



MALVERNE
UNION FREE SCHOOL DISTRICT

Review of 2023-2024 External Audit

Alexandria Battaglia, CPA
Partner

R.S. Abrams & Co., LLP



Review of Audit

- The District received an unmodified opinions on the June 30, 2024 school district financial statements, extraclassroom activity funds financial statement, and single audit.
- Business office was very cooperative during audit.

Management Letter

- A report on the District's internal control over financial reporting was issued that identified an area in which the District's internal controls could be improved including:
- We identified the following issues as detailed in the management letter.
 - Extraclassroom activities - disbursements

Required Auditor Communications

- Our responsibility under generally accepted auditing standards and *Government Auditing Standards*.
- No new accounting policies.
- Accounting estimates affecting financials.
 - Useful life of capital assets and subscription assets
 - Subscription liability
 - Compensated absences payable
 - Retirement incentive payable
 - Net pension asset/liability
 - Other post-employment benefits obligation

Required Auditor Communications

- There were no:
 - Disagreements with management.
 - Difficulties encountered in performing the audit.
- Corrected misstatements.
- Management representations.

Financial Highlights – Governmental Funds

Fund Balance for Governmental Funds

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
General Fund				
Nonspendable: Prepaids	\$ 128,105	\$ 134,799	\$ (6,694)	(4.97)%
Restricted:				
Unemployment insurance	161,737	100,046	61,691	61.66 %
Retirement contribution:				
Teachers' retirement system	1,734,713	1,267,592	467,121	36.85 %
Employees' retirement system	3,329,219	2,549,452	779,767	30.59 %
Liability	556,789	529,821	26,968	5.09 %
Employee benefit accrued liability	1,230,940	1,079,018	151,922	14.08 %
Capital	1,581,586	1,762,708	(181,122)	(10.28)%
Repairs	227,430	216,415	11,015	5.09 %
Debt	39,679	56,788	(17,109)	(30.13)%
Assigned:				
Appropriated fund balance	80,000	100,000	(20,000)	(20.00)%
Unappropriated fund balance	481,997	312,720	169,277	54.13 %
Unassigned: Fund balance	2,850,956	2,749,076	101,880	3.71 %
	<u>12,403,151</u>	<u>10,858,435</u>	<u>1,544,716</u>	<u>14.23 %</u>

Financial Highlights – Governmental Funds

Fund Balance for Governmental Funds

	2024	2023	Increase (Decrease)	Percentage Change
Special Aid Fund				
Nonspendable: Prepaids		60,705	(60,705)	(100.00)%
Unassigned: Fund balance (deficit)		(60,705)	60,705	100.00 %
	-	-	-	N/A
School Food Service Fund				
Nonspendable: Inventory	6,605	1,131	5,474	484.00 %
Assigned: Unappropriated fund balance	225,041	246,651	(21,610)	(8.76)%
	231,646	247,782	(16,136)	(6.51)%
Capital Projects Fund				
Restricted Capital	2,429,567	2,432,562	(2,995)	(0.12)%
Unassigned: Fund balance (deficit)	(982,801)	(429,795)	(553,006)	(128.67)%
	1,446,766	2,002,767	(556,001)	(27.76)%
Extraclassroom Activities Fund				
Assigned: Unappropriated fund balance	70,306	71,167	(861)	(1.21)%
Scholarships Fund				
Restricted: Scholarships	18,513	19,109	(596)	(3.12)%
Total Fund Balance	\$ 14,170,382	\$ 13,199,260	\$ 971,122	7.36 %

Review of the Financial Statements

- The general fund – fund balance is a net increase of \$1,544,716 compared to a net increase of \$1,098,506 in 2023. This resulted from revenues and other financing sources in excess of expenditures and other financing uses.
- The unassigned fund balance in the general fund was 4% of the subsequent year's budget for both the current year and the prior year, which is within the limit established by NYS Real Property Tax Law § 1318.
- The school food service fund - fund balance net decrease is due to expenditures in excess of revenues. Expenditures increased by \$148,959 or 16.92%, which is due to an increase in salaries allocated to the food service fund, as well as contractual increases for the management company. Revenues and other financing sources increased by \$60,511 or 6.35% over the prior year, which can be attributed to the District receiving more state and federal reimbursements than in the prior year, offset by a decrease in sales.

