



BABYLON UNION FREE SCHOOL DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS

June 30, 2024

BABYLON UNION FREE SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund of the Babylon Union Free School District (District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Summary of Opinions

Opinion Unit	Type of Opinion	Opinion Unit	Type of Opinion
Governmental Activities	<i>Unmodified</i>	Capital Projects Fund	<i>Unmodified</i>
General Fund	<i>Unmodified</i>	Extraclassroom Activities Fund	<i>Qualified</i>
Special Aid Fund	<i>Unmodified</i>	Scholarships Fund	<i>Unmodified</i>
School Food Service Fund	<i>Unmodified</i>	Fiduciary Fund	<i>Unmodified</i>
Debt Service Fund	<i>Unmodified</i>		

Qualified Opinion on Extraclassroom Activities Fund

In our opinion, except for the possible effects of the matters discussed in the Basis for Qualified Opinion and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the extraclassroom activities fund of Babylon Union Free School District, as of June 30, 2024, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, other than the extraclassroom activities fund, and the fiduciary fund of Babylon Union Free School District, as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be

independent of Babylon Union Free 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 qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinion on the Extraclassroom Activities Fund

The cash receipts records of the student activities that comprise the extraclassroom activities fund of Babylon Union Free School District were not sufficient to permit the application of adequate auditing procedures to indicate whether all receipts were recorded.

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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures, and changes in fund balance – budget and actual – general fund, schedule of the district's proportionate share of the net pension asset/(liability), schedule of district pension contributions, and schedule of changes in the district's total OPEB liability and related ratios on pages 4 through 17 and 54 through 58, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The other information on pages 59 through 61 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is other information requested by the New York State Education Department. Management is responsible for the other information. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2024, on our consideration of Babylon Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Babylon Union Free School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Babylon Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

October 9, 2024

BABYLON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Babylon Union Free School District's (District) discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2024 in comparison with the year ended June 30, 2023, with emphasis on the current year. This should be read in conjunction with the financial statements, notes to financial statements, and required supplementary information, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2024 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, decreased by \$1,417,321. This was due to an excess of expenses over revenues using the economic resources measurement focus and the accrual basis of accounting. The total net position is a deficit of \$36,448,292 at June 30, 2024.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$62,880,375. Of this amount, \$2,230,117 was offset by program charges for services, and operating grants and contributions. General revenues of \$59,232,937 amount to 96.37% of total revenues.
- The District's general fund fund balance, as reflected in the fund financial statements was \$13,269,251 at June 30, 2024. This balance represents a \$2,970,059 increase (28.84%) over the prior year due to an excess of revenues and other financing sources over expenditures and other financing uses, using the current financial resources measurement focus and the modified accrual basis of accounting, as follows:
 - Restricted fund balances increased by \$2,349,907 due to the funding of and interest allocated to the reserves, offset by the use of reserves.
 - Assigned fund balance increased \$527,493, resulting from the rise in both appropriated fund balance and outstanding encumbrances at year end.
 - Unassigned fund balance increased by \$92,659 to \$2,487,718.
- The District's 2024 property tax levy of \$46,624,975 was a 4.84% increase over the 2023 tax levy and exceeded the property tax cap of 2.84%, but was approved by 62% of the voters.
- On May 21, 2024, the voters of the District approved the budget for the 2024-2025 school year in the amount of \$62,192,921, which is an increase of 3.87%. The property tax levy of \$47,780,667 is a 2.48% increase, which is equal to the allowable tax cap.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



A. District-Wide Financial Statements

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

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

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of the District's school buildings and other capital assets.

The Statement of Activities

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

B. Fund Financial Statements

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

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

Governmental Funds

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

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

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Fiduciary Funds

The District reports its fiduciary activities in the fiduciary fund – custodial fund. This fund reports real property taxes collected on behalf of other governments and disbursed to those governments, and utilizes the economic resources measurement focus and the accrual basis of accounting. All of the District's fiduciary activities are reported in separate statements. The fiduciary activities have been excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position deficit increased by \$1,417,321 between fiscal year 2024 and 2023. The deficit increase is due to expenses in excess of revenues using the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

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

	2024	2023	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 20,343,130	\$ 17,579,429	\$ 2,763,701	15.72 %
Capital Assets, Net	51,012,970	51,700,285	(687,315)	(1.33)%
Total Assets	<u>71,356,100</u>	<u>69,279,714</u>	<u>2,076,386</u>	3.00 %
Deferred Outflows of Resources	<u>20,351,609</u>	<u>21,778,524</u>	<u>(1,426,915)</u>	(6.55)%
Liabilities				
Current and Other Liabilities	5,629,744	4,698,887	930,857	19.81 %
Long-Term Liabilities	20,782,294	22,690,763	(1,908,469)	(8.41)%
Total OPEB Liability	84,148,834	79,430,563	4,718,271	5.94 %
Net Pension Liabilities - Proportionate Share	<u>3,268,322</u>	<u>5,286,639</u>	<u>(2,018,317)</u>	(38.18)%
Total Liabilities	<u>113,829,194</u>	<u>112,106,852</u>	<u>1,722,342</u>	1.54 %
Deferred Inflows of Resources	<u>14,326,807</u>	<u>13,982,357</u>	<u>344,450</u>	2.46 %
Net Position (Deficit)				
Net Investment in Capital Assets	34,381,470	33,250,773	1,130,697	3.40 %
Restricted	10,046,547	8,871,814	1,174,733	13.24 %
Unrestricted (Deficit)	<u>(80,876,309)</u>	<u>(77,153,558)</u>	<u>(3,722,751)</u>	4.83 %
Total Net Position (Deficit)	<u>\$ (36,448,292)</u>	<u>\$ (35,030,971)</u>	<u>\$ (1,417,321)</u>	4.05 %

The increase in current and other assets is primarily due to the rise in the District's cash position.

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

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

The increase in current and other liabilities is mainly attributable to the growth in accounts payable and accrued liabilities, offset by amounts due to teachers' retirement system.

The decrease in long-term liabilities is mostly the result of the repayment of the current maturity of the bond indebtedness and installment purchase debt. The accompanying Notes to Financial Statements, Note 12, "Long-Term Liabilities", provides additional information.

Total OPEB liability increased, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 16 "Postemployment Healthcare Benefits", provides additional information.

Net pension liabilities – proportionate share represents the District's share of the New York State Teachers' Retirement System's (TRS) and the New York State and Local Employees' Retirement System's (ERS) collective net pension liabilities, at the measurement date of the respective year. The decrease in net pension liabilities is primarily due to the net change in the market value of both the TRS' and ERS' pension plan assets being in excess of the net change in each plan's total pension liabilities at their current year measurement dates. The accompanying Notes to Financial Statements, Note 14 "Pension Plans – New York State" provides additional information.

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

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

The net investment in capital assets is the investment in capital assets at cost, net of accumulated depreciation/amortization and related outstanding debt. The accompanying Other Information, Schedule of Net Investment in Capital Assets provides additional information.

The restricted amount relates to the District's reserves, which increased over the prior year due to Board-approved transfers and interest earned, net of restricted amounts used to pay current period expenses.

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

B. Changes in Net Position

The results of operations, as a whole, are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements, school tax relief (STAR) revenue is included in the other tax items line. However, in this MD&A STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 774,621	\$ 636,888	\$ 137,733	21.63 %
Operating Grants & Contributions	1,455,496	1,710,868	(255,372)	(14.93)%
General Revenues				
Property Taxes & STAR	46,624,993	44,472,531	2,152,462	4.84 %
State Sources	11,099,055	10,381,634	717,421	6.91 %
Other	1,508,889	1,404,033	104,856	7.47 %
Total Revenues	<u>61,463,054</u>	<u>58,605,954</u>	<u>2,857,100</u>	4.88 %
Expenses				
General Support	7,904,784	7,777,723	127,061	1.63 %
Instruction	50,593,605	49,041,239	1,552,366	3.17 %
Pupil Transportation	2,638,989	2,907,242	(268,253)	(9.23)%
Debt Service - Interest	866,913	857,777	9,136	1.07 %
Food Service Program	876,084	798,308	77,776	9.74 %
Total Expenses	<u>62,880,375</u>	<u>61,382,289</u>	<u>1,498,086</u>	2.44 %
Change in Net Position	<u>\$ (1,417,321)</u>	<u>\$ (2,776,335)</u>	<u>\$ 1,359,014</u>	(48.95)%

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

Certain prior year revenues for the extraclassroom activities fund (miscellaneous) and the scholarships fund (interest), have been reclassified from program revenues to general revenues to conform with the current year's presentation.

