

UTICA CITY SCHOOL DISTRICT

**Financial Statements and Independent Auditor's Reports
as of and for the Year Ended
June 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

November 9, 2023

To the Board of Education of
Utica City School District:

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 aggregate remaining fund information of Utica City School District (School District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School 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 aggregate remaining fund information of Utica City School District, as of June 30, 2023, 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 Statement section of our report. We are required to be independent of the School 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.

Emphasis of Matter – Correction of Errors

As described in Note 15 to the financial statements, the School District restated net position of the governmental activities at July 1, 2022 to reflect corrections of errors. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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 School 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.

(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 School 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 School 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 the management's discussion and analysis, budgetary comparison information, schedules of proportionate share of net pension (asset) liability and contributions – pension plans, and schedule of changes in total OPEB liability and related ratios 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.

(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedules required by the New York State Education Department but 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 November 9, 2023, on our consideration of the 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 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 School District's internal control over financial reporting and compliance.

UTICA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2023

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2023. The section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: Management's Discussion and Analysis (MD&A) (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements are *government-wide* financial statements that provide both *short-term* and *long-term* information about the School District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations in *more detail* than the government-wide statements. The fund financial statements concentrate on the School District's most significant funds with all other non-major funds listed in total in one column.
- The *governmental funds statements* tell how basic services, such as regular and special education, were financed in the *short-term*, as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-1

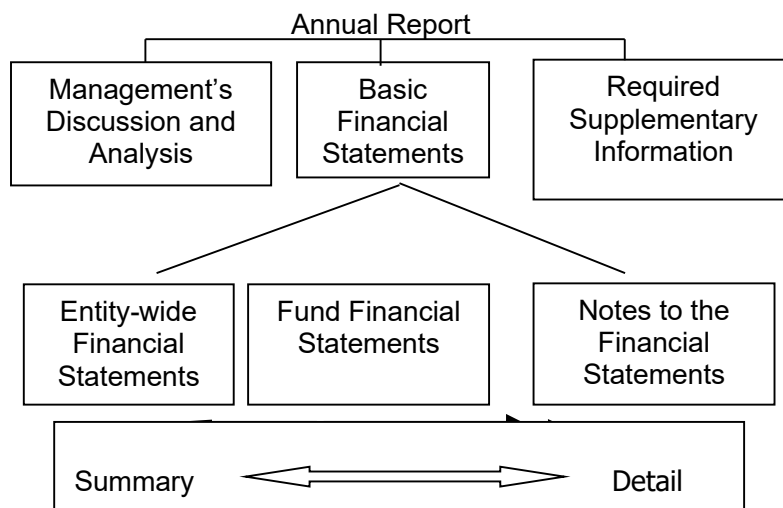


Figure A-2 summarizes the major features of the School District's financial statements, including a portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements:

		Fund Financial Statements	
	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The day-to-day operating activities of the School District, such as instruction and special education.	Instances in which the School District administers resources on behalf of someone else.
Required financial statements	<ul style="list-style-type: none"> Statement of net position Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenue, expenditures, and change in fund balance 	<ul style="list-style-type: none"> Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements: (Continued)

		Fund Financial Statements (Continued)	
	Government-Wide	Governmental Funds	Fiduciary Funds
Type of asset & deferred outflows of resources/liability & deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources - both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/out flow information	All revenue and expenses during year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

Government-Wide Statements

The government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District's assets/deferred outflows of resources and liabilities/deferred inflows of resources. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School District's *net position* and how it has changed. Net position – the difference between the School District's assets and liabilities – is one way to measure the School District's financial health or position.

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the School District's overall health, you need to consider additional nonfinancial factors, such as changes in the School District's property tax base and the condition of school buildings and other facilities.

Net position of the governmental activities differs from governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (dollars) are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-Wide Statements (Continued)

Government-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
 - Net investment in capital assets.
 - Restricted net position has constraints placed on use by external sources or imposed by law.
 - Unrestricted net position does not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds – not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

The School District has two types of funds:

- *Governmental Funds*: Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds financial statements explains the relationship (or differences) between them. The governmental fund financial statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, capital project funds, and debt service fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.
- *Fiduciary Funds*: This fund consists of a custodial fund, which reports amounts collected by the School District on behalf of other parties.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Figure A-3 Condensed Statement of Net Position (in thousands of dollars)

	Fiscal Year <u>2023</u>	Fiscal Year <u>2022</u>	Percent <u>Change</u>
Current and other assets	\$ 128,913	\$ 181,564	-29.0%
Noncurrent assets	<u>197,218</u>	<u>226,317</u>	-12.9%
Total assets	<u>326,131</u>	<u>407,881</u>	-20.0%
Deferred outflows of resources	<u>105,835</u>	<u>118,154</u>	-10.4%
Current liabilities	50,533	61,444	-17.8%
Long-term liabilities	<u>491,271</u>	<u>551,832</u>	-11.0%
Total liabilities	<u>541,804</u>	<u>613,276</u>	-11.7%
Deferred inflows of resources	<u>118,756</u>	<u>141,547</u>	-16.1%
Net position:			
Net investment in capital assets	88,286	111,964	-21.1%
Restricted	47,683	41,351	15.3%
Unrestricted	<u>(364,562)</u>	<u>(382,103)</u>	-4.6%
Total net position	<u>\$ (228,593)</u>	<u>\$ (228,788)</u>	-0.1%

Changes in Net Position

The School District's net position as noted in the government-wide net position as of June 30, 2023 was a deficit of \$228,593,225 compared to a deficit of \$228,788,420 noted in the prior June 30, 2022 financial statement audit. This was primarily a result of approximately \$375 million in other postemployment benefits classified as long-term liabilities. Other postemployment benefits consist of an estimate necessary for the healthcare benefits for retirees and their dependents contractually committed to by the School District.

The School District's 2023 revenue as noted in the government-wide statement of activities was \$265,127,664 (see Figure A-4). New York State aid and property taxes accounted for the majority of revenue by contributing approximately 70% and 12% of the total revenue raised, respectively (see Figure A-5). The remainder of revenue came from charges for services, use of money and property, operating grants, and other miscellaneous sources.

The total cost of all programs and services as noted in the government-wide statement of activities totaled \$223,005,133 for 2023, (see Figure A-4). These expenses are predominantly for the instruction, supervision, school lunch and transportation of students (see Figure A-6). The School District's general support expenses remained relatively consistent at 12% of total costs in 2023. General support expenses include the administrative and business activities of the School District.

Though the School District's net position increased by approximately \$42.1 million in 2023, this was off-set by a restatement to the School District's 2023 financial statements of \$41,927,335 resulting in the School District's net position only changing by approximately \$200 thousand from 2022 to 2023. The restatement was primarily a result of necessary corrections in the accounting of capital asset balances, leased assets and bond premiums.

Figure A-4 Changes in Net Position from Operating Results (in thousands of dollars)

	Fiscal Year <u>2023</u>	Fiscal Year <u>2022</u>	Percent <u>Change</u>
<u>Revenue</u>			
Program revenue:			
Charges for services	\$ 125	\$ 47	166.0%
Operating grants and contributions	44,272	27,545	60.7%
General revenue:			
Taxes	32,602	32,785	-0.6%
State formula aid	184,784	160,899	14.8%
Federal aid	29	-	100.0%
Medicaid reimbursement	631	852	-25.9%
Use of money and property	780	85	817.6%
Miscellaneous	<u>1,903</u>	<u>6,399</u>	-70.3%
 Total revenue	 <u>265,126</u>	 <u>228,612</u>	 16.0%
<u>Expenses</u>			
General support	27,104	21,158	28.1%
Instruction	172,159	161,111	6.9%
Transportation	13,604	11,012	23.5%
Debt service - Interest	3,595	4,486	-19.9%
Cost of sales - Food	<u>6,543</u>	<u>6,787</u>	-3.6%
 Total expenses	 <u>223,005</u>	 <u>204,554</u>	 9.0%
 Change in net position	 <u>\$ 42,121</u>	 <u>\$ 24,058</u>	

The increase in Federal Aid is due to the receipt of the American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund and Federal Cares Act (COVID Relief).

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Figure A-5: Sources of Revenue for 2023

