

**HERRICKS UNION FREE SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2023**

# HERRICKS UNION FREE SCHOOL DISTRICT

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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, 2023, 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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

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

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

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

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

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of District's proportionate share of the net pension asset/(liability), schedule of District's pension contributions, and schedule of changes in the District's total other post-employment benefits liability and related ratios on pages 1 through 15 and 60 through 64, 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 12, 2023, 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  
Islandia, New York  
October 12, 2023

**HERRICKS UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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, 2023. 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 \$168,199,868 which is an increase in the deficit of \$5,919,074 from the prior year, based on the accrual basis of accounting.
- On the District-Wide Financial Statements, revenues totaled \$133,692,363. This is an increase of \$6,267,403, or 4.92%, over the prior year. Expenses totaled \$139,611,437, which is an increase of \$16,823,112, or 13.70%, from the prior year. Expenses increased primarily due to actuarially determined expenses for pension and other post-employment benefits.
- The general fund’s total fund balance, as reflected in the Fund Financial Statements, increased by \$2,871,459 to \$26,028,138 as of June 30, 2023 based on the modified accrual basis of accounting.
- On May 16, 2023, the proposed 2023-2024 budget in the amount of \$134,719,970 was authorized by the District’s residents. The tax levy associated with this budget was under the NYS property tax cap.

**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:

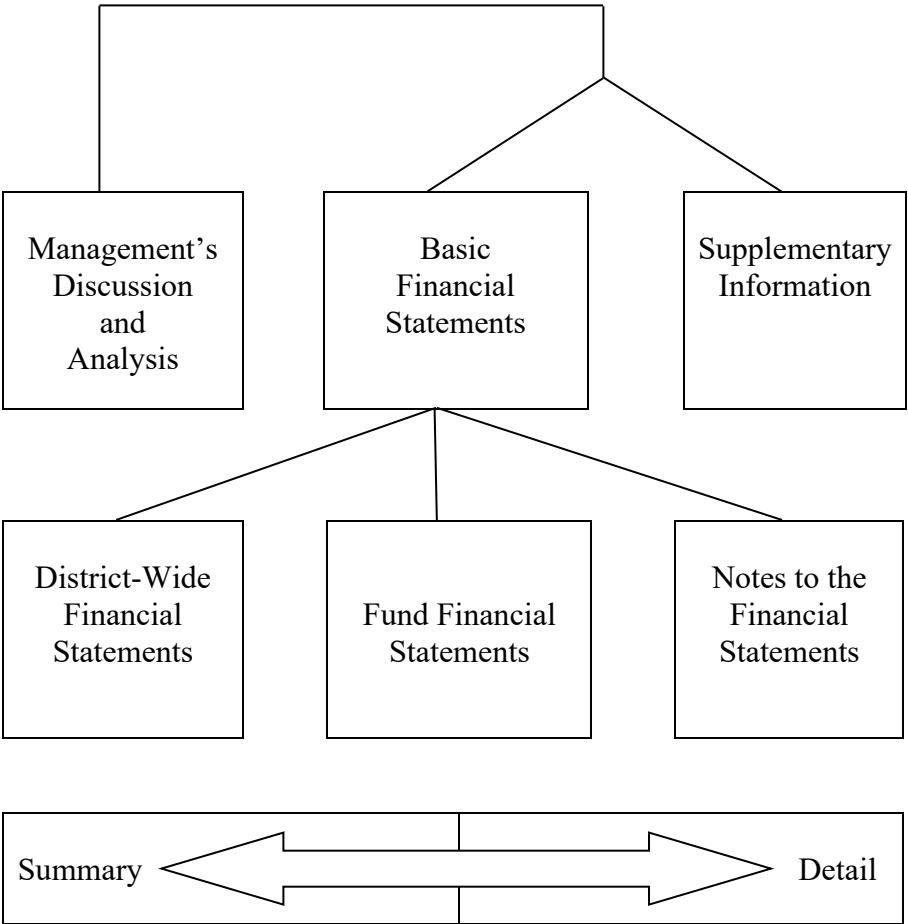
- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations 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

**HERRICKS UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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.

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, 2023**

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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>
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, intangible lease 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, 2023**

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, 2023**

The District has one kind of fund:

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**

The District’s total net deficit increased by \$5,919,074, resulting in a deficit of \$168,199,868 as of June 30, 2023, as detailed in the Table on the following page.

Condensed Statement of Net Position

**HERRICKS UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	2023	2022	Increase (Decrease)	Total Percentage Change
Current assets and other assets	\$ 41,509,138	\$ 39,940,821	\$ 1,568,317	3.93%
Non-current assets	60,733,256	60,351,887	381,369	0.63%
Net pension asset-proportionate share	-	60,751,469	(60,751,469)	100.00%
Total Assets	102,242,394	161,044,177	(58,801,783)	(36.51)%
Deferred outflows of resources	40,636,346	40,135,163	501,183	1.25%
Total Assets and Deferred Outflows of Resources	142,878,740	201,179,340	(58,300,600)	(28.98)%
Other liabilities	13,991,192	12,200,094	1,791,098	14.68%
Long-term liabilities	255,991,791	243,275,449	12,716,342	5.23%
Total liabilities	269,982,983	255,475,543	14,507,440	5.68%
Deferred inflows of resources	41,095,625	107,984,591	(66,888,966)	(61.94)%
Total Liabilities and Deferred Inflows of Resources	311,078,608	363,460,134	(52,381,526)	(14.41)%
Net Position				
Net investment in capital assets	41,212,273	38,911,186	2,301,087	5.91%
Restricted	20,794,108	19,085,052	1,709,056	8.95%
Unrestricted (deficit)	(230,206,249)	(220,277,032)	(9,929,217)	4.51%
Total Net Position (Deficit)	\$ (168,199,868)	\$ (162,280,794)	\$ (5,919,074)	3.65%

Current assets and other assets increased by \$1,568,317, primarily due to increases in cash and cash equivalents and state and federal aid receivable.

Non-current assets increased by \$381,369. This was primarily due to current year additions exceeding current year depreciation and amortization expense, partially offset by a decrease in lease receivable.

Net pension asset – proportionate share for the teachers' retirement system and the employees' retirement system decreased by \$60,751,469 as a result of the actuarial valuations provided by the State. These balances are recorded as long-term liabilities at June 30, 2023 as a result of the actuarial valuations provided by the State.

Deferred outflows of resources increased by \$501,183 and relates to the amortization of pension related items and the District's contribution subsequent to the measurement date, as discussed in Note 14, as well as deferred outflows related to the total other post-employment benefits obligation, as discussed in Note 16.

