of employer contributions. Employee contributions are remitted monthly.



**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
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**13. PENSION PLANS - OTHER**

**A. Tax Sheltered Annuities**

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made or accrued by the District and the employees for the year ended June 30, 2022, totaled \$84,944 and \$445,696, respectively.

**B. Deferred Compensation Plan**

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2022 totaled \$46,457.

**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 June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	58
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	109
	167

**B. Total OPEB Liability**

The District’s total OPEB liability of \$35,341,615 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2020. 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:

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Inflation	2.50%	
Salary increases		varies by years of service and retirement system
Discount rate	3.54%	
Healthcare cost trend rates	5.10%	for 2022, decreasing to an ultimate rate of 4.04% by 2075
Retirees' share of benefit-related costs		the District effectively pays 100% of the individual premium for Teachers.
	15.00%	CSEA
	0.00% - 20.00%	Paraprofessionals
	85.00%	Administrative Staff

The discount rate was based on the Bond Buyer 20-Bond Go Index.

Mortality rates were based on the Pub-2010 Headcount-Weighted table projected fully generationally using the Society of Actuaries' Scale MP-2020.

The actuarial assumptions used in the June 30, 2020 valuation were based on ERS assumptions first adopted on April 1, 2015 and TRS assumptions first adopted on June 30, 2015 with the exception of mortality rates. The mortality rates are based on the Society of Actuaries (Pub-2010) headcount-weighted table (Teachers for TRS group and General Employees for ERS group) projected fully generationally using MP-2020.

**C. Changes in the Total OPEB Liability**

Balance at June 30, 2021	<u>\$ 41,855,909</u>
Changes for the year	
Service cost	2,038,233
Interest on total OPEB liability	940,356
Changes of benefit terms	-
Differences between expected and actual experience	725,988
Changes in assumptions or other inputs	(9,496,716)
Benefit payments	<u>(722,155)</u>
	<u>(6,514,294)</u>
Balance at June 30, 2022	<u>\$ 35,341,615</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.16% in 2021 to 3.54% in 2022, and a decrease in the healthcare trend rate from 5.40% in 2021 to 5.10% in 2022.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.54%) or 1 percentage point higher (4.54%) than the current discount rate:

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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	1% Decrease	Discount Rate	1% Increase
OPEB	2.54%	3.54%	4.54%
Total OPEB liability	<u><u>\$ (41,911,944)</u></u>	<u><u>\$ (35,341,615)</u></u>	<u><u>\$ (30,101,420)</u></u>

*Sensitivity of the Total OPEB Liability to 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 (4.1%) or 1 percentage point higher (6.1%) than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
OPEB	4.10% decreasing to 3.04%	5.10% decreasing to 4.04%	6.10% decreasing to 5.04%
Total OPEB liability	<u><u>\$ (29,638,691)</u></u>	<u><u>\$ (35,341,615)</u></u>	<u><u>\$ (42,246,889)</u></u>

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$3,428,713. At June 30, 2022, 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	\$ 1,633,653	\$ 1,669,433
Changes of assumptions or other inputs	<u>9,428,724</u>	<u>9,020,557</u>
Total	<u><u>\$ 11,062,377</u></u>	<u><u>\$ 10,689,990</u></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
2023	\$ 450,124
2024	450,124
2025	450,124
2026	450,124
2027	505,597
Thereafter	<u>(1,933,706)</u>
	<u><u>\$ 372,387</u></u>

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**15. RISK MANAGEMENT**

**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 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.

**16. RESTRICTED FUND BALANCE – APPROPRIATED RESERVE**

The District expects to appropriate \$10,000 from the unemployment insurance reserve, which is reported in the June 30, 2022 fund balances, to fund the budget and reduce taxes for the year ending June 30, 2023.

**17. ASSIGNED: APPROPRIATED FUND BALANCE**

The amount of \$314,307 has been appropriated to reduce taxes for the year ending June 30, 2023.

