

**HERRICKS UNION FREE SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2022**

HERRICKS UNION FREE SCHOOL DISTRICT

TABLE OF CONTENTS

I. INDEPENDENT AUDITOR'S REPORT, MANAGEMENT'S DISCUSSION AND ANALYSIS AND BASIC FINANCIAL STATEMENTS

Independent Auditor's Report	
<u>Exhibit Number</u>	<u>Page(s)</u>
1	Management's Discussion and Analysis (Required Supplementary Information) (MD&A) 1 - 15
2	Statement of Net Position 16
3	Statement of Activities 17
4	Balance Sheet – Governmental Funds 18
5	Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position 19
6	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 20
7	Reconciliation of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities 21
8	Notes to Financial Statements 22 - 57

II. REQUIRED SUPPLEMENTARY INFORMATION

SS1	Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund 58 - 59
SS2	Schedule of Changes in the District's Total Other Post-Employment Benefits Liability and Related Ratios 60
SS3	Schedule of District's Proportionate Share of the Net Pension Asset/(Liability) 61
SS4	Schedule of District's Contributions 62

III. OTHER SUPPLEMENTARY INFORMATION

SS5	Schedule of Change from Adopted Budget to Final Budget – General Fund and Section 1318 of Real Property Tax Law Limit Calculation 63
SS6	Schedule of Project Expenditures - Capital Projects Fund 64
SS7	Net Investment in Capital Assets 65

IV. 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*



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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Herricks Union Free School District

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter

As described in Note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*, during the year ended June 30, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

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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 the management's discussion and analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension asset/(liability), the schedule of District's pension contributions, and schedule of changes in District's total other post-employment benefits liability and related ratios on pages 1 through 15 and 58 through 62, 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.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

R. S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, New York
October 14, 2022

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The following is a discussion and analysis of the Herricks Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2022. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide Financial Statements and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

- The District's total net position, as reflected in the District-Wide Financial Statements is a deficit of \$162,280,794 which is a decrease to the deficit of \$4,636,635 from the prior year.
- On May 17, 2022, the proposed 2022-2023 budget in the amount of \$125,315,481 was authorized by the District's residents. The tax levy associated with this budget was under the NYS property tax cap.
- The District adopted GASB Statement No. 87, *Leases*, in July of 2021. Beginning balance in net position (deficit) and beginning fund balance in the general fund were restated by \$15,060 and \$11,248, respectively, as a result of the adoption of this Statement. See Note 20 to the financial statements for additional information.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

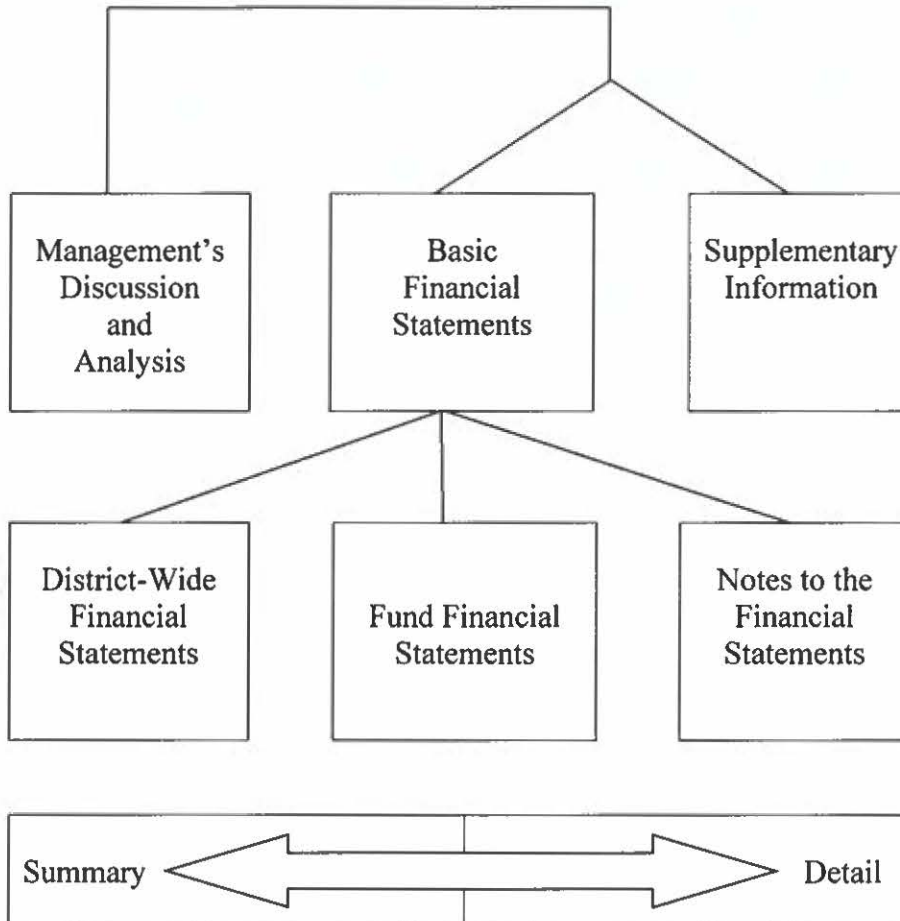
This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Statements.
 - The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.

The notes to the basic financial statements provide additional information about the basic financial statements and the balances reported. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. The following table shows how the various parts of this annual report are arranged and related to one another.

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Organization of the District's Annual Financial Report



**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The table below summarizes the major features of the District's basic financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements
		Governmental
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual and current financial resources measurement focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable

A) District-Wide Statements

The District-Wide Financial Statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The two District-Wide Financial Statements report the District's net position and how it has changed. Net position, the difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources is one way to measure the financial health or *position* of the District.

- Over time, increases and decreases in net position are an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets and intangible lease assets are reported as expenditures when financial resources (money) are expended to purchase, finance, or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation and amortization are not calculated as it does not provide or reduce current financial resources. Finally, capital assets, intangible lease assets, and long-term debt are all accounted for in account groups and do not affect the fund balances.

District-Wide Financial Statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets and intangible lease assets;
- Report long-term debt as a liability;
- Depreciate capital assets, amortize intangible lease assets, and allocate the depreciation and amortization to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
 - *Net investment in capital assets*;
 - *Restricted net position* are those with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation;
 - *Unrestricted net position* is net position that does not meet any of the above restrictions.

B) Fund Financial Statements

The Fund Financial Statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York.

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The District has one kind of fund:

i) Governmental funds

- Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Financial Statements, additional information in separate reconciliation schedules explains the relationship (or differences) between them. In summary, the Governmental Fund Financial Statements focus primarily on the sources, uses and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special aid fund, school lunch fund, miscellaneous special revenue fund, debt service fund, and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position

Non-current assets, long-term liabilities, deferred inflows of resources, net investment in capital assets, unrestricted (deficit), and total net position (deficit) for 2021 have been restated to reflect the implementation of GASB Statement No. 87, *Leases*. See Note 20 to the financial statements for further information.

	As Restated 2021	As Reported 2021	Increase (Decrease)
Non-current assets	\$ 54,550,053	\$ 54,330,297	\$ 219,756
Long-term liabilities	315,435,643	315,317,703	117,940
Deferred inflows of resources	29,653,889	29,567,133	86,756
Net investment in capital assets	34,350,420	34,346,608	3,812
Unrestricted (deficit)	(220,903,770)	(220,915,018)	11,248
Total net position	(166,917,429)	(166,932,489)	15,060

The District's total net deficit decreased by \$4,636,635 resulting in a deficit of \$162,280,794 in the fiscal year ended June 30, 2022, as detailed in the table on the following page.

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Condensed Statement of Net Position

	2022	As Restated 2021	Increase (Decrease)	Total Percentage Change
Current assets and other assets	\$ 39,940,821	\$ 44,431,818	\$ (4,490,997)	(10.11)%
Non-current assets	60,351,887	54,550,053	5,801,834	10.64%
Net pension asset-proportionate share	60,751,469	-	60,751,469	100.00%
Total assets	161,044,177	98,981,871	62,062,306	62.70%
Deferred outflows of resources	40,135,163	91,800,089	(51,664,926)	(56.28)%
Total assets and deferred outflows of resources	201,179,340	190,781,960	10,397,380	5.45%
Other liabilities	12,200,094	12,609,857	(409,763)	(3.25)%
Long-term liabilities	243,275,449	315,435,643	(72,160,194)	(22.88)%
Total liabilities	255,475,543	328,045,500	(72,569,957)	(22.12)%
Deferred inflows of resources	107,984,591	29,653,889	78,330,702	264.15%
Total liabilities and deferred inflows of resources	363,460,134	357,699,389	5,760,745	1.61%
Net Position				
Net investment in capital assets	38,911,186	34,350,420	4,560,766	13.28%
Restricted	19,085,052	19,635,921	(550,869)	(2.81)%
Unrestricted (deficit)	(220,277,032)	(220,903,770)	626,738	0.28%
Total Net Position (Deficit)	<u>\$ (162,280,794)</u>	<u>\$ (166,917,429)</u>	<u>\$ 4,636,635</u>	2.78%

Current assets and other assets decreased \$4,490,997 from 2021 to 2022 primarily due to decreases in cash and taxes receivable, partially offset by an increase in state and federal aid receivable.

Non-current assets increased by \$5,801,834. This was attributable to current year additions exceeding current year depreciation and amortization.

The District reported a net pension asset – proportionate share for the teachers' retirement system and the employees' retirement system of \$60,751,469, as a result of the actuarial valuation provided by the State.

Deferred outflows of resources decreased by \$51,664,926 and relates to the amortization of pension related items, as discussed in Note 14, as well as outflows related to the total other post-employment benefits obligation, as discussed in Note 16.

Other liabilities decreased by \$409,763. This decrease was primarily attributable to a decrease in accounts payable, partially offset by an increase in accrued liabilities.

Long-term liabilities decreased by \$72,160,194 mostly due to a decrease in the District's total net pension liability - proportionate share – teachers' retirement system, net pension liability –

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

proportionate share – employees' retirement system, and total other post-employment benefits obligation.

The changes in deferred inflows of resources represent amortization of pension related items as discussed in Note 14, and inflows related to other post-employment benefits as discussed in Note 16.

The net investment in capital assets relates to the investment in capital assets (at cost) and intangible lease assets (at the present value of future lease payments remaining on the lease term) such as land, construction in progress, buildings and improvements, and furniture & equipment, net of depreciation, amortization, and related debt. This number increased from the prior year by \$4,560,766. This is due to current year capital asset additions net of current year depreciation, amortization, and principal payments on debt.

The restricted net position refers to the District's reserves: workers' compensation, retirement contribution, insurance, repairs, employee benefit accrued liability, and capital reserve as well as restricted amounts for scholarships and donations and debt service.

The unrestricted net deficit relates to the balance of the District's net position. This deficit amount of \$220,277,032 is a decrease of \$626,738 from the prior year deficit.

B) Changes in Net Position

The results in this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. A summary of this statement for the years ended June 30, 2022 and 2021 is as follows:

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Change in Net Position from Operating Results - Governmental Activities Only

	2022	2021	Increase (Decrease)	Total Percentage Change
Revenues				
Program revenues				
Charges for services	\$ 1,919,600	\$ 1,593,026	\$ 326,574	20.50%
Operating grants and contributions	5,401,649	3,131,752	2,269,897	72.48%
Capital grants and contributions	-	125,000	(125,000)	(100.00)%
General revenues				
Real property taxes and other tax items	104,406,779	103,296,119	1,110,660	1.08%
Use of money and property	729,478	551,040	178,438	32.38%
State sources	14,316,779	12,739,916	1,576,863	12.38%
Other	650,675	910,276	(259,601)	(28.52)%
Total Revenues	<u>127,424,960</u>	<u>122,347,129</u>	<u>5,077,831</u>	4.15%
Expenses				
General support	16,291,606	20,066,849	(3,775,243)	(18.81)%
Instruction	99,270,554	119,432,359	(20,161,805)	(16.88)%
Pupil transportation	4,872,937	4,401,329	471,608	10.72%
Community service	52,734	73,461	(20,727)	(28.21)%
Debt service - interest	567,477	575,254	(7,777)	(1.35)%
Food service program	1,733,017	1,402,965	330,052	23.53%
Total Expenses	<u>122,788,325</u>	<u>145,952,217</u>	<u>(23,163,892)</u>	(15.87)%
Change in net position	<u>\$ 4,636,635</u>	<u>\$ (23,605,088)</u>	<u>\$ 28,241,723</u>	119.64%

Information for 2021 was not restated because the information necessary was not readily available. The cumulative effect of applying the change in accounting principle is shown as an adjustment to beginning net position. See Note 20 for more information.