Review of the Financial Statements

The capital projects fund - fund balance net decrease is the result of capital expenditures and other financing uses exceeding state sources and other financing sources.

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

	Balance @ June 30, 2023	Use of Reserves	Funding	Balance @ June 30, 2024
June 2020	<u>\$ 2,432,562</u>	<u>\$ (1,702,995)</u>	<u>\$ 1,700,000</u>	<u>\$ 2,429,567</u>

- The extraclassroom activity funds – fund balance net decrease is attributable to cash disbursements from student clubs activities exceeding receipts from fundraising and collections.
- The scholarships fund – fund balance net decrease is the result of scholarships awarded exceeding scholarship donations and interest.

Review of the Financial Statements

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

	Balance @ June 30, 2023	Use of Reserves	Interest	Funding	Balance @ June 30, 2024
Unemployment insurance	\$ 100,046	\$ (8,403)	\$ 5,092	\$ 65,002	\$ 161,737
Retirement contribution:					
TRS	1,267,592	(100,000)	64,521	502,600	1,734,713
ERS	2,549,452	(250,000)	129,767	900,000	3,329,219
Liability	529,821		26,968		556,789
EBALR	1,079,018	(137,000)	54,922	234,000	1,230,940
Capital June 2020	1,762,708	(1,700,000)	89,722	1,429,156	1,581,586
Repairs	216,415		11,015		227,430
Debt	56,788	(20,000)	2,891		39,679
	<u>\$ 7,561,840</u>	<u>\$ (2,215,403)</u>	<u>\$ 384,898</u>	<u>\$ 3,130,758</u>	<u>\$ 8,862,093</u>

Change in Unassigned Fund Balance – General Fund

Opening, Unassigned Fund Balance	\$ 2,749,076
Revenues and Other Financing Sources Over Budget	1,267,876
Expenditures, Other Financing Uses, and Encumbrances Under Budget	2,434,563
Unused Appropriated Reserves	(11,597)
Net Change in Nonspendable Fund Balance	6,694
Allocation to Reserves	(3,515,656)
Appropriated to Fund the June 30, 2025 Budget	<u>(80,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 2,850,956</u></u>

- The opening unassigned fund balance of \$2,749,076 is the June 30, 2023, unassigned fund balance.

Change in Unassigned Fund Balance – General Fund

- The final budget for revenues was \$68,099,890. Actual revenues and other financing sources recognized for the year were \$69,367,766. The excess of actual revenues and other financing sources compared to estimated or budgeted revenues was \$1,267,876, which contributes directly to the change to the unassigned portion of the general fund - fund balance from June 30, 2023 to June 30, 2024. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures, and Changes in Fund Balance -Budget and Actual - General Fund, provides additional information.
- The final budget for expenditures and other financing uses was \$70,739,610. Actual expenditures and other financing uses as of June 30, 2024 were \$67,823,050 and outstanding encumbrances were \$481,997. Combined, the expenditures and other financing uses plus encumbrances for 2023-2024 were \$68,305,047. The final budget variance was \$2,434,563, which contributes to the change to the unassigned portion of the general fund - fund balance from June 30, 2023 to June 30, 2024. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund, provides additional information.

Change in Unassigned Fund Balance – General Fund

- In the 2023-2024 budget, \$527,000 of reserves was appropriated to reduce the tax levy. Due to lower than anticipated expenditures, \$11,597 of this funding was not needed and, therefore, it was returned to the reserves for future use.
- Nonspendable fund balance consists of various prepaid insurance premiums. The resulting balance sheet asset cannot be spent because it is not in spendable form, meaning it will not be converted to cash. Accordingly, an equal amount of fund balance is classified as nonspendable . The decrease in nonspendable fund balance increases unassigned fund balance.
- Monies transferred into authorized reserves do not affect the total fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers. The table in §4.A. "General Fund" (summary of restricted fund balance activity) of this M D&A details the allocation of interest earnings and funding transfers to the reserves.