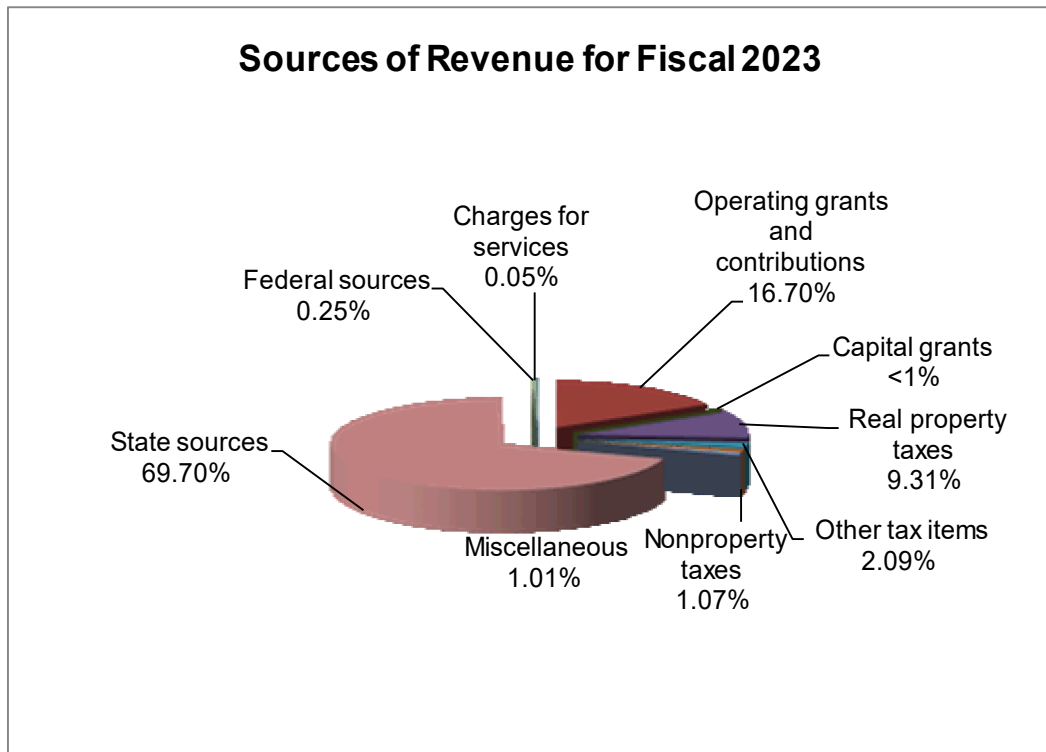
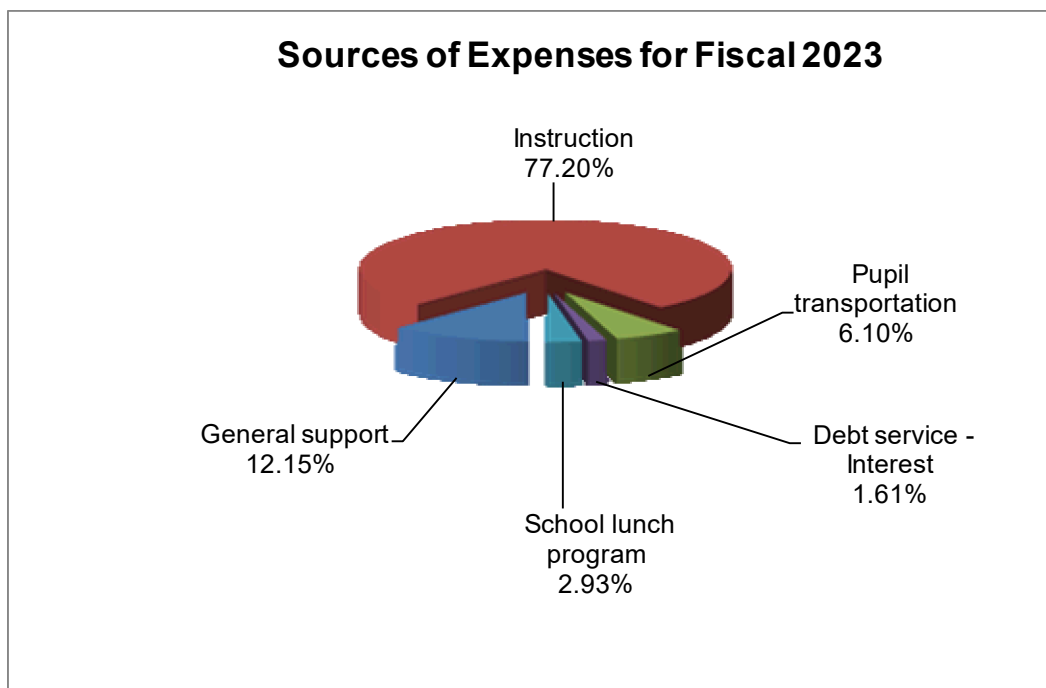


Figure A-6: Sources of Expenses for 2023



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the government-wide financial statements. The School District's governmental funds are presented on the current financial resources' measurement focus and the modified accrual basis of accounting. Under this method of presentation, governmental funds do not include long-term liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include proceeds from the issuance of debt, the current payments for capital assets, and the current payments for debt.

The following is a brief description of the activity in the governmental funds for 2023 and 2022:

General Fund: Revenues exceeded expenditures in the 2022-2023 year by \$19,085,626 and ended the year with a total fund balance of \$80,368,295, inclusive of restricted and unrestricted. 44% of that fund balance has been restricted by the School District to ensure coverage of allowable outstanding and anticipated future liabilities which include the following restricted classifications:

- Workers' Compensation;
- Unemployment Insurance;
- NYS Employees Retirement System;
- NYS Teachers Retirement System;
- Property Loss; and
- Liability Claims.

Special Aid: By the nature of the fund, special aid does not generate a fund balance. Revenue is recognized as grants are expended. \$37,449,018 was received as state and federal grants in this fund.

School Lunch: The school lunch fund ended 2022-2023 fiscal year with a fund balance of \$67,118.

Capital Projects: \$201,056 was expended for the year ended June 30, 2023. The capital fund deficit of \$840,389 at the beginning of the year decreased to \$363. This deficit will be eliminated upon the receipt of bond proceeds for ongoing projects.

Debt Service: The debt service fund ended the current year with a fund balance of \$12,570,939.

Miscellaneous Special Revenue: The Miscellaneous special revenue fund ended 2021-2022 fiscal year with a fund balance of \$332,307.

General Fund Budgetary Highlights

The 2022-2023 fiscal year ended with General Fund revenues exceeding expenditures by \$19,085,626. The School District acted to not only add additional restricted fund balance classifications but increased previously established restricted fund balances to ensure the fiscal health of the School District from the unreserved fund balance for the 2022-2023 school year. Additionally, the School District continues its efforts to rehire staff laid off prior to the pandemic because of the previous fiscal situation of the School District. The School District has encountered difficulties in filling vacant educational and instructional positions. The vacancies resulted in additional unrestricted fund balance at the close of the 2022-2023 fiscal year.

Capital Assets

As of June 30, 2023, the School District had \$197,218,007 invested in a broad range of capital assets including land, buildings, athletic facilities, computers, and other educational equipment.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

Capital Assets (Net of Depreciation, in Thousands of Dollars)

<u>Category</u>	<u>Fiscal Year</u> <u>2023</u>	<u>Fiscal Year</u> <u>2022</u>	<u>Percent</u> <u>Change</u>
Land	\$ 1,045	\$ 1,045	0.0%
Construction in progress	25,912	95,887	-73.0%
Buildings, furniture and equipment	165,381	130,061	27.2%
Leased assets	<u>4,880</u>	<u>2,356</u>	107.1%
Total	<u>\$ 197,218</u>	<u>\$ 229,349</u>	-14.0%

Long-Term Liabilities (excluding bond premiums)

As of June 30, 2023, the School District had \$506.7 million of general obligation and other long-term liabilities outstanding. More detailed information about the School District's long-term liabilities is included in the notes to the financial statements. The School District, because of its status as a small city school, is limited to issuing debt of no greater than 5% of its full assessed value. Currently, the School District is below that debt limit.

(In Thousands)

<u>Category</u>	<u>Fiscal Year</u> <u>2023</u>	<u>Fiscal Year</u> <u>2022</u>
General obligation bonds (financed with property taxes)	\$ 96,660	\$ 110,510
Other debt	<u>395,332</u>	<u>455,809</u>
Total	<u>\$ 491,992</u>	<u>\$ 566,319</u>

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

The School District is not only directly affected by Local and State economic conditions but operates in an environment of increased costs of operations, fluctuating enrollment and the never-ending need for capital renovations including vast technology upgrades to the School District's 13 schools.

The Utica City School District will likely see an increase in enrollment due to refugees coming not only from Central Asia and Europe, but Central and South America as noted by the Mohawk Valley Refugee Center. As such, the School District has added additional ENL (English as the New Language) positions over the past several years and may need to hire additional staff in order to ensure that we provide the appropriate number of ENL teachers and interpreters to work with the students, as well as, to assist in the communication with parents. This year approximately 15% of the School District's total student population are ENL students.

With the increase we received in NYS Foundation Aid for the 2023 school year, as well as the final increase due the School District for 2024, the School District has increased and continues to anticipate the increase in teaching and support staff. This will allow the School District to keep class sizes as small as possible, as well as in helping to assist with the growing social emotional needs of the students due to the COVID-19 pandemic.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE (Continued)

In 2023, the School District settled all previously expired union contracts except for the Central and Northern New York Building and Trades Council AFL-CIO.

In December of 2021, School District voters approved a \$17,995,000 referendum for the construction of a building addition and related renovations and improvements to Proctor High School to house new career and technical education programs. The architectural plans are presently under review by the NYS Educational Department with a groundbreaking expected in the spring of 2024.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it received. If you have any questions about this report or need additional financial information, contact:

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Acting Superintendent of Schools
Utica City School District
929 York Street
Utica, New York 13502
(315)792-2222**

or

**Heather Mowat
Chief Financial Officer
Utica City School District
929 York Street
Utica, New York 13502
(315) 792-2225**

UTICA CITY SCHOOL DISTRICT**STATEMENT OF NET POSITION
JUNE 30, 2023****ASSETS****CURRENT ASSETS:**

Cash - Unrestricted	\$ 41,196,381
Cash - Restricted	41,369,815
State and federal aid receivable	43,538,317
Taxes receivable	2,295,076
Other receivables	251,627
Prepaid expenses	36,967
Inventory	225,169
Total current assets	<u>128,913,352</u>

NONCURRENT ASSETS:

Capital assets, nondepreciable	26,956,945
Capital assets, depreciable, net	<u>170,261,062</u>
Total noncurrent assets	<u>197,218,007</u>

TOTAL ASSETS 326,131,359

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - TRS pension	37,538,508
Deferred outflows of resources - ERS pension	6,178,406
Deferred outflows of resources - OPEB	<u>62,118,500</u>
Total deferred outflows of resources	<u>105,835,414</u>

LIABILITIES**CURRENT LIABILITIES:**

Accounts payable	7,104,581
Accrued liabilities	6,681,779
Accrued interest	1,484,052
Due to other governments	82,941
Due to Teachers' Retirement System	8,156,823
Due To Employee Retirement System	624,546
Health and workers' compensation payable	1,594,343
Unearned revenue	9,353,780
Bonds payable due within one year	14,805,000
Lease payable due within one year	<u>645,354</u>
Total current liabilities	<u>50,533,199</u>

LONG-TERM LIABILITIES:

Bonds payable and premiums, less current portion	92,842,844
Lease payable, less current portion	639,227
Compensated absences payable	1,305,506
Health and workers' compensation payable, less current portion	3,740,935
Net pension liability - ERS	9,166,833
Net pension liability - TRS	6,618,111
Total other postemployment benefits	375,290,484
Revenue advance	<u>1,666,672</u>
Total long-term liabilities	<u>491,270,612</u>

TOTAL LIABILITIES 541,803,811

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - TRS pension	3,157,149
Deferred inflows of resources - ERS pension	557,421
Deferred inflows of resources - OPEB	<u>115,041,617</u>
Total deferred inflows of resources	<u>118,756,187</u>

NET POSITION

Net investment in capital assets	88,285,582
Restricted	47,682,759
Unrestricted	<u>(364,561,566)</u>
TOTAL NET POSITION	<u>\$ (228,593,225)</u>