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

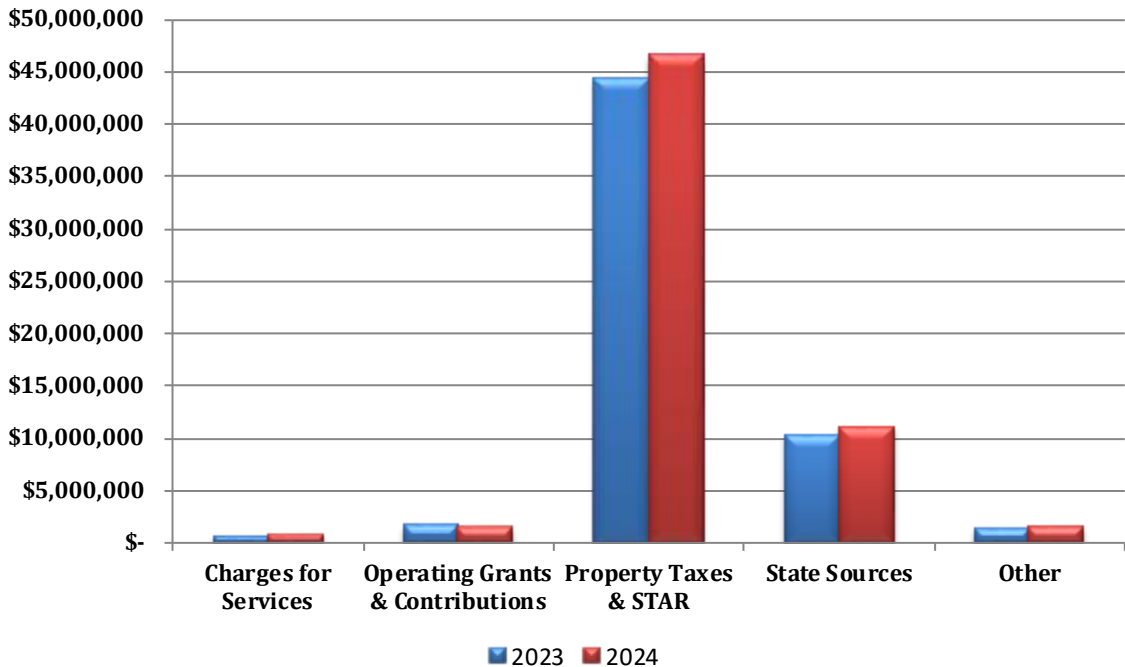
- Real property taxes and STAR were increased to fund additional appropriations in the voter approved 2023-2024 budget.
- The increase in state sources is mainly due to the District receiving more in general aid.

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

- Instruction increased based on the impact of allocations of the net change in actuarially determined expenses for TRS and OPEB costs, and higher health insurance premiums.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 75.9% of the total for the years 2024 and 2023). Instruction expense is the largest category of expenses incurred (i.e., 80.4% and 79.9% of the total for the years 2024 and 2023, respectively).

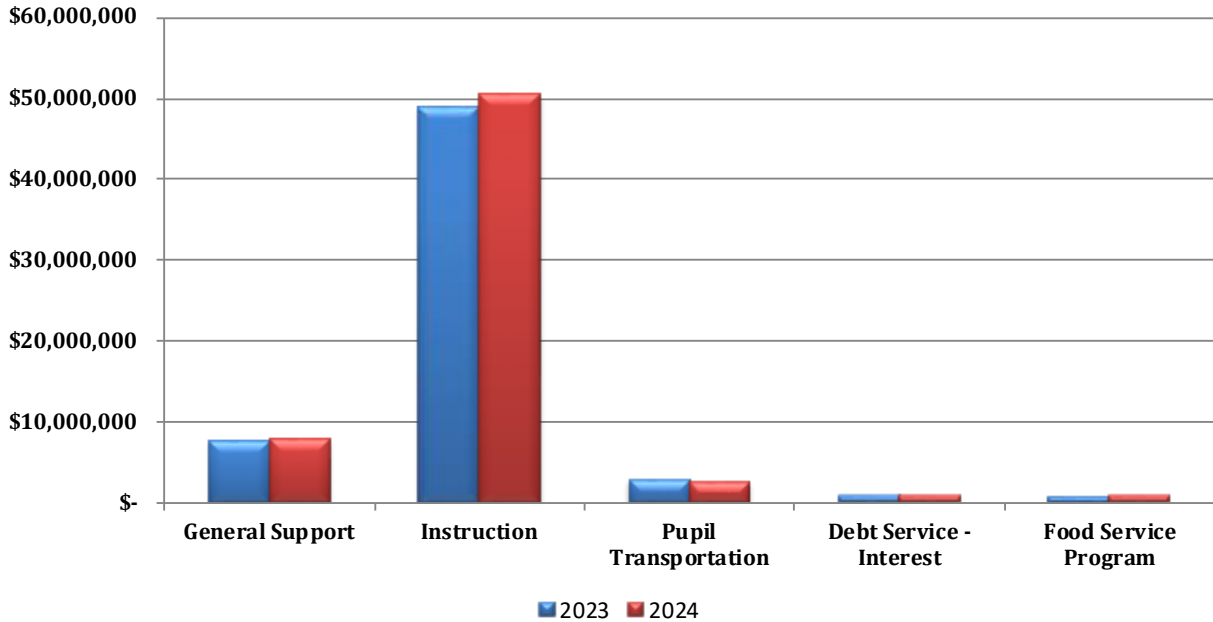
A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants & Contributions	Property Taxes & STAR	State Sources	Other
2023	1.1%	2.9%	75.9%	17.7%	2.4%
2024	1.3%	2.4%	75.9%	18.1%	2.3%

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

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2023	12.7%	79.9%	4.7%	1.4%	1.3%
2024	12.6%	80.4%	4.2%	1.4%	1.4%

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2024, the District's governmental funds reported a combined fund balance of \$14,632,096, which is an increase of \$1,819,987 over the prior year. This increase is due to an excess of revenues and other financing sources over expenditures and other financing uses using the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in the components of fund balance by fund is as follows:

	2024	2023	Increase (Decrease)	Percentage Change
General Fund				
Restricted:				
Workers' compensation	\$ 574,422	\$ 573,760	\$ 662	0.12 %
Retirement contribution				
Teachers' retirement system	1,069,658	827,664	241,994	29.24 %
Employees' retirement system	2,547,647	2,114,596	433,051	20.48 %
Employee benefit accrued liability	2,072,544	1,402,191	670,353	47.81 %
Capital	2,997,478	1,993,631	1,003,847	50.35 %
Assigned:				
Appropriated fund balance	1,250,000	900,000	350,000	38.89 %
Unappropriated fund balance	269,784	92,291	177,493	192.32 %
Unassigned: Fund balance	2,487,718	2,395,059	92,659	3.87 %
	<u>13,269,251</u>	<u>10,299,192</u>	<u>2,970,059</u>	<u>28.84 %</u>

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

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
School Food Service Fund				
Nonspendable: Inventory	\$ 21,721	\$ 19,124	\$ 2,597	13.58 %
Assigned: Unappropriated fund balance	433,675	420,251	13,424	3.19 %
	<u>455,396</u>	<u>439,375</u>	<u>16,021</u>	3.65 %
Debt Service Fund				
Restricted: Debt	<u>578,581</u>	<u>716,740</u>	<u>(138,159)</u>	(19.28)%
Capital Projects Fund				
Restricted: Capital	<u>166,709</u>	<u>1,200,000</u>	<u>(1,033,291)</u>	(86.11)%
Extraclassroom Activities Fund				
Assigned, unappropriated fund balance	<u>122,651</u>	<u>113,570</u>	<u>9,081</u>	8.00 %
Scholarships				
Restricted: Scholarships	<u>39,508</u>	<u>43,232</u>	<u>(3,724)</u>	(8.61)%
Total Fund Balance	<u>\$ 14,632,096</u>	<u>\$ 12,812,109</u>	<u>\$ 1,819,987</u>	14.21 %

A. General Fund

The general fund – fund balance is a net increase of \$2,970,059, compared to a decrease of \$1,386,296 in 2023. This resulted from revenues and other financing sources in excess of expenditures and other financing uses.

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	\$ 46,624,993	\$ 44,472,531	\$ 2,152,462	4.84 %
Other Local Sources	1,538,913	1,346,325	192,588	14.30 %
State Sources	11,099,055	10,381,634	717,421	6.91 %
Federal Sources	31,030	-	31,030	0.00 %
Other Financing Sources	<u>175,000</u>	<u>92,460</u>	<u>82,540</u>	89.27 %
	<u>\$ 59,468,991</u>	<u>\$ 56,292,950</u>	<u>\$ 3,176,041</u>	5.64 %

- Real property taxes and STAR were increased to fund additional appropriations in the voter - approved 2023-2024 budget.
- The increase in state sources is mainly due to the District receiving more in general aid.

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

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

	2024	2023	Increase (Decrease)	Percentage Change
General Support	\$ 5,917,318	\$ 6,048,972	\$ (131,654)	(2.18)%
Instruction	31,262,841	31,247,744	15,097	0.05 %
Pupil Transportation	2,544,659	2,782,070	(237,411)	(8.53)%
Employee Benefits	12,594,771	12,338,200	256,571	2.08 %
Debt Service	4,028,559	3,907,479	121,080	3.10 %
Other Financing Uses	150,784	1,354,781	(1,203,997)	(88.87)%
	<u>\$ 56,498,932</u>	<u>\$ 57,679,246</u>	<u>\$ (1,180,314)</u>	(2.05)%

- Other financing uses decreased primarily due to a voter-approved transfer from the capital reserve to the capital projects fund for district-wide capital improvements, in the prior year.
- Pupil transportation decreased in the area of transportation contracts as the District eliminated two buses from the bus routes.
- Employee benefits increased due to higher health insurance premiums.

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
Workers' compensation	\$ 573,760	\$ (150,000)	\$ 29,048	\$ 121,614	\$ 574,422
Retirement contribution					
TRS	827,664	(200,000)	41,994	400,000	1,069,658
ERS	2,114,596	(375,000)	108,051	700,000	2,547,647
EBALR	1,402,191	(301,003)	71,356	900,000	2,072,544
Capital	1,993,631	(1,026,003)	103,847	900,000	2,997,478
	<u>\$ 6,911,842</u>	<u>\$ (1,026,003)</u>	<u>\$ 354,296</u>	<u>\$ 3,021,614</u>	<u>\$ 9,261,749</u>

Additional detail regarding capital reserves can be found in Note 18 "Restricted for Capital Reserve".