**18. TAX ABATEMENTS**

The Town of Brookhaven Industrial Development Agency enters into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was abated by \$75,524. The District received payment in lieu of taxes (PILOT) payments totaling \$55,244.

**19. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2022, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:

General Fund	
General Support	\$ 221,657
Instruction	79,899
	<u>301,556</u>
Capital Projects Fund	
Capital Projects	<u>13,506</u>
	<u>\$ 315,062</u>

**B. Grants**

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

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**C. Litigation**

The District is involved in various lawsuits arising from the normal conduct of its affairs. The District believes that as of June 30, 2022, the outcome of any matters are not determinable and would not have a material effect on these financial statements.

**20. 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.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 21,705,744	\$ 20,023,492	\$ 20,023,836	\$ 344
Other tax items	248,570	1,469,050	1,469,264	214
Charges for services	468,272	448,675	958,287	509,612
Use of money and property	71,000	71,000	58,850	(12,150)
Miscellaneous	528,118	83,016	145,320	62,304
Interfund revenues			18,872	18,872
<b>Total Local Sources</b>	<b>23,021,704</b>	<b>22,095,233</b>	<b>22,674,429</b>	<b>579,196</b>
State Sources	6,072,397	7,297,884	7,972,004	674,120
Medicaid Reimbursement	25,000	25,000	26,981	1,981
<b>Total Revenues</b>	<b>29,119,101</b>	<b>29,418,117</b>	<b>30,673,414</b>	<b>1,255,297</b>
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In	-	-	518,806	518,806
<b>Total Revenues and Other Sources</b>	<b>29,119,101</b>	<b>29,418,117</b>	<b>31,192,220</b>	<b>\$ 1,774,103</b>
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	400,000	5,600,000		
Prior Year's Encumbrances	200,645	200,645		
Appropriated Reserves	-	84,944		
<b>Total Appropriated Fund Balance</b>	<b>600,645</b>	<b>5,885,589</b>		
<b>Total Revenues, Other Sources and Appropriated Fund Balance</b>	<b>\$ 29,719,746</b>	<b>\$ 35,303,706</b>		

**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

**EAST MORICHES 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, 2022

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 18,883	\$ 22,383	\$ 22,294	\$	\$ 89
Central administration	406,289	419,789	366,585		53,204
Finance	152,454	179,954	179,920		34
Staff	48,000	36,360	29,656		6,704
Central services	1,404,056	1,756,019	1,534,202	221,657	160
Special items	213,325	220,002	219,757		245
<b>Total General Support</b>	<b>2,243,007</b>	<b>2,634,507</b>	<b>2,352,414</b>	<b>221,657</b>	<b>60,436</b>
Instruction					
Administration & improvement	362,415	371,515	371,467		48
Teaching - regular school	12,336,740	11,780,882	11,518,718		262,164
Programs for students with disabilities	6,389,835	6,482,835	5,869,891		612,944
Occupational education	280,000	287,000	286,620		380
Instructional media	409,026	590,026	467,466	75,070	47,490
Pupil services	610,836	639,460	601,656	4,829	32,975
<b>Total Instruction</b>	<b>20,388,852</b>	<b>20,151,718</b>	<b>19,115,818</b>	<b>79,899</b>	<b>956,001</b>
Pupil Transportation	1,424,920	1,489,920	1,338,449		151,471
Employee Benefits	4,156,479	4,289,983	4,286,556		3,427
Debt Service					
Principal	860,000	860,000	860,000		-
Interest	541,488	520,928	506,488		14,440
<b>Total Debt Service</b>	<b>1,401,488</b>	<b>1,380,928</b>	<b>1,366,488</b>		<b>14,440</b>
<b>Total Expenditures</b>	<b>29,614,746</b>	<b>29,947,056</b>	<b>28,459,725</b>	<b>301,556</b>	<b>1,185,775</b>
<b>OTHER USES</b>					
Operating Transfers Out	105,000	5,356,650	5,356,649		1
<b>Total Expenditures and Other Uses</b>	<b>\$ 29,719,746</b>	<b>\$ 35,303,706</b>	<b>33,816,374</b>	<b>\$ 301,556</b>	<b>\$ 1,185,776</b>
Net Change in Fund Balance			(2,624,154)		
Fund Balance - Beginning of Year			11,756,743		
Fund Balance - End of Year			<u>\$ 9,132,589</u>		