UTICA CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

		<u>Program Revenue</u>		Net (Expense)
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	Revenue and
		<u>Services</u>	<u>Grants</u>	Changes in
				<u>Net Position</u>
FUNCTIONS/PROGRAMS:				
General support	\$ 27,104,222	\$ -	\$ -	\$ (27,104,222)
Instruction	172,159,125	124,724	37,446,018	(134,588,383)
Pupil transportation	13,603,843	-	-	(13,603,843)
Debt service - Interest	3,595,464	-	-	(3,595,464)
School lunch program	<u>6,542,480</u>	<u>-</u>	<u>6,826,228</u>	<u>283,748</u>
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ 223,005,134</u>	<u>\$ 124,724</u>	<u>\$ 44,272,246</u>	<u>(178,608,164)</u>
GENERAL REVENUE:				
Real property taxes				24,688,192
Other tax items				5,551,075
Nonproperty taxes				2,362,837
Use of money and property				780,264
Sale of property and compensation for loss				182,811
Miscellaneous				1,720,560
State sources				184,784,359
Federal sources				29,160
Medicaid reimbursement				<u>631,436</u>
TOTAL GENERAL REVENUE				<u>220,730,694</u>
CHANGE IN NET POSITION				<u>42,122,530</u>
TOTAL NET POSITION - beginning of year, as previously reported				(228,788,420)
RESTATEMENT (Note 15)				<u>(41,927,335)</u>
TOTAL NET POSITION - beginning of year, as restated				<u>(270,715,755)</u>
TOTAL NET POSITION - end of year				<u>\$ (228,593,225)</u>

The accompanying notes are an integral part of these statements.

UTICA CITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2023

	<u>General</u>	<u>Special Aid</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 36,958,542	\$ 1,053,678	\$ 3,184,161	\$ 41,196,381
Cash - Restricted	29,598,586	-	11,771,229	41,369,815
Due from other funds	21,096,568	-	1,180,573	22,277,141
State and federal aid receivable	14,218,255	28,797,585	522,477	43,538,317
Taxes receivable	2,295,076	-	-	2,295,076
Other receivables	251,627	-	-	251,627
Prepaid expenditures	36,967	-	-	36,967
Inventory	-	-	225,169	225,169
TOTAL ASSETS	<u>\$ 104,455,621</u>	<u>\$ 29,851,263</u>	<u>\$ 16,883,609</u>	<u>\$ 151,190,493</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES:				
Accounts payable	\$ 5,033,965	\$ 2,012,087	\$ 58,529	\$ 7,104,581
Accrued liabilities	6,665,073	16,706	-	6,681,779
Due to other funds	-	18,470,648	3,806,493	22,277,141
Due to other governments	82,826	-	115	82,941
Due to Employees Retirement System	624,546	-	-	624,546
Due to Teachers' Retirement System	8,156,823	-	-	8,156,823
Health and workers' compensation payable	1,594,343	-	-	1,594,343
Unearned revenue	1,958	9,351,822	-	9,353,780
Total liabilities	<u>22,159,534</u>	<u>29,851,263</u>	<u>3,865,137</u>	<u>55,875,934</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred property taxes	<u>1,927,792</u>	<u>-</u>	<u>-</u>	<u>1,927,792</u>
Total deferred inflows of resources	<u>1,927,792</u>	<u>-</u>	<u>-</u>	<u>1,927,792</u>

The accompanying notes are an integral part of these financial statements.

UTICA CITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

(Continued)

JUNE 30, 2023

	<u>General</u>	<u>Special Aid</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCE				
Nonspendable	<u>36,967</u>	<u>-</u>	<u>225,169</u>	<u>262,136</u>
Restricted				
Debt service	-	-	12,570,939	12,570,939
Worker's compensation	9,000,000	-	-	9,000,000
Unemployment insurance	500,000	-	-	500,000
Retirement - ERS	12,970,191	-	-	12,970,191
Retirement - TRS	6,187,781	-	-	6,187,781
Property loss	3,202,688	-	-	3,202,688
Liability	3,202,689	-	-	3,202,689
Other	<u>-</u>	<u>-</u>	<u>48,471</u>	<u>48,471</u>
Total restricted fund balance	<u>35,063,349</u>	<u>-</u>	<u>12,619,410</u>	<u>47,682,759</u>
Assigned				
Unappropriated	<u>2,235,272</u>	<u>-</u>	<u>332,307</u>	<u>2,567,579</u>
Total assigned fund balance	<u>2,235,272</u>	<u>-</u>	<u>332,307</u>	<u>2,567,579</u>
Unassigned	<u>43,032,707</u>	<u>-</u>	<u>(158,414)</u>	<u>42,874,293</u>
Total fund balance	<u>80,368,295</u>	<u>-</u>	<u>13,018,472</u>	<u>93,386,767</u>
Total liabilities, deferred inflows of resources, and fund balance (deficit)	<u>\$ 104,455,621</u>	<u>\$ 29,851,263</u>	<u>\$ 16,883,609</u>	<u>\$ 151,190,493</u>

The accompanying notes are an integral part of these financial statements.

UTICA CITY SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO GOVERNMENT-WIDE NET POSITION JUNE 30, 2023

A reconciliation of total governmental fund balance to government-wide net position follows:

Total governmental fund balance	\$ 93,386,767
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	197,218,007
Long-term liabilities, including bonds payable, lease payable, revenue advance, compensated absences and health and workers' compensation, are not due and payable in the current period and, therefore, are not reported in the funds	(115,645,538)
Pension plans' activity required to be recorded in the government-wide financial statements:	
Net pension liability - ERS	(9,166,833)
Net pension liability - TRS	(6,618,111)
Deferred outflows of resources - TRS	37,538,508
Deferred outflows of resource - ERS	6,178,406
Deferred inflows of resources - TRS	(3,157,149)
Deferred inflows of resources - ERS	(557,421)
Unavailable revenue for property taxes is recognized as revenue under full accrual accounting	1,927,792
Other postemployment benefits activity required to be recorded in the government-wide financial statements:	
Deferred outflows of resources	62,118,500
OPEB liability	(375,290,484)
Deferred inflows of resources	(115,041,617)
Interest payable in the government-wide statements is recorded as an expense under full accrual accounting	<u>(1,484,052)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (228,593,225)</u>

The accompanying notes are an integral part of these financial statements.

UTICA CITY SCHOOL DISTRICT

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>General</u>	<u>Special Aid</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUE:				
Real property taxes	\$ 24,774,963	\$ -	\$ -	\$ 24,774,963
Other tax items	5,551,075	-	-	5,551,075
Nonproperty taxes	2,362,837	-	-	2,362,837
Charges for services	20,040	-	104,684	124,724
Use of money and property	592,280	-	187,984	780,264
Sale of property and compensation for loss	182,811	-	-	182,811
Miscellaneous	1,564,693	3,000	152,867	1,720,560
State sources	183,609,944	5,030,073	1,149,635	189,789,652
Federal sources	29,160	32,415,945	6,138,067	38,583,172
Medicaid reimbursement	631,436	-	-	631,436
Surplus Food	-	-	579,608	579,608
Total revenue	<u>219,319,239</u>	<u>37,449,018</u>	<u>8,312,845</u>	<u>265,081,102</u>
EXPENDITURES:				
General support	20,033,196	-	12,125	20,045,321
Instruction	112,749,630	36,737,622	-	149,487,252
Pupil transportation	11,662,633	-	-	11,662,633
Employee benefits	36,856,194	-	358,765	37,214,959
Other	-	-	146,218	146,218
Debt service - Principal	3,216,173	-	13,850,000	17,066,173
Debt service - Interest	317,657	-	4,838,993	5,156,650
Cost of sales	-	-	6,542,480	6,542,480
Capital outlay	-	-	1,056	1,056
Total expenditures	<u>184,835,483</u>	<u>36,737,622</u>	<u>25,749,637</u>	<u>247,322,742</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>34,483,756</u>	<u>711,396</u>	<u>(17,436,792)</u>	<u>17,758,360</u>
OTHER SOURCES AND (USES):				
Proceeds from leases	2,579,467	-	-	2,579,467
Operating transfers in	1,020,689	309,293	18,888,993	20,218,975
Operating transfers (out)	<u>(18,998,286)</u>	<u>(1,020,689)</u>	<u>(200,000)</u>	<u>(20,218,975)</u>
Total other sources (uses)	<u>(15,398,130)</u>	<u>(711,396)</u>	<u>18,688,993</u>	<u>2,579,467</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>19,085,626</u>	<u>-</u>	<u>1,252,201</u>	<u>20,337,827</u>
FUND BALANCE (DEFICIT) - beginning of year, as previously reported	61,282,669	-	11,717,973	73,000,642
RESTATEMENT (NOTE 15)	-	-	48,298	48,298
FUND BALANCE (DEFICIT) - beginning of year, as restated	<u>61,282,669</u>	<u>-</u>	<u>11,766,271</u>	<u>73,048,940</u>
FUND BALANCE (DEFICIT) - end of year	<u>\$ 80,368,295</u>	<u>\$ -</u>	<u>\$ 13,018,472</u>	<u>\$ 93,386,767</u>

The accompanying notes are an integral part of these statements.

UTICA CITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

Net changes in fund balance (deficit) - Total governmental funds	\$ 20,337,827
Capital outlays, net of disposals, are expenditures in governmental funds, but are capitalized in the statement of net position	10,066,675
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(5,973,628)
Leases are expenditures in governmental funds, net of disposals, but are capitalized in the statement of net position	2,579,467
Proceeds from leases are other financing sources in governmental funds, but are a liability in the statement of net position	(2,579,467)
Amortization is not recorded as an expenditures in the governmental funds, but is recorded in the statement of activities	(1,986,899)
Pension income (expense) resulting from GASB 68 related reporting is not recorded as a revenue (expenditure) in the governmental funds, but is recorded in the statement of activities	(2,401,477)
Repayments of bonds and lease liabilities are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	17,066,173
Amortization of bond premium is recognized as a reduction in interest expense	1,813,463
Certain revenue in the statement of activities are recognized as revenue in the government wide statements but not recognized as revenue under the modified accrual basis of accounting during the year	(86,772)
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	1,919,787
Accrued postemployment benefits do not require the expenditure of current resources and are, therefore not reported as expenditures in the governmental funds	<u>1,367,381</u>
Change in net position - Governmental activities	<u>\$ 42,122,530</u>

The accompanying notes are an integral part of these statements.