Other liabilities increased by \$1,791,098. This increase was primarily attributable to increases in accounts payable, due to the teachers' retirement system, due to the employees' retirement system, and other liabilities, partially offset by a decrease in accrued liabilities.

Long-term liabilities increased by \$12,716,342 mostly due to increases in the net pension liability - proportionate share – teachers' retirement system, net pension liability – proportionate share – employees' retirement system, and total other post-employment benefits obligation.

**HERRICKS UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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, building and building improvements, furniture and equipment, vehicles, and land improvements, net of accumulated depreciation, accumulated amortization, and related debt. This number increased from the prior year by \$2,301,087. This is primarily due to current year capital and intangible lease asset additions exceeding current year depreciation expense and amortization expense as well as principal payments on related debt.

The restricted net position refers to the District’s reserves: workers’ compensation, retirement contribution – employee’s retirement system, retirement contribution – teachers’ retirement system, insurance, repair, 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 \$230,206,249 is an increase of \$9,929,217 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, 2023 and 2022 is as follows:

**HERRICKS UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Change in Net Position from Operating Results - Governmental Activities Only

	2023	2022	Increase (Decrease)	Total Percentage Change
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 3,540,369	\$ 1,919,600	\$ 1,620,769	84.43%
Operating grants and contributions	4,816,895	5,401,649	(584,754)	(10.83)%
Capital grants	175,733	-	175,733	N/A
General revenues				
Real property taxes and other tax items	105,261,236	104,406,779	854,457	0.82%
Use of money and property	1,513,945	729,478	784,467	107.54%
State sources	17,522,904	14,316,779	3,206,125	22.39%
Other	861,281	650,675	210,606	32.37%
<b>Total Revenues</b>	<b>133,692,363</b>	<b>127,424,960</b>	<b>6,267,403</b>	<b>4.92%</b>
<b>Expenses</b>				
General support	20,102,403	16,291,606	3,810,797	23.39%
Instruction	112,028,754	99,270,554	12,758,200	12.85%
Pupil transportation	4,926,903	4,872,937	53,966	1.11%
Community service	55,161	52,734	2,427	4.60%
Debt service - interest	604,462	567,477	36,985	6.52%
Food service program	1,893,754	1,733,017	160,737	9.27%
<b>Total Expenses</b>	<b>139,611,437</b>	<b>122,788,325</b>	<b>16,823,112</b>	<b>13.70%</b>
<b>Change in net position</b>	<b>\$ (5,919,074)</b>	<b>\$ 4,636,635</b>	<b>\$ (10,555,709)</b>	<b>(227.66)%</b>

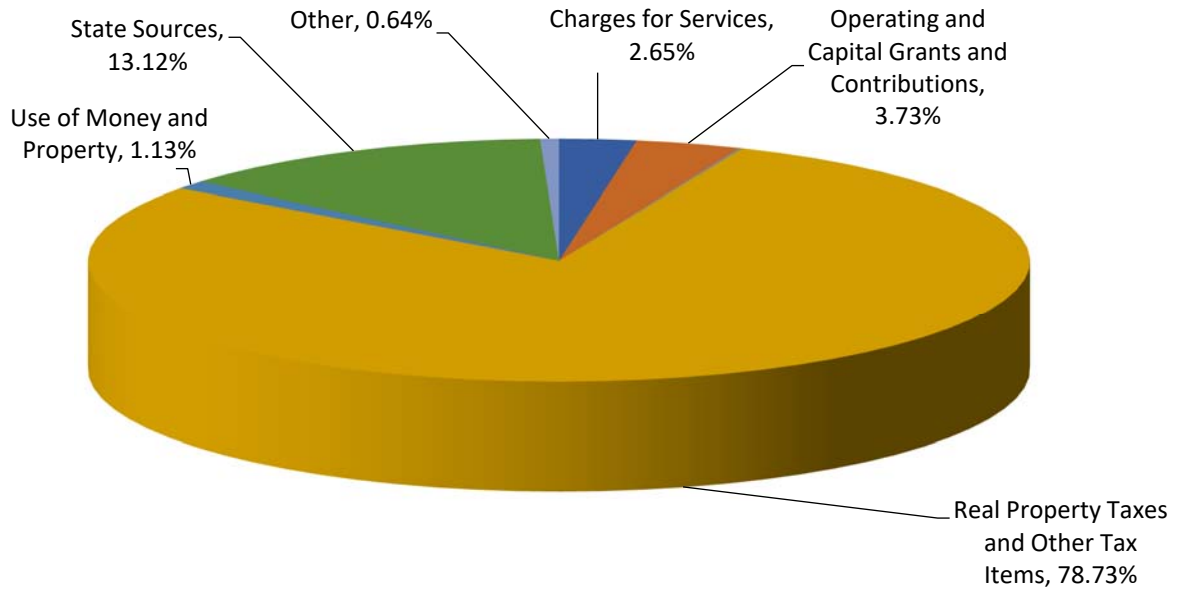
The District's total fiscal year 2023 revenues totaled \$133,692,363. This is an increase of \$6,267,403, or 4.92%, over the prior year. Real property taxes and other tax items and state sources accounted for most of the District's revenue by contributing 78.73% and 13.12%, respectively, of total revenue. The remainder came from charges for services, operating grants and contributions, capital grants, use of money and property, and other miscellaneous sources.

The total cost of all programs and services totaled \$139,611,437 for fiscal year 2023. This is an increase of \$16,823,112, or 13.70%, from the prior year. These expenses are predominantly related to instruction and general support, which account for 80.24% and 14.40% of District expenses, respectively. Expenses increased primarily due to actuarially determined expenses for pension and other post-employment benefits.