Change in Unassigned Fund Balance – General Fund

- The District has chosen to use \$80,000 of the available June 30, 2024 fund balance to partially fund the 2024-2025 approved operating budget. As such, the unassigned portion of the June 30, 2024 fund balance must be reduced by this amount.
- Based upon the summary changes shown in the above table, the District will begin the 2024-2025 fiscal year with an unassigned fund balance of \$2,850,956. This is an increase of \$101,880 over the unassigned balance from the prior year. This amount equals 4% of the 2024-2025 budget and complies with the statutory limits established by §1318 of the Real Property Tax Law.

Review of the Financial Statements

The following is a summary of the major changes that resulted in revenues and other financing sources increasing over the prior year:

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Real Property Taxes & STAR	\$ 47,717,652	\$ 46,953,367	\$ 764,285	1.63 %
Other Local Sources	2,181,559	1,755,213	426,346	24.29 %
State Sources	19,120,519	14,945,964	4,174,555	27.93 %
Medicaid Reimbursement	33,555	73,101	(39,546)	(54.10)%
Other Financing Sources	<u>314,481</u>	<u>154,766</u>	<u>159,715</u>	103.20 %
	<u><u>\$ 69,367,766</u></u>	<u><u>\$ 63,882,411</u></u>	<u><u>\$ 5,485,355</u></u>	8.59 %

Review of the Financial Statements

The following is a summary of the major changes that resulted in expenditures and other financing uses increasing over the prior year:

	2024	2023	Increase (Decrease)	Percentage Change
General Support	\$ 6,544,124	\$ 5,970,732	\$ 573,392	9.60 %
Instruction	39,597,947	36,986,053	2,611,894	7.06 %
Pupil Transportation	4,242,844	3,595,056	647,788	18.02 %
Employee Benefits	12,802,405	12,078,699	723,706	5.99 %
Debt Service	2,655,645	2,775,264	(119,619)	(4.31)%
Other Financing Uses	1,980,085	1,378,101	601,984	43.68 %
	<u>\$ 67,823,050</u>	<u>\$ 62,783,905</u>	<u>\$ 5,039,145</u>	8.03 %

Review of the Financial Statements

- Revenues in the general fund increased when compared to prior year, primarily due to the following:
 - Property taxes increased due to a rise in the tax levy in accordance with the 2023-2024 voter-approved budget.
 - State sources increased mainly due to the District receiving more general and excess cost aid, as well as mobile sports wagering aid.

Review of the Financial Statements

- Expenditures in the general fund increased when compared to prior year, primarily due to the following:
 - General support and instruction increased primarily due to routine salary and step increases, and the District incurring more costs within instructional media than the prior year.
 - Pupil transportation increased due to higher transportation rates.
 - Employee benefits increased due to higher premium costs for medical insurance paid by the District for employee coverage.
 - Other financing uses increased, as, in the current year, the District transferred \$1,795,000 to the capital projects fund to fund capital improvements, whereas, in the prior year, the District transferred \$1,195,000.

Importance of Financial Health

- Assists in the computation of District's tax levy.
- Cash flow.
- Improves credit rating.
- Reduces borrowing and interest costs.
- Funds unbudgeted contingent expenses.
- Funds state aid shortfalls.
- Preserve existing programs and opportunities for the students.

New Accounting Standard

GASB Statement No. 101, *Compensated Absences*, was issued to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and amending previously required disclosures. The requirements of this Statement are effective for periods beginning after December 15, 2023.

Malverne Union Free School District

QUESTIONS?

Alexandria Battaglia, CPA
Partner