UTICA CITY SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUND JUNE 30, 2023

	<u>Custodial Fund</u>
ASSETS:	
Restricted cash	\$ -
Total assets	-
NET POSITION:	
Restricted net position	\$ -

STATEMENT OF CHANGE IN NET POSITION - FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2023

	<u>Custodial Fund</u>
ADDITIONS:	
Tax collections for other governments	\$ 797,076
Total additions	797,076
DEDUCTIONS:	
Payments of tax to other governments	797,076
Total deductions	797,076
Change in net position	-
TOTAL NET POSITION - beginning of year, as previously reported	48,298
RESTATEMENT (Note 15)	(48,298)
TOTAL NET POSITION - beginning of year, as restated	-
Total net position - end of year	\$ -

The accompanying notes are an integral part of these statements.

UTICA CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Utica City School District provides K-12 public education to students living within its geographic borders.

The financial statements of Utica City School District (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting principles and policies utilized by the School District are described below:

Reporting Entity

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

The reporting entity of the School District is based upon criteria set forth by GAAP and the 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 School District and other organizational entities determined to be includable in the School District's financial reporting entity. The School District is not a component unit of another reporting entity. The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the School District's reporting entity:

Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds are available at the School District's business office. The School District accounts for assets held as an agent for various student organizations in a special revenue fund.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture

The School District is a component district in Oneida-Herkimer-Madison Counties Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services and programs that provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State 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 New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§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 New York State 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 the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

Participating school districts issue debt on behalf of BOCES. During the year, the School District issued no serial bonds on behalf of BOCES. As of year-end, the School District had no outstanding BOCES debt.

Financial statements for the BOCES are available from the BOCES administrative office.

Basis of Presentation

The School District's financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund level financial statements which provide more detailed information.

Government-Wide Statements

The statement of net position and the statement of activities present financial information about the School District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

The School District uses funds to maintain its accounting records. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The fund statements provide information about the School District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The accounts of the School District are organized into funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenue, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types and account groups used by the School District are as follows:

Governmental Fund Types

Governmental funds are those in which most governmental functions of the School District are reported. The acquisition, use, and balances of the School District's expendable financial resources and the related liabilities (except those accounted for in the proprietary and fiduciary funds) are accounted for through the governmental funds. The measurement focus is upon determination of changes in financial position rather than upon determination of net income.

The School District reports the following major governmental funds:

General Fund: This is the School District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Aid Fund: This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

The School District reports the following nonmajor governmental funds:

School Lunch Fund: This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for school lunch operations. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

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

Miscellaneous Special Revenue Fund: This fund accounts for proceeds from various funding sources, which may be restricted by a donor or designated by the School District for specific purposes.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Extraclassroom Activities Fund: This special revenue fund accounts for the activities of the student run clubs and organizations of the School District.

Fiduciary Fund Types

The School District reports the following fiduciary fund:

Custodial Fund: This fund accounts for assets held by the School District in a purely custodial capacity on a temporary basis. No custodial assets were held as of year end June 30, 2023.

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 and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported revenue and expenses during the reporting period. Actual results could differ from those estimates and such differences may be significant.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The School District considers all revenue reported in the governmental funds to be available if the revenue is collected within ninety 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, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under leases are reported as other financing sources.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Accounts Receivable

Accounts receivable are shown gross. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Inventories and Prepaid Expenditures

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid expenditures represent payments made by the School District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures in both the School District-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

Interfund Transactions

The operations of the School District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The School 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 the transfer of expenditures and revenue to provide financing or other services.

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

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

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are reported at actual cost or estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

Land and construction in process are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Straight-line	40
Building improvements	\$ 5,000	Straight-line	20
Furniture and equipment	\$ 5,000	Straight-line	5-15

Capital assets also include leased assets with a term greater than one year. The School District does not implement a capitalization threshold for leased assets. Leased assets are amortized on a straight-line basis over the term of the lease.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position sometimes reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has the following items that qualify for reporting in this category:

- Deferred charges related to pension plans and the other postemployment benefits plan (See Notes 9 and 10).

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

The School District has the following items that qualify for reporting in this category;

- Deferred resources related to pension plans and the other postemployment benefits plan (See Notes 9 and 10).

Vested Employee Benefits

School District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vested Employee Benefits (Continued)

Consistent with GAAP, an accrual for accumulated sick leave is included within the compensated absences liability at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund statements, only the amount of matured liabilities is accrued within the general fund based on expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

Retirement Benefits

School District employees participate in the New York State Employees' Retirement System or the New York State Teachers' Retirement System.

Other Postemployment Benefits

In addition to providing retirement benefits described, the School District provides postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the School District. The School District pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance.

Unearned Revenue

Unearned revenue is reported when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the School District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

Short-Term Debt

The School District may issue revenue anticipation notes (RANs) and tax anticipation notes (TANs), in anticipation of the receipt of revenue. 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 School District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

The School District may issue bond anticipation notes (BANs), 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.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources.

Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the School District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on September 1. Taxes are collected during the period September 1 to December 1.

The City of Utica (City) enforces uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City to the School District within two years from the notification of unpaid taxes to the City. Current year real property taxes receivable expected to be collected within 60 days of year-end are recognized as revenue. Otherwise, deferred inflows of resources offset current year real property taxes receivable.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the School 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.

Net Position and Fund Balance Classifications

Government-Wide Statements

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

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) plus unspent bond proceeds reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

Restricted net position – reports net position when constraints placed on the assets are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the School District.

Governmental Fund Statements

In the fund financial statements there are five classifications of fund balance:

Nonspendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually are required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the school lunch fund.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position and Fund Balance Classifications (Continued)

Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The School District has available the following restricted fund balances:

Capital

Capital reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term, and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the general fund under restricted fund balance. The School District has not established a capital reserve.

Repair

Repair reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the general fund under restricted fund balance. The School District has not established a repair reserve.

Workers' Compensation

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 under restricted fund balance. The School District reported \$9,000,000 in this reserve as of June 30, 2023.

Unemployment Insurance

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 School 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. This reserve is accounted for in the general fund under restricted fund balance. The School District reported \$500,000 in this reserve as of June 30, 2023.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position and Fund Balance Classifications (Continued)

Governmental Fund Statements (Continued)

Debt Service

Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. The reserve is accounted for in the debt service fund under restricted fund balance. The School District reported \$12,570,939 in this reserve as of June 30, 2023.

Insurance

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

Liability Claims and Property Loss

Property loss reserve and liability reserve (Education Law §1709(8)(c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the general fund under restricted fund balance. The School District reported \$6,405,377 in these reserves as of June 30, 2023.

Tax Certiorari

Tax certiorari reserve (Education Law §3651.1-a) is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the general fund under restricted fund balance. The School District has not established a tax certiorari reserve.

Employee Benefit Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit 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 under restricted fund balance. The School District has not established an employee benefit reserve.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Net Position and Fund Balance Classifications (Continued)

Governmental Fund Statements (Continued)

Retirement Contribution

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of operation and condition of the fund must be provided to the board. This reserve is accounted for in the general fund under restricted fund balance. The School District reported \$19,157,972 in this reserve as of June 30, 2023.

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, i.e., the Board of Education. The School District has no committed fund balance as of June 30, 2023.

Assigned fund balance – Includes amounts that are constrained by the School District's intent to be used for specific purposes but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance in the general fund. As of June 30, 2023, the School District's encumbrances were classified as follows:

Assigned fund balance:

General support	\$ 272,306
Instruction	1,785,790
Transportation	<u>177,176</u>
Total encumbrances	<u><u>\$ 2,235,272</u></u>

Unassigned fund balance – Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds the School District can retain to no more than 4% of the School District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation. As of June 30, 2023, the School District's unassigned fund balance exceeded the NYS limitation.

Order of Fund Balance Spending Policy

The School District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balance is determined first and then restricted fund balance for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as assigned fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Explanation of Certain Differences Between Governmental Fund Statements and Government-wide Statements

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the statement of activities compared with the current financial resources focus of the governmental funds.

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

Total fund balances of the School District's governmental funds differ from net position of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities:

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories:

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered available, whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental 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 governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

Stewardship and Compliance

Budgets

The School District administration prepares a proposed budget for approval by the board of education for the following governmental fund for which legal (appropriated) budgets are adopted:

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

Appropriations are adopted at the program line level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances lapse if not expended in the subsequent year.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

**Explanation of Certain Differences Between Governmental Fund Statements and
Government-wide Statements (Continued)**

Stewardship and Compliance (Continued)

Budgets (Continued)

Appropriations authorized for the current year are increased by the planned use of specific reserves, and 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). These supplemental appropriations may occur subject to legal restrictions, if the Board of Education approves them because of a need that exists which was not determined at the time the budget was adopted.

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the previous year.

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the School District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

2. CASH

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these notes.

The School District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

	<u>Bank Balance</u>
Covered by FDIC insurance	\$ 1,250,000
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	<u>78,086,708</u>
Total	<u>\$ 79,336,708</u>

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets include amounts required by statute to be reserved for various purposes.

3. PARTICIPATION IN BOCES

During the year, the School District was billed \$28,371,172 for BOCES administrative and program costs.

The School District's share of BOCES aid amounted to \$18,644,524.