B. School Food Service Fund

The school food service fund - fund balance net increase can be attributed to more meals served during the current year.

C. Debt Service Fund

The debt service fund – fund balance net decrease reflects the budgeted use of fund balance towards principal and interest payments on long-term debt.

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

D. Capital Projects Fund

The capital projects fund – fund balance net decrease is the result of capital expenditures on capital reserve projects.

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

	Balance June 30, 2023	Use of Reserves	Expenditures on Approved Projects	Balance June 30, 2024
May 2016	\$ 1,200,000	\$ -	\$ (1,033,291)	\$ 166,709

E. Extraclassroom Activities Fund

The extraclassroom activities fund – fund balance net increase is attributable to cash receipts from fundraising and collections for student clubs activities exceeding disbursements related to those activities.

F. Scholarships Fund

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

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2023-2024 Budget

The District’s general fund adopted budget for the year ended June 30, 2024 was \$59,876,501. This amount was increased by encumbrances carried forward from the prior year in the amount of \$92,291 and budget revisions of \$263,674 for a total final budget of \$60,232,466.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$46,624,975 in estimated property taxes and STAR.

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

The general fund’s unassigned fund balance is the component of total fund balance that is the residual of current and prior years’ excess revenue and other financing sources over expenditures and other financing uses, net of transfers and interest to reserves, appropriations to fund the subsequent year’s budget, and encumbrance. The change in this balance, demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget, follows:

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

Opening, Unassigned Fund Balance	\$ 2,395,059
Revenues and Other Financing Sources Over Budget	1,256,709
Expenditures, Other Financing Uses, and Encumbrances Under Budget	3,463,750
Unused Appropriated Reserves	(1,890)
Allocation to Reserves	(3,375,910)
Appropriated to Fund the June 30, 2025 Budget	<u>(1,250,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 2,487,718</u></u>

Opening, Unassigned Fund Balance

The \$2,395,059 shown in the table is the portion of the District's June 30, 2023 fund balance that was retained as unassigned.

Revenues and Other Financing Sources Over Budget

The 2023-2024 final budget for revenues and other financing sources was \$58,212,282. Actual revenues and other financing sources recognized for the year were \$59,468,991. The excess of actual revenues and other financing sources over estimated or budgeted revenues and other financing sources was \$1,256,709, which contributes directly to the change to the general fund unassigned 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.

Expenditures, Other Financing Uses, and Encumbrances Under Budget

The 2023-2024 final budget for expenditures and other financing uses was \$60,232,466. Actual expenditures and other financing uses as of June 30, 2024 were \$56,498,932 and outstanding encumbrances were \$269,784. Combined, the expenditures plus encumbrances for 2023-2024 were \$56,768,716. The final budget variance was \$3,463,750, which contributes directly to the change to the general fund unassigned 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.

Unused Appropriated Reserves

In the 2023-2024 budget, \$825,000 of reserves was appropriated to reduce the tax levy. Due to lower than anticipated expenditures, \$1,890 of this funding was not needed and, therefore, it was returned to the reserves for future use.

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

Allocation to Reserves

Monies transferred into authorized reserves do not affect the total fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers. The table in §4.A. "General Fund" (summary of restricted fund balance activity) of this MD&A details the allocation of interest earnings and funding transfers to the reserves.

Appropriated Fund Balance

The District has chosen to use \$1,250,000 of the available June 30, 2024 unassigned fund balance to partially fund the 2024-2025 approved operating budget. As such, the June 30, 2024 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the table, the unassigned fund balance at June 30, 2024 was \$2,487,718. This amount equals 4% of the 2024-2025 budget, which complies with the statutory limit as established by §1318 of the New York State Real Property Tax Law.

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

A. Capital Assets

At June 30, 2024, the District had invested in a broad range of capital assets, as indicated in the following table. The net decrease in capital assets is due to depreciation/amortization expense of \$2,640,539 in excess of capital additions of \$1,953,224, recorded for the year ended June 30, 2024. A summary of the District's capital assets, net of accumulated depreciation/amortization at June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>
Land	\$ 369,658	\$ 369,658	\$ -
Construction in progress	1,033,291		1,033,291
Buildings and improvements	47,371,162	49,151,749	(1,780,587)
Site improvements	61,829	69,583	(7,754)
Furniture and equipment	547,084	547,744	(660)
Leased equipment and fixtures	<u>1,629,946</u>	<u>1,561,551</u>	<u>68,395</u>
Capital assets, net	<u>\$ 51,012,970</u>	<u>\$ 51,700,285</u>	<u>\$ (687,315)</u>

B. Debt Administration

At June 30, 2024, the District had combined total debt of \$16,110,746. The decreases in outstanding debt represent principal payments made throughout the year, while the increase indicates a new issuance. A summary of the outstanding debt at June 30, 2024 and 2023 is as follows:

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

Issue/Commencement Date	Interest Rate	2024	2023	Increase (Decrease)
Bonds Payable				
2013	1.50 - 5.00%	\$ 340,000	\$ 665,000	\$ (325,000)
2015	2.00 - 3.125%	5,910,000	6,795,000	(885,000)
2017	3.00%	7,995,000	8,870,000	(875,000)
		<u>\$ 14,245,000</u>	<u>\$ 16,330,000</u>	<u>\$ (2,085,000)</u>
Installment Purchase Debt				
2009	4.84%	\$ 169,326	\$ 496,069	\$ (326,743)
2022	4.60%	23,975	34,942	(10,967)
		<u>\$ 193,301</u>	<u>\$ 531,011</u>	<u>\$ (337,710)</u>
Lease liabilities				
2019	3.00%	\$ -	\$ 148,984	\$ (148,984)
2020	3.00%	31,923	62,904	(30,981)
2020	2.00%	14,912	50,201	(35,289)
2020	2.00%	8,651	29,121	(20,470)
2021	3.00%	253,850	375,338	(121,488)
2022	3.00%	701,719	921,953	(220,234)
2023	4.50%	661,390		661,390
		<u>\$ 1,672,445</u>	<u>\$ 1,588,501</u>	<u>\$ 83,944</u>

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

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, which are based on employment contracts, and workers' compensation, total OPEB liability, and net pension liabilities - proportionate share, which are based on actuarial valuations. A summary of the outstanding other long-term liabilities at June 30, 2024 is as follows:

	2024	2023	Increase (Decrease)
Compensated absences	\$ 3,920,554	\$ 3,804,652	\$ 115,902
Workers' compensation	750,994	436,599	314,395
Total OPEB liability	84,148,834	79,430,563	4,718,271
Net pension liabilities - proportionate share	3,268,322	5,286,639	(2,018,317)
	<u>\$ 92,088,704</u>	<u>\$ 88,958,453</u>	<u>\$ 3,130,251</u>

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

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 21, 2024 for the year ending June 30, 2025, is \$62,192,921. This is an increase of \$2,316,420, or 3.87% over the previous year's budget.

The District budgeted revenues other than property taxes and STAR at a \$636,374 increase over the prior year's estimate, which is principally due to an estimated increase in state aid. The assigned, appropriated fund balance applied to the budget in the amount of \$1,250,000 is \$350,000 more than the previous year. Additionally, the District elected to appropriate \$999,354 of reserves towards the next year's budget, which is an increase of \$174,354 over the previous year. A property tax increase of \$1,155,692 (2.48%) levy to levy, was needed to meet the funding shortfall and cover the increase in appropriations.

B. Future Budgets

Factors to consider that could influence future budgets:

- Uncertainty with state aid complicates long-range planning.
- Rise in employee cost centers of employee salaries and health benefits, as well as contributions to pension programs.
- Changing circumstances of unforeseen events and risks including natural disasters and global pandemics.
- Impact of external factors such as market trends, economic conditions, and regulatory changes.
- The combination of high inflation and high-interest rates can impact all lines of the budget.
- Social and demographic changes with population, age distribution, and personal income can have significant and lasting effects.
- Legal and intergovernmental factors constraining tax increases, forbidding particular revenue sources, and mandating some services.

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2024-2025 is 2.48%. The District's 2024-2025 property tax increase of 2.48% was equal to the tax cap and did not require an override vote.