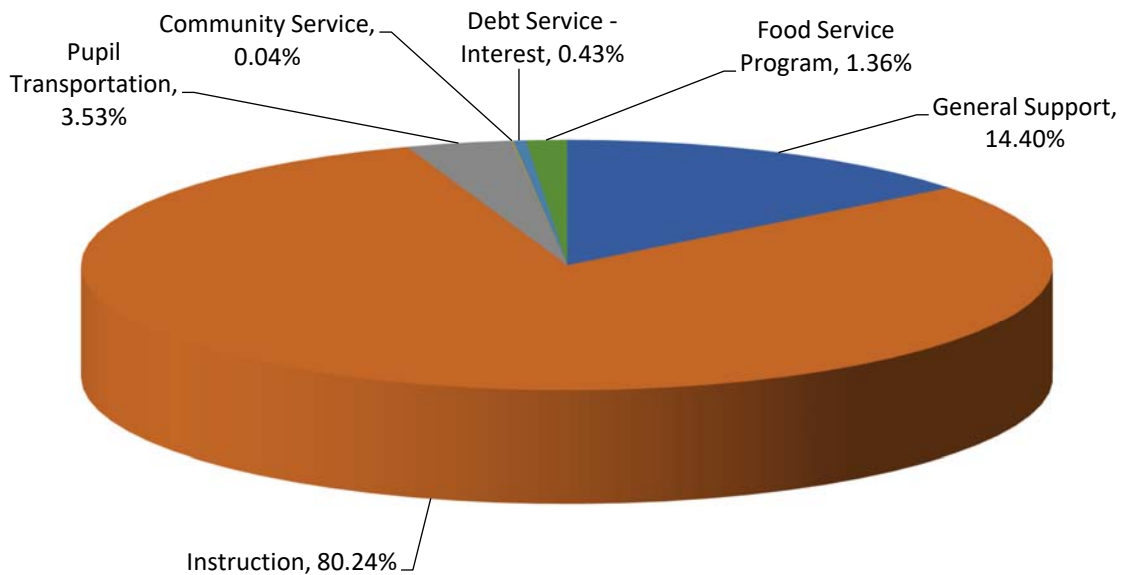
The users of the District's programs financed \$3,540,369 of the cost as shown in charges for services. The federal and state governments subsidized certain programs with operating grants and contributions of \$4,816,895 and capital grants of \$175,733.

**HERRICKS UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Revenues for Fiscal Year 2023



Expenses for Fiscal Year 2023



**HERRICKS UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**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.

As of June 30, 2023, the District’s combined governmental funds reported a total fund balance of \$27,736,057, which is a decrease of \$286,780 from the prior year.

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

**HERRICKS UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	2023	2022	Increase/ (Decrease)	Percentage Change
<b>General fund</b>				
Nonspendable	\$ 39,507	\$ -	\$ 39,507	N/A
Restricted for workers' compensation	2,180,554	1,023,944	1,156,610	112.96%
Restricted for unemployment	112,800	-	112,800	N/A
Restricted for retirement contribution - ERS	8,401,162	7,927,336	473,826	5.98%
Restricted for retirement contribution - TRS	4,989,514	3,758,362	1,231,152	32.76%
Restricted for insurance	567,119	554,266	12,853	2.32%
Restricted for repair	2,865	2,800	65	2.32%
Restricted for employee benefit accrued liability	1,196,112	878,022	318,090	36.23%
Restricted for capital	2,043,193	1,831,229	211,964	11.57%
Assigned - appropriated for subsequent year's expenditures	550,000	1,150,000	(600,000)	(52.17)%
Assigned for general support	349,383	703,650	(354,267)	(50.35)%
Assigned for instruction	82,205	293,910	(211,705)	(72.03)%
Assigned for pupil transportation	123,861	20,543	103,318	502.94%
Assigned for community services	602	-	602	N/A
Assigned for employee benefits	534	-	534	N/A
Unassigned	5,388,727	5,012,617	376,110	7.50%
Total fund balance - general fund	\$ 26,028,138	\$ 23,156,679	\$ 2,871,459	12.40%
<b>School lunch fund</b>				
Nonspendable	\$ 45,411	\$ 31,970	\$ 13,441	42.04%
Assigned - unappropriated fund balance	1,083,636	552,905	530,731	95.99%
Total fund balance - school lunch fund	\$ 1,129,047	\$ 584,875	\$ 544,172	93.04%
<b>Miscellaneous Special Revenue Fund</b>				
Restricted for scholarships and donations	\$ 64,649	\$ 65,860	\$ (1,211)	(1.84)%
Assigned - unappropriated fund balance	236,952	226,469	10,483	4.63%
Total fund balance - miscellaneous special revenue fund	\$ 301,601	\$ 292,329	\$ 9,272	3.17%
<b>Debt service fund</b>				
Restricted for debt service	\$ 493,800	\$ 448,800	\$ 45,000	10.03%
Total fund balance - debt service fund	\$ 493,800	\$ 448,800	\$ 45,000	10.03%
<b>Capital projects fund</b>				
Restricted for capital	\$ 742,340	\$ 2,594,433	\$ (1,852,093)	(71.39)%
Restricted for unspent bond proceeds	379,834	945,721	(565,887)	(59.84)%
Unassigned	(1,338,703)	-	(1,338,703)	N/A
Total fund balance - capital projects fund	\$ (216,529)	\$ 3,540,154	\$ (3,756,683)	(106.12)%
Total fund balance - all funds	\$ 27,736,057	\$ 28,022,837	\$ (286,780)	(1.02)%



**HERRICKS UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**A) General Fund**

The net change in fund balance within the general fund is an increase of \$2,871,459, as a result of revenues and other financing sources of \$126,785,389 exceeding expenditures and other financing uses of \$123,913,930.

**B) School Lunch Fund**

The increase in the total fund balance of the school lunch fund of \$544,172 is attributable to an increase in sales revenue, partially offset by a decrease in state and federal aid reimbursements as a result of the discontinuation of the free meals programs that were being offered in the prior year by the Federal government as a response to the coronavirus pandemic.

**C) Miscellaneous Special Revenue Fund**

The increase of \$9,272 in fund balance in the miscellaneous special revenue fund is due to revenues in excess of expenditures for extraclassroom activities, partially offset by expenditures in excess of revenues for scholarships and donations.

**D) Debt Service Fund**

The increase in the debt service fund balance of \$45,000 is due to interest earnings.

**E) Capital Projects Fund**

The decrease in the capital projects fund balance of \$3,756,683 is primarily a result of capital outlays and transfers out to the general fund exceeding state sources and other financing sources relating to transfers in and leases.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A) 2022-2023 Budget**

The District’s general fund adopted budget for the year ended June 30, 2023 was \$125,315,481. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,018,103, a budget revision for emergency spending for replacement of firewall of \$63,402, and appropriated reserve amounts from the employee benefit accrued liability reserve in the amount of \$102,271, which resulted in a final budget of \$126,499,257. The majority of the funding was real property taxes and other tax items of \$104,909,366.

**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

**HERRICKS UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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	\$ 5,012,617
Revenues and other financing sources over budget	2,619,908
Expenditures, other financing uses, and encumbrances under budget	2,028,742
Transfers to reserves	(3,249,166)
Interest allocated to reserves	(370,465)
Change in nonspendable	(39,507)
Use of unassigned fund balance- budget revision	(63,402)
Assigned - appropriated for June 30, 2024 budget	(550,000)
Closing, unassigned fund balance	<u><u>\$ 5,388,727</u></u>

The opening unassigned fund balance of \$5,012,617 is the June 30, 2022 unassigned fund balance.

The revenues and other financing sources under budget of \$2,619,908 were primarily due to variances in other tax items and charges for services (refer to Supplemental Schedule #1 for further details).