4. CAPITAL ASSETS, NET

A summary of changes in capital assets, net is as follows:

	Restated July 1, 2022 Balance	Additions	Deletions	June 30, 2023 Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 1,045,000	\$ -	\$ -	\$ 1,045,000
Construction in progress	17,260,251	8,651,694	-	25,911,945
Total non-depreciable historical cost	18,305,251	8,651,694	-	26,956,945
Capital assets that are depreciated:				
Buildings	228,774,028	211,475	-	228,985,503
Site improvements	9,329,806	525,290	-	9,855,096
Furniture and equipment	27,822,773	678,216	-	28,500,989
Total depreciable historical cost	265,926,607	1,414,981	-	267,341,588
Less accumulated depreciation:				
Buildings	64,934,960	5,469,115	-	70,404,075
Site improvements	5,341,820	220,239	-	5,562,059
Furniture and equipment	25,710,398	284,274	-	25,994,672
Total accumulated depreciation	95,987,178	5,973,628	-	101,960,806
Lease assets, being amortized:				
Buildings	158,904	-	-	158,904
Furniture and equipment	6,927,498	2,579,467	-	9,506,965
Total lease assets, being amortized	7,086,402	2,579,467	-	9,665,869
Less accumulated amortization:				
Buildings	12,276	50,290	-	62,566
Furniture and equipment	2,786,414	1,936,609	-	4,723,023
Total accumulated amortization	2,798,690	1,986,899	-	4,785,589
Total governmental activities capital asset, net	<u>\$192,532,392</u>	<u>\$ 4,685,615</u>	<u>\$ -</u>	<u>\$197,218,007</u>

Depreciation and amortization expense for the year ended June 30, 2023, was allocated to specific functions as follows:

	Depreciation	Amortization
General support	\$ 630,440	\$ 50,290
Instruction	4,803,291	1,936,609
Pupil transportation	328,296	-
School lunch program	211,601	-
	<u>\$ 5,973,628</u>	<u>\$ 1,986,899</u>

5. SHORT-TERM DEBT

The School District may issue revenue anticipation notes (RAN) or tax anticipation notes (TAN), in anticipation of the receipt of revenue. These notes are recorded as a liability in 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 School District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which an insufficient or no provision is made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

The School District may issue bond anticipation notes (BAN) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities in the fund that will actually receive the proceeds from the issuance of bonds.

Short-term debt activity for the year ended June 30, 2023, was as follows:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
RAN	6/22/2023	3.00%	<u>\$ 10,000,000</u>	<u>\$ -</u>	<u>\$ 10,000,000</u>	<u>\$ -</u>
Total			<u>\$ 10,000,000</u>	<u>\$ -</u>	<u>\$ 10,000,000</u>	<u>\$ -</u>

Interest on short-term debt was composed of the following:

Interest paid	\$ 300,000
Less interest accrued in the prior year	(6,575)
Plus interest accrued in the current year	<u>-</u>
Total expense	<u>\$ 293,425</u>

6. LONG-TERM DEBT

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

Interest paid	\$ 4,856,650
Less: interest accrued in prior year	(1,225,200)
Less: amortization of bond premium	(1,813,463)
Plus: interest accrued in current year	<u>1,484,052</u>
Total expense	<u>\$ 3,302,039</u>

6. LONG-TERM DEBT (Continued)

Long-term debt balances and activity is as follows:

	Beginning Balance (restated)	Issued	Redeemed	Ending Balance	Amounts Due Within One Year	Long term Portion
Governmental activities:						
Bonds payable	\$110,510,000	\$ -	\$ 13,850,000	\$ 96,660,000	\$ 14,805,000	\$ 81,855,000
Bond premiums	12,801,307	-	1,813,463	10,987,844	-	10,987,844
Total bonds payable	123,311,307	-	15,663,463	107,647,844	14,805,000	92,842,844
Other long-term liabilities:						
Revenue advance	1,800,005	-	133,333	1,666,672	-	1,666,672
Leases payable	1,921,287	2,579,467	3,216,173	1,284,581	645,354	639,227
Compensated absences	1,361,233	-	55,727	1,305,506	-	1,305,506
Net pension liability	-	15,784,944	-	15,784,944	-	15,784,944
Total OPEB liability	450,726,412	-	75,435,928	375,290,484	-	375,290,484
Total long-term liabilities	<u>\$579,120,244</u>	<u>\$ 18,364,411</u>	<u>\$ 94,504,624</u>	<u>\$502,980,031</u>	<u>\$ 15,450,354</u>	<u>\$487,529,677</u>

(A) Additions and deletions to compensated absences are shown net because it is impractical to determine these amounts separately.

Outstanding bonds payable as of June 30, 2023 are as follows:

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance as of June 30, 2023</u>
Serial Bond	2012	2027	1.40-4.80%	\$ 1,645,000
Serial Bond	2012	2041	2.00-5.00%	12,475,000
Serial Bond	2013	2028	2.00-5.00%	3,710,000
Serial Bond	2013	2026	2.00-5.00%	8,875,000
Serial Bond	2015	2029	2.00-5.00%	14,805,000
Serial Bond	2016	2030	2.00-5.00%	10,745,000
Serial Bond	2017	2030	3.00-5.00%	11,425,000
Serial Bond	2018	2030	3.00-5.00%	6,895,000
Serial Bond	2019	2040	3.00-5.00%	8,335,000
Serial Bond	2020	2035	5.00%	6,140,000
Serial Bond	2021	2036	4.00-5.00%	11,610,000
Total				<u>\$ 96,660,000</u>

6. LONG-TERM DEBT (Continued)

The following is a summary of the maturity of bonds payable:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 14,805,000	\$ 3,916,993	\$ 18,721,993
2025	15,370,000	3,356,883	18,726,883
2026	15,995,000	2,726,151	18,721,151
2027	10,210,000	2,059,536	12,269,536
2028	10,185,000	1,626,106	11,811,106
2029-2033	19,375,000	3,935,278	23,310,278
2034-2038	8,640,000	1,070,625	9,710,625
2039-2041	<u>2,080,000</u>	<u>101,000</u>	<u>2,181,000</u>
Totals	<u>\$ 96,660,000</u>	<u>\$ 18,792,572</u>	<u>\$115,452,572</u>

Revenue Advance

In prior years, the School District was granted advances against future lottery aid. These advances have been recorded in the long-term debt group of accounts. The School Districts is obligated to repay the remaining balances through direct reductions annually in state aid.

7. LEASES

The School District has liabilities related to two ongoing lease arrangements in which it is a lessee for equipment and for warehouse space. Terms and balances are summarized as follows:

<u>Description</u>	<u>Inception Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding Lease Liability</u>
Equipment Lease	2021	2025	0.87%	\$ 1,188,243
Warehouse Lease	2022	2025	1.74%	96,338
				<u>\$ 1,284,581</u>

The School District also leases various equipment through BOCES, for which it makes payment prior to the receipt of the assets. Therefore, no outstanding liabilities remain related to these leases.

Annual requirements to amortize long-term lease obligations and related interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 645,354	\$ 11,632	\$ 656,986
2025	<u>639,227</u>	<u>5,521</u>	<u>644,748</u>
Total Future Payments	<u>\$ 1,284,581</u>	<u>\$ 17,153</u>	<u>\$ 1,301,734</u>

8. INTERFUND BALANCES AND ACTIVITY

	Interfund		Interfund	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditure</u>
General fund	\$ 21,096,568	\$ -	\$ 1,020,689	\$ 18,998,286
Special aid fund	-	18,470,648	309,293	1,020,689
School lunch fund	-	1,761,847	-	-
Capital projects fund	-	2,044,646	-	200,000
Debt service fund	<u>1,180,573</u>	<u>-</u>	<u>18,888,993</u>	<u>-</u>
Total governmental activities	<u>\$ 22,277,141</u>	<u>\$ 22,277,141</u>	<u>\$ 20,218,975</u>	<u>\$ 20,218,975</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

9. PENSION PLANS

New York State Employees' Retirement System

The School District participates in the New York State and Local Employee's Retirement System (ERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), established to hold all net assets and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York Retirement and Social Security Law (RSSL). Once an employer elects to participate in the System, 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 School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The system is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Contributions

The system is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27th, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

9. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2023	\$ 1,467,483
2022	\$ 1,810,142
2021	\$ 1,870,273

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the School District reported a liability of \$9,166,833 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2023, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2022. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2023, the School District's proportion was 0.0427477%, which was an increase of .0012573% from its proportion measured at June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2023, the School District recognized pension expense of \$38,428,863. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 976,339	\$ 257,439
Changes of Assumptions	4,452,006	49,203
Net difference between projected and actual earnings on pension plan investments	-	53,855
Changes in proportion and differences between the District's contributions and proportionate share of contributions	125,515	196,924
Contributions subsequent to the measurement date	624,546	-
	<u>\$ 6,178,406</u>	<u>\$ 557,421</u>

Of the total reported as deferred outflows of resources, \$624,546 related to the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

9. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:	
2024	\$ 1,150,483
2025	(540,757)
2026	1,867,711
2027	2,519,002
2028	-
Thereafter	-
	<u>\$ 4,996,439</u>

Actuarial Assumptions

The total pension asset at March 31, 2023, was determined by using an actuarial valuation as of April 1, 2022, with update procedures used to roll forward the total pension liability to March 31, 2023:

Actuarial cost method	Entry age normal
Inflation	2.90%
Salary scale	4.40%
Projected COLAs	1.50%
Decrement	Developed from the Plan's 2020 experience study of the period April 1, 2015 through March 31, 2020
Mortality improvement	Society of Actuaries Scale MP-2021
Investment Rate of Return	5.9% compounded annually, net of investment expenses

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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 equities and fixed income as well as historical investment data and plan performance.

9. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2023 is summarized below:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-term expected real rate or return</u>
Domestic Equity	32.0%	4.30%
International Equity	15.0%	6.85%
Private Equity	10.0%	7.50%
Real Estate	9.0%	4.60%
Opportunistic/ARS Portfolio	3.0%	5.38%
Credit	4.0%	5.43%
Real Assets	3.0%	5.84%
Fixed Income	23.0%	1.50%
Cash	1.0%	0.00%
	<u>100.0%</u>	

The discount rate used to calculate the total pension liability was 5.9%. 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. Based upon the assumptions, the Plan's 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.

Discount Rate

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the School District's proportionate share of the net pension asset calculated using the discount rate of 5.9%, as well as what the School District's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1 percent lower (4.9%) or 1 percent higher (6.9%) than the current rate:

	<u>1 % Decrease (4.9%)</u>	<u>Current Assumption (5.9%)</u>	<u>1% Increase (6.9%)</u>
Proportionate Share of Net Pension liability (asset)	\$ 22,152,305	\$ 9,166,833	\$ (1,684,038)

9. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability (in thousands) of the employers as of March 31, 2022, were as follows:

	Pension Plan's Fiduciary Net Position
Total pension liability	\$ 232,627,259
Net position	211,183,223
Net pension liability (asset)	<u>\$ 21,444,036</u>
Fiduciary net position as % of total pension liability	90.78%

New York State Teachers' Retirement System

The School District participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system. The system offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

The New York State Teachers' Retirement Board administers NYSTRS. The system provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Contributions

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The School District is required to contribute at an actuarially determined rate. The School District contributions made to the systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

2023	\$ 5,987,665
2022	\$ 5,965,083
2021	\$ 5,850,207

9. PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the School District reported a liability of \$6,618,111 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension asset used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2022, the School District's proportion was 0.344892%, which was an decrease of 0.019558% from its proportion measured at June 30, 2021.