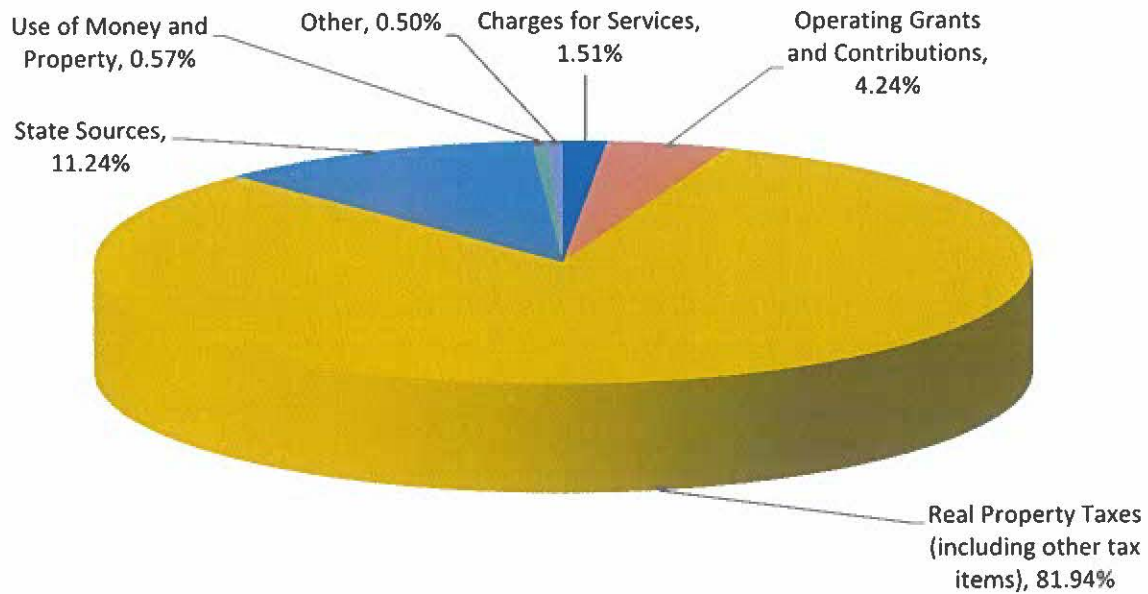
The District's total fiscal year 2022 revenues totaled \$127,424,960. This is an increase of \$5,077,831 or 4.15% over the prior year. Real property taxes and other tax items and state sources accounted for most of the District's revenue by contributing 81.94% and 11.24%, respectively, of total revenue. The remainder came from charges for services, operating grants and contributions, use of money and property, and other miscellaneous sources.

The total cost of all programs and services totaled \$122,788,325 for fiscal year 2022. This is a decrease of \$23,163,892 or 15.87% from the prior year. These expenses are predominantly related to instruction which account for 80.85% of district expenses. The District's general support activities accounted for 13.27% of total costs.

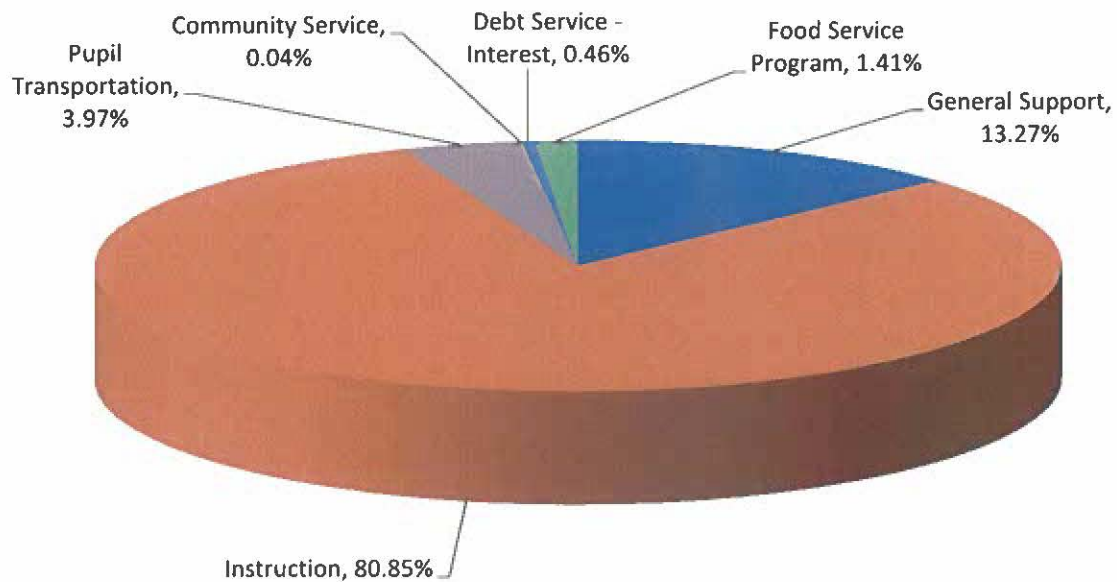
The users of the District's programs financed \$1,919,600 of the cost. The federal and state governments subsidized certain programs with operating grants and contributions of \$5,401,649.

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Revenues for Fiscal Year 2022



Expenses for Fiscal Year 2022



**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variances between years for the Governmental Fund Financial Statements are not the same as variances between years for the District-Wide Financial Statements. The District's governmental funds are presented on the **current financial resources measurement focus** and the **modified accrual basis of accounting**. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased or intangible lease assets financed by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets and intangible lease assets, and the current payments for debt.

Lease receivable, deferred inflows of resources – leases, and unassigned fund balance for 2021 have been restated to reflect the implementation of GASB Statement No. 87, *Leases*. See Note 20 to the financial statements for further information.

	As Restated 2021	As Reported 2021	Increase (Decrease)
Lease receivable	\$ 98,004	\$ -	\$ 98,004
Deferred inflows of resources	86,756	-	86,756
Unassigned fund balance	4,925,953	4,914,705	11,248

As of June 30, 2022, the District's combined governmental funds reported a total fund balance of \$28,022,837, which is a decrease of \$4,205,405 over the prior year.

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

A summary of the change in fund balance for all funds is as follows:

	2022	As Restated 2021	Increase/ (Decrease)	Percentage Change
General fund				
Nonspendable - prepaid expenditures	\$ -	\$ 998,153	\$ (998,153)	(100.00)%
Restricted for workers' compensation	1,023,944	1,247,289	(223,345)	(17.91)%
Restricted for retirement contribution	11,685,698	10,111,552	1,574,146	15.57%
Restricted for insurance	554,266	553,559	707	0.13%
Restricted for repairs	2,800	2,797	3	0.11%
Restricted for employee benefit accrued liability	878,022	1,022,975	(144,953)	(14.17)%
Restricted for capital	1,831,229	1,828,894	2,335	0.13%
Assigned - appropriated for subsequent year's expenditures	1,150,000	1,150,000	-	0.00%
Assigned for general support	703,650	989,633	(285,983)	(28.90)%
Assigned for instruction	293,910	584,261	(290,351)	(49.70)%
Assigned for pupil transportation	20,543	57,507	(36,964)	(64.28)%
Unassigned	5,012,617	4,925,953	86,664	1.76%
Total fund balance - general fund	23,156,679	23,472,573	(315,894)	(1.35)%
School lunch fund				
Nonspendable-inventories	31,970	22,207	9,763	43.96%
Nonspendable-prepaid expenditures	-	5,355	(5,355)	(100.00)%
Unassigned	552,905	(367,597)	920,502	250.41%
Total fund balance - school lunch fund	584,875	(340,035)	924,910	272.00%
Miscellaneous Special Revenue Fund				
Restricted for scholarships and donations	65,860	70,486	(4,626)	6.56%
Assigned - unappropriated fund balance	226,469	235,586	(9,117)	3.87%
Total fund balance - miscellaneous special revenue fund	292,329	306,072	(13,743)	4.49%
Debt service fund				
Restricted for debt service	448,800	769,928	(321,128)	(41.71)%
Total fund balance - debt service fund	448,800	769,928	(321,128)	(41.71)%
Capital projects fund				
Restricted for capital	2,594,433	4,028,441	(1,434,008)	(35.60)%
Restricted for unspent bond proceeds	945,721	3,885,480	(2,939,759)	(75.66)%
Assigned - appropriated fund balance	-	105,783	(105,783)	(100.00)%
Total fund balance - capital projects fund	3,540,154	8,019,704	(4,479,550)	(55.86)%
Total fund balance - all funds	\$ 28,022,837	\$ 32,228,242	\$ (4,205,405)	(13.05)%

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

A) General Fund

The net change in fund balance within the general fund is a decrease of \$315,894, as a result of expenditures and other financing uses of \$122,370,530 exceeding revenues and other financing sources of \$122,054,636.

B) School Lunch Fund

The increase in the total fund balance of the school lunch fund of \$924,910 is due to greater state and federal reimbursements exceeding the costs of distributing free meals to all students of the District. In response to the novel coronavirus pandemic (COVID-19), the U.S. Department of Agriculture's Food and Nutrition Service provided an extension of the Summer Food Service Program for Children through June 30, 2022 to allow the District to offer free meals to students. This extension resulted in a substantial increase in revenue from Federal Sources compared to prior years. The USDA did not extend this program for the 2022-2023 school year.

C) Miscellaneous Special Revenue Fund

The net change in fund balance in the miscellaneous special revenue fund is due to expenditures in excess of revenues for both scholarships and donations and extraclassroom activities.

D) Debt Service Fund

The decrease in the debt service fund balance of \$321,128 is due to the operating transfer to the general fund offset by interest earnings. On August 6, 2020, the District issued serial bonds in the amount of \$16,915,000 and received a premium of \$2,411,159. The bonds mature on August 1, 2035.

E) Capital Projects Fund

The decrease in the capital projects fund of \$4,479,550 is primarily a result of capital outlays exceeding other financing sources.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2021-2022 Budget

The District's general fund adopted budget for the year ended June 30, 2022 was \$122,867,643. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,631,401 and budget revisions in the amount of \$146,207 which resulted in a final budget of \$124,645,251. The majority of the funding was real property taxes and other tax items of \$104,680,045.

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

B) Change in the General Fund Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is a component to total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and designations to fund subsequent years' budgets. It is this balance that is commonly referred to as "fund balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget are as follows:

Opening, unassigned fund balance, as restated	\$ 4,925,953
Revenues and other financing sources over budget	336,993
Expenditures, other financing uses, and encumbrances under budget	1,256,618
Transfers to reserves	(1,911,238)
Interest to reserves	(18,800)
Change in nonspendable	998,153
Use of reserves	574,938
Assigned - appropriated for June 30, 2023 budget	(1,150,000)
Closing, unassigned fund balance	<u><u>\$ 5,012,617</u></u>

The opening unassigned fund balance, as restated, of \$4,925,953 is the June 30, 2021 unassigned fund balance.

The revenues and other financing sources under budget of \$336,993 were primarily due to variances in charges for services and miscellaneous (refer to Supplemental Schedule #1 for further details).