The expenditures, other financing uses, and encumbrances under budget of \$2,028,742 were primarily due to variances in general support and instruction (refer to Supplemental Schedule #1 for further details).

The District transferred \$3,249,166 to reserves, including \$1,132,866 to the workers’ compensation reserve, \$112,800 to the unemployment reserve, \$290,000 to the retirement contribution reserve for the employees’ retirement system, \$1,144,000 to the retirement contribution reserve for the teachers’ retirement system, \$400,000 to the employee benefit accrued liability reserve, and \$169,500 to the capital reserve.

Interest allocated to the reserves in the amount of \$370,465 related to the workers’ compensation reserve in the amount of \$23,744, the retirement contribution reserve for the employees’ retirement system in the amount of \$183,826, the retirement contribution reserve for the teachers’ retirement reserve in the amount of \$87,152, the insurance reserve in the amount of \$12,853, the repair reserve in the amount of \$65, the employee benefit accrued liability reserve in the amount of \$20,361, and the capital reserve in the amount of \$42,464.

The change in nonspendable fund balance relates to the long-term leases receivable (excess of lease receivable over deferred inflows of resources – leases) in the amount of \$39,507.

The District received Board of Education approval to utilize \$63,402 of available unassigned fund balance for emergency expenditures for the replacement of the District firewall.

The assigned, appropriated fund balance of \$550,000 is the amount the District has chosen to partially fund its operating budget for 2023-2024.

**HERRICKS UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 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 2023-2024 budget, and is within the allowable limit, representing 4.00% of the 2023-2024 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:

	2023	2022	Increase (Decrease)	Percentage Change
Land and land improvements	\$ 18,995,454	\$ 19,147,403	\$ (151,949)	-0.79%
Construction in progress	5,259,842	1,753,158	3,506,684	200.02%
Buildings and building improvement	87,837,100	87,140,498	696,602	0.80%
Furniture equipment	3,911,836	3,420,639	491,197	14.36%
Vehicles	2,466,037	2,536,037	(70,000)	-2.76%
	<u>118,470,269</u>	<u>113,997,735</u>	<u>4,472,534</u>	3.92%
Less: Accumulated depreciation	<u>58,906,509</u>	<u>55,616,638</u>	<u>3,289,871</u>	5.92%
Total Capital Assets, Net	<u>\$ 59,563,760</u>	<u>\$ 58,381,097</u>	<u>\$ 1,182,663</u>	2.03%
Intangible Lease Assets, Net	<u>\$ 192,064</u>	<u>\$ 130,521</u>	<u>\$ 61,543</u>	47.15%

The District had depreciation expense and loss on disposals of \$3,574,672, and amortization expense of \$85,971. See Note 9 to the financial statements for detail.

**B) Long-Term Debt**

At June 30, 2023, the District had total bonds payable (including unamortized premium) of \$18,367,322 and lease liability of \$187,677. The decrease in bonds payable and energy performance contract debt payable reflects principal payments made. The increase in the lease liability represents additional leases entered into during 2023, partially offset by principal payments made. See Note 13 to the financial statements. A summary of outstanding debt at June 30, 2023 and 2022 is as follows:

**HERRICKS UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	2023	2022	Increase (Decrease)
Bonds payable (including unamortized premium)	\$ 18,367,322	\$ 20,078,066	\$ (1,710,744)
Lease liability	187,677	126,127	61,550
Energy performance contract debt payable	-	341,960	(341,960)
Total	<u>\$ 18,554,999</u>	<u>\$ 20,546,153</u>	<u>\$ (1,991,154)</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 20) also may impact expenditures.
- B) The general fund budget for the 2023-2024 school year was approved by the voters in the amount of \$134,719,970. This is an increase of \$9,404,489, or 7.50%, over the previous year’s budget. The increase was primarily due to an increase in general support, instruction, pupil transportation, and employee benefits, partially offset by a decrease in community service.
- C) On September 21, 2023, the District issued a tax anticipation note for \$6,000,000 maturing on June 21, 2024 for the interim financing of the general fund operations. This note includes a premium of \$43,560.
- D) On September 21, 2023, the District issued a bond anticipation note for \$1,545,000 maturing on September 20, 2024 for the interim financing of capital projects. This note includes a premium of \$10,200.

**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, 2023**

**ASSETS**

## Current assets

Cash and cash equivalents	
Unrestricted	\$ 14,110,777
Restricted	21,173,942
Receivables	
State and federal aid	2,659,402
Taxes receivable	1,402,833
Due from other governments	1,824,097
Accounts receivable	292,676
Inventory	45,411

## Non-current assets

Receivable within one year	
Lease receivable	301,161
Receivable after one year	
Lease receivable	676,271
Capital assets	
Not being depreciated	6,989,958
Being depreciated, net of accumulated depreciation	52,573,802
Intangible lease assets, net of accumulated amortization	192,064

**TOTAL ASSETS****102,242,394****DEFERRED OUTFLOWS OF RESOURCES**

Pensions	38,501,557
Other post-employment benefits	2,134,789

**TOTAL DEFERRED OUTFLOWS OF RESOURCES****40,636,346****LIABILITIES**

## Payables

Accounts payable	\$ 3,631,080
Accrued liabilities	1,034,596
Accrued interest payable	224,806
Due to other governments	211,106
Due to teachers' retirement system	6,651,572
Due to employees' retirement system	413,036
Student deposits	5,728
Other liabilities	1,501,217
Security deposits	53,295
Unearned credits	
Collections in advance	264,756

## Long-term liabilities

Due and payable within one year	
Bonds payable (inclusive of unamortized premiums)	1,770,744
Lease liability	74,581
Compensated absences payable	323,518
Due and payable after one year	
Bonds payable (inclusive of unamortized premium)	16,596,578
Lease liability	113,096
Compensated absences payable	7,764,430
Claims payable	1,281,826
Net pension liability - proportionate share - teachers' retirement system	6,199,220
Net pension liability - proportionate share - employees' retirement system	7,168,581
Total other post-employment benefits obligation	214,699,217

**TOTAL LIABILITIES****269,982,983****DEFERRED INFLOWS OF RESOURCES**

Leases	937,925
Pensions	3,523,471
Other post-employment benefits	36,634,229

**TOTAL DEFERRED INFLOWS OF RESOURCES****41,095,625****NET POSITION**

Net investment in capital assets	41,212,273
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## Restricted

Workers' compensation	2,180,554
Unemployment insurance	112,800
Retirement contribution	
Employees' retirement system	8,401,162
Teachers' retirement system	4,989,514
Insurance	567,119
Repair	2,865
Employee benefit accrued liability	1,196,112
Scholarships and donations	64,649
Debt service	493,800
Capital	2,785,533