For the year ended June 30, 2023, the School District recognized pension expense of \$8,551,924. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,934,942	\$ 132,615
Changes of Assumptions	12,838,015	2,665,962
Net difference between projected and actual earnings on pension plan investments	8,551,226	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,622,793	358,572
Contributions subsequent to the measurement date	7,591,532	-
	<u>\$ 37,538,508</u>	<u>\$ 3,157,149</u>

Of the total reported as deferred outflows of resources, \$7,591,532 related to the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended June 30:

2023	\$ 5,172,534
2024	2,743,648
2025	(783,898)
2026	17,087,598
2027	2,359,185
Thereafter	210,760
	<u>\$ 26,789,827</u>

9. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Actuarial Assumptions

The total pension asset at the June 30, 2022, measurement date was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension asset to June 30, 2022.

These actuarial valuations used the following actuarial assumptions:

Inflation	2.40%										
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.										
	<table><tr><th><u>Service</u></th><th><u>Rate</u></th></tr><tr><td>5</td><td>5.18%</td></tr><tr><td>15</td><td>3.64%</td></tr><tr><td>25</td><td>2.50%</td></tr><tr><td>35</td><td>1.95%</td></tr></table>	<u>Service</u>	<u>Rate</u>	5	5.18%	15	3.64%	25	2.50%	35	1.95%
<u>Service</u>	<u>Rate</u>										
5	5.18%										
15	3.64%										
25	2.50%										
35	1.95%										
Projected COLAs	1.3% compounded annually										
Investment Rate of Return	6.95% compounded annually, net of pension plan investment expense, including inflation.										

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2021, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2020.

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.

9. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the measurement date of June 30, 2022 is summarized in the following table:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-term expected real rate or return</u>
Domestic Equity	33.0%	6.5%
International Equity	16.0%	7.2%
Global Equity	4.0%	6.9%
Real Estate Equity	11.0%	6.2%
Private Equity	8.0%	9.9%
Domestic Fixed Income	16.0%	1.1%
Global Bonds	2.0%	0.6%
Private Debt	2.0%	5.3%
Real Estate Debt	6.0%	2.4%
High-yield Bonds	1.0%	3.3%
Cash Equivalents	1.0%	-0.3%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension asset was 6.95%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's 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 asset.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the net pension liability (asset) of the school districts calculated using the discount rate of 6.95%, as well as what the school districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.95%) or 1-percentage-point higher (7.95%) than the current rate:

	<u>1 % Decrease (5.95%)</u>	<u>Current Assumption (6.95%)</u>	<u>1% Increase (7.95%)</u>
Proportionate Share of Net Pension liability (asset)	\$ 61,022,078	\$ 6,618,111	\$ (39,135,270)

9. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability (in thousands) of the employers as June 30, 2022, were as follows:

	Pension Plan's Fiduciary Net Position
Total pension liability	\$ 133,883,474
Net position	131,964,582
Net pension liability (asset)	<u>\$ 1,918,892</u>
Fiduciary net position as % of total pension asset	98.6%

10. OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Plan Description

The School District's defined benefit OPEB plan, provides OPEB for all permanent full-time general employees of the School District. The plan is a single-employer defined benefit OPEB plan administered by the School District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the School District Board. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The School District provides healthcare benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the School District offices and are available upon request.

Employees Covered by Benefit Terms

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefits	717
Inactive employees entitled to but	
not yet receiving benefits	-
Active employees	<u>1,034</u>
Total participants	<u>1,751</u>

Total OPEB Liability

The School District's total OPEB liability of \$375,290,484 was measured as of July 1, 2022, and was determined by an actuarial valuation as of July 1, 2022.

10. OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Scale	3.50%
Discount Rate	3.54%
Healthcare Cost Trend Rates	7.80% for 2024, decreasing to an ultimate rate of 3.94% by 2093

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

Mortality rates were based on the April 1, 2010 – March 31, 2015 NYSLRS experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2021.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

Changes in the Total OPEB Liability

Balance at June 30, 2021	<u>\$ 450,726,412</u>
Changes for the Year-	
Service cost	16,652,248
Interest	9,904,154
Changes of benefit terms	-
Changes in assumptions or other inputs	(65,321,787)
Differences between expected and actual experience	(27,535,091)
Benefit payments	<u>(9,135,452)</u>
Net changes	<u>(75,435,928)</u>
Balance at June 30, 2022	<u>\$ 375,290,484</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.14% in 2022 to 3.54% in 2023.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the School District, as well as what the School 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:

	1% Decrease <u>(2.54%)</u>	Current Discount <u>(3.54%)</u>	1% Increase <u>(4.54%)</u>
Total OPEB Liability	<u>\$ 447,125,355</u>	<u>\$ 375,290,484</u>	<u>\$ 318,451,768</u>

10. OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% <u>Decrease</u>	Healthcare Current <u>Discount</u>	1% <u>Increase</u>
Total OPEB Liability	\$ 311,467,313	\$ 375,290,484	\$ 459,244,630

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

For the year ended June 30, 2023, the School District recognized OPEB expense of \$7,524,989. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and and actual experience	\$ -	\$ 47,862,313
Changes of assumptions	53,226,130	67,179,304
Employer contributions subsequent to the measurement date	<u>8,892,370</u>	<u>-</u>
Total	<u>\$ 62,118,500</u>	<u>\$ 115,041,617</u>

Employer contributions subsequent to the measurement will be recognized as expense in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June</u>	<u>Amount</u>
2024	\$ (16,643,083)
2025	(10,547,813)
2026	(4,567,224)
2027	(3,950,183)
2028	(12,389,694)
Thereafter	<u>(13,717,490)</u>
	<u>\$ (61,815,487)</u>

11. RISK MANAGEMENT

Self-Insured Plans

The School District has chosen to establish a self-funded health benefit program and workers' compensation plan for its employees. The School District has obtained aggregate and specific excess loss insurance associated with the self-funded health benefit program. The benefit programs administrators, Excellus BlueCross BlueShield and Eagle Claim Service, are responsible for the approval, processing and payment of claims, after which they bill the School District for reimbursement. The School District is also responsible for a monthly administrative fee. The benefit programs report on a fiscal year ended June 30. The programs are accounted for in the General Fund of the School District. At year end, the School District reports a liability which represents reported and unreported claims which were incurred on or before year end, but which were not paid by the School District as of that date. Claims activity and liability balance as of year end are summarized as follows:

	<u>2023</u>	<u>2022</u>
Beginning health and workers' compensation payable	\$ 5,723,939	\$ 4,651,770
Incurred claims and changes in estimate	20,486,336	24,010,065
Claims payments	<u>(20,874,997)</u>	<u>(22,937,896)</u>
Ending health and workers' compensation payable	<u>\$ 5,335,278</u>	<u>\$ 5,723,939</u>

12. CONTINGENCIES AND COMMITMENTS

Grant Programs

The School 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. The School District is currently under investigation by state and federal agencies with regard to expenditures claimed related to federal and state grant programs. These investigations are ongoing and the School District is not able to estimate a potential liability related to these matters. It is possible that disallowances required to be repaid may be material to the School District's financial position.

Litigation

The School District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage.

The School District is named in a variety of pending lawsuits, which the School District is contesting vigorously. In instances where a probable loss is reasonably estimable, management has recorded a liability. As these amounts are expected to be settled within one year using current resources, this liability is recognized in the General Fund. Amounts totaling \$3,415,000 have been recorded as part of accrued liabilities as of June 30, 2023. Potential additional future losses relating to current lawsuits are not estimable and have not been accrued. The future losses may be material.

13. DONOR-RESTRICTED ENDOWMENTS

The School District administers endowment funds, which are restricted by the donor for the purposes of scholarships.

The School District authorizes expenditures from donor-restricted endowments when in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the School District.

14. TAX ABATEMENTS

The County of Oneida and City of Utica enter into various property tax abatement programs for the purpose of economic development. The amount of property tax abated related to the School District for the year ended June 30, 2023, was \$2,289,034. The School District received Payment in Lieu of Tax (PILOT) payments related to these agreements totaling \$521,511.

15. RESTATEMENT

The financial statements have been restated to correct errors in the June 30, 2022 financial statements.

Extraclassroom activities (ECA) previously reported in the Custodial Fund were reclassified to be reported as a special revenue fund. The net position reported at June 30, 2022 in the Custodial Fund of \$48,298 is reflected as the beginning fund balance of the Extraclassroom Activities Fund, a nonmajor governmental fund.

Corrections were also made in reporting of long-term assets and liabilities in the governmental activities opinion unit. At June 30, 2022, capital assets were overstated, right-to-use lease assets (reported as part of capital assets) were understated, and bond premiums were understated.