The expenditures, other financing uses, and encumbrances under budget of \$1,256,618 were primarily due to variances in instruction, central services, transportation, and employee benefits (refer to Supplemental Schedule #1 for further details).

The District transferred \$1,911,238 to reserves including \$350,000 to workers compensation reserve, \$426,238 to the retirement contribution reserve for the employees' retirement system, and \$1,135,000 to the retirement contribution reserve for the teachers' retirement system.

Interest allocated to the reserves in the amount of \$18,800 related to the workers' compensation reserve in the amount of \$1,593, the retirement contribution reserve in the amount of \$9,563, the teachers' retirement reserve in the amount of \$3,345, the insurance reserve in the amount of \$707, the employee benefit accrued liability reserve in the amount of \$1,254, the repair reserve in the amount of \$3, and the capital reserve in the amount of \$2,335.

The change in non-spendable in the amount of \$998,153 is due to no non-spendable balance in the general fund for the current year.

The District utilized \$574,938 related to the workers' compensation reserve.

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The assigned, appropriated fund balance of \$1,150,000 is the amount the District has chosen to partially fund its operating budget for 2022-2023.

The closing unassigned fund balance represents the fund balance retained by the District that is not restricted or assigned for subsequent year's taxes or other purposes. This amount is limited to 4.00% of the 2022-2023 budget, and is within the allowable limit, representing 4.00% of the 2022-2023 budget.

6. CAPITAL ASSETS, INTANGIBLE LEASE ASSETS, AND DEBT ADMINISTRATION

A) Capital Assets and Intangible Lease Assets:

A summary of the District's capital assets, net of accumulated depreciation, and intangible lease assets, net of accumulation amortization, is as follows:

	2022	2021	Increase (Decrease)	Percentage Change
Land & land improvements	\$ 19,147,403	\$ 5,737,401	\$ 13,410,002	233.73%
Construction in progress	1,753,158	5,332,926	(3,579,768)	-67.13%
Buildings & building improvements	87,140,498	91,738,734	(4,598,236)	-5.01%
Furniture & equipment	3,420,639	3,350,729	69,910	2.09%
Vehicles	2,536,037	2,454,332	81,705	3.33%
	<u>113,997,735</u>	<u>108,614,122</u>	<u>5,383,613</u>	4.96%
Less: Accumulated depreciation	<u>55,616,638</u>	<u>54,283,825</u>	<u>1,332,813</u>	2.46%
Total net capital assets	<u>\$ 58,381,097</u>	<u>\$ 54,330,297</u>	<u>\$ 4,050,800</u>	7.46%
Intangible Lease Assets, Net	<u>\$ 130,521</u>	<u>\$ 121,752</u>	<u>\$ 8,769</u>	7.20%

The District had depreciation expense of \$2,843,398, and amortization expense of \$71,418. See Note 9 to the financial statements for detail.

B) Long-Term Debt

At June 30, 2022, the District had total bonds payable (including unamortized premium) of \$20,078,066, lease liability of \$126,127, and an energy performance contract debt payable of \$341,960. The bonds were issued for district-wide projects, and the energy performance contract debt payable was issued for energy savings costs. The decrease in bonds payable and energy performance contract debt payable reflects principal payments made. The increase in the lease liability represents the implementation of GASB No. 87, and additional leases entered into during 2022. See Note 13 to the financial statements. A summary of outstanding debt at June 30, 2022 and 2021 is as follows:

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	2022	2021	Increase (Decrease)
Bonds payable (including unamortized premium)	\$ 20,078,066	\$ 23,198,810	\$ (3,120,744)
Lease liability	126,127	117,940	8,187
Energy performance contract debt payable	341,960	670,359	(328,399)
Total	<u>\$ 20,546,153</u>	<u>\$ 23,987,109</u>	<u>\$ (3,440,956)</u>

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- A) Future budgets may be negatively affected by certain trends impacting school districts. These factors include rising health care premiums, increased costs in particular payroll, associated with meeting the requirements for instructional services and the property tax cap could impact the District's ability to fund its current cost of services. Current market conditions, inflation, increased utilities and possible litigation (see Note 19) also may impact expenditures.
- B) On September 22, 2022, the District issued a tax anticipation note for \$6,500,000 maturing on June 16, 2023 for the interim financing of the general fund operations. This note includes a total premium of \$61,650.
- C) The general fund budget for the 2022-2023 school year was approved by the voters in the amount of \$125,315,481. This is an increase of \$2,447,838, or 1.99%, over the previous year's budget. The increase was primarily due to an increase in general support, instruction, pupil transportation, and employee benefits

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Herricks Union Free School District
Ms. Lisa Rutkoske, CPA
Assistant Superintendent for Business
999 B Herricks Road
New Hyde Park, New York 11040
(516) 305-8903

HERRICKS UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS	
Current assets	
Cash	
Unrestricted	\$ 13,303,430
Restricted	20,397,943
Receivables	
State and federal aid	2,268,091
Taxes receivable	1,993,787
Due from other governments	1,850,766
Accounts receivable	94,834
Inventories	31,970
Non-current assets	
Receivable within one year	
Lease receivable	473,603
Receivable after one year	
Lease receivable	1,366,666
Capital assets	
Not being depreciated	3,483,274
Being depreciated, net of accumulated depreciation	54,897,823
Intangible lease assets, net of accumulated amortization	130,521
Net pension asset - proportionate share - employees' retirement system	2,767,982
Net pension asset - proportionate share - teachers' retirement system	57,983,487
TOTAL ASSETS	161,044,177
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	38,771,206
Other post-employment benefits	1,363,957
TOTAL DEFERRED OUTFLOWS OF RESOURCES	40,135,163
LIABILITIES	
Payables	
Accounts payable	\$ 2,467,665
Accrued liabilities	1,686,570
Accrued interest payable	251,236
Due to other governments	733,446
Compensated absences payable	126,139
Due to teachers' retirement system	6,188,707
Due to employees' retirement system	357,527
Security deposits	52,851
Unearned credits	
Collections in advance	335,953
Long-term liabilities	
Due and payable within one year	
Bonds payable (inclusive of unamortized premium)	1,710,744
Lease liability	67,203
Energy performance contract debt payable	341,960
Compensated absences payable	126,139
Due and payable after one year	
Bonds payable (inclusive of unamortized premium)	18,367,322
Lease liability	58,924
Compensated absences payable	7,813,513
Claims payable	1,281,826
Total other post-employment benefits obligation	213,507,818
TOTAL LIABILITIES	255,475,543
DEFERRED INFLOWS OF RESOURCES	
Leases	1,809,395
Pensions	74,629,935
Other post-employment benefits	31,545,261
TOTAL DEFERRED INFLOWS OF RESOURCES	107,984,591
NET POSITION	
Net investment in capital assets	38,911,186
Restricted	
Workers' compensation	1,023,944
Retirement contribution	
Employees retirement system	7,927,336
Teachers' retirement system	3,758,362
Insurance	554,266
Repairs	2,800
Employee benefit accrued liability	878,022
Scholarships and donations	65,860
Debt service	448,800
Capital	4,425,662
	19,085,052
Unrestricted (deficit)	(220,277,032)
TOTAL NET POSITION (DEFICIT)	\$ (162,280,794)

**HERRICKS UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
FUNCTIONS / PROGRAMS				
General support	\$ (16,291,606)	\$	\$	\$ (16,291,606)
Instruction	(99,270,554)	1,485,567	3,259,380	(94,525,607)
Pupil transportation	(4,872,937)			(4,872,937)
Community services	(52,734)		1,099	(51,635)
Debt service - interest	(567,477)			(567,477)
Food service program	(1,733,017)	434,033	2,141,170	842,186
TOTAL FUNCTIONS AND PROGRAMS	\$ (122,788,325)	\$ 1,919,600	\$ 5,401,649	(115,467,076)
GENERAL REVENUES				
Real property taxes				96,884,938
Other tax items - including STAR reimbursement				7,521,841
Use of money and property				729,478
Sale of property and compensation for loss				36,984
Miscellaneous				480,593
State sources				14,316,779
Medicaid reimbursement				133,098
TOTAL GENERAL REVENUES				120,103,711
CHANGE IN NET POSITION				4,636,635
TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR (AS RESTATED, SEE NOTE 20)				(166,917,429)
TOTAL NET POSITION (DEFICIT) - END OF YEAR				\$ (162,280,794)

HERRICKS UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	General	Special Aid	School Lunch	Miscellaneous Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
ASSETS							
Cash							
Unrestricted	\$ 12,708,368	\$ 31,350	\$ 420,321	\$ 143,391	\$ -	\$ -	\$ 13,303,430
Restricted	15,975,959			65,860	448,800	3,907,324	20,397,943
Receivables							
State and federal aid	785,594	1,112,495	370,002				2,268,091
Taxes receivable	1,993,787						1,993,787
Due from other governments	1,850,766						1,850,766
Due from other funds	1,106,719	10,602		90,263			1,207,584
Accounts receivable	86,919	3,514	377	4,024			94,834
Lease receivable	1,840,269						1,840,269
Inventories			31,970				31,970
TOTAL ASSETS	\$ 36,348,381	\$ 1,157,961	\$ 822,670	\$ 303,538	\$ 448,800	\$ 3,907,324	\$ 42,988,674
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Payables							
Accounts payable	\$ 2,037,958	\$ 60,571	\$ 10,317	\$ 607	\$ -	\$ 358,212	\$ 2,467,665
Accrued liabilities	1,643,159	14,758	28,653				1,686,570
Due to other governments	732,745		701				733,446
Due to other funds	90,263	1,076,514	21,247	10,602		8,958	1,207,584
Due to teachers' retirement system	6,188,707						6,188,707
Due to employees' retirement system	357,527						357,527
Compensated absences	126,139						126,139
Security deposits	52,851						52,851
Unearned credits							
Collections in advance	152,958	6,118	176,877				335,953
TOTAL LIABILITIES	11,382,307	1,157,961	237,795	11,209	-	367,170	13,156,442
DEFERRED INFLOWS OF RESOURCES							
Leases	1,809,395						1,809,395
TOTAL DEFERRED INFLOWS OF RESOURCES	1,809,395	-	-	-	-	-	1,809,395
FUND BALANCES							
Nonspendable			31,970				31,970
Restricted:							
Workers' compensation	1,023,944						1,023,944
Retirement contribution							
Employees' retirement system	7,927,336						7,927,336
Teachers' retirement system	3,758,362						3,758,362
Insurance	554,266						554,266
Repairs	2,800						2,800
Employee benefit accrued liability	878,022						878,022
Scholarships and donations				65,860			65,860
Debt service					448,800		448,800
Capital	1,831,229					2,594,433	4,425,662
Unspent bond proceeds						945,721	945,721
Assigned:							
Appropriated fund balance	1,150,000						1,150,000
Unappropriated fund balance	1,018,103		552,905	226,469			1,797,477
Unassigned (deficit)	5,012,617						5,012,617
TOTAL FUND BALANCES (DEFICIT)	23,156,679	-	584,875	292,329	448,800	3,540,154	28,022,837
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 36,348,381	\$ 1,157,961	\$ 822,670	\$ 303,538	\$ 448,800	\$ 3,907,324	\$ 42,988,674

**HERRICKS UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2022**

Total Governmental Fund Balances \$ 28,022,837

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

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position include those capital assets among the assets of the district as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 113,997,735	
Accumulated depreciation	<u>(55,616,638)</u>	58,381,097

The present value of leasing assets (buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position include those leased capital assets among the assets of the District as a whole, and their original present value costs are expensed annually over the shorter of their useful lives or the length of the leased agreements.