8. CONTACTING THE DISTRICT

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

Deirdre A. Lunetta, CPA
Assistant Superintendent for Business
Babylon Union Free School District
50 Railroad Avenue
Babylon, New York 11702

BABYLON UNION FREE SCHOOL DISTRICT
Statement of Net Position
June 30, 2024

ASSETS	
Cash	
Unrestricted	\$ 7,968,821
Restricted	10,046,547
Receivables	
Accounts receivable	27,699
Due from state and federal	2,028,322
Due from other governments	250,020
Inventory	21,721
Capital assets:	
Not being depreciated	1,402,949
Being depreciated/amortized, net of accumulated depreciation/amortization	<u>49,610,021</u>
Total Assets	<u>71,356,100</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	11,435,509
Other postemployment benefits	<u>8,916,100</u>
	<u>20,351,609</u>
LIABILITIES	
Payables	
Accounts payable	1,425,089
Accrued liabilities	569,967
Due to other governments	597,157
Due to teachers' retirement system	2,499,927
Due to employees' retirement system	166,712
Compensated absences payable	250,740
Other liabilities	91,242
Unearned credits	
Collections in advance	28,910
Long-term liabilities	
Due and payable within one year	
Bonds payable	2,155,000
Installment purchase debt payable	180,960
Lease liabilities	561,983
Compensated absences payable	100,000
Total other postemployment benefits liability	2,451,000
Due and payable after one year	
Bonds payable	12,090,000
Installment purchase debt payable	12,341
Lease liabilities	1,110,462
Compensated absences payable	3,820,554
Workers' compensation liabilities	750,994
Total other postemployment benefits liability	81,697,834
Net pension liabilities - proportionate share	<u>3,268,322</u>
Total Liabilities	<u>113,829,194</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	1,792,484
Other postemployment benefits	<u>12,534,323</u>
Total Deferred Inflows of Resources	<u>14,326,807</u>
NET POSITION (DEFICIT)	
Net investment in capital assets	<u>34,381,470</u>
Restricted	
Workers' compensation	574,422
Retirement contribution	
Teachers' retirement system	1,069,658
Employee's retirement system	2,547,647
Employee benefit accrued liability	2,072,544
Capital	3,164,187
Debt service	578,581
Scholarships	39,508
	<u>10,046,547</u>
Unrestricted (deficit)	<u>(80,876,309)</u>
Total Net Position (Deficit)	<u>\$ (36,448,292)</u>

BABYLON UNION FREE SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2024

		Program Revenues		Net (Expense)
Expenses	Charges for Services	Operating Grants & Contributions		Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
General support	\$ 7,904,784	\$	\$ 31,030	\$ (7,873,754)
Instruction	50,593,605	196,458	1,133,564	(49,263,583)
Pupil transportation	2,638,989			(2,638,989)
Debt service - interest	866,913			(866,913)
Food service program	876,084	578,163	290,902	(7,019)
	<u>\$ 62,880,375</u>	<u>\$ 774,621</u>	<u>\$ 1,455,496</u>	<u>(60,650,258)</u>
GENERAL REVENUES				
Real property taxes				44,493,876
Other tax items				2,165,088
Use of money and property				793,053
Sale of property and compensation for loss				22,277
Miscellaneous				659,588
State sources				11,099,055
				<u>59,232,937</u>
Total General Revenues				<u>59,232,937</u>
Change in Net Position				(1,417,321)
Total Net Position (Deficit) - Beginning of Year				<u>(35,030,971)</u>
Total Net Position (Deficit) - End of Year				<u>\$ (36,448,292)</u>

BABYLON UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2024

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Extraclassroom Activities	Scholarships	Total Governmental Funds
ASSETS								
Cash								
Unrestricted	\$ 6,759,570	\$ 99,854	\$ 463,719	\$	\$ 520,754	\$ 124,924	\$	\$ 7,968,821
Restricted	9,261,749				745,290		39,508	10,046,547
Receivables								
Accounts receivable	24,607		3,092					27,699
Due from other funds	427,475			578,581				1,006,056
Due from state and federal	1,608,123	407,157	13,042					2,028,322
Due from other governments	250,020							250,020
Inventory			21,721					21,721
Total Assets	<u>\$ 18,331,544</u>	<u>\$ 507,011</u>	<u>\$ 501,574</u>	<u>\$ 578,581</u>	<u>\$ 1,266,044</u>	<u>\$ 124,924</u>	<u>\$ 39,508</u>	<u>\$ 21,349,186</u>
LIABILITIES								
Payables								
Accounts payable	\$ 825,879	\$ 70,133	\$ 6,050	\$	\$ 520,754	\$ 2,273	\$	\$ 1,425,089
Accrued liabilities	526,685	96	19,476					546,257
Due to other funds		427,475			578,581			1,006,056
Due to other governments	596,108	1,049						597,157
Due to teachers' retirement system	2,499,927							2,499,927
Due to employees' retirement system	166,712							166,712
Compensated absences payable	250,740							250,740
Other liabilities	91,242							91,242
Unearned credits								
Collections in advance		8,258	20,652					28,910
Total Liabilities	<u>4,957,293</u>	<u>507,011</u>	<u>46,178</u>	<u>-</u>	<u>1,099,335</u>	<u>2,273</u>	<u>-</u>	<u>6,612,090</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	<u>105,000</u>							<u>105,000</u>
FUND BALANCES								
Nonspendable Inventory			21,721					21,721
Restricted:								
Workers' compensation	574,422							574,422
Retirement contribution								
Teachers' retirement system	1,069,658							1,069,658
Employees' retirement system	2,547,647							2,547,647
Employee benefit accrued liability	2,072,544							2,072,544
Capital	2,997,478				166,709			3,164,187
Debt				578,581				578,581
Scholarships							39,508	39,508
Assigned:								
Appropriated fund balance	1,250,000							1,250,000
Unappropriated fund balance	269,784		433,675			122,651		826,110
Unassigned: Fund balance	<u>2,487,718</u>							<u>2,487,718</u>
Total Fund Balances	<u>13,269,251</u>	<u>-</u>	<u>455,396</u>	<u>578,581</u>	<u>166,709</u>	<u>122,651</u>	<u>39,508</u>	<u>14,632,096</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 18,331,544</u>	<u>\$ 507,011</u>	<u>\$ 501,574</u>	<u>\$ 578,581</u>	<u>\$ 1,266,044</u>	<u>\$ 124,924</u>	<u>\$ 39,508</u>	<u>\$ 21,349,186</u>

BABYLON UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position

June 30, 2024

Total Governmental Fund Balances \$ 14,632,096

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

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

Original cost or present value of capital and intangible assets	\$ 87,984,888	
Less: Accumulated depreciation/amortization	<u>(36,971,918)</u>	51,012,970

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

Deferred outflows of resources	11,435,509	
Net pension liability - teachers' retirement system	(1,444,330)	
Net pension liability - employees' retirement system	(1,823,992)	
Deferred inflows of resources	<u>(1,792,484)</u>	6,374,703

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

Deferred outflows of resources	8,916,100	
Total other postemployment benefits liability	(84,148,834)	
Deferred inflows of resources	<u>(12,534,323)</u>	(87,767,057)

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

105,000

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

Accrued interest on debt	(23,710)	
Bonds payable	(14,245,000)	
Installment purchase debt payable	(193,301)	
Lease liabilities	(1,672,445)	
Compensated absences payable	(3,920,554)	
Workers' compensation liabilities	<u>(750,994)</u>	(20,806,004)

Total Net Deficit		<u><u>\$ (36,448,292)</u></u>
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BABYLON UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2024

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Extracurricular Activities	Scholarships	Total Governmental Funds
REVENUES								
Real property taxes	\$ 44,493,876	\$	\$	\$	\$	\$	\$	\$ 44,493,876
Other tax items	2,165,088							2,165,088
Charges for services	194,458							194,458
Use of money and property	731,298		22,140	36,841		2,673	101	793,053
Sale of property and compensation for loss	22,277							22,277
Miscellaneous	556,909	5,353	5,000			102,679		669,941
State sources	11,099,055	459,993	9,615					11,568,663
Federal sources	31,030	668,218	281,287					980,535
Sales			573,163					573,163
Total Revenues	59,293,991	1,133,564	891,205	36,841	-	105,352	101	61,461,054
EXPENDITURES								
General support	5,917,318							5,917,318
Instruction	31,262,841	1,204,486				96,271	3,825	32,567,423
Pupil transportation	2,544,659	79,862						2,624,521
Employee benefits	12,594,771		189,493					12,784,264
Debt service								
Principal	3,150,789							3,150,789
Interest	877,770							877,770
Food service program			685,691					685,691
Capital outlay					1,845,314			1,845,314
Total Expenditures	56,348,148	1,284,348	875,184	-	1,845,314	96,271	3,825	60,453,090
Excess (Deficiency) of Revenues Over Expenditures	2,945,843	(150,784)	16,021	36,841	(1,845,314)	9,081	(3,724)	1,007,964
OTHER FINANCING SOURCES AND (USES)								
Proceeds of debt					812,023			812,023
Operating transfers in	175,000	150,784						325,784
Operating transfers (out)	(150,784)			(175,000)				(325,784)
Total Other Financing Sources and (Uses)	24,216	150,784	-	(175,000)	812,023	-	-	812,023
Net Change in Fund Balances	2,970,059	-	16,021	(138,159)	(1,033,291)	9,081	(3,724)	1,819,987
Fund Balances - Beginning of Year	10,299,192	-	439,375	716,740	1,200,000	113,570	43,232	12,812,109
Fund Balances - End of Year	<u>\$ 13,269,251</u>	<u>\$ -</u>	<u>\$ 455,396</u>	<u>\$ 578,581</u>	<u>\$ 166,709</u>	<u>\$ 122,651</u>	<u>\$ 39,508</u>	<u>\$ 14,632,096</u>

BABYLON UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities

For the Year Ended June 30, 2024

Net Change in Fund Balances \$ 1,819,987

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

Long-Term Revenue and Expense Differences

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

\$ 2,000

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

Increase in compensated absences payable	(115,902)	
Increase in workers' compensation claims liability	<u>(314,395)</u>	

(428,297)

Capital Related Differences

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

Capital outlays and other additions	1,953,224	
Depreciation/amortization expense	<u>(2,640,539)</u>	

(687,315)

Long-Term Debt Transactions Differences

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

(812,023)

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

Bond payable	2,085,000	
Installment purchase debt	337,710	
Lease liabilities	728,079	

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2023 to June 30, 2024.