The effect of these restatements on the governmental activities opinion unit were as follows:

	<u>Net Position</u>	<u>Capital Assets</u>	<u>Bond Premiums</u>	<u>Cash - Restricted</u>
Balance at June 30, 2022, as originally stated	\$ (228,788,420)	\$ 226,316,630	\$ 4,609,912	\$ 29,166,562
Restatement of capital asset balances	(36,150,663)	(36,150,663)	-	-
Addition of right-to-use lease assets	2,366,425	2,366,425	-	-
Addition of bond premiums	(8,191,395)	-	8,191,395	-
Reclassification of ECA activities to special revenue fund	<u>48,298</u>	<u>-</u>	<u>-</u>	<u>48,298</u>
Balance at July 1, 2023, as restated	<u>\$ (270,715,755)</u>	<u>\$ 192,532,392</u>	<u>\$ 12,801,307</u>	<u>\$ 29,214,860</u>

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

UTICA CITY SCHOOL DISTRICT

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Final Budget Variance with Budgetary Actual
REVENUE					
LOCAL SOURCES:					
Real property taxes	\$ 25,170,410	\$ 25,170,410	\$ 24,774,963	\$ -	\$ (395,447)
Other tax items	5,435,455	5,435,455	5,551,075	-	115,620
Nonproperty taxes	1,400,000	1,400,000	2,362,837	-	962,837
Charges for services	45,500	45,500	20,040	-	(25,460)
Use of money and property	115,000	115,000	592,280	-	477,280
Sale of property and compensation for loss	101,500	101,500	182,811	-	81,311
Miscellaneous	<u>1,332,700</u>	<u>1,332,700</u>	<u>1,564,693</u>	<u>-</u>	<u>231,993</u>
Total local sources	33,600,565	33,600,565	35,048,699	-	1,448,134
State sources	179,111,997	179,111,997	183,609,944	-	4,497,947
Federal sources	-	-	29,160	-	29,160
Medicaid reimbursement	<u>800,000</u>	<u>800,000</u>	<u>631,436</u>	<u>-</u>	<u>(168,564)</u>
Total revenue	<u>\$ 213,512,562</u>	<u>\$ 213,512,562</u>	<u>\$ 219,319,239</u>	<u>\$ -</u>	<u>\$ 5,806,677</u>

(Continued)

See independent auditors report

UTICA CITY SCHOOL DISTRICT

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2023

	Original <u>Budget</u>	Final <u>Budget</u>	Actual (<u>Budgetary Basis</u>)	<u>Encumbrances</u>	Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	\$ 278,931	\$ 328,857	\$ 311,048	\$ 157	\$ 17,652
Central administration	384,336	489,231	489,155	-	76
Finance	1,535,064	1,367,294	1,142,380	30,708	194,206
Staff	1,183,654	1,206,927	1,197,312	-	9,615
Central services	10,578,326	12,800,063	12,234,112	241,441	324,510
Special items	3,027,732	4,659,189	4,659,189	-	-
Total general support	<u>16,988,043</u>	<u>20,851,561</u>	<u>20,033,196</u>	<u>272,306</u>	<u>546,059</u>
INSTRUCTION:					
Instruction, administration, and improvement	5,890,188	5,980,084	5,211,617	2,676	765,791
Teaching - Regular school	74,321,750	76,059,011	69,832,187	1,667,151	4,559,673
Programs for children with handicapping conditions	23,230,001	22,882,095	21,810,964	3,745	1,067,386
Occupational education	4,298,100	4,298,411	4,165,638	-	132,773
Teaching - Special school	364,897	379,745	180,741	-	199,004
Instructional media	7,116,858	7,650,410	6,899,156	65,836	685,418
Pupil services	<u>6,600,487</u>	<u>6,838,513</u>	<u>4,649,327</u>	<u>46,382</u>	<u>2,142,804</u>
Total instruction	121,822,281	124,088,269	112,749,630	1,785,790	9,552,849
Pupil transportation	12,215,993	12,352,522	11,662,633	177,176	512,713
Employee benefits	42,978,552	38,819,316	36,856,194	-	1,963,122
Debt service - Principal	-	636,706	3,216,173	-	(2,579,467)
Debt service - Interest	<u>200,000</u>	<u>317,657</u>	<u>317,657</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>194,204,869</u>	<u>197,066,031</u>	<u>184,835,483</u>	<u>2,235,272</u>	<u>9,995,276</u>
OTHER SOURCES AND (USES)					
Proceeds from capital leases	-	-	2,579,467	-	2,579,467
Transfers from other funds	-	-	1,020,689	-	1,020,689
Transfers to other funds	<u>(19,307,693)</u>	<u>(19,416,985)</u>	<u>(18,998,286)</u>	<u>-</u>	<u>418,699</u>
Total other sources and (uses)	<u>(19,307,693)</u>	<u>(19,416,985)</u>	<u>(15,398,130)</u>	<u>-</u>	<u>4,018,855</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>-</u>	<u>(2,970,454)</u>	<u>19,085,626</u>	<u>(2,235,272)</u>	<u>19,820,808</u>
FUND BALANCE - beginning of year	<u>61,282,669</u>	<u>61,282,669</u>	<u>61,282,669</u>	<u>-</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 61,282,669</u>	<u>\$ 58,312,215</u>	<u>\$ 80,368,295</u>	<u>\$ (2,235,272)</u>	<u>\$ 19,820,808</u>

See independent auditors report

UTICA CITY SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014**
Proportion of the net pension liability (asset)	0.0427477%	0.0414904%	0.0427910%	0.0452211%	0.048609%	0.0479416%	0.045624%	0.0479567%	0.0468502%	
Proportionate share of the net pension liability (asset)	\$ 9,166.8	\$ (3,391.7)	\$ 42.6	\$ 11,974.8	\$ 3,178.5	\$ 1,547.3	\$ 4,286.9	\$ 7,697.2	\$ 1,582.7	
Covered-employee payroll	\$ 13,322.9	\$ 12,555.5	\$ 12,988.5	\$ 13,030.8	\$ 12,637.6	\$ 12,485.5	\$ 11,932.7	\$ 11,641.6	\$ 11,778.7	
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	68.80%	-27.01%	0.33%	91.90%	25.15%	12.39%	35.93%	66.12%	13.44%	
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.78%	103.65%	99.95%	86.40%	96.30%	98.20%	94.70%	90.70%	97.90%	

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014**
Proportion of the net pension liability (asset)	0.344892%	0.364450%	0.367220%	0.373807%	0.378798%	0.362606%	0.368623%	0.357144%	0.372659%	
Proportionate share of the net pension liability (asset)	\$ 6,618.1	\$ (63,155.7)	\$ 10,147.3	\$ (9,711.5)	\$ (6,849.7)	\$ (2,756.2)	\$ 3,948.1	\$ (37,095.9)	\$ (41,511.9)	
Covered-employee payroll	\$ 73,775.8	\$ 61,098.7	\$ 61,387.3	\$ 63,403.8	\$ 62,394.5	\$ 68,718.7	\$ 64,356.5	\$ 59,133.4	\$ 55,905.5	
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.97%	-103.37%	16.53%	-15.32%	-10.98%	-4.01%	6.13%	-62.73%	-74.25%	
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.57%	113.20%	97.80%	102.20%	101.53%	100.70%	99.00%	110.50%	111.48%	

**Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

UTICA CITY SCHOOL DISTRICT

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014**
Contractually required contribution	\$ 1,467.5	\$ 1,810.1	\$ 1,870.2	\$ 1,653.7	\$ 1,728.3	\$ 1,834.7	\$ 1,763.9	\$ 2,006.0	\$ 2,257.5	
Contributions in relation to the contractually required contribution	1,467.5	1,810.1	1,870.2	1,653.7	1,728.3	1,834.7	1,763.9	2,006.0	2,257.5	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered-employee payroll	\$ 13,322.9	\$ 12,555.5	\$ 12,988.5	\$ 13,030.8	\$ 12,637.6	\$ 12,485.5	\$ 11,932.7	\$ 11,641.6	\$ 11,778.7	
Contributions as a percentage of covered-employee payroll	13.59%	14.42%	14.40%	12.69%	13.68%	14.69%	14.78%	17.23%	19.17%	

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014**
Contractually required contribution	\$ 5,987.7	\$ 5,987.7	\$ 5,850.2	\$ 5,617.6	\$ 6,626.3	\$ 6,734.4	\$ 7,542.6	\$ 7,841.1	\$ 9,800.2	
Contributions in relation to the contractually required contribution	5,987.7	5,987.7	5,850.2	5,617.6	6,626.3	6,734.4	7,542.6	7,841.1	9,800.2	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered-employee payroll	\$ 73,775.8	\$ 61,098.7	\$ 61,387.3	\$ 63,403.8	\$ 62,394.5	\$ 68,718.7	\$ 64,356.5	\$ 59,133.4	\$ 55,905.5	
Contributions as a percentage of covered-employee payroll	8.12%	9.80%	9.53%	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	

**Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

UTICA CITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023

	Last 10 Fiscal Years									
	2023	2022	2021	2020	2019	2018	2017**	2016**	2015**	2014**
Total OPEB Liability										
Service cost	\$ 16,652,248	\$ 16,692,486	\$ 10,982,034	\$ 11,227,895	\$ 12,285,691	\$ 16,167,717				
Interest	9,904,154	9,716,168	12,573,029	13,459,658	13,432,386	11,734,648				
Changes of benefit terms	-	-	-	-	803,594	-				
Differences between expected and actual experience	(27,535,091)	-	(26,648,843)	-	(32,054,661)	-				
Changes of assumptions or other inputs	(65,321,787)	5,649,914	86,179,843	(5,090,972)	(11,092,503)	(55,261,073)				
Benefit payments	(9,135,452)	(8,570,551)	(8,190,069)	(7,642,117)	(7,645,403)	(7,113,559)				
Total change in total OPEB liability	(75,435,928)	23,488,017	74,895,994	11,954,464	(24,270,896)	(34,472,267)				
Total OPEB liability - beginning	<u>450,726,412</u>	<u>427,238,395</u>	<u>352,342,401</u>	<u>340,387,937</u>	<u>364,658,833</u>	<u>399,131,100</u>				
Total OPEB liability - ending	<u>\$ 375,290,484</u>	<u>\$ 450,726,412</u>	<u>\$ 427,238,395</u>	<u>\$ 352,342,401</u>	<u>\$ 340,387,937</u>	<u>\$ 364,658,833</u>				
 Covered-employee payroll	 \$ 84,634,604	 \$ 78,916,450	 \$ 81,995,275	 \$ 81,088,731	 \$ 71,728,367	 \$ 78,179,365				
 Total OPEB liability as a percentage of covered-employee payroll	 443.42%	 571.14%	 521.05%	 434.51%	 474.55%	 466.44%				

Notes to schedule:

Changes of assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period.

The discount rate in effect at the current measurement date is 3.54%.

**Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

SUPPLEMENTARY INFORMATION

UTICA CITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2023

	School Lunch	Capital Projects	Debt Service	Miscellaneous Special Revenue	Extraclassroom Activities	Total Nonmajor Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,139,878	\$ 2,044,283	\$ -	\$ -	\$ -	\$ 3,184,161
Cash - Restricted	-	-	11,390,366	332,392	48,471	11,771,229
Due from other funds	-	-	1,180,573	-	-	1,180,573
State and federal aid recievable	522,477	-	-	-	-	522,477
Inventories	225,169	-	-	-	-	225,169
TOTAL ASSETS	<u>\$ 1,887,524</u>	<u>\$ 2,044,283</u>	<u>\$ 12,570,939</u>	<u>\$ 332,392</u>	<u>\$ 48,471</u>	<u>\$ 16,883,609</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
LIABILITIES:						
Accounts payable	\$ 58,444	\$ -	\$ -	\$ 85	\$ -	\$ 58,529
Due to other Funds	1,761,847	2,044,646	-	-	-	3,806,493
Due to other governments	115	-	-	-	-	115
Total liabilities	<u>1,820,406</u>	<u>2,044,646</u>	<u>-</u>	<u>85</u>	<u>-</u>	<u>3,865,137</u>
FUND BALANCE						
Nonspendable	<u>225,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,169</u>
Restricted						
Debt service	-	-	12,570,939	-	-	12,570,939
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,471</u>	<u>48,471</u>
Total restricted fund balance	<u>-</u>	<u>-</u>	<u>12,570,939</u>	<u>-</u>	<u>48,471</u>	<u>12,619,410</u>
Assigned						
Unappropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>332,307</u>	<u>-</u>	<u>332,307</u>
Total assigned fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>332,307</u>	<u>-</u>	<u>332,307</u>
Unassigned	<u>(158,051)</u>	<u>(363)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(158,414)</u>
Total fund balance (deficit)	<u>67,118</u>	<u>(363)</u>	<u>12,570,939</u>	<u>332,307</u>	<u>48,471</u>	<u>13,018,472</u>
Total liabilities and fund balance (deficit)	<u>\$ 1,887,524</u>	<u>\$ 2,044,283</u>	<u>\$ 12,570,939</u>	<u>\$ 332,392</u>	<u>\$ 48,471</u>	<u>\$ 16,883,609</u>

The accompanying notes are an integral part of these financial statements.

UTICA CITY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2023

	School Lunch	Capital Projects	Debt Service	Miscellaneous Special Revenue	Extracurricular Activities	Total Nonmajor Governmental Funds
REVENUE:						
Charges for services	\$ 104,684	\$ -	\$ -	\$ -	\$ -	\$ 104,684
Use of money and property	-	-	186,666	1,318	-	187,984
Miscellaneous	3,334	-	-	3,142	146,391	152,867
State sources	108,553	1,041,082	-	-	-	1,149,635
Federal sources	6,138,067	-	-	-	-	6,138,067
Surplus Food	579,608	-	-	-	-	579,608
Total revenue	6,934,246	1,041,082	186,666	4,460	146,391	8,312,845
EXPENDITURES:						
General support	-	-	-	12,125	-	12,125
Employee benefits	358,765	-	-	-	-	358,765
Other	-	-	-	-	146,218	146,218
Debt service - Principal	-	-	13,850,000	-	-	13,850,000
Debt service - Interest	-	-	4,838,993	-	-	4,838,993
Cost of sales	6,542,480	-	-	-	-	6,542,480
Capital outlay	-	1,056	-	-	-	1,056
Total expenditures	6,901,245	1,056	18,688,993	12,125	146,218	25,749,637
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	33,001	1,040,026	(18,502,327)	(7,665)	173	(17,436,792)
OTHER SOURCES AND (USES):						
Operating transfers in	-	-	18,888,993	-	-	18,888,993
Operating transfers (out)	-	(200,000)	-	-	-	(200,000)
Total other sources (uses)	-	(200,000)	18,888,993	-	-	18,688,993
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	33,001	840,026	386,666	(7,665)	173	1,252,201
FUND BALANCE (DEFICIT) - beginning of year, as previously reported	34,117	(840,389)	12,184,273	339,972	-	11,717,973
RESTATEMENT (NOTE 15)	-	-	-	-	48,298	48,298
FUND BALANCE (DEFICIT) - beginning of year, as restated	34,117	(840,389)	12,184,273	339,972	48,298	11,766,271
FUND BALANCE (DEFICIT) - end of year	\$ 67,118	\$ (363)	\$ 12,570,939	\$ 332,307	\$ 48,471	\$ 13,018,472

The accompanying notes are an integral part of these statements.

OTHER INFORMATION

UTICA CITY SCHOOL DISTRICT

SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2023

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 213,512,562
Add: Prior year's encumbrances	<u>3,215,897</u>
Original budget	216,728,459
Budget revision	<u>(245,443)</u>
Final budget	<u>\$ 216,483,016</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2023-24 voter-approved expenditure budget	\$ 243,340,050
Maximum allowed 4% of 2023-24 budget	<u>\$ 9,733,602</u>

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

Unrestricted fund balance:	
Assigned fund balance	\$ 2,235,272
Unassigned fund balance	<u>43,032,707</u>

Total unrestricted fund balance	<u>\$ 45,267,979</u>
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Less:

Encumbrances included in committed and assigned fund balance	<u>\$ 2,235,272</u>
Total adjustments	<u>\$ 2,235,272</u>

General Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 43,032,707</u>
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Actual percentage	17.68%
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* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

See independent auditors report.

UTICA CITY SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023

Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2023
			Prior Years	Current Year	Total		Proceeds of Obligations	State Sources	Local Sources	Total	
Smart School Bond Act	\$ 9,678,419	\$ 9,678,419	\$ 5,945,197	\$ -	\$ 5,945,197	\$ 3,733,222	\$ 6,625,000	\$ 5,932,396	\$ -	\$ 12,557,396	\$ 6,612,199
Capital Projects - facilities	<u>187,600,000</u>	<u>212,600,000</u>	<u>212,817,297</u>	<u>201,056</u>	<u>213,018,353</u>	<u>(418,353)</u>	<u>186,527,042</u>	<u>6,987,610</u>	<u>12,891,139</u>	<u>206,405,791</u>	<u>(6,612,562)</u>
Total	<u>\$ 197,278,419</u>	<u>\$ 222,278,419</u>	<u>\$ 218,762,494</u>	<u>\$ 201,056</u>	<u>\$ 218,963,550</u>	<u>\$ 3,314,869</u>	<u>\$ 193,152,042</u>	<u>\$ 12,920,006</u>	<u>\$ 12,891,139</u>	<u>\$ 218,963,187</u>	<u>\$ (363)</u>

See independent auditors report.

UTICA CITY SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED) JUNE 30, 2023

Capital assets, net	<u>\$ 197,218,007</u>
Deduct:	
Short-term portion of bonds payable	14,805,000
Long-term portion of bonds payable and premiums	92,842,844
Short-term portion of lease payable	645,354
Long-term portion of lease payable	<u>639,227</u>
	<u>108,932,425</u>
Net investment in capital assets	<u>\$ 88,285,582</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**

November 9, 2023

To the Board of Education of the
Utica City School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate nonmajor fund information of Utica City School District (the School District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's financial statements, and have issued our report thereon dated November 9, 2023

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

(Continued)

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*

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as finding 2023-003.

Utica City School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The School District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

UTICA CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES JUNE 30, 2023

Reference Number: 2023-001

Criteria:

Adequate controls should be in place to properly calculate and report on long-term balances required on the full accrual basis of accounting in the government-wide financial statements, including capital assets, right-to-use lease assets, and bond premiums.

Condition/Cause:

Related to the year ended June 30, 2022, there were not sufficient internal controls in place for reviewing financial statement balances reported for capital assets, right-to-use lease assets, and bond premiums.

Effect:

Material audit adjustments were required to restate opening balances of capital assets, right-to-use lease assets, and bond premiums as described in Note 15.

Recommendation:

We recommend the School District review its policies and procedures in relation to the financial close and reporting process to ensure proper tracking is retained related to the long-term items outside of the fund trial balances. Management should retain records of all balances reported in the financial statements.

Management's Response:

The School District recognizes the need to retain records of all balances reported in the financial statements. There was an error in the prior audit which needed restatement. This has been completed. There has been a change in the administrative team in Central Office who are working on ensuring all processes are in place. Contact has been made with the prior auditor to see if they wanted to submit a restatement and they declined.

Reference Number: 2023-002**Criteria:**

Adequate controls should be in place to monitor grants and reconcile grant revenues to costs charged to the grants.

Condition/Cause:

The School District did not properly reconcile grant activity as of year end. A clearing account in the Special Aid fund was used in order to force grant revenues and expenditures in the fund to match each year without fully reconciling the activity.

Effect:

After the issue was identified and a reconciliation was performed, the School District posted material adjustments to correct balances and activity in the Special Aid Fund.

Recommendation:

We recommend the School District review its policies and procedures in relation to monitoring grants and implement a practice to reconcile grants on a periodic basis to ensure proper reporting of grant activity.

Management's Response:

The School District has hired a CPA with experience in the State Comptroller's Office as an auditor. He will be in charge of all grant funded reconciliations. Quarterly meetings will be held with the Central Office Staff and Grants to ensure there is timely submittals to SED and reconciliations for the ST3.

Reference Number: 2023-003**Criteria:**

The School District's unrestricted fund balance was outside the NYS Real Property Tax Law 1318 limit, which restricts it to an amount not greater than 4% of the School District's budget for the upcoming year.

Condition/Cause:

The current year surplus resulted in the fund balance exceeding limits.

Effect:

General Fund unrestricted fund balance exceeded the 4% limitation.

Reference Number: 2023-003 (Continued)

Recommendation:

We recommend that management take the excess fund balance into consideration when preparing future budgets.

Management's Response:

The new Superintendent and CFO have produced a long-range capital plan in collaboration with Fiscal Advisors and have developed a reserve plan to address outstanding long-term liabilities in order to address the fiscal health of the district. It should be noted; the additional fund balance was primarily a result of budgeting for needed positions and associated benefits but due to the job market depletion positions were not able to be filled. The School District has worked to market vacancies more aggressively and has increased staffing at all levels in the 2023-2024 budget.

The second area of consideration is the infusion of COVID funds to support student learning which has also had an impact on our fund balance, as well as, being fully funded through foundation aid. Long range budget planning this upcoming year will help us to better prepare and balance expenditures with revenues.

COVID funding will cease as of September 2024. The School District anticipates that the fund balance in future years will be diminished and thus the goal is to have a balanced budget while maintaining the fiscal health of the School District.