**20,794,108**

## Unrestricted (deficit)

**(230,206,249)****TOTAL NET POSITION (DEFICIT)****\$ (168,199,868)**

**HERRICKS UNION FREE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

FUNCTIONS / PROGRAMS	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Operating Grants and Contributions	Capital Grants	
General support	\$ (20,102,403)	\$ -	\$ -	\$ -	\$ (20,102,403)
Instruction	(112,028,754)	2,089,974	3,901,428	175,733	(105,861,619)
Pupil transportation	(4,926,903)				(4,926,903)
Community services	(55,161)				(55,161)
Debt service - interest	(604,462)				(604,462)
Food service program	(1,893,754)	1,450,395	915,467		472,108
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<b>\$ (139,611,437)</b>	<b>\$ 3,540,369</b>	<b>\$ 4,816,895</b>	<b>\$ 175,733</b>	<b>(131,078,440)</b>
<b>GENERAL REVENUES</b>					
Real property taxes					97,817,909
Other tax items - including STAR reimbursement					7,443,327
Use of money and property					1,513,945
Sale of property and compensation for loss					234,204
Miscellaneous					426,758
State sources					17,522,904
Medicaid reimbursement					200,319
<b>TOTAL GENERAL REVENUES</b>					<b>125,159,366</b>
<b>CHANGE IN NET POSITION</b>					<b>(5,919,074)</b>
<b>TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR</b>					<b>(162,280,794)</b>
<b>TOTAL NET POSITION (DEFICIT) - END OF YEAR</b>					<b>\$ (168,199,868)</b>

**HERRICKS UNION FREE SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	General	Special Aid	School Lunch	Miscellaneous Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents							
Unrestricted	\$ 12,684,978	\$ 31,350	\$ 1,236,992	\$ 157,457	\$ -	\$ -	\$ 14,110,777
Restricted	20,587,691			64,649	493,800	27,802	21,173,942
Receivables							
State and federal aid	791,718	1,654,601	37,351			175,732	2,659,402
Taxes receivable	1,402,833						1,402,833
Due from other governments	1,824,097						1,824,097
Due from other funds	1,337,220	3,897		85,652			1,426,769
Accounts receivable	272,390	10,421	644	9,221			292,676
Lease receivable	977,432						977,432
Inventory			45,411				45,411
<b>TOTAL ASSETS</b>	<b>\$ 39,878,359</b>	<b>\$ 1,700,269</b>	<b>\$ 1,320,398</b>	<b>\$ 316,979</b>	<b>\$ 493,800</b>	<b>\$ 203,534</b>	<b>\$ 43,913,339</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
Payables							
Accounts payable	\$ 2,836,475	\$ 403,356	\$ 11,382	\$ 11,481	\$ -	\$ 368,386	\$ 3,631,080
Accrued liabilities	996,132	14,131	24,333				1,034,596
Due to other governments	211,039		67				211,106
Due to other funds	85,652	1,278,820	52,925	3,897		5,475	1,426,769
Due to teachers' retirement system	6,651,572						6,651,572
Due to employees' retirement system	413,036						413,036
Student deposits	5,728						5,728
Other liabilities	1,501,217						1,501,217
Security deposits	53,295						53,295
Unearned credits							
Collections in advance	158,150	3,962	102,644				264,756
<b>TOTAL LIABILITIES</b>	<b>12,912,296</b>	<b>1,700,269</b>	<b>191,351</b>	<b>15,378</b>	<b>-</b>	<b>373,861</b>	<b>15,193,155</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenues- New York State aid						46,202	46,202
Leases	937,925						937,925
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>937,925</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,202</b>	<b>984,127</b>
<b>FUND BALANCES</b>							
Nonspendable	39,507		45,411				84,918
Restricted:							
Workers' compensation	2,180,554						2,180,554
Unemployment insurance	112,800						112,800
Retirement contribution							
Employees' retirement system	8,401,162						8,401,162
Teachers' retirement system	4,989,514						4,989,514
Insurance	567,119						567,119
Repair	2,865						2,865
Employee benefit accrued liability	1,196,112						1,196,112
Scholarships and donations				64,649			64,649
Debt service					493,800		493,800
Capital	2,043,193					742,340	2,785,533
Unspent bond proceeds						379,834	379,834
Assigned:							
Appropriated fund balance	550,000						550,000
Unappropriated fund balance	556,585		1,083,636	236,952			1,877,173
Unassigned (deficit)	5,388,727					(1,338,703)	4,050,024
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>26,028,138</b>	<b>-</b>	<b>1,129,047</b>	<b>301,601</b>	<b>493,800</b>	<b>(216,529)</b>	<b>27,736,057</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 39,878,359</b>	<b>\$ 1,700,269</b>	<b>\$ 1,320,398</b>	<b>\$ 316,979</b>	<b>\$ 493,800</b>	<b>\$ 203,534</b>	<b>\$ 43,913,339</b>

**HERRICKS UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET POSITION  
JUNE 30, 2023**

Total Governmental Fund Balances \$ 27,736,057

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	\$ 118,470,269	
Accumulated depreciation	<u>(58,906,509)</u>	59,563,760

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	\$ 383,390	
Accumulated amortization	<u>(191,326)</u>	192,064

Deferred inflows of resources - The Statement of Net Position recognizes revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual.

46,202

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	\$ 38,501,557	
Deferred outflows of resources-other post-employment benefits	2,134,789	
Deferred inflows of resources-pensions	(3,523,471)	
Deferred inflows of resources-other post-employment benefits	<u>(36,634,229)</u>	478,646

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	(224,806)
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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 unamortized premiums	\$ (18,367,322)	
Lease liability	(187,677)	
Compensated absences payable	(8,087,948)	
Claims payable	(1,281,826)	
Net pension liability - teachers' retirement system	(6,199,220)	
Net pension liability - employees' retirement system	(7,168,581)	
Total other post-employment benefits obligation	<u>(214,699,217)</u>	<u>(255,991,791)</u>