10,857

2,349,623

Pension and Other Postemployment Benefits Differences

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

Teachers' retirement system	(1,903,597)	
Employees' retirement system	(347,062)	
Other postemployment benefits	<u>(2,220,660)</u>	

(4,471,319)

Change in Net Position of Governmental Activities

\$ (1,417,321)

BABYLON UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position - Fiduciary Fund
June 30, 2024

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

Statement of Changes in Fiduciary Net Position - Fiduciary Fund
For the Year Ending June 30, 2024

	Custodial
ADDITIONS	
Real property taxes collected for the Library	\$ 2,368,685
DEDUCTIONS	
Disbursements of real property taxes to the Library	2,368,685
	-
Change in Net Position	-
Net Position - Beginning of Year	-
Net Position - End of Year	\$ -

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Joint Venture

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

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants and contributions include operating-specific and discretionary (either operating or capital) grants and contributions, while capital grants reflect capital-specific grants, if applicable.

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

Fund Financial Statements

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

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

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

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

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

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

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

BABYLON UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

Extraclassroom Activities Fund – is used to account for the funds operated by and for the students of the District. The Board exercises general oversight of these funds. The extraclassroom activities fund are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements of the extraclassroom activities fund can be found at the District’s Business Office.

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the

BABYLON UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, lease liabilities, workers' compensation, compensated absences, pension costs, and OPEB, which are recognized as expenditures to the extent they have matured. Capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

E. Real Property Taxes and Other Tax Items

Calendar

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

Enforcement

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

School Tax Relief (STAR) Aid

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

F. Payments in Lieu of Taxes (PILOT)

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

G. Restricted Resources

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

H. Interfund Transactions

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

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

In the district-wide statements, eliminations have been made for all interfund receivables and payables among the funds.

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

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

I. Use of Estimates

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

J. Cash

Cash consists of cash on hand, bank deposits, and investments with an original maturity date of three months or less from date of acquisition.

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

K. Receivables

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

L. Inventory

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

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

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

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

M. Capital Assets

The district-wide financial statements report both capital and intangible assets, such as right-to-use leased and subscription-based information technology assets. Capital assets are reported at actual cost, when the information is available, or at estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the date of donation. Intangible assets are reported based on the estimated lease and subscription liabilities calculated in accordance with GASB standards.

All capital and intangible assets, except land and construction in progress, are depreciated/amortized on a straight-line basis over their estimated useful lives as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings and improvements	\$ 500	20-50 years
Site improvements	500	20 years
Furniture and equipment	500	5-20 years
Leased machinery and equipment	500	Lease Terms

N. Deferred Outflows of Resources

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

O. Short-Term Debt

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

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date, seven years if originally issued during calendar year 2015 through, and including 2021. The notes, or renewal thereof, may not extend more than two years beyond the original date of issue, unless a portion is redeemed within two years and within each twelve month period thereafter.

P. Collections in Advance

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

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Q. Employee Benefits – Compensated Absences

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

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

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

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

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

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

R. Other Benefits

Eligible District employees participate in the TRS or the ERS.

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code §403(b) and §457.

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

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

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

S. Long-Term Debt

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

T. Lease Liabilities

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

U. Deferred Inflows of Resources

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

V. Equity Classifications

District-Wide Statements

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

Net investment in capital assets – Consists of net capital and intangible assets (cost less accumulated depreciation/amortization) reduced by outstanding balances of related debt obligations from the acquisition, construction, improvements of, and the right-to-use those assets.

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

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

BABYLON UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

Fund Statements

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

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

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

Workers' Compensation Reserve

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

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the ERS and TRS. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. Contributions to the TRS sub-fund are limited to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The TRS sub-fund is separately administered, but must comply with all the existing provisions of GML §6-r. These reserves are accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

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

Capital Reserve

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

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Restricted for Debt

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

Restricted for Scholarships

Amounts restricted for scholarships are used to account for monies donated for scholarship purposes, including earnings and net of awards. These restricted funds are accounted for in the scholarships fund.

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

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

Fund Balance Classification

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

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

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

2. FUTURE ACCOUNTING STANDARDS

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

Effective for the Year Ending	Statement
June 30, 2025	GASB No. 101 – <i>Compensated Absences</i>
June 30, 2025	GASB No. 102 – <i>Certain Risk Disclosures</i>
June 30, 2026	GASB No. 103 – <i>Financial Reporting Model Improvements</i>

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

GASB Statement No. 101 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.

GASB Statement No. 102 was issued to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

GASB Statement No. 103 was issued to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

BABYLON UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

Long-Term Debt Transaction Differences

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

Pension and Other Postemployment Benefits Differences

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

OPEB differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for health insurance premiums and OPEB costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

4. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets

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

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

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

Emergency repairs funded by insurance recovery	\$ 17,421
Retirement payouts funded by employee benefit accrued liability reserve	202,893
Debt service funded by premium on obligations	<u>43,360</u>
	<u>\$ 263,674</u>

Budgets are adopted annually on a basis consistent with GAAP.

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

B. Encumbrances

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

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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

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

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

6. PARTICIPATION IN BOCES

During the year ended June 30, 2024, the District was billed \$4,613,063 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,260,761. Financial statements for the BOCES are available from the BOCES administrative offices at 507 Deer Park Road, P.O. Box 8007, Huntington Station, New York 11746-9007.

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

7. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2024, consisted of:

General Fund	
New York State - general aid	\$ 101,713
New York State - excess cost aid	245,649
BOCES aid	<u>1,260,761</u>
	1,608,123
Special Aid Fund	
Federal and state grants	407,157
School Food Service Fund	
Federal and state food service program reimbursements	<u>13,042</u>
	<u>\$ 2,028,322</u>

District management expects these amounts to be fully collectible.

8. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2024, consisted of:

General Fund	
Tuition due from other districts	\$ 144,050
Health Services	970
Suffolk County - CPSE receivable	<u>105,000</u>
	<u>\$ 250,020</u>

District management expects these amounts to be fully collectible.

9. CAPITAL ASSETS

A. Changes

Capital assets balances and activity for the year ended June 30, 2024, were as follows:

	Balance <u>June 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2024</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 369,658	\$	\$	\$ 369,658
Construction in progress		<u>1,033,291</u>		<u>1,033,291</u>
Total capital assets not being depreciated	<u>369,658</u>	<u>1,033,291</u>	<u>-</u>	<u>1,402,949</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	81,018,158			81,018,158
Site improvements	237,679			237,679
Furniture and equipment	2,352,129	107,910	(3,691)	2,456,348
Leased equipment and fixtures	<u>2,494,846</u>	<u>812,023</u>	<u>(437,115)</u>	<u>2,869,754</u>
Total capital assets being depreciated/amortized	<u>86,102,812</u>	<u>919,933</u>	<u>(440,806)</u>	<u>86,581,939</u>

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024
Less accumulated depreciation/amortization for:				
Buildings and improvements	\$ 31,866,409	\$ 1,780,587	\$	33,646,996
Site improvements	168,096	7,754		175,850
Furniture and equipment	1,804,385	108,570	(3,691)	1,909,264
Leased equipment and fixtures	933,295	743,628	(437,115)	1,239,808
Total accumulated depreciation/amortization	<u>34,772,185</u>	<u>2,640,539</u>	<u>(440,806)</u>	<u>36,971,918</u>
Total capital assets, being depreciated/amortization, net	<u>51,330,627</u>	<u>(1,720,606)</u>	<u>-</u>	<u>49,610,021</u>
Capital assets, net	<u>\$ 51,700,285</u>	<u>\$ (687,315)</u>	<u>\$ -</u>	<u>\$ 51,012,970</u>

Depreciation/amortization expense was charged to governmental functions as follows:

General support	\$ 79,071
Instruction	2,560,568
Food service program	<u>900</u>
Total depreciation/amortization expense	<u>\$ 2,640,539</u>

B. Lease Assets

The District has entered into various lease arrangements that are subject to GASB Statement No. 87. The terms of these leases vary between 4 and 5 years with discount rates ranging from 2.00% to 4.50%. These leases are included in leased equipment and fixtures, as shown in the previous table. The District has not provided any residual value guarantees related to the leased capital assets

C. Impairment Losses

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The District's policy is to record an impairment loss in the period when the District determines that the carrying amount of the asset will not be recoverable. At June 30, 2023, the District has not recorded any such impairment losses.

10. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2024, were as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 427,475	\$	\$ 175,000	\$ 150,784
Special Aid Fund		427,475	150,784	
Debt Service Fund	578,581			175,000
Capital Projects Fund		<u>578,581</u>		
Total Governmental Funds	<u>\$ 1,006,056</u>	<u>\$ 1,006,056</u>	<u>\$ 325,784</u>	<u>\$ 325,784</u>

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The District typically transfers from the general fund to the special aid fund was for the District's share of the cost for the summer program for students with disabilities. The transfer from the debt service fund to the general fund was in support of the debt service payments, in accordance with the voter approved budget..

11. SHORT-TERM DEBT

Short-term debt activity for the year is summarized below:

	Maturity	Stated Interest Rate	Balance June 30, 2023	Issued	Redeemed	Balance June 30, 2024
TAN	6/25/2024	5.00%	\$ -	\$ 8,000,000	\$ (8,000,000)	\$ -

The TAN was issued to provide cash flow for the District until real property taxes are received from the Town.

Interest on short-term debt for the year was \$281,111. The District received a premium of \$43,360, which is included in miscellaneous revenue in the general fund.