Original present value cost of intangible lease assets	\$ 317,535	
Accumulated amortization	<u>(187,014)</u>	130,521

Governmental funds recognize revenue and expenditures incurred under the modified accrual method. The Statement of Net Position recognizes revenues received and expenditures incurred under the full accrual method. Deferred inflows and outflows related to pensions and other post-employment benefits that will be recognized in future periods amounted to:

Deferred outflows of resources-pensions	\$ 38,771,206	
Deferred outflows of resources-other post-employment benefits	1,363,957	
Deferred inflows of resources-pensions	(74,629,935)	
Deferred inflows of resources-other post-employment benefits	<u>(31,545,261)</u>	(66,040,033)

Certain disbursements previously expended in the governmental funds relating to pensions are treated as long-term assets and increase net position. The net pension assets, proportionate share at year end amounted to:

Net pension asset - proportionate share - employees' retirement system	\$ 2,767,982	
Net pension asset - proportionate share - teachers' retirement system	<u>57,983,487</u>	60,751,469

Payables that are associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of:

Accrued interest payable		(251,236)
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:

Bonds payable, inclusive of premiums	\$ (20,078,066)	
Lease liability	(126,127)	
Energy performance contract debt payable	(341,960)	
Compensated absences payable	(7,939,652)	
Claims payable	(1,281,826)	
Total other post-employment benefits obligation	<u>(213,507,818)</u>	<u>(243,275,449)</u>
Total Net Position	<u>\$ (162,280,794)</u>	

HERRICKS UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General	Special Aid	School Lunch	Miscellaneous Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
REVENUES							
Real property taxes	\$ 96,884,938						\$ 96,884,938
Other tax items - including STAR reimbursement	7,687,213						7,687,213
Charges for services	1,485,567						1,485,567
Use of money and property	723,399			48	6,031		729,478
Sale of property and compensation for loss	36,984						36,984
Miscellaneous	406,571	31,307	856	328,402			767,136
Interfund revenue	1,879						1,879
State sources	14,316,779	769,933	25,788				15,112,500
Federal sources		2,162,144	1,963,875				4,126,019
Medicaid reimbursement	133,098						133,098
Surplus food			151,507				151,507
Sales			434,033				434,033
TOTAL REVENUES	121,676,428	2,963,384	2,576,059	328,450	6,031	-	127,550,352
EXPENDITURES							
General support	15,058,415						15,058,415
Instruction	69,599,075	3,329,745		342,193			73,271,013
Pupil transportation	4,178,252						4,178,252
Community service	38,135	1,099					39,234
Employee benefits	27,793,354						27,793,354
Debt service principal	3,360,399						3,360,399
Debt service interest	1,037,390						1,037,390
Cost of sales			1,841,199				1,841,199
Capital outlay						5,298,547	5,298,547
TOTAL EXPENDITURES	121,065,020	3,330,844	1,841,199	342,193	-	5,298,547	131,877,803
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	611,408	(367,460)	734,860	(13,743)	6,031	(5,298,547)	(4,327,451)
OTHER FINANCING SOURCES AND (USES)							
Premium on obligations	41,860						41,860
Operating transfers (in)	336,348	367,460	190,050			748,000	1,641,858
Operating transfers (out)	(1,305,510)				(327,159)	(9,189)	(1,641,858)
Leases						80,187	80,187
TOTAL OTHER FINANCING SOURCES AND (USES)	(927,302)	367,460	190,050	-	(327,159)	818,998	122,047
NET CHANGE IN FUND BALANCES	(315,894)	-	924,910	(13,743)	(321,128)	(4,479,549)	(4,205,404)
FUND BALANCES - BEGINNING OF YEAR (AS RESTATED, SEE NOTE 20)	23,472,573	-	(340,035)	306,072	769,928	8,019,703	32,228,241
FUND BALANCES - END OF YEAR	\$ 23,156,679	\$ -	\$ 584,875	\$ 292,329	\$ 448,800	\$ 3,540,154	\$ 28,022,837

**HERRICKS UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balances \$ (4,205,404)

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

Long-Term Revenue and Expense Differences

In the Statement of Activities, compensated absences are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. Compensated absences payable for the fiscal year ended June 30, 2022 changed by (34,229)

Deferred inflows of resources - The Statement of Net Position recognized revenues received under the full accrual Governmental funds recognize revenue under the modified accrual method. The difference in the revenues recognized under the full accrual method for the fiscal year ended June 30, 2022 was (165,372)

Claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Claims payable for the fiscal year ended June 30, 2022 changed by 102,573

Changes in the proportionate share of net pension asset/liability, and total other post-employment benefits obligation and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Teachers' retirement system	\$	8,991,348	
Employees' retirement system		1,388,325	
Other post-employment benefits		<u>(9,250,299)</u>	1,129,374

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their lives as annual depreciation expense in the Statement of Activities.

Capital outlays	\$	6,894,198	
Depreciation expense		<u>(2,843,398)</u>	4,050,800

Capital outlays to lease 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 amortization expense in the Statement of Activities.

Intangible lease capital outlays	\$	80,187	
Amortization expense		<u>(71,418)</u>	8,769

Long-Term Debt Differences

Proceeds from leases are recorded as revenue in the governmental funds but not in the Statement of Activities. (80,187)

Repayment of bond and energy performance contract debt payable principal is an expenditure in the governmental funds, it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 3,288,399

Interest on debt in the Statement of Activities differs from the amounts reported in the governmental funds because is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues regardless of when it is due. Accrued from June 30, 2021 to June 30, 2022 changed by 309,168

Repayment of lease obligations 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. 72,000

Governmental funds report the discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net amount of amortization is 160,744

Change in Net Position \$ 4,636,635

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

Certain significant accounting principles and policies utilized by the District are described below:

A) Reporting entity:

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of five (5) 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 reporting entity of the District is based upon criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. 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 Nassau Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs, which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES is organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative, program, and capital costs is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

C) Basis of presentation:

District-Wide Financial Statements:

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

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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

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

The District reports the following major governmental funds:

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

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

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

School Lunch Fund: This fund is used to account for the activities of the District's food service operations. The school lunch operations are supported by federal and state grants and charges to participants for its services.

Miscellaneous Special Revenue Fund: This fund is used to account for assets held by the District in accordance with grantor or contributor stipulations. Other activities included in this fund are extraclassroom activities.

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

Capital Projects Fund: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

D) Measurement focus and basis of accounting:

The District-Wide Financial Statements is 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. Non-exchange transactions, in which the District gives or receives value without directly, receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, net pension liabilities, and other post-employment benefit obligations which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions of leases with terms greater than one year are reported as other financing sources.

E) Real property taxes:

Calendar:

Real property taxes are levied annually by the Board of Education no later than August 15th, and are payable on October 1 and April 1. Taxes are collected by the Town of North Hempstead during the period 2021-2022.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Enforcement:

Uncollected real property taxes are subsequently enforced by Nassau County (the "County") in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following July 1.

F) Restricted resources:

When an expense is incurred for purposes for which both restricted and unrestricted net position 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.

G) 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 flows. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

In the District-Wide Financial Statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities). Eliminations have been made for all interfund receivables and payables between the funds.

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

Refer to Note 11 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

H) Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and deferred outflows, liabilities and deferred inflows, disclosure of contingent items at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, workers' compensation claims payable, net pension asset/liabilities, other post-employment benefits, potential contingent liabilities, lease liability, and useful lives of capital assets and intangible lease assets.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

I) Cash and investments:

The District's cash and investments consist of cash on hand and demand deposits.

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

J) Receivables:

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K) Inventories and prepaid items:

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

A reserve for these non-liquid assets (inventories) has been recognized in the school lunch fund as non-spendable under GASB Statement No. 54 to signify that a portion of fund balance is not available for other subsequent expenditures.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to prepay workers' compensation expenses reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

The District had no prepaid items as of June 30, 2022.

L) Capital assets:

Capital assets are reflected in the District-Wide Financial Statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional independent third-party information. Donated assets are reported at acquisition value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-Wide Financial Statements are as follows:

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building & Building Improvements	\$15,000	Straight-line	50 years
Furniture & Equipment	\$5,000	Straight-line	5-20 years
Land Improvements	\$15,000	Straight-line	20 years
Vehicles	\$5,000	Straight-line	8 years

M) Intangible lease assets:

Intangible lease assets are reported at the present value of remaining future lease payments to be made during the lease term. The discount rate utilized is either the interest rate implicit within the lease agreement, or if not readily determinable, the District's estimated incremental borrowing rate. These intangible lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

Capitalization thresholds (the dollar value above which intangible lease asset acquisitions are added to the intangible lease asset accounts), amortization methods, and estimated useful lives of intangible lease assets reported in the District-Wide Financial Statements follow the same thresholds as noted above for capital assets.

N) Collections in advance:

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded.

Collections in advance consist of amounts received in advance for summer programs and rent in the general fund; for amounts received in advance for grants in the special aid fund; and for amounts received in advance for meals that have not yet been purchased, and unearned revenues from state and local grants in the school lunch fund.

O) Deferred outflows and inflows of resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. These amounts are related to pensions and other post-employment benefits reported in the District-Wide Statement of Net Position, which are detailed further in Notes 14 and 16.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are related to pensions and other post-employment benefits liability reported in the District-Wide Statement of Net Position, and are detailed further in Notes 14 and 16. The District also reported deferred inflows of resources related to lease receivable, which are reported in the District-Wide Statement of Net Position as well as in the general fund, and is detailed further in Note 8.

P) Vested employee benefits:

Compensated absences:

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. Certain collective bargained agreements require these compensated absences to be paid in the form of non-elective contributions to the employee's 403(b) plan.

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

Consistent with GASB Statement No.16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting termination 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 only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

Q) Other benefits:

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

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure as the liability for premiums mature (come due for payments). In the District-Wide Financials Statements, the cost of post-employment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

R) 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 liabilities of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent liabilities that will be extinguished by the use of expendable, available resources of the fund.

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

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 dated. See Note 12 for details on short-term debt issued or redeemed during the fiscal year.

S) Accrued liabilities and long-term obligations:

Payables, accrued liabilities, and long-term obligations are reported in the District-Wide Financial Statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, net pension liabilities, lease liability, total other post-employment benefits obligation, and compensated absences that will be paid from governmental funds, are reported as a liability in the Fund Financial Statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the Fund Financial Statements when due.

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

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

T) Equity classifications:

i) District-Wide Financial Statements:

In the District-Wide Financial Statements there are three classes of net position:

Net investment in capital assets and intangible lease assets – consists of net position (cost less accumulated depreciation and amortization) reduced by outstanding balances of related debt obligations from the acquisition, constructions, or improvements of those assets, net of any unexpended proceeds and including any unamortized items (discounts, premiums, gain on refunding).

Restricted net position – reports net position when constraints placed on the assets 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 net position – reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

ii) Fund Financial Statements:

There are five classifications of fund balance as detailed below; however, in the Fund Financial Statements there are four classifications of fund balance presented:

- (1) **Non-spendable** fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory in the amount of \$31,970 in the school lunch fund.
- (2) **Restricted** fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

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. This reserve is accounted for in the general fund.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Retirement Contribution Reserve

Retirement Contribution Reserve (GML§6-r), must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. In addition, a sub-fund of this reserve may also be created to allow for financing retirement contributions to the New York State Teachers' Retirement System. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the fund must be provided to the Board. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. The Teachers' Retirement System sub-fund is subject to contribution limits. This reserve is accounted for in the general fund.

Insurance Reserve

Insurance reserve (GML §6-m) must be used to pay liability, casualty, and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value, and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the insurance reserve, however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the general fund.

Repair Reserve

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

Employee Benefit Accrued Liability Reserve

Employee benefit accrued liability reserve (GML§6-p), must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the general fund.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Restricted for Scholarships and Donations

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

Debt Service

Debt service is used to account for the accumulation of resources that are restricted to pay debt service. The fund includes all unused debt proceeds and interest and earnings on temporary investment of debt proceeds. This reserve is accounted for in the debt service fund.