Total Net Position	<u><u>\$ (168,199,868)</u></u>
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**HERRICKS UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	General	Special Aid	School Lunch	Miscellaneous Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>							
Real property taxes	\$ 97,817,909	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,817,909
Other tax items - including STAR reimbursement	7,443,327						7,443,327
Charges for services	1,526,124			563,850			2,089,974
Use of money and property	1,467,937		963	45	45,000		1,513,945
Sale of property and compensation for loss	234,204						234,204
Miscellaneous	366,544	14,317	2,959	38,500			422,320
State sources	17,522,904	1,237,260	23,229			129,531	18,912,924
Federal sources		2,625,668	726,641				3,352,309
Medicaid reimbursement	200,319						200,319
Surplus food			165,597				165,597
Sales			1,450,395				1,450,395
<b>TOTAL REVENUES</b>	<b>126,579,268</b>	<b>3,877,245</b>	<b>2,369,784</b>	<b>602,395</b>	<b>45,000</b>	<b>129,531</b>	<b>133,603,223</b>
<b>EXPENDITURES</b>							
General support	15,759,202						15,759,202
Instruction	71,109,182	4,047,850		592,373			75,749,405
Pupil transportation	3,994,810						3,994,810
Community service	37,205	-					37,205
Employee benefits	29,104,409						29,104,409
Debt service principal	1,977,924						1,977,924
Debt service interest	791,636						791,636
Cost of sales			1,857,558				1,857,558
Capital outlay						4,808,306	4,808,306
<b>TOTAL EXPENDITURES</b>	<b>122,774,368</b>	<b>4,047,850</b>	<b>1,857,558</b>	<b>592,373</b>	<b>-</b>	<b>4,808,306</b>	<b>134,080,455</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>3,804,900</b>	<b>(170,605)</b>	<b>512,226</b>	<b>10,022</b>	<b>45,000</b>	<b>(4,678,775)</b>	<b>(477,232)</b>
<b>OTHER FINANCING SOURCES AND (USES)</b>							
Premium on obligations	42,938						42,938
Operating transfers in	163,183	331,366	31,946			776,250	1,302,745
Operating transfers (out)	(1,139,562)	(160,761)		(750)	-	(1,672)	(1,302,745)
Leases						147,514	147,514
<b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>	<b>(933,441)</b>	<b>170,605</b>	<b>31,946</b>	<b>(750)</b>	<b>-</b>	<b>922,092</b>	<b>190,452</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,871,459</b>	<b>-</b>	<b>544,172</b>	<b>9,272</b>	<b>45,000</b>	<b>(3,756,683)</b>	<b>(286,780)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>23,156,679</b>	<b>-</b>	<b>584,875</b>	<b>292,329</b>	<b>448,800</b>	<b>3,540,154</b>	<b>28,022,837</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 26,028,138</b>	<b>\$ -</b>	<b>\$ 1,129,047</b>	<b>\$ 301,601</b>	<b>\$ 493,800</b>	<b>\$ (216,529)</b>	<b>\$ 27,736,057</b>

**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, 2023**

Net Change in Fund Balances \$ (286,780)

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 changed by (148,296)

Deferred inflows of resources - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method. The difference in the revenues recognized under the full accrual method for the fiscal year was 46,202

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.

Employees' retirement system	\$	(1,344,447)	
Teachers' retirement system		(1,938,008)	
Other post-employment benefits		(5,509,535)	(8,791,990)

Capital Related Differences

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

Capital outlays	\$	4,757,335	
Depreciation expense and loss on disposals		(3,574,672)	1,182,663

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	\$	147,514	
Amortization expense		(85,971)	61,543

Long-Term Debt Transaction Differences

Proceeds from leases are recorded as revenue in the governmental funds, but not in the Statement of Activities. (147,514)

Repayment of bond and energy performance contract debt payable 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. 1,891,960

Interest on debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest 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 interest changed by 26,430

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. 85,964

Governmental funds report the discounts, premiums, 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 \$ (5,919,074)

**HERRICKS UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**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 (the “Board”) 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

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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.

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NOTES TO FINANCIAL STATEMENTS  
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**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, including scholarships and donations. 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 bonds payable, lease liability, energy performance contract debt payable, compensated absences payable, claims payable, net pension liabilities, other post-employment benefit obligations, and claims and judgments, if applicable, which are recognized as expenditures to the extent they have matured. Capital asset and intangible lease 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.

**HERRICKS UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**E) Real Property Taxes:**

Calendar:

Real property taxes are levied annually by the Board 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 October 1 through November 10, and April 1 through May 10 without penalty and are remitted to the District throughout the fiscal year.

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, deferred outflows of resources,

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liabilities, and deferred inflows of resources, and disclosure of contingent items at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of useful lives of capital assets and intangible lease assets, lease liability, compensated absences payable, claims payable, net pension asset/liabilities, other post-employment benefits, and potential contingent liabilities, if applicable.

**I) Cash and Cash Equivalents:**

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investment with original maturities of three months or less from date of acquisition.

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

**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) Inventory:**

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

Purchases of inventorable items in other funds are recorded as expenses/expenditures at the time of purchase and are considered immaterial in amount.

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

**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:

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NOTES TO FINANCIAL STATEMENTS  
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	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building and building improvements	\$15,000	Straight-line	50 years
Furniture and equipment	\$5,000	Straight-line	5-20 years
Vehicles	\$5,000	Straight-line	8 years
Land improvements	\$15,000	Straight-line	20 years

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

**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) 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. 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, respectively.

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. The District reports 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. Additionally, the District reports amounts 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, respectively.



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In addition to liabilities, the Governmental Funds Balance Sheet will sometimes report deferred inflows of resources when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. In subsequent periods, when the availability criterion is met, deferred inflows of resources are classified as revenues. The District-Wide Financial Statements, however, report these deferred inflows of resources as revenues in accordance with the accrual basis of accounting and economic resources measurement focus. At June 30, 2023, the District reported unavailable revenues related to a Dormitory Authority of the State of New York (DASNY) funded grant for \$46,202. This amount was recorded as deferred inflows of resources in the capital projects fund.

**O) Short-Term Debt:**

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

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

The District has issued and redeemed TANs totaling \$6,500,000 in the fiscal year ended June 30, 2023. See Note 12 for further detail.

**P) 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, rent, and group insurance 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 in the school lunch fund.

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**Q) 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 terms of the respective collective bargaining agreements and individual employment contracts 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. The liability is reported only for payments due for unused compensated absences for those employees who have obligated themselves to separate from service with the District by June 30.

**R) Other Benefits:**

Eligible 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 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*.

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**S) Long-Term Debt:**

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

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

In the District-Wide Financial Statements, premiums received on long-term debt issuances are netted with bonds payable and amortized over the life of the bonds.

**T) Equity Classifications:**

District-Wide Financial Statements:

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

Net investment in capital assets— consists of net capital assets (cost less accumulated depreciation) and intangible lease assets (present value of future lease payments remaining on the lease term less accumulated 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, deferred amount 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.

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 long-term lease receivable (excess of

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lease receivable over deferred inflows of resources – leases) in the amount of \$39,507 in the general fund and inventory in the amount of \$45,411 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.

Unemployment insurance reserve

According to General Municipal Law §6-m, the unemployment insurance reserve must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund.