12. LONG-TERM LIABILITIES

A. Changes

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

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 16,330,000	\$ -	\$ (2,085,000)	\$ 14,245,000	\$ 2,155,000
Installment purchase debt	531,011		(337,710)	193,301	180,960
Lease liabilities	1,588,501	812,023	(728,079)	1,672,445	561,983
	2,119,512	812,023	(1,065,789)	1,865,746	742,943
Other long-term liabilities:					
Compensated absences	3,804,652	115,902		3,920,554	100,000
Workers' compensation	436,599	524,382	(209,987)	750,994	
Total OPEB liability	79,430,563	4,718,271		84,148,834	2,451,000
	83,671,814	5,358,555	(209,987)	88,820,382	2,551,000
	<u>\$ 102,121,326</u>	<u>\$ 6,170,578</u>	<u>\$ (3,360,776)</u>	<u>\$ 104,931,128</u>	<u>\$ 5,448,943</u>

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

Additions and reductions to compensated absences are shown net since it is impractical to separately determine these amounts. The maturity of compensated absences is not determinable.

For total OPEB liability, see subsequent section titled "Postemployment Healthcare Benefits" for additional information.

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2024
Serial bonds:				
Refunding bonds - Library	2013	4/15/2025	1.50 - 5.00%	\$ 340,000
Serial bonds	2015	6/15/2030	2.00 - 3.125%	5,910,000
Serial bonds	2017	6/15/2032	3.00%	<u>7,995,000</u>
				<u>\$ 14,245,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2025	\$ 2,155,000	\$ 435,475	\$ 2,590,475
2026	1,870,000	364,025	2,234,025
2027	1,920,000	307,925	2,227,925
2028	1,980,000	250,325	2,230,325
2029	2,040,000	190,925	2,230,925
2030-2032	<u>4,280,000</u>	<u>228,275</u>	<u>4,508,275</u>
Total	<u>\$ 14,245,000</u>	<u>\$ 1,776,950</u>	<u>\$ 16,021,950</u>

C. Installment Purchase Debt

Installment purchase debt is comprised of the following:

Description	Commencement Date	Final Maturity	Interest Rate	Outstanding at June 30, 2024
Energy performance contract	9/10/2009	9/1/2024	4.84%	\$ 169,326
Installment purchase debt	4/12/2022	5/13/2026	4.60%	<u>23,975</u>
				<u>\$ 193,301</u>

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

Year Ending June 30,	Principal	Interest	Total
2025	\$ 180,960	\$ 5,555	\$ 186,515
2026	<u>12,341</u>	<u>750</u>	<u>13,091</u>
Total	<u>\$ 193,301</u>	<u>\$ 6,305</u>	<u>\$ 199,606</u>

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Lease Liabilities

Lease liabilities are comprised of the following:

Description	Commencement Date	Final Maturity	Interest Rate	Outstanding at June 30, 2024
Computer Equipment	7/1/2020	6/30/2025	3.00%	\$ 31,923
Copiers	12/1/2020	12/1/2024	2.00%	14,912
Copiers	12/1/2020	12/1/2024	2.00%	8,651
Computer Equipment	7/1/2021	6/30/2026	3.00%	253,850
Computer Equipment	7/1/2022	6/30/2027	3.00%	701,719
Computer Equipment	7/1/2023	6/30/2028	4.50%	661,390
				<u>\$ 1,672,445</u>

The following is a summary of debt service requirements for lease liabilities:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 561,983	\$ 51,432	\$ 613,415
2026	523,975	33,315	557,290
2027	409,838	16,027	425,865
2028	176,649	4,335	180,984
Total	<u>\$ 1,672,445</u>	<u>\$ 105,109</u>	<u>\$ 1,777,554</u>

There were no additional lease commitments entered into by the District after June 30, 2024.

D. Interest Expense

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

Interest paid	\$ 596,659
Less interest accrued in the prior year	(34,567)
Plus interest accrued in the current year	<u>23,710</u>
Total interest expense on long-term debt	<u>\$ 585,802</u>

13. REMEDIES UPON DEFAULT IN BOND AND NOTES PAYMENTS

The bonds and notes are general obligation contracts between the District and the owners for which the faith and credit of the District are pledged and remedies for enforcement of payment are not expressly included in the District's contract with such owners. Upon default in the payment of principal of or interest on the bonds or notes at the suit of the owner, a court has the power, in proper and appropriate proceedings, to render judgment against the District. A court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such bonds or notes from funds lawfully available therefor or, in the absence thereof, to order the District to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy.

BABYLON UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

Section 99-b of the State Finance Law provides for a covenant between New York State and the purchasers and the holders and owners from time to time of the bonds and notes issued by school districts in New York State. In the event a holder or owner of any bond or note issued by a school district for school purposes shall file with the Office of the New York State Comptroller (OSC), a verified statement describing such bond or note and alleging default in the payment thereof or the interest thereon or both. The OSC shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such state aid or assistance due to such school district such amount thereof as may be required to pay the principal of and interest on such bonds and notes of such school district then in default. In the event such state aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the OSC shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such state aid or assistance due such school district such amount or amounts thereof as may be required to cure such default.

14. PENSION PLANS – NEW YORK STATE

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

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

Employees' Retirement System

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

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer and employee contributions are deducted from state aid in the subsequent months of September, October and November, with the balance to be paid by the District, if necessary. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and the ERS for the current year. The District's contribution rate was 10.29% of covered payroll for the TRS' fiscal year ended June 30, 2023. The District's average contribution rate was 12.50% of covered payroll for the ERS' fiscal year ended March 31, 2024.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2024 was \$2,206,381 for TRS at the contribution rate of 9.76% and \$563,762 for ERS at an average contribution rate of 9.68%.

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

At June 30, 2024, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2023, for TRS and March 31, 2024 for ERS. The total pension liability used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2023	March 31, 2024
District's proportionate share of the net pension liability	\$ (1,444,330)	\$ (1,823,992)
District's portion of the Plan's net pension liability	0.126298%	0.0123878%
Change in proportion since the prior measurement date	(0.001978)	(0.0007868)

For the year ended June 30, 2024, the District recognized a pension expense of \$4,109,978 for TRS and \$910,824 for ERS. At June 30, 2024, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$ 3,502,117	\$ 587,506	\$ 8,655	\$ 49,735
Changes of assumptions	3,109,600	689,610	677,720	
Net difference between projected and actual earnings on pension plan investments	738,313			891,010
Changes in proportion and differences between the District's contributions and proportionate share of contributions	167,846	267,424	102,957	62,407
District contributions subsequent to the measurement date	<u>2,206,381</u>	<u>166,712</u>		
Total	<u><u>\$ 9,724,257</u></u>	<u><u>\$ 1,711,252</u></u>	<u><u>\$ 789,332</u></u>	<u><u>\$ 1,003,152</u></u>

District contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>TRS</u>	<u>ERS</u>
2025	\$ 612,499	\$ (234,579)
2026	(744,481)	416,513
2027	5,814,087	555,097
2028	452,016	(195,643)
2029	367,232	
Thereafter	<u>227,191</u>	
	<u><u>\$ 6,728,544</u></u>	<u><u>\$ 541,388</u></u>

Actuarial Assumptions

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

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2023	March 31, 2024
Actuarial valuation date	June 30, 2022	April 1, 2023
Inflation	2.40%	2.90%
Salary increases	1.95-5.18%	4.40%
Investment rate of return (net of investment expense, including inflation)	6.95%	5.90%
Cost of living adjustments	1.30%	1.50%

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

For TRS, annuitant and active mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP-2021 for June 30, 2023 and June 30, 2022, applied on a generational basis. For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 system experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2021. The previous actuarial valuation as of April 1, 2020 used the same assumptions for the measurement of total pension liability.

For TRS, assumptions were computed by the TRS’ Office of the Actuary and adopted by the TRS’ Retirement Board in October 2021. The assumptions are based upon recent TRS member experience. Detailed assumption information may be found in the TRS’ annual Actuarial Valuation Report. For ERS, the actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

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

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

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

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Measurement date		June 30, 2023		March 31, 2024
Asset class				
Domestic equity	33.0%	6.80%	32.0%	4.00%
International equity	15.0%	7.60%	15.0%	6.65%
Global equity	4.0%	7.20%		
Real estate equity	11.0%	6.30%	9.0%	4.60%
Private equity	9.0%	10.10%	10.0%	7.25%
Alternative investments			10.0%	5.25-5.79%
Domestic fixed income	16.0%	2.20%		
Global fixed income	2.0%	1.60%		
High-yield bonds	1.0%	4.40%		
Fixed income			23.0%	1.50%
Private debt	2.0%	6.00%		
Real estate debt	6.0%	3.20%		
Cash equivalents	1.0%	0.30%		
Cash			1.0%	0.25%
	100.0%		100.0%	

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Discount Rate

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

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 6.95% for TRS and 5.90% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (5.95% for TRS and 4.90% for ERS) or 1 percentage point higher (7.95% for TRS and 6.90% for ERS) than the current rate:

TRS	1% Decrease 5.95%	Current Assumption 6.95%	1% Increase 7.95%
District's proportionate share of the net pension asset/(liability)	\$ (21,997,884)	\$ (1,444,330)	\$ 15,842,097
ERS	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
District's proportionate share of the net pension asset/(liability)	\$ (5,734,816)	\$ (1,823,992)	\$ 1,442,358

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2023	March 31, 2024
Employers' total pension liability	\$ (138,365,122)	\$ (240,696,851)
Plan fiduciary net position	137,221,537	225,972,801
Employers' net pension liability	\$ (1,143,585)	\$ (14,724,050)
Ratio of plan fiduciary net position to the employers' total pension liability	99.17%	93.88%

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2024, are paid to the system in September, October and November 2024 through a state aid intercept. Accrued retirement contributions as of June 30, 2024, represent employer and employee contributions for the fiscal year ended June 30, 2024, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2024 amounted to \$2,206,381 of employer contributions and \$293,546 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2024, represent the projected employer contribution for the period of April 1, 2024 through June 30, 2024 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2024 amounted to \$166,712 of employer contributions. Employee contributions are remitted monthly.

15. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2024, totaled \$326,778 and \$1,404,466, respectively.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all eligible employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2024 totaled \$16,762.

16. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

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

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

Employees Covered by Benefit Terms – At the valuations date of June 30, 2022, the following employees were covered by the benefit terms. There have been no significant changes between the valuation date and the fiscal year-end.

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Inactive employees or beneficiaries currently receiving benefits	219
Inactive employees entitled to but not yet receiving benefits	-
Active employees	213
	432

B. Total OPEB Liability

The District's total OPEB liability of \$84,148,834 was measured as of June 30, 2024, and was determined by an actuarial valuation as of July 1, 2023.

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

Inflation	2.40%	
Salary increases	2.40%	average, including inflation
Discount rate	3.93%	
Healthcare cost trend rates	5.80%	decreasing to an ultimate rate of 3.80% over 50 years
Retirees' share of benefit-related costs		the District effectively pays 100% of the individual premium for retirees and 35% of the premium for family coverage

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

The actuarial assumptions used in the valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. The plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

C. Changes in the Total OPEB Liability

Balance at June 30, 2023	\$ 79,430,563
Changes for the year	
Service cost	2,970,206
Interest on total OPEB liability	2,966,199
Changes of benefit terms	-
Differences between expected and actual experience	4,801,414
Changes in assumptions or other inputs	(3,728,884)
Benefit payments	(2,290,664)
	4,718,271
Balance at June 30, 2024	\$ 84,148,834

Changes of assumptions and other inputs reflect a change in the discount rate from 3.65% in 2022 to 3.93% in 2023.

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.93%) or 1 percentage point higher (4.93%) than the current discount rate:

OPEB	1% Decrease 2.93%	Discount Rate 3.93%	1% Increase 4.93%
Total OPEB liability	<u>\$ (98,641,009)</u>	<u>\$(84,148,834)</u>	<u>\$(72,572,306)</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.8%) or 1 percentage point higher (6.8%) than the current healthcare cost trend rate:

OPEB	1% Decrease 4.80% decreasing to 2.80%	Healthcare Cost Cost Trend Rates 5.80% decreasing to 3.80%	1% Increase 6.80% decreasing to 4.80%
Total OPEB liability	<u>\$(70,620,853)</u>	<u>\$(84,148,834)</u>	<u>\$(101,694,553)</u>

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$4,511,324. At June 30, 2024, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,565,972	\$ 3,517,647
Changes of assumptions or other inputs	<u>4,350,128</u>	<u>9,016,676</u>
Total	<u>\$ 8,916,100</u>	<u>\$ 12,534,323</u>

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Year Ending June 30,	Amount
2025	\$ (650,256)
2026	(731,925)
2027	(1,475,377)
2028	(1,263,609)
2029	363,048
Thereafter	139,896
	\$ (3,618,223)

17. RISK MANAGEMENT

A. General Information

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. These risks are covered by a combination of self-insurance reserves and commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage as compared to the prior year, and settled claims from these risks have not exceeded available reserves and commercial insurance coverage for the past three years.

B. Risk Retention

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unreported claims which were incurred on or before year end but not reported (IBNR). Claims activity is summarized below:

	2023	2024
Unpaid claims at beginning of year	\$ 384,997	\$ 436,599
Incurred claims and claim adjustment expenses	320,663	524,382
Claim payments	(269,061)	(209,987)
Unpaid claims at year end	\$ 436,599	\$ 750,994

At June 30, 2024, the District had \$574,422 of funds in the workers' compensation reserve.

C. Public Entity Risk Pool

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

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

18. RESTRICTED FOR CAPITAL RESERVE

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

Date Created	May 2015	May 2016	
Number of Years to Fund	10	10	
Maximum Funding	<u>\$ 1,000,000</u>	<u>\$ 10,000,000</u>	
			<u>Total</u>
General Fund			
Funding Provided	\$ 1,000,000	\$ 3,573,542	\$ 4,573,542
Interest Earnings	41,821	159,914	201,735
Use of Reserve	(850,645)	(1,200,000)	(2,050,645)
Replenishment of Emergency Use	150,645		150,645
Transfer in on Completed Projects	122,201		122,201
	<u>464,022</u>	<u>2,533,456</u>	<u>2,997,478</u>
Capital Projects Fund			
Funding Provided	-	1,200,000	1,200,000
Use of Reserve	-	(1,033,291)	(1,033,291)
	<u>-</u>	<u>166,709</u>	<u>166,709</u>
Total Capital Projects Fund	-	166,709	166,709
Balance as of June 30, 2024	<u>\$ 464,022</u>	<u>\$ 2,700,165</u>	<u>\$ 3,164,187</u>

19. RESTRICTED FUND BALANCE

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2024 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2025:

Workers' compensation	\$ 175,000
Retirement contribution:	
Teachers' retirement system	249,354
Employees' retirement system	475,000
Employee benefit accrued liability	<u>100,000</u>
	<u>\$ 999,354</u>

20. ASSIGNED APPROPRIATED FUND BALANCE

The amount of \$1,250,000 has been appropriated at June 30, 2024 to reduce taxes and provide funding for the 2024-2025 budget.

21. TAX ABATEMENTS

The Babylon Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was reduced \$43,970. The District received PILOT payments totaling \$33,971.

BABYLON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

22. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2024, the District encumbered the following amounts:

Restricted Fund Balance	
Capital Projects Fund	
Capital Projects	<u>\$ 138,500</u>
Assigned: Unappropriated Fund Balance:	
General Fund	
General support	266,014
Instruction	3,670
Pupil transportation	<u>100</u>
	<u>269,784</u>
	<u>\$ 678,068</u>

B. Grants

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

C. Litigation

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

23. SUBSEQUENT EVENTS

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

Issuance of TANs

On October 9, 2024, the District issued tax anticipation notes in the amount of \$7,000,000, which are due June 24 2025, and bear interest at the stated rate of 4.00% and yield an effective interest rate of 3.1134%.

BABYLON UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 46,624,975	\$ 44,493,858	\$ 44,493,876	\$ 18
Other tax items	30,000	2,161,117	2,165,088	3,971
Charges for services	25,000	25,000	194,458	169,458
Use of money and property	51,150	51,150	731,298	680,148
Sale of property and compensation for loss	900	18,321	22,277	3,956
Miscellaneous	388,250	431,610	556,909	125,299
Total Local Sources	47,120,275	47,181,056	48,163,906	982,850
State Sources	10,856,226	10,856,226	11,099,055	242,829
Federal Sources			31,030	31,030
Total Revenues	57,976,501	58,037,282	59,293,991	1,256,709
OTHER FINANCING SOURCES				
Operating Transfers In	175,000	175,000	175,000	-
Total Revenues and Other Sources	58,151,501	58,212,282	59,468,991	\$ 1,256,709
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	900,000	900,000		
Prior Year's Encumbrances	92,291	92,291		
Appropriated Reserves	825,000	1,027,893		
Total Appropriated Fund Balance	1,817,291	2,020,184		
Total Revenues, Other Financing Sources, and Appropriated Fund Balance	\$ 59,968,792	\$ 60,232,466		

Note to Required Supplementary Information

Budget Basis of Accounting

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

BABYLON UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual and Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 37,700	\$ 37,700	\$ 28,904	\$	\$ 8,796
Central administration	337,650	352,650	348,524		4,126
Finance	700,416	740,050	652,798	56,080	31,172
Staff	483,821	427,781	306,529		121,252
Central services	4,501,848	4,577,528	4,080,248	209,934	287,346
Special items	455,009	519,209	500,315		18,894
Total General Support	<u>6,516,444</u>	<u>6,654,918</u>	<u>5,917,318</u>	<u>266,014</u>	<u>471,586</u>
Instruction					
Administration & improvement	1,704,042	1,678,173	1,587,294		90,879
Teaching - regular school	17,035,550	17,549,286	16,721,251	766	827,269
Programs for students with disabilities	8,367,838	8,127,838	7,814,893	2,904	310,041
Occupational education	450,000	418,700	406,617		12,083
Teaching - special schools	41,000	41,000	-		41,000
Instructional media	2,231,113	1,492,582	1,418,924		73,658
Pupil services	3,386,077	3,393,012	3,313,862		79,150
Total Instruction	<u>33,215,620</u>	<u>32,700,591</u>	<u>31,262,841</u>	<u>3,670</u>	<u>1,434,080</u>
Pupil Transportation	<u>2,928,457</u>	<u>2,901,457</u>	<u>2,544,659</u>	<u>100</u>	<u>356,698</u>
Employee Benefits	<u>14,031,898</u>	<u>13,791,941</u>	<u>12,594,771</u>		<u>1,197,170</u>
Debt Service					
Principal	2,411,744	3,150,789	3,150,789		-
Interest	724,629	877,770	877,770		-
Total Debt Service	<u>3,136,373</u>	<u>4,028,559</u>	<u>4,028,559</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>59,828,792</u>	<u>60,077,466</u>	<u>56,348,148</u>	<u>269,784</u>	<u>3,459,534</u>
OTHER USES					
Operating Transfers Out	<u>140,000</u>	<u>155,000</u>	<u>150,784</u>		<u>4,216</u>
Total Expenditures and Other Uses	<u>\$ 59,968,792</u>	<u>\$ 60,232,466</u>	<u>56,498,932</u>	<u>\$ 269,784</u>	<u>\$ 3,463,750</u>
Net Change in Fund Balance			2,970,059		
Fund Balance - Beginning of Year			<u>10,299,192</u>		
Fund Balance - End of Year			<u>\$ 13,269,251</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