Capital Reserve

Capital reserve (GML §3651), is used to pay the costs of capital improvements for which the school district may issue bonds pursuant to Local Finance Law. A proposition indicating the purpose, ultimate amount, probable term, and funding source must be approved by the voters. Voter approval is also required before any funds may be expended for the specific purpose for which the reserve was established. Funds may be transferred with voter approval to other funds or the fund may be liquidated if the original purpose for which the fund was established is determined to be no longer needed. Upon liquidation, proceeds must first be applied to any outstanding bonded indebtedness with the remaining, if any, used to reduce the annual tax level. This reserve is accounted for in the general fund.

Restricted for capital in the capital projects fund includes the fund balance for projects that are funded by the capital reserve.

Unspent Bond Proceeds

Unspent, long-term bond proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

- (3) **Committed** fund balance – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority (i.e., Board). The District has no committed fund balances as of June 30, 2022.
- (4) **Assigned** fund balance – Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District management through Board policies. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

- (5) **Unassigned fund balance** –Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in assigned fund balance are also excluded from the 4% limitation. The District's unassigned fund balance at June 30, 2022 is within the legal limit. See Supplemental Schedule #5 for more information.

Order of Use of Fund Balance

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the unrestricted fund balances. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

U) New accounting pronouncements:

GASB has issued Statement No. 87, *Leases*, effective for fiscal year ended June 30, 2022. This Statement establishes a single model for lease accounting based on the idea that leases are financings of the right-to-use an underlying asset. As such, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources. The District has adopted and implemented GASB Statement No. 87, *Leases*, in 2022. See Note 20 for further consideration.

V) Future accounting pronouncements:

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, defines a subscription-based technology arrangement as a contract that conveys control of the right to use a vendor's software, alone or in combination with tangible capital assets requiring governments to recognize a right-to-use subscription asset and a corresponding subscription liability. The requirements of this Statement are effective for periods beginning after June 15, 2022.

This is the statement that the District feels may have an impact on these financial statements and are not an all-inclusive list of GASB statements issued. The District will evaluate the impact this pronouncement may have on its financial statements and will implement them as applicable and when material.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS:

Due to the differences in the measurement focus and basis of accounting used in the Fund Financial Statements and the District-Wide Financial Statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

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. The difference primarily results from additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

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

Differences between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities fall into one of three broad categories. The amounts shown below represent:

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 modified accruals basis, whereas the accrual basis of accounting is used on the Statement of Activities.

Capital related differences:

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

Long-term debt differences:

Long-term debt differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

The District administration prepares a proposed budget for approval by the Board for Education for the following governmental funds for which legal (appropriated) budgets are adopted. The voters of the District approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

Supplemental appropriations that occurred during the year are shown on Supplemental Schedule #5.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

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

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 reservations of fund balance 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.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash and Cash Equivalents:

New York State law governs the District's investment policies. Resources must be deposited in Federal Deposit Insurance Company (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States 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 the state and its municipalities and districts.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. 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 with securities held by the pledging financial institution in the District's name; or
- C) Collateralized with securities held by the pledging financial institution's trust department or custodian, but not in the District's name.

All of the District's aggregate bank balances, were covered by depository insurance or collateralized with securities held by pledging financial institution in the District's name at year end.

B) Restricted Cash and Cash Equivalents:

Restricted cash and equivalents represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2022 included \$20,397,943 within in the governmental funds for general reserves, scholarships and donations, debt service, capital projects, and unspent bond proceeds.

C) Investments:

The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

NOTE 5 – PARTICIPATION IN BOCES:

During the fiscal year ended June 30, 2022, the District was billed \$4,622,290 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,636,320. Financial statements for the BOCES are available from the BOCES administrative office at Nassau

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Board of Cooperative Educational Services, 71 Clinton Road, P.O. Box 9195, Garden City, NY 11530-9195.

NOTE 6 – STATE AND FEDERAL AID RECEIVABLES:

State and federal aid receivables at June 30, 2022 consisted of the following:

General fund

State sources

General aid	\$198,311
Excess cost aid	449,519
Textbook aid	68,489
Hardware aid	20,483
Software aid	48,792
Total	<u>785,594</u>

Special aid fund

State and local aid	236,193
Federal aid	876,302
Total	<u>1,112,495</u>

School lunch fund

Lunch - state reimbursements	6,841
Lunch - federal reimbursements	363,161
Total	<u>370,002</u>

Total State and federal aid receivable \$2,268,091

District management has deemed the amounts to be fully collectible.

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments in the general fund at June 30, 2022 consisted of the following:

Non-resident tuition	\$ 824,439
District of location -special education	220,014
BOCES	741,060
Interest and penalties on property tax	65,253
Total Due from other governments	<u>\$ 1,850,766</u>

District management has deemed the amounts to be fully collectible.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 8 – LEASE RECEIVABLE:

In addition, as a result of adopting and implementing GASB Statement No. 87, *Leases*, the District recognized a lease receivable and deferred inflow of resources – leases for an agreement whereby the District leases building space to another entity, with an interest rate of 1.00%, and an annual payment escalation of 2.75%. The lease receivable and associated deferred inflow of resources will be reduced as the lease revenue is earned in future periods.

Principal and interest lease income received by the District during the 2021-22 fiscal year were \$462,293 and \$20,403, respectively.

Future minimum rental receipts for this lease are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2023	\$ 473,603	\$ 16,772	\$ 490,375
2024	445,584	11,617	457,201
2025	453,670	7,135	460,805
2026	467,412	2,536	469,948
	\$ 1,840,269	\$ 38,060	\$ 1,878,329

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 9 - CAPITAL ASSETS AND INTANGIBLE LEASE ASSETS:

A) Capital Assets

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

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 1,730,116	\$	\$	\$ 1,730,116
Construction in progress	5,332,926	3,516,160	(7,095,928)	1,753,158
Total capital assets not being depreciated	<u>7,063,042</u>	<u>3,516,160</u>	<u>(7,095,928)</u>	<u>3,483,274</u>
Capital assets that are depreciated:				
Building & building improvements	91,738,734	2,963,812	(7,562,048)	87,140,498
Furniture and equipment	3,350,729	121,819	(51,909)	3,420,639
Vehicles	2,454,332	292,407	(210,702)	2,536,037
Land improvement	4,007,285		13,410,002	17,417,287
Total capital assets being depreciated	<u>101,551,080</u>	<u>3,378,038</u>	<u>5,585,343</u>	<u>110,514,461</u>
Less accumulated depreciation:				
Building & building improvements	49,456,059	1,973,002	(1,167,568)	50,261,493
Furniture and equipment	1,014,081	256,641	(128,285)	1,142,437
Vehicles	1,434,784	172,089	(210,703)	1,396,170
Land improvement	2,378,901	441,666	(4,029)	2,816,538
Total accumulated depreciation	<u>54,283,825</u>	<u>2,843,398</u>	<u>(1,510,585)</u>	<u>55,616,638</u>
Total capital assets being depreciated, net	<u>47,267,255</u>	<u>534,640</u>	<u>7,095,928</u>	<u>54,897,823</u>
Total capital assets, net	<u>\$ 54,330,297</u>	<u>\$ 4,050,800</u>	<u>\$ -</u>	<u>\$ 58,381,097</u>

Depreciation expense has been allocated to the following functions:

General support	\$ 500,668
Instruction	2,191,578
Pupil transportation	151,152
	<u>\$ 2,843,398</u>

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

B) Intangible Lease Assets

The following schedule summarizes the District's intangible lease asset activity for the fiscal year ended June 30, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Intangible lease assets				
Furniture & equipment	\$ 237,348	\$ 80,187	\$ -	\$ 317,535
Total intangible lease assets being amortized	<u>237,348</u>	<u>80,187</u>	<u>-</u>	<u>317,535</u>
Less accumulated amortization:				
Furniture & equipment	115,596	71,418	-	187,014
Total accumulated amortization	<u>115,596</u>	<u>71,418</u>	<u>-</u>	<u>187,014</u>
Total intangible lease assets, net	<u>\$ 121,752</u>	<u>\$ 8,769</u>	<u>\$ -</u>	<u>\$ 130,521</u>

Amortization expense of \$71,418 was charged to the governmental functions as instruction.

NOTE 10 - COLLECTIONS IN ADVANCE:

Collections in advance as of June 30, 2022 consisted of:

General fund	
Summer program	\$ 46,482
Rent	11,958
Group insurance	94,518
Total general fund	<u>152,958</u>
Special aid fund	
Unearned revenues from local and federal grants	<u>6,118</u>
School lunch fund	
Prepaid meals	92,161
Supply chain assistance	84,716
Total school lunch fund	<u>176,877</u>
Total collections in advance	<u>\$ 335,953</u>

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 11 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$ 1,106,719	\$ 90,263	\$ 336,348	\$ 1,305,510
Special aid fund	10,602	1,076,514	367,460	
School lunch fund		21,247	190,050	
Miscellaneous special revenue fund	90,263	10,602		
Debt service fund				327,159
Capital projects fund		8,958	748,000	9,189
Totals	<u>\$ 1,207,584</u>	<u>\$ 1,207,584</u>	<u>\$ 1,641,858</u>	<u>\$ 1,641,858</u>

The District transferred from the general fund to the special aid fund to fund the District's share of summer program for students with disabilities and the state supported Section 4201 schools. The District transferred from the general fund to the school lunch fund to assist in subsidizing the school lunch program and eliminate negative student account balances. The District also transferred from the general fund to the capital projects fund to finance capital construction projects. The District transferred from the debt service fund to the general fund to offset debt service expenditures. The District transferred from the capital projects fund to the general fund for unneeded authorizations on completed capital projects.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

NOTE 12 - SHORT-TERM DEBT:

Transactions in short-term debt for the year are summarized below:

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	6/17/2022	1.00%	\$ -	\$ 7,000,000	\$ (7,000,000)	\$ -
			<u>\$ -</u>	<u>\$ 7,000,000</u>	<u>\$ (7,000,000)</u>	<u>\$ -</u>

The tax anticipation note (TAN) was issued on September 23, 2021 for interim financing of the general fund. Total interest due at maturity was \$70,000 offset by a premium of \$41,860 which resulted in a net interest cost of \$28,140 to the District. Interest paid on TANs in the current year was \$51,333.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 13 – LONG-TERM LIABILITIES:

Long-term liability balances and activity for the year are summarized below:

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Bonds payable:					
Bonds payable	\$ 20,935,000		\$ (2,960,000)	\$ 17,975,000	\$ 1,550,000
Add: Bond premium	2,263,810		(160,744)	2,103,066	160,744
	23,198,810	-	(3,120,744)	20,078,066	1,710,744
Other liabilities:					
Lease liability*	117,940	80,187	(72,000)	126,127	67,203
Energy performance contract debt payable	670,359		(328,399)	341,960	341,960
Compensated absences payable	7,905,423	34,229		7,939,652	126,139
Claims payable	1,384,399	500,143	(602,716)	1,281,826	
Total other post-employment benefits liability	273,349,503	16,346,337	(76,188,022)	213,507,818	
Net pension liability - proportionate share					
Employees' retirement system	33,239		(33,239)	-	
Teachers' retirement system	8,775,970		(8,775,970)	-	
Total long-term liabilities	\$ 315,435,643	\$ 16,960,896	\$ (89,121,090)	\$ 243,275,449	\$ 2,246,046

*Beginning balance as restated. See Note 20 for further details.

The general fund has typically been used to liquidate long-term liabilities such as serial bonds, lease liability, energy performance contract debt payable, compensated absences payable, claims payable, other post-employment benefits and net pension liabilities.