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.

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Insurance Reserve

Insurance reserve (GML §6-n) 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 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.

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.

Restricted for 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. These restricted funds are accounted for in the debt service fund.

**HERRICKS UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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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.

Restricted for 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.

Unrestricted Resources:

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District has provided otherwise in its commitment or assignment actions.

- (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, 2023.
- (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.
- (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.

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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, 2023 is within the legal limit. See Supplemental Schedule #5 for more information.

The capital projects fund has a deficit unassigned balance of \$1,338,703. The deficit is the result of the District not yet obtaining permanent financing on capital improvement projects. The deficit unassigned balance should be eliminated once permanent financing is obtained by the District.

**Fund Balance Classification**

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

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

**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 committed fund balance, if any, then assigned fund balance to the extent that there is an assignment, and then to the unassigned fund balance.

**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:**

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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 financing of intangible lease assets in the Fund Financial Statements and depreciation expense or amortization expense on those items as recorded in the Statement of Activities.

Long-term debt transaction 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.

**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) that 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).



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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, where applicable.

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.

**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

**HERRICKS UNION FREE SCHOOL DISTRICT  
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- 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 and cash equivalents at June 30, 2023 included \$21,173,942 within 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, 2023, the District was billed \$5,369,345 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,454,513. Financial statements for the BOCES are available from the BOCES administrative office at Nassau 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, 2023 consisted of the following:

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General Fund	
General aid	\$ 322,788
Excess cost aid	468,930
Total General Fund	<u>\$ 791,718</u>
Special Aid Fund	
State grants	\$ 395,645
Federal grants	1,258,956
Total Special Aid Fund	<u>\$ 1,654,601</u>
School Lunch Fund	
State reimbursements	\$ 4,558
Federal reimbursements	32,793
Total School Lunch Fund	<u>\$ 37,351</u>
Capital Projects Fund	
Smart Schools Bond projects	\$ 129,530
DASNY grant projects	46,202
Total Capital Projects Fund	<u>\$ 175,732</u>
Total	<u><u>\$ 2,659,402</u></u>

The capital projects fund receivable amount includes \$46,202 of unavailable revenues, which are recorded as deferred inflows of resources on the balance sheet at June 30, 2023.

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, 2023 consisted of the following:

Non-resident tuition	\$ 699,697
District of location -special education	165,759
BOCES aid	823,414
Interest and penalties on property tax	135,227
Total Due from other governments	<u><u>\$ 1,824,097</u></u>

District management has deemed the amounts to be fully collectible.

**HERRICKS UNION FREE SCHOOL DISTRICT  
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**NOTE 8 – LEASE RECEIVABLE:**

The District recognizes a lease receivable and deferred inflow of resources – leases for agreements whereby the District leases building space to another entity, with interest rates ranging from 1.00% to 4.00%, and annual payment escalations ranging from 2.00% to 4.00%. The lease receivable amount is measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized over the life of the lease term.

Principal and interest lease payments received by the District during the 2022-23 fiscal year were \$408,279 and \$26,807, respectively.

Future minimum rental receipts for this lease are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2024	\$ 306,161	\$ 33,525	\$ 339,686
2025	325,503	20,926	346,429
2026	345,768	7,537	353,305
	<u>\$ 977,432</u>	<u>\$ 61,988</u>	<u>\$ 1,039,420</u>

**HERRICKS UNION FREE SCHOOL DISTRICT  
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**NOTE 9 - CAPITAL ASSETS AND INTANGIBLE LEASE ASSETS:**

**A) Capital Assets**

Capital asset balances and activity for the fiscal year ended June 30, 2023 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	1,753,158	3,782,214	(275,530)	5,259,842
Total capital assets not being depreciated	<u>3,483,274</u>	<u>3,782,214</u>	<u>(275,530)</u>	<u>6,989,958</u>
Capital assets that are depreciated:				
Building and building improvements	87,140,498	421,072	275,530	87,837,100
Furniture and equipment	3,420,639	504,509	(13,312)	3,911,836
Vehicles	2,536,037	-	(70,000)	2,466,037
Land improvements	17,417,287	49,540	(201,489)	17,265,338
Total capital assets being depreciated	<u>110,514,461</u>	<u>975,121</u>	<u>(9,271)</u>	<u>111,480,311</u>
Less accumulated depreciation:				
Building and building improvements	50,261,493	2,264,839	-	52,526,332
Furniture and equipment	1,142,437	279,871	(11,743)	1,410,565
Vehicles	1,396,170	188,743	(70,000)	1,514,913
Land improvements	2,816,538	831,508	(193,347)	3,454,699
Total accumulated depreciation	<u>55,616,638</u>	<u>3,564,961</u>	<u>(275,090)</u>	<u>58,906,509</u>
Total capital assets being depreciated, net	<u>54,897,823</u>	<u>(2,589,840)</u>	<u>265,819</u>	<u>52,573,802</u>
Total capital assets, net	<u>\$ 58,381,097</u>	<u>\$ 1,192,374</u>	<u>\$ (9,711)</u>	<u>\$ 59,563,760</u>

Depreciation expense and loss on disposals have been allocated to the following functions:

General support	\$ 982,987
Instruction	2,425,559
Pupil transportation	166,126
	<u>\$ 3,574,672</u>

**HERRICKS UNION FREE SCHOOL DISTRICT  
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**B) Intangible Lease Assets**

The following schedule summarizes the District's intangible lease asset activity for the fiscal year ended June 30, 2023:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Intangible lease assets				
Furniture & equipment	\$ 317,535	\$ 147,514	\$ (81,659)	\$ 383,390
Total intangible lease assets being amortized	<u>317,535</u>	<u>147,514</u>	<u>(81,659)</u>	<u>383,390</u>
Less accumulated amortization:				
Furniture & equipment	187,014	85,971	(81,659)	191,326
Total accumulated amortization	<u>187,014</u>	<u>85,971</u>	<u>(81,659)</u>	<u>191,326</u>
Total intangible lease assets, net	<u>\$ 130,521</u>	<u>\$ 61,543</u>	<u>\$ (163,318)</u>	<u>\$ 192,064</u>

Amortization expense of \$85,971 was charged to the governmental functions as instruction.