**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.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)**  
 Last Eight Fiscal Years

*Teachers' Retirement System*

	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.043638%	0.041672%	0.041199%	0.039555%	0.040011%	0.040979%	0.041467%	0.040777%
District's proportionate share of the net pension asset/(liability)	\$ 7,562,030	\$ (1,151,520)	\$ 1,070,349	\$ 715,259	\$ 304,121	\$ (438,898)	\$ 4,307,050	\$ 4,542,254
District's covered payroll	\$ 7,425,917	\$ 7,129,128	\$ 6,917,691	\$ 6,443,070	\$ 6,340,383	\$ 6,378,545	\$ 6,420,967	\$ 6,186,562
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	101.83 %	(16.15)%	15.47 %	11.10 %	4.80 %	(6.88)%	67.08 %	73.42 %
Plan fiduciary net position as a percentage of the total pension assets/(liability)	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
Discount rate	6.95%	7.10%	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%

*Employees' Retirement System*

	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.0046899%	0.0043010%	0.0041190%	0.0035838%	0.0034893%	0.0037038%	0.0045619%	0.0042095%
District's proportionate share of the net pension asset/liability)	\$ 383,377	\$ (4,283)	\$ (1,090,739)	\$ (253,922)	\$ (112,614)	\$ (348,020)	\$ (732,200)	\$ (142,206)
District's covered payroll	\$ 1,342,820	\$ 1,230,221	\$ 1,225,612	\$ 1,224,079	\$ 1,116,730	\$ 1,028,971	\$ 1,024,918	\$ 1,269,653
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	(28.55)%	0.35 %	89.00 %	20.74 %	10.08 %	33.82 %	71.44 %	11.20 %
Plan fiduciary net position as a percentage of the total pension asset/(liability)	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%
Discount rate	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	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.*



**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**Schedule of District Pension Contributions**  
 Last Ten Fiscal Years

***Teachers' Retirement System***

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 751,098	\$ 705,793	\$ 626,700	\$ 730,312	\$ 631,421	\$ 743,093	\$ 838,485	\$ 1,091,915	\$ 992,912	\$ 686,858
Contributions in relation to the contractually required contribution	751,098	705,793	626,700	730,312	631,421	743,093	838,485	1,091,915	992,912	686,858
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,880,327	\$ 7,425,917	\$ 7,129,128	\$ 6,917,691	\$ 6,443,070	\$ 6,340,383	\$ 6,378,545	\$ 6,420,967	\$ 6,186,562	\$ 6,071,192
Contributions as a percentage of covered payroll	10%	10%	9%	11%	10%	12%	13%	17%	16%	11%

***Employees' Retirement System***

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 178,654	\$ 177,458	\$ 167,932	\$ 163,217	\$ 151,742	\$ 149,953	\$ 196,420	\$ 198,094	\$ 215,025	\$ 179,362
Contributions in relation to the contractually required contribution	178,654	177,458	167,932	163,217	151,742	149,953	196,420	198,094	215,025	179,362
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,382,993	\$ 1,260,650	\$ 1,209,684	\$ 1,238,272	\$ 1,114,158	\$ 1,040,031	\$ 1,167,216	\$ 1,172,155	\$ 1,179,093	\$ 1,146,969
Contributions as a percentage of covered payroll	13%	14%	14%	13%	14%	14%	17%	17%	18%	16%

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**Schedule of Changes in the District's Total OPEB Liability and Related Ratios**  
Last Five Fiscal Years