A) Bonds payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2022
Construction serial bond	5/13/2014	5/1/2024	1.25% - 2.25%	\$ 1,315,000
Construction serial bond	8/6/2020	8/1/2035	2.00% - 5.00%	16,660,000
Total serial bonds payable				\$ 17,975,000

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2023	\$ 1,550,000	\$ 585,638	\$ 2,135,638
2024	1,610,000	524,887	2,134,887
2025	990,000	461,550	1,451,550
2026	1,045,000	410,675	1,455,675
2027	1,095,000	357,175	1,452,175
2028-2032	6,215,000	1,000,300	7,215,300
2033-2036	5,470,000	221,400	5,691,400
Total	<u>\$ 17,975,000</u>	<u>\$ 3,561,625</u>	<u>\$ 21,536,625</u>

Upon default of the payment of principal or interest on the serial bonds, the bond holders have the right to litigate and the New York State Comptroller is required, under the conditions and to the extent prescribed by Section 99-b of the New York State Finance Law, to withhold state aid and assistance and apply the amount withheld to the payment of the defaulted principal or interest.

B) Lease Liability

In 2022, the District adopted and implemented the provisions of GASB Statement No. 87, *Leases*. As such, the District recognized a lease liability obligation and an intangible lease asset for agreements whereby the District obtains the right to the present service capacity of an underlying asset and the right to determine the nature and manner of an underlying asset's use for a period of one year or greater. The District has entered into such lease agreements for various copiers and other equipment items with interest rates ranging from 1.00% to 2.81%.

Principal and interest expense paid on the District's lease liability amounted to \$72,000 and \$3,025, respectively, for the fiscal year ended June 30, 2022.

The following is a summary of the principal and interest requirements to maturity for the District's leases:

Fiscal Year Ended June 30,	Principal	Interest	Total
2023	\$ 67,203	\$ 1,811	\$ 69,014
2024	41,633	594	42,227
2025	7,638	141	7,779
2026	7,047	70	7,117
2027	2,606	9	2,615
	<u>\$ 126,127</u>	<u>\$ 2,625</u>	<u>\$ 128,752</u>

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

C) Energy performance contract debt payable

Energy performance contract debt payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2022
Energy performance contract debt payable	9/6/2007	8/15/2023	4.08%	<u>\$ 341,960</u>

The following is a summary of debt service requirements for energy performance contract debt payable:

Fiscal Year Ended June 30,	Principal	Interest	Total
2023	\$ 341,960	\$ 10,520	\$ 352,480
Total	<u>\$ 341,960</u>	<u>\$ 10,520</u>	<u>\$ 352,480</u>

D) Long-term interest

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

	Total
Interest paid	\$ 986,057
Less interest accrued in the prior year	(560,405)
Plus interest accrued in the current year	251,236
Less amortization of bond premium	(160,744)
Total expense	<u>\$ 516,144</u>

NOTE 14 – PENSION PLANS:

Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. 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 TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Drive, Albany NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystsr.org.

Employees' Retirement System

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

A) Funding Policies:

The Systems are noncontributory, except as follows:

1. New York State Teachers' Retirement System:
 - a. Employees who joined the system after July 27, 1976
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
 - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
 - i. Employees contribute 3.5% of their salary throughout active membership.
 - c. Employees who joined the system on or after April 1, 2012
 - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.
2. New York State Employees' Retirement System
 - a. Employees who joined the system after July 27, 1976
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
 - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
 - i. Employees contribute 3% of their salary throughout active membership.
 - c. Employees who joined the system on or after April 1, 2012
 - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

For ERS, the Comptroller annually certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

employers to the pension accumulation fund, for the ERS' fiscal year ended March 31st. The District's contribution rates for ERS' fiscal year ended March 31, 2022 for covered payroll was 13% for Tiers 3 & 4, 11.1% for Tier 5, and 8.2% for Tier 6.

Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS. The District's contribution rate for the TRS' fiscal year ended June 30, 2021 was 9.80% of covered payroll.

The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years based on covered payroll for the District's year end were:

	NYSERS	NYSTRS
2022	\$ 1,682,001	\$ 5,609,214
2021	\$ 1,701,898	\$ 5,412,359
2020	\$ 1,645,429	\$ 4,776,045

B) Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions:

At June 30, 2022, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2022 for ERS and June 30, 2021 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Measurement date	March 31, 2022	June 30, 2021
Net pension asset/(liability)	\$ 2,767,982	\$ 57,983,487
District's portion of the Plan's total net pension asset/(liability)	0.0338610%	0.3346030%
Change in proportion since prior measurement date	-0.02837332%	0.3012216%

For the fiscal year ended June 30, 2022, the District recognized pension expense (credit) of \$293,673 for ERS and pension expense of \$3,379,155 for TRS. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 209,623	\$ 7,992,409	\$ 271,893	\$ 301,249
Changes of assumptions	4,619,451	19,071,981	77,948	3,377,367
Net difference between projected and actual earnings on pension plan investments			9,063,980	60,685,718
Changes in proportion and differences between the District's contributions and proportionate share of contributions	608,826	302,175	152,881	698,899
District's contributions subsequent to the measurement date	357,527	5,609,214		
	<u>\$ 5,795,427</u>	<u>\$ 32,975,779</u>	<u>\$ 9,566,702</u>	<u>\$ 65,063,233</u>

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

	ERS	TRS
Plan year ended:		
2022	\$ -	\$ 7,539,948
2023	543,910	8,808,848
2024	893,531	11,134,180
2025	2,258,270	14,710,452
2026	433,091	(2,638,920)
Thereafter	-	(1,857,840)
	<u>\$ 4,128,802</u>	<u>\$ 37,696,668</u>

Actuarial Assumptions

The total pension asset/(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 asset/(liability) to the measurement date. The actuarial valuations used the following actuarial assumptions:

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2022	June 30, 2021
Actuarial valuation date	April 1, 2021	June 30, 2020
Interest rate	5.9%	6.95%
Salary scale	4.40%	5.18% - 1.95%
Cost of living adjustments	1.4% annually	1.3%, annually
Decrement tables	April 1, 2015 - March 31, 2020	July 1, 2015 - June 30, 2020
	System's Experience	System's Experience
Inflation rate	2.70%	2.40%

For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2020, applied on a generational basis. Active member mortality rates are based on plan member experience.

For ERS, the actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020.

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 expense 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.

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 Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of the valuation date are summarized below:

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

<u>Measurement Date</u>	<u>ERS</u>		<u>TRS</u>	
	<u>March 31, 2022</u>		<u>June 30, 2021</u>	
<u>Asset type</u>	<u>Target</u>	<u>Long-term</u>	<u>Target</u>	<u>Long-term</u>
	<u>Allocation</u>	<u>expected real</u>	<u>Allocation</u>	<u>expected real</u>
		<u>rate of return</u>		<u>rate of return</u>
Domestic equity	32%	3.30%	33%	6.8%
International equity	15%	5.85%	16%	7.6%
Global equity			4%	7.1%
Private equity	10%	6.50%	8%	10.0%
Real estate	9%	5.00%	11%	6.5%
Opportunistic portfolio	3%	4.10%		
Real assets	3%	5.58%		
Credit	4%	3.78%		
Cash	1%	-1.00%		
Fixed income	23%	0.00%	16%	1.3%
Global bonds			2%	0.8%
High-yield bonds			1%	3.8%
Private debt			1%	5.9%
Real estate debt			7%	3.3%
Cash equivalents			1%	-0.2%
	<u>100%</u>		<u>100%</u>	

The expected real rate of return is net of the long-term inflation assumptions of 2.5% for ERS, and 2.4% for TRS.

Discount Rate

The discount rate used to calculate the total pension asset/(liability) was 5.90% for ERS and 6.95% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the 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 asset/(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 5.90% for ERS and 6.95% for TRS, 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 (4.90% for ERS and 5.95% for TRS) or 1-percentage point higher (6.90% for ERS and 7.95% for TRS) than the current rate:

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
ERS			
Employer's proportionate share of the net pension asset/(liability)	<u>\$ (7,124,755)</u>	<u>\$ 2,767,982</u>	<u>\$ 11,042,778</u>
	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
TRS			
Employer's proportionate share of the net pension asset/(liability)	<u>\$ 6,084,521</u>	<u>\$ 57,983,487</u>	<u>\$ 101,600,801</u>

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	ERS	TRS
Measurement date	March 31, 2022	June 30, 2021
Employers' total pension asset/(liability)	\$ 223,874,888	\$ 130,819,415
Plan Net Position	(232,049,473)	(148,148,457)
Employers' net pension asset/(liability)	<u>\$ (8,174,585)</u>	<u>\$ (17,329,042)</u>

Ratio of plan net position to the Employers' total pension asset/(liability)	103.65%	113.25%
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Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2022, represent the projected employer contribution for the period of March 31, 2021, through June 30, 2022 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2022, amounted to \$357,527.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2022, are paid to the System in September, October, and November 2021 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2022, represent employee and employer contributions for the fiscal year ended June 30, 2022, based on paid TRS wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2022, amounted to \$6,188,707.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 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 termination payments based on collectively bargained agreements. Contributions expensed by the District and withheld by the employees for the fiscal year ended June 30, 2022, totaled \$159,206 and \$3,705,943 respectively.

B) Deferred Compensation Plan:

The District has established a deferred compensation plan in accordance with Internal Revenue Code section 457 for all employees. The District makes no contributions into this plan. The amount deferred by eligible employees for the fiscal year ended June 30, 2022 totaled \$106,538.

NOTE 16 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

A) General Information about the OPEB Plan:

Plan Description

The District's OPEB Plan (the "OPEB Plan"), defined as a single employer defined benefit plan, primarily provides post-employment health insurance coverage to retired employees and their eligible dependents in accordance with the provisions of various employment contracts. Benefits are provided through the New York State Health Insurance Program (NYSHIP), Empire Plan. Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The Plan provides medical and Medicare Part B benefits for retired employees and their eligible dependents. Benefit terms provide for the District to contribute between 50% and 90% of health premiums for retirees and between 0% and 75% of the excess cost of family coverage over individual coverage depending on the coverage selected, date of retirement, and bargaining unit. Upon death of a retiree, the District will only continue the Medicare Part B reimbursement for the surviving spouse or surviving dependent. The District recognizes the cost of the Plan annually as expenditures in the fund financial statements as payments are accrued. For fiscal year 2022, the District contributed an estimated \$5,297,909 to the Plan, including \$5,297,909 for current premiums and \$0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund OPEB by any other means than the "pay as you go" method.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Employees Covered by Benefit Terms

At the valuation date of July 1, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	474
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	584
	<u>1,058</u>

B) Total OPEB Liability:

The District's total OPEB liability of \$213,507,818 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2021, with update procedures used to roll forward the OPEB liability to the measurement date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.50%
Discount rate	3.70%
Healthcare cost trend rates:	
Pre-65 Medical/retiree contributions	6.25% decreasing each year to an ultimate rate of 4.50% for 2027, and later years
Post-65 Medical	7.00% decreasing each year to an ultimate rate of 4.50% for 2027, and later years

The discount rate was based on the 20-year Municipal GO AA Bond Rate Index, as of June 30, 2022, per *Fidelity Investments*.

Mortality rates were based on the SOA RP-2014 Total Dataset. Mortality improvements are projected to the valuation date with SOA Scale MP-2014.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

C) Changes in the Total OPEB Liability:

Balance at June 30, 2021	<u>\$ 273,349,503</u>
Changes for the fiscal year:	
Service cost	11,203,027
Interest	5,143,310
Changes of benefit terms	-
Differences between expected and actual experience	(6,158,459)
Changes in assumptions or other inputs	(64,731,654)
Benefit payments	<u>(5,297,909)</u>
Net changes	<u>(59,841,685)</u>
Balance at June 30, 2022	<u><u>\$ 213,507,818</u></u>

Changes in assumptions or other inputs include changing the discount rate from 1.90% to 3.70% based on the 20-year Municipal GO AA Bond Index as of June 30, 2022, per *Fidelity Investments*.