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

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

Teachers' Retirement System

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.126298%	0.128276%	0.129298%	0.126170%	0.125241%	0.124577%	0.127476%	0.126652%	0.123478%	0.122114%
District's proportionate share of the net pension asset/(liability)	\$ (1,444,330)	\$ (2,461,480)	\$ 22,406,097	\$ (3,486,426)	\$ 3,253,759	\$ 2,252,679	\$ 968,941	\$ (1,356,491)	\$ 12,825,410	\$ 13,602,695
District's covered payroll	\$ 23,772,541	\$ 22,795,126	\$ 21,951,123	\$ 21,470,641	\$ 20,941,922	\$ 20,306,701	\$ 20,225,256	\$ 19,588,823	\$ 19,025,204	\$ 18,521,917
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	6.08 %	10.80 %	102.07 %	16.24 %	15.54 %	11.09 %	4.79 %	6.92 %	67.41 %	73.44 %
Plan fiduciary net position as a percentage of the total pension liability	99.17%	98.57%	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
Discount rate	6.95%	6.95%	6.95%	7.10%	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%

Employees' Retirement System

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.0123878%	0.0131746%	0.0121469%	0.0115649%	0.0116561%	0.0123847%	0.0121434%	0.0118250%	0.0116665%	0.0125051%
District's proportionate share of the net pension asset/(liability)	\$ (1,823,992)	\$ (2,825,159)	\$ 992,959	\$ (11,516)	\$ (3,086,615)	\$ (877,496)	\$ (391,922)	\$ (1,111,105)	\$ (1,872,502)	\$ (422,452)
District's covered payroll	\$ 4,508,604	\$ 4,508,230	\$ 4,649,866	\$ 4,412,980	\$ 4,476,598	\$ 4,232,824	\$ 4,132,712	\$ 3,972,373	\$ 3,718,224	\$ 3,970,840
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	40.46 %	62.67 %	21.35 %	0.26 %	68.95 %	20.73 %	9.48 %	27.97 %	50.36 %	10.64 %
Plan fiduciary net position as a percentage of the total pension liability	93.88%	103.65%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%
Discount rate	5.90%	5.90%	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%

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

Teachers' Retirement System

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,206,381	\$ 2,226,998	\$ 2,228,701	\$ 2,091,455	\$ 1,897,377	\$ 2,220,078	\$ 1,988,634	\$ 2,366,630	\$ 2,592,226	\$ 3,251,472
Contributions in relation to the contractually required contribution	<u>2,206,381</u>	<u>2,226,998</u>	<u>2,228,701</u>	<u>2,091,455</u>	<u>1,897,377</u>	<u>2,220,078</u>	<u>1,988,634</u>	<u>2,366,630</u>	<u>2,592,226</u>	<u>3,251,472</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 22,606,362	\$ 23,772,541	\$ 22,795,126	\$ 21,951,123	\$ 21,470,641	\$ 20,941,922	\$ 20,306,701	\$ 20,225,256	\$ 19,588,823	\$ 19,025,204
Contributions as a percentage of covered payroll	10%	9%	10%	10%	9%	11%	10%	12%	13%	17%

Employees' Retirement System

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 563,762	\$ 515,821	\$ 703,836	\$ 643,832	\$ 609,371	\$ 606,453	\$ 590,115	\$ 565,837	\$ 576,915	\$ 648,939
Contributions in relation to the contractually required contribution	<u>563,762</u>	<u>515,821</u>	<u>703,836</u>	<u>643,832</u>	<u>609,371</u>	<u>606,453</u>	<u>590,115</u>	<u>565,837</u>	<u>576,915</u>	<u>648,939</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,823,725	\$ 4,124,359	\$ 4,662,811	\$ 4,450,985	\$ 5,117,181	\$ 4,348,883	\$ 4,106,797	\$ 3,991,792	\$ 3,848,439	\$ 3,922,725
Contributions as a percentage of covered payroll	10%	13%	15%	14%	12%	14%	14%	14%	15%	17%

BABYLON UNION FREE SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Seven Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability							
Service cost	\$ 2,970,206	\$ 2,716,611	\$ 3,334,345	\$ 2,974,515	\$ 2,421,197	\$ 2,768,503	\$ 2,687,867
Interest on total OPEB liability	2,966,199	2,598,139	1,874,295	1,828,203	2,547,315	2,273,917	2,177,849
Changes in benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	4,801,414	-	(6,213,710)	-	1,814,575	-	(83,265)
Changes of assumptions or other inputs	(3,728,884)	4,359,759	(9,971,185)	706,712	4,428,511	(5,961,898)	-
Benefit payments	<u>(2,290,664)</u>	<u>(1,826,288)</u>	<u>(1,750,612)</u>	<u>(1,889,378)</u>	<u>(1,748,332)</u>	<u>(1,753,803)</u>	<u>(1,569,131)</u>
Net change in total OPEB liability	4,718,271	7,848,221	(12,726,867)	3,620,052	9,463,266	(2,673,281)	3,213,320
Total OPEB liability, beginning	<u>79,430,563</u>	<u>71,582,342</u>	<u>84,309,209</u>	<u>80,689,157</u>	<u>71,225,891</u>	<u>73,899,172</u>	<u>70,685,852</u>
Total OPEB liability, ending	<u>\$ 84,148,834</u>	<u>\$ 79,430,563</u>	<u>\$ 71,582,342</u>	<u>\$ 84,309,209</u>	<u>\$ 80,689,157</u>	<u>\$ 71,225,891</u>	<u>\$ 73,899,172</u>
Covered employee payroll	\$ 23,351,405	\$ 23,380,583	\$ 23,380,583	\$ 20,048,685	\$ 20,048,685	\$ 24,153,966	\$ 24,153,966
Total OPEB liability as a percentage of covered employee payroll	360.36%	339.73%	306.16%	420.52%	402.47%	294.88%	305.95%
Discount rate	3.93%	3.65%	3.54%	2.16%	2.21%	3.50%	3.00%
Health care trend rates	5.8% to 3.8% over 50 years	5.8% to 3.8% over 50 years	5.1% to 4.1% by 2076	6.6% to 4.1% by 2076	6.6% to 4.1% by 2076	7.5% to 4.5% by 2025	7.5% to 4.5% by 2025

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

Note to Required Supplementary Information

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

BABYLON UNION FREE SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For the Year Ended June 30, 2024

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 59,876,501
Additions:		
Prior year's encumbrances		92,291
Original Budget		59,968,792
Budget revisions		263,674
Final Budget		\$ 60,232,466

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2024-2025 voter-approved expenditure budget		\$ 62,192,921
Maximum allowed (4% of 2024-2025 budget)		\$ 2,487,718
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 1,519,784	
Unassigned fund balance	2,487,718	
		\$ 4,007,502
Less:		
Appropriated fund balance	1,250,000	
Encumbrances	269,784	
Total adjustments		1,519,784
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		\$ 2,487,718
Actual Percentage		4.00%

BABYLON UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources - Capital Projects Fund
For the Year Ended June 30, 2024

PROJECT #	PROJECT TITLE	Budget	Budget	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2024	
		June 30, 2023	June 30, 2024	Prior Years	Current Year	Total		Proceeds of Debt	State Aid	Local Sources		Total
0001-024	22-23 Capital Reserve Project Elementary School & Athletic Field Safety & Security Upgrade	\$ 1,200,000	\$ 1,200,000	\$	\$ 1,033,291	\$ 1,033,291	\$ 166,709	\$	\$	\$ 1,200,000	\$ 1,200,000	\$ 166,709
	Leases		812,023		812,023	812,023	-			812,023	812,023	-
	Totals	<u>\$ 1,200,000</u>	<u>\$ 2,012,023</u>	<u>\$ -</u>	<u>\$ 1,845,314</u>	<u>\$ 1,845,314</u>	<u>\$ 166,709</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,012,023</u>	<u>\$ 2,012,023</u>	<u>\$ 166,709</u>

BABYLON UNION FREE SCHOOL DISTRICT
Schedule of Net Investment in Capital Assets
June 30, 2024

Capital assets, net	\$ 51,012,970
Deduct:	
Capital related liabilities - accounts payable	520,754
Short-term portion of bonds payable	2,155,000
Long-term portion of bonds payable	12,090,000
Short-term portion of installment purchase debt	180,960
Long-term portion of installment purchase debt	12,341
Short-term portion of lease liabilities	561,983
Long-term portion of lease liabilities	1,110,462
	16,631,500
Net investment in capital assets	\$ 34,381,470



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary fund of the Babylon Union Free School District (District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 9, 2024. That report included a qualified opinion on the extraclassroom activities fund based on a scope limitation.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Babylon Union Free School District in a separate letter dated October 9, 2024.

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 Babylon Union Free School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cullen & Danowski, LLP

October 9, 2024