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	\$ 2,038,233	\$ 1,735,375	\$ 1,221,237	\$ 784,878	\$ 818,436
Interest on total OPEB liability	940,356	817,168	1,069,285	954,936	859,521
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	725,988	1,259,626	(2,671,094)	72,682	-
Changes of assumptions or other inputs	(9,496,716)	3,190,059	7,164,619	4,263,819	(1,213,532)
Benefit payments	(722,155)	(769,553)	(800,190)	(648,649)	(523,347)
Net change in total OPEB liability	(6,514,294)	6,232,675	5,983,857	5,427,666	(58,922)
Total OPEB liability, beginning	41,855,909	35,623,234	29,639,377	24,211,711	24,270,633
Total OPEB liability, ending	<u>\$ 35,341,615</u>	<u>\$ 41,855,909</u>	<u>\$ 35,623,234</u>	<u>\$ 29,639,377</u>	<u>\$ 24,211,711</u>
Covered employee payroll	\$ 9,433,157	\$ 8,781,576	\$ 8,441,498	\$ 7,644,224	\$ 7,537,700
Total OPEB liability as a percentage of covered employee payroll	374.65%	476.63%	422.00%	387.74%	321.21%
Discount rate	3.54%	2.16%	2.21%	3.51%	3.87%
Healthcare trend rates	5.10% to 4.04% by 2075	5.40% to 4.04% by 2075	5.30% to 3.84% by 2075	5.50% to 3.84% by 2075	8.0% to 5.0% by 2021

*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**

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

**EAST MORICHES 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, 2022

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 29,519,101
Additions:		
Prior year's encumbrances		200,645
Original Budget		29,719,746
Budget revisions		5,583,960
Final Budget		\$ 35,303,706

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2022-2023 voter-approved expenditure budget		\$ 30,398,630
Maximum allowed (4% of 2022-2023 budget)		\$ 1,215,945
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 615,863	
Unassigned fund balance	4,468,975	
		\$ 5,084,838
Less:		
Appropriated fund balance	314,307	
Encumbrances	301,556	
Total adjustments		615,863
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		\$ 4,468,975
Actual Percentage		14.70%

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**Schedule of Project Expenditures and Financing Resources -**  
**Capital Projects Fund**  
For the Year Ended June 30, 2022

PROJECT TITLE	Budget June 30, 2021	Budget June 30, 2022	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2022
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Middle school renovation	\$ 1,200,000	\$ 1,200,000	\$ 30,702	\$ 832,099	\$ 862,801	\$ 337,199	\$	\$	\$ 1,200,000	\$ 1,200,000	\$ 337,199
Middle school renovation 2022		1,650,000		20,113	20,113	1,629,887			1,650,000	1,650,000	1,629,887
Elementary school renovation 2022		3,550,000		29,836	29,836	3,520,164			3,550,000	3,550,000	3,520,164
	<u>\$ 1,200,000</u>	<u>\$ 6,400,000</u>	<u>\$ 30,702</u>	<u>\$ 882,048</u>	<u>\$ 912,750</u>	<u>\$ 5,487,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,400,000</u>	<u>\$ 6,400,000</u>	<u>\$ 5,487,250</u>

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**Schedule of Net Investment in Capital Assets**  
June 30, 2022

Capital assets, net	<u>\$ 20,516,760</u>
Add:	
Deferred charges on refunding	<u>122,416</u>
Deduct:	
Short-term portion of bonds payable	(910,000)
Long-term portion of bonds payable	(11,215,000)
Short-term portion of bond premium	(117,918)
Long-term portion of bond premium	<u>(497,601)</u>
	<u>(12,740,519)</u>
Net Investment in Capital Assets	<u><u>\$ 7,898,657</u></u>



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

To the Board of Education  
East Moriches Union Free School District  
East Moriches, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary fund of the East Moriches Union Free School District (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 17, 2022.

**Report on Internal Control Over Financial Reporting**

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

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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the East Moriches 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 statement. 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*.

We noted certain matters that we have reported to the Board of Education, Audit Committee, and management of the East Moriches Union Free School District in a separate letter October 17, 2022.

### **Purpose of this Report**

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

*Cullen & Danowski, LLP*

October 17, 2022