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 (2.70%) or 1-percentage point higher (4.70%) than the current discount rate:

	1% Decrease (2.70%)	Discount Rate (3.70%)	1% Increase (4.70%)
Total OPEB liability	<u>\$ 253,569,941</u>	<u>\$ 213,507,818</u>	<u>\$ 182,087,806</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 or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	<u>\$ 176,479,185</u>	<u>\$ 213,507,818</u>	<u>\$ 262,626,763</u>

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

D) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the fiscal year ended June 30, 2022, the District recognized OPEB expense of \$14,548,208. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ 2,296,681
Changes of assumptions or other inputs	1,363,957	29,248,580
	<u>\$ 1,363,957</u>	<u>\$ 31,545,261</u>

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

Fiscal Year ended June 30:

2023	\$ (1,798,129)
2024	(1,798,127)
2025	(4,899,416)
2026	(4,899,415)
2027	(6,659,064)
Thereafter	(10,127,153)
	<u>\$ (30,181,304)</u>

NOTE 17 - TAX ABATEMENTS:

The District received Payment in Lieu of Tax (PILOT) payments from the County related to the Long Island Power Authority. These PILOTs are not considered tax abatements as the purpose of this agreement was not to abate taxes.

NOTE 18 – RISK MANAGEMENT:

A) General:

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

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for incurred claims and incurred by not recorded (IBNR) based on a liability evaluation performed March 31, 2021. As of March 31, 2021, the District has recorded a workers' compensation claims payable for \$1,281,826 (undiscounted). This represents the District's liability for unpaid reported claims and claims which were incurred but not reported prior to the evaluation date. The District has a workers' compensation reserve balance of \$1,023,944. Claims activity for the current and preceding year is summarized below.

	<u>2022</u>	<u>2021</u>
Unpaid claims, beginning of year	\$ 1,384,399	\$ 1,384,399
Incurred claims and claim adjustment expenses	500,143	412,360
Claim payments	<u>(602,716)</u>	<u>(412,360)</u>
Unpaid claims, end of year	<u>\$ 1,281,826</u>	<u>\$ 1,384,399</u>

The District established a self-funded dental benefit program for its employees. The benefit programs administrator, J.J Stanis and Company, Inc., is responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. In addition, the District is responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30, 2022. The program is accounted for in the general fund of the District. Dental activity for the current is summarized below.

	<u>2022</u>
Dental program, beginning of year	\$ 630,249
Premiums collected	557,231
Dental claims paid during the year	<u>(592,166)</u>
Dental program, end of year	<u>\$ 595,314</u>

C) Public Entity Risk Pool:

The District participates in New York Schools Insurance Reciprocal, a non-risk-retained public entity risk pool for its District 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 and the District has essentially transferred all related risk to the pool.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 19– COMMITMENTS AND CONTINGENCIES:

A) Encumbrances:

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

Assigned: Unappropriated Fund Balance

General Fund

General Support	\$ 703,650
Instruction	293,910
Pupil Transportation	20,543
	<u>\$ 1,018,103</u>

Restricted and assigned:

Federal Fund	<u>\$ 399,160</u>
School Lunch Fund	<u>\$ 3,197</u>
Capital Projects Fund	<u>\$ 1,608,293</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, will be immaterial.

C) Litigation:

In common with other school districts, the District from time to time receives notices of claim and is party to litigation. In the opinion of the School District Attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the District has not asserted a substantial and adequate defense, nor which, if determined against the District, would have an adverse material effect on the financial condition of the District, in view of the District's ability to fund the same through use of appropriate funding mechanisms provided by the Local Finance Law.

Child Victim's Act Claims – At this time, the School District has been served with twenty-eight (28) separate lawsuits under the Child Victim's Act. In each lawsuit, the plaintiff alleges instances of sexual assault by former District employees. The District denies all allegations and liability in each lawsuit. The District is in the process of determining whether there is insurance coverage from its prior carrier for each claim. Should the plaintiffs be successful in their actions against the District, any liability in excess of any insurance coverage that may be

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

available will be a District charge and would be funded either through budgetary appropriations or through the issuance of bonds.

NOTE 20 – RESTATEMENT OF NET POSITION/FUND BALANCE

During the year ended June 30, 2022, the District implemented GASB Statement No. 87, *Leases*. The adoption and implementation of this Statement resulted in the restatement of opening balances of lease receivable, intangible lease assets, long-term liabilities, deferred inflows of resources, net investment in capital assets, and unrestricted deficit and total net position (deficit). These changes have been restated as follows:

	<u>General Fund</u>	<u>Statement of Net Position</u>
Fund Balance/Net Position		
Beginning of Year, as Reported	\$ 23,461,325	\$ (166,932,489)
Lease receivable	98,004	98,004
Intangible lease assets	-	121,752
Lease liability	-	117,940
Deferred inflows of resources - leases	86,756	86,756
Net investment in capital assets	-	3,812
Unrestricted (deficit)	11,248	11,248
Fund Balance/Net Position		
Beginning of Year, as Restated	\$ 23,472,573	\$ (166,917,429)

NOTE 21– SUBSEQUENT EVENTS:

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management evaluated the activity of the District through the date of this report and concluded the following subsequent events have occurred that would require disclosure in the notes to financial statements:

- A) On September 22, 2022, the District issued a tax anticipation note for \$6,500,000 maturing on June 16, 2023 for the interim financing of the general fund operations. This note includes a total premium of \$61,650.

SUPPLEMENTARY INFORMATION

**HERRICKS UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local Sources				
Real property taxes	\$ 102,367,819	\$ 96,884,938	\$ 96,884,938	\$ -
Other tax items	2,312,226	7,795,107	7,687,213	(107,894)
Charges for services	1,307,127	1,307,127	1,485,567	178,440
Use of money & property	587,960	587,960	723,399	135,439
Sale of property & compensation for loss	2,000	2,000	36,984	34,984
Miscellaneous	204,266	204,266	406,571	202,305
Interfund revenues	2,000	2,000	1,879	(121)
State sources				
Basic formula	6,347,376	6,347,376	6,799,238	451,862
Excess cost aid	3,371,728	3,371,728	2,996,794	(374,934)
BOCES aid	1,639,876	1,639,876	1,636,320	(3,556)
Lottery aid	2,694,045	2,694,045	2,656,833	(37,212)
Textbook aid	244,825	244,825	245,641	816
Computer software aid	67,408	67,408	66,347	(1,061)
Library A/V loan program aid	27,493	27,493	27,681	188
Tuition	-	-	73,197	73,197
Other	-	-	(224,608)	(224,608)
Computer hardware	39,335	39,335	39,336	1
Federal sources				
Medicaid reimbursement	175,000	175,000	133,098	(41,902)
TOTAL REVENUES	<u>121,390,484</u>	<u>121,390,484</u>	<u>121,676,428</u>	<u>285,944</u>
Other financing sources				
Tan premium	-	-	41,860	41,860
Transfers from other funds	327,159	327,159	336,348	9,189
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>121,717,643</u>	<u>121,717,643</u>	<u>\$ 122,054,636</u>	<u>\$ 336,993</u>
Appropriated fund balance	1,150,000	1,150,000		
Appropriated reserves	1,631,401	1,777,608		
TOTAL REVENUES, OTHER FINANCING SOURCES, APPROPRIATED FUND BALANCE, AND RESERVES	<u>\$ 124,499,044</u>	<u>\$ 124,645,251</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.

HERRICKS UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 114,778	\$ 103,644	\$ 78,099	\$ 740	\$ 24,805
Central administration	409,944	406,866	403,094	3,030	742
Finance	1,227,705	1,152,868	1,134,353		18,515
Staff	683,075	738,989	729,956	818	8,215
Central services	12,210,924	12,436,402	11,494,151	699,062	243,189
Special items	1,216,071	1,224,357	1,218,762		5,595
Total General Support	15,862,497	16,063,126	15,058,415	703,650	301,061
Instructional					
Instruction, adm. & imp.	5,672,772	5,697,037	5,579,871	5,542	111,624
Teaching - regular school	36,408,919	36,919,284	36,653,439	15,241	250,604
Programs for children with handicapping conditions	18,765,473	17,992,336	17,716,337	152,464	123,535
Occupational education	856,337	745,927	742,893	1,783	1,251
Teaching special schools	9,000	6,409	4,469		1,940
Instructional media	3,556,063	3,441,145	3,378,820	22,987	39,338
Pupil services	5,964,845	5,778,910	5,523,246	95,893	159,771
Total Instructional	71,233,409	70,581,048	69,599,075	293,910	688,063
Pupil transportation	4,086,205	4,297,287	4,178,252	20,543	98,492
Community services	161,047	47,827	38,135	-	9,692
Employee benefits	27,462,410	27,887,412	27,793,354	-	94,058
Debt service					
Debt service principal	3,288,400	3,360,400	3,360,399	-	1
Debt service interest	1,038,034	1,041,059	1,037,390	-	3,669
Total Debt service	4,326,434	4,401,459	4,397,789	-	3,670
TOTAL EXPENDITURES	123,132,002	123,278,159	121,065,020	1,018,103	1,195,036
Other financing uses					
Transfers to other funds	1,367,042	1,367,092	1,305,510	-	61,582
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 124,499,044	\$ 124,645,251	122,370,530	\$ 1,018,103	\$ 1,256,618
NET CHANGE IN FUND BALANCE			(315,894)		
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED (SEE NOTE 20)			23,472,573		
FUND BALANCE - END OF YEAR			\$ 23,156,679		

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.

**HERRICKS UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30,**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 11,203,027	\$ 9,521,622	\$ 7,319,940	\$ 7,575,008	\$ 7,214,293
Interest	5,143,310	5,675,896	6,700,027	6,777,167	6,532,601
Changes of benefit terms	-	-	(705,913)	-	-
Differences between expected and actual experience	(6,158,459)	-	5,218,495	-	-
Changes of assumptions or other inputs	(64,731,654)	24,276,660	7,099,056	18,607,724	-
Benefit payments	(5,297,909)	(5,240,707)	(5,290,924)	(4,878,401)	(4,514,188)
Net change in total OPEB liability	(59,841,685)	34,233,471	20,340,681	28,081,498	9,232,706
Total OPEB liability - beginning	<u>273,349,503</u>	<u>239,116,032</u>	<u>218,775,351</u>	<u>190,693,853</u>	<u>181,461,147</u>
Total OPEB liability - ending	<u>213,507,818</u>	<u>273,349,503</u>	<u>\$ 239,116,032</u>	<u>\$ 218,775,351</u>	<u>\$ 190,693,853</u>
 Covered-employee payroll	 \$ 61,588,171	 \$ 61,512,392	 \$ 61,512,392	 \$ 59,484,884	 \$ 58,367,948
 Total OPEB liability as a percentage of covered-employee payroll	 346.67%	 444.38%	 388.73%	 367.78%	 326.71%

Notes to Schedule:*Trust Assets*

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

Changes of Assumptions and Other Inputs

The discount rate was 3.7% as of June 30, 2022 (based on 20-year Municipal GO AA Bond Index, as of 06/30/22, per *Fidelity Investments*).

The discount rate was 1.9% as of June 30, 2021.

The discount rate was 2.4% as of June 30, 2020.

The discount rate was 3.1% as of June 30, 2019.

The discount rate was 3.6% as of June 30, 2018.

Assumption changes in 2022 include changes in retirement rates, termination rates as well as medical trend rates.

**HERRICKS UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/(LIABILITY)
FOR THE FISCAL YEARS ENDED JUNE 30,***

NYSERS Pension Plan

	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset/(liability)	0.0338608%	0.0333814%	0.0340980%	0.0370693%	0.0398827%	0.0426428%	0.0407754%	0.0409275%	0.0409275%
District's proportionate share of the net pension asset/(liability)	\$ 2,767,982	\$ (33,239)	\$ (9,029,352)	\$ (2,626,475)	\$ (1,287,193)	\$ (4,006,812)	\$ (6,544,568)	\$ (1,382,632)	\$ (1,849,457)
District's covered payroll	\$ 11,736,748	\$ 11,715,927	\$ 11,724,101	\$ 12,048,290	\$ 11,992,583	\$ 12,085,283	\$ 12,202,642	\$ 11,626,399	\$ 11,344,585
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	23.58%	0.28%	77.02%	21.80%	10.73%	33.15%	53.63%	11.89%	16.30%
Plan fiduciary net position as a percentage of the total pension asset/(liability)	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%

NYSTRS Pension Plan

	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset/(liability)	0.3346030%	0.317594%	0.314855%	0.316419%	0.319883%	0.324092%	0.318610%	0.323346%	0.319041%
District's proportionate share of the net pension asset/(liability)	\$ 57,983,487	\$ (8,775,970)	\$ 8,179,955	\$ 5,721,685	\$ 2,431,427	\$ (3,471,156)	\$ 33,093,415	\$ 36,018,752	\$ 2,100,099
District's covered payroll	\$ 56,792,852	\$ 53,905,697	\$ 52,810,804	\$ 51,898,141	\$ 51,227,336	\$ 50,622,659	\$ 48,489,107	\$ 48,424,353	\$ 47,376,050
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	102.10%	16.28%	15.49%	11.02%	4.75%	6.86%	68.25%	74.38%	4.43%
Plan fiduciary net position as a percentage of the total pension asset/(liability)	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

* The amounts presented for each fiscal year were determined as of the measurement dates for each plan.

**HERRICKS UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE FISCAL YEARS ENDED JUNE 30,**

NYSERS Pension Plan										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 1,682,001	\$ 1,701,898	\$ 1,645,429	\$ 1,735,864	\$ 1,766,134	\$ 1,783,149	\$ 1,946,294	\$ 2,142,100	\$ 2,184,693	\$ 2,004,779
Contributions in relation to the contractually required contribution	<u>1,682,001</u>	<u>1,701,898</u>	<u>1,645,429</u>	<u>1,735,864</u>	<u>1,766,134</u>	<u>1,783,149</u>	<u>1,946,294</u>	<u>2,142,100</u>	<u>2,184,693</u>	<u>2,004,779</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	\$ 14,963,578	\$ 11,791,614	\$ 11,687,326	\$ 11,933,990	\$ 11,997,056	\$ 12,084,756	\$ 12,313,760	\$ 11,585,448	\$ 11,340,996	\$ 11,155,398
Contributions as a percentage of covered payroll	11.24%	14.43%	14.08%	14.55%	14.72%	14.76%	15.81%	18.49%	19.26%	17.97%
NYSTRS Pension Plan										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 5,609,214	\$ 5,412,359	\$ 4,776,045	\$ 5,581,280	\$ 5,051,024	\$ 5,940,971	\$ 6,631,403	\$ 8,388,786	\$ 5,868,700	\$ 5,466,819
Contributions in relation to the contractually required contribution	<u>5,609,214</u>	<u>5,412,359</u>	<u>4,776,045</u>	<u>5,581,280</u>	<u>5,051,024</u>	<u>5,940,971</u>	<u>6,631,403</u>	<u>8,388,786</u>	<u>5,868,700</u>	<u>5,466,819</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	\$ 57,676,205	\$ 56,792,852	\$ 53,905,697	\$ 52,810,804	\$ 51,898,141	\$ 51,227,336	\$ 50,622,659	\$ 48,489,107	\$ 48,424,353	\$ 47,376,050
Contributions as a percentage of covered payroll	9.73%	9.53%	8.86%	10.57%	9.73%	11.60%	13.10%	17.30%	12.12%	11.54%

**HERRICKS UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 122,867,643
Add: Prior year's encumbrances	<u>1,631,401</u>
Original Budget	124,499,044
Budget revisions:	
Appropriated use of employee benefit accrued liability reserve	<u>146,207</u>
Final Budget	<u>\$ 124,645,251</u>

SECTION 1318 OF REAL PROPERTY TAX LIMIT CALCULATION

Next year's voter approved budget	<u>\$ 125,315,481</u>
Maximum allowed (4% of 2022-2023 budget)	<u>\$ 5,012,619</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 2,168,103
Unassigned fund balance	<u>5,012,617</u>
Total unrestricted fund balance	7,180,720
Less:	
Appropriated fund balance	\$ 1,150,000
Encumbrances included in assigned fund balance	<u>1,018,103</u>
Total adjustments	<u>2,168,103</u>
General Fund - Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 5,012,617</u>
Actual percentage	4.00%

HERICKS UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
JUNE 30, 2022

Project #	Current Appropriation	Prior Year's	Expenditures and Obligations to Date	Unexpended Balance	Proceeds of Obligations	State Aid	Capital Reserve	Local Sources	Interfund Transfers	Total	Fund Balance June 30, 2022
Bond 2016 (approved December 6, 2016):											
0834	\$ 5,994,458	\$ 5,869,774	\$ 31,920	\$ 5,901,694	\$ 92,764	\$ -	\$ -	\$ -	\$ -	\$ 5,901,694	\$ -
HS California	1,664,369	1,554,543	2,808	1,557,351	107,018	-	-	-	-	1,557,351	-
HS Synthetic Turf Field	177,349	172,588	1,368	173,956	3,393	-	-	-	-	173,956	-
HS Sports Storage	1701	66,157	-	66,157	66,157	-	-	-	-	66,157	-
HS Press Box	1801	1,421,630	19,692	1,309,016	1,309,016	-	-	-	-	1,309,016	-
HS Confort Station	0223	112,500	(45)	-	112,500	-	-	-	-	-	-
Center St Plumbing (PHIL)	0525	50,000	-	-	50,000	-	-	-	-	-	-
Scaringtown Plumbing (PHIL)	1125	75,000	-	-	75,000	-	-	-	-	-	-
MS Plumbing	0838	40,000	-	-	40,000	-	-	-	-	-	-
HS Windows	0110	84,500	2,165	-	82,335	-	-	-	-	84,500	82,335
Center St Window (PHIL)	0222	241,000	151,179	-	155,057	-	-	-	-	155,057	-
Deaton Ave Window (PHIL)	0321	250,000	148,735	-	152,558	-	-	-	-	152,557	(1)
Scaringtown Window (PHIL)	0524	295,000	153,933	-	157,756	-	-	-	-	157,755	(1)
Community Center Exterior Doors	0707	50,000	1,401	-	1,209	-	-	-	-	1,209	-
MS Exterior Doors	1124	90,000	2,425	-	(2,425)	-	-	-	-	-	-
HS Window & Exterior Doors	0836	4,722,000	3,646,068	-	4,439,356	-	-	-	-	4,439,355	(1)
Center St Inc Wall Imp (PHIL)	0224	219,266	7,017	-	212,249	-	-	-	-	219,266	212,249
Deaton Ave Inc Wall Imp (PHIL)	0322	207,034	7,058	-	199,976	-	-	-	-	207,034	199,976
Scaringtown Inc Wall Imp (PHIL)	0526	180,498	5,530	-	24,533	-	-	-	-	180,498	24,533
HS Inc Wall Imp	0839	97,652	2,116	-	95,536	-	-	-	-	97,652	95,536
SRA Ventilation and Electric Improvements	0109	44,948	35,671	-	9,277	-	-	-	-	35,671	-
Center St Ventilation and Electric Improvements	0221	79,606	74,137	-	5,469	-	-	-	-	75,086	(1)
Deaton Ave Ventilation and Electric Improvements	0320	63,310	51,510	-	58,083	-	-	-	-	58,083	-
Scaringtown Ventilation and Electric Improvements	0523	146,045	139,098	-	6,947	-	-	-	-	139,098	-
HS Ventilation and Electric Improvements	0835	540,150	474,727	-	65,423	-	-	-	-	474,727	-
MS Ventilation and Electric Improvements	1123	7,613	1,024	-	7,613	-	-	-	-	-	-
HS Fitness Center	0840	3,665,800	1,431,334	-	331,096	-	-	-	-	3,665,800	331,096
Localized Masonry											
SRA											
Center St	0226	204,044	9,558	-	194,486	-	-	-	-	-	(9,558)
Deaton Ave	0324	277,248	8,509	-	269,239	-	-	-	-	-	(8,509)
Scaringtown	0528	328,953	7,592	-	321,361	-	-	-	-	-	(7,592)
HS Generator (PH V)		545,000	19,278	-	525,722	-	-	-	-	23,476	4,198
Capital Reserve (CR) 2014-15:											
Selective Interior Doors & Hardware											
SRA	0108	33,728	33,290	-	33,406	-	-	-	-	33,728	322
Center St	0220	121,728	98,592	-	23,136	-	-	-	-	121,728	23,136
Deaton Ave	0319	119,340	101,870	-	101,870	-	-	-	-	119,340	17,470
Scaringtown	0522	164,823	108,308	-	109,584	-	-	-	-	164,823	55,239
Community Ctr	0705	134,730	97,631	-	98,462	-	-	-	-	134,730	36,268
HS	0833	241,296	210,287	-	217,906	-	-	-	-	241,296	23,990
MS	1122	206,453	155,542	-	147,620	-	-	-	-	206,453	58,833
Site Improvements											
SRA	0109	176,574	171,945	-	171,945	-	-	-	-	176,574	4,629
Center St	0221	377,592	377,593	-	377,593	-	-	-	-	377,592	(1)
Deaton Ave	0320	388,166	378,259	-	379,712	-	-	-	-	388,166	8,454
Scaringtown	0523	327,486	326,438	-	326,318	-	-	-	-	327,486	1,048
Community Ctr	0706	129,247	-	-	129,247	-	-	-	-	129,247	129,247
CR 14-15 Site Improvements and Masonry Middle School	1126	864,467	43,602	-	569,542	-	-	-	-	864,467	294,925
CR 14-15 Site Improvements and Masonry High School	0841	1,771,052	76,278	-	959,508	-	-	-	-	1,771,052	811,544
CR 2019 HS Auditorium		1,208,145	-	-	1,208,145	-	-	-	-	1,208,145	1,208,145
CR 2014-15 Unallocated		(56,755)	-	-	(56,755)	-	-	-	-	(56,755)	-
Bond 2016 & CR 2014-15 Total	28,154,013	17,469,184	4,373,722	21,842,916	6,311,097	-	-	-	-	25,383,078	3,540,154
Budgetary Appropriation 18/19 Gen Fund											
Budgetary Appropri 19/20 Gen Fund		165,000	162,373	-	165,000	-	-	-	-	165,000	-
Budgetary Appropri 20/21 Gen Fund		165,000	140,620	-	165,000	-	-	-	-	165,000	-
Infrastructure, Site Work, Stenochards		1,054,000	975,224	-	1,054,000	-	-	-	-	1,054,000	-
Budgetary Appropri 21/22 Gen Fund-Bathroom, Locker Room and Classroom Renovations		748,000	748,000	-	748,000	-	-	-	-	748,000	-
GASB 87 - Leases & BOCES		80,187	80,187	-	80,187	-	-	-	-	80,187	-
Budgetary Appropriation Total	2,212,187	1,278,217	933,970	2,212,187	-	-	-	-	-	2,212,187	-
TOTAL	\$ 30,266,200	\$ 18,747,411	\$ 5,307,692	\$ 24,055,103	\$ 6,311,097	\$ -	\$ 6,308,072	\$ 2,212,187	\$ -	\$ 27,595,257	\$ 3,540,154

* The deficit will be eliminated when permanent financing is received.

** The deficit will be eliminated once grant funding is received.

**HERRICKS UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2022**

Capital assets, net		\$ 58,381,097
Intangible lease assets, net		130,521
Deduct:		
Short-term portion of bonds payable, inclusive of premium	\$ 1,710,744	
Long-term portion of bonds payable, inclusive of premium	18,367,322	
Less: unspent bond proceeds	<u>(945,721)</u>	19,132,345
Short-term portion of energy performance contract debt payable		341,960
Short-term portion of lease liability	\$ 67,203	
Long-term portion of lease liability	<u>58,924</u>	<u>126,127</u>
Net investment in capital assets		<u>\$ 38,911,186</u>

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

To the Board of Education
Herricks Union Free School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Herricks Union Free School District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 14, 2022.

Report on Internal Control over Financial Reporting

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, New York
October 14, 2022