**NOTE 10 - COLLECTIONS IN ADVANCE:**

Collections in advance as of June 30, 2023 consisted of:

General Fund

Summer program	\$ 57,631
Rent	\$ 24,147
Group insurance	76,372
Total General Fund	<u>\$ 158,150</u>

Special Aid Fund

Unearned revenues from grants	\$ 3,962
Total Special Aid Fund	<u>\$ 3,962</u>

School Lunch Fund

Prepaid meals	\$ 102,644
Total School Lunch Fund	<u>\$ 102,644</u>

Total	<u>\$ 264,756</u>
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**HERRICKS UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:**

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$ 1,337,220	\$ 85,652	\$ 163,183	\$ 1,139,562
Special aid fund	3,897	1,278,820	331,366	160,761
School lunch fund	-	52,925	31,946	-
Miscellaneous special revenue fund	85,652	3,897	-	750
Debt service fund	-	-	-	-
Capital projects fund	-	5,475	776,250	1,672
Totals	<u>\$ 1,426,769</u>	<u>\$ 1,426,769</u>	<u>\$ 1,302,745</u>	<u>\$ 1,302,745</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 to 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 special aid fund to the general fund to cover the costs of grant eligible expenditures incurred in the general fund in prior year.

The District transferred from the miscellaneous special revenue fund to the general fund relating to residual balances from prior years.

The District transferred from the capital projects fund to the general fund to return unused funds previously provided by the general fund relating to closed 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	6/16/2023	4.00%	\$ -	\$ 6,500,000	\$ (6,500,000)	\$ -
			<u>\$ -</u>	<u>\$ 6,500,000</u>	<u>\$ (6,500,000)</u>	<u>\$ -</u>

The tax anticipation note (TAN) was issued on September 22, 2022 for interim financing of the general fund. Total interest due at maturity was \$190,667 offset by a premium of \$42,938 which resulted in a net interest cost of \$147,728 to the District. Interest paid on TANs in the current year was \$190,667.

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**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	\$ 17,975,000	\$ -	\$ (1,550,000)	\$ 16,425,000	\$ 1,610,000
Add: Bond premium	2,103,066	-	(160,744)	1,942,322	160,744
	<u>20,078,066</u>	<u>-</u>	<u>(1,710,744)</u>	<u>18,367,322</u>	<u>1,770,744</u>
Other liabilities:					
Lease liability	126,127	147,514	(85,964)	187,677	74,581
Energy performance contract debt payable	341,960	-	(341,960)	-	
Compensated absences payable	7,939,652	250,567	(102,271)	8,087,948	323,518
Claims payable	1,281,826	730,490	(730,490)	1,281,826	
Net pension liability - proportionate share					
Teachers' retirement system	-	6,199,220	-	6,199,220	
Employees' retirement system	-	7,168,581	-	7,168,581	
Total other post-employment benefits liability	<u>213,507,818</u>	<u>14,433,207</u>	<u>(13,241,808)</u>	<u>214,699,217</u>	
Total long-term liabilities	<u>\$ 243,275,449</u>	<u>\$ 28,929,579</u>	<u>\$ (16,213,237)</u>	<u>\$ 255,991,791</u>	<u>\$ 2,168,843</u>

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

**A) Bonds payable**

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2023
Construction serial bond	5/13/2014	5/1/2024	2.25%	\$ 665,000
Construction serial bond	8/6/2020	8/1/2035	2.00% - 5.00%	15,760,000
		Total serial bonds payable		<u>\$ 16,425,000</u>



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

Fiscal Year Ended June 30,	Principal	Interest	Total
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	1,150,000	301,050	1,451,050
2029-2033	6,395,000	795,350	7,190,350
2034-2036	4,140,000	125,300	4,265,300
Total	<u>\$ 16,425,000</u>	<u>\$ 2,975,987</u>	<u>\$ 19,400,987</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.

**Unissued Debt**

On December 6, 2016, voters approved a bond authorization for a total estimated amount not to exceed \$25,000,000 to finance the construction and renovation of various District buildings and facilities. The District has issued serial bonds and BANs of \$19,175,000 to date, leaving unissued debt of \$5,825,000 at June 30, 2023.

**B) Bond Premium**

Bond premium, net of accumulated amortization is reported as a component of the related long-term liability. These amounts are being amortized as a component of interest expense on a straight-line basis over the life of the bonds in the District-Wide Financial Statements as follows:

Fiscal Year Ended June 30,	Bond Premium
2024	\$ 160,744
2025	160,744
2026	160,744
2027	160,744
2028	160,744
2029-2033	803,720
2034-2036	334,882
Total	<u>\$ 1,942,322</u>

**C) Lease Liability**

The District recognizes 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

**HERRICKS UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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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 5.41%.

Principal and interest expenditures paid on the District's lease liability amounted to \$85,964 and \$4,812, respectively, for the fiscal year ended June 30, 2023.

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
2024	\$ 74,581	\$ 5,472	\$ 80,053
2025	42,111	3,495	45,606
2026	32,706	2,013	34,719
2027	25,494	1,013	26,507
2028	12,485	173	12,658
	<u>\$ 187,377</u>	<u>\$ 12,166</u>	<u>\$ 199,543</u>

**D) Long-Term Interest**

Interest on long-term debt, lease liability, and energy performance contract debt for the year was composed of:

	Total
Interest paid	\$ 600,969
Less interest accrued in the prior year	(251,236)
Plus interest accrued in the current year	224,806
Less amortization of bond premium	(160,744)
Total expense	<u>\$ 413,795</u>

**NOTE 14 – PENSION PLANS:**

**A) Plan Description and Benefits Provided:**

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

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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 Drive, Albany NY 12211-2395 or by referring to the TRS Comprehensive Annual Financial report which can be found on the System's website at [www.nystrs.org](http://www.nystrs.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](http://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.

**B) 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, and before January 1, 2010
    - 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.

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- 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 employers to the pension accumulation fund, for the ERS' fiscal year ended March 31<sup>st</sup>. The District's contribution rates for ERS' fiscal year ended March 31, 2023 for covered payroll was 13.0% for Tiers 3 & 4, 11.1% for Tier 5, and 8.20% 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, 2023 was 10.29% 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:

	ERS	TRS
2023	\$ 1,358,824	\$ 5,982,098
2022	\$ 1,682,001	\$ 5,609,214
2021	\$ 1,701,898	\$ 5,412,359

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

At June 30, 2023, 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, 2023 for ERS and June 30, 2022 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.

**HERRICKS UNION FREE SCHOOL DISTRICT  
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	ERS	TRS
Measurement date	March 31, 2023	June 30, 2022
Net pension asset/(liability)	\$ (7,168,581)	\$ (6,199,220)
District's portion of the Plan's total net pension asset/(liability)	0.0334293%	0.3230630%
Change in proportion since prior measurement date	-0.0004315%	-0.011540%

For the fiscal year ended June 30, 2023, the District recognized pension expense of \$2,703,040 for ERS and pension expense of \$7,916,848 for TRS. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 763,510	\$ 6,495,998	\$ 201,321	\$ 124,222
Changes of assumptions	3,481,525	12,025,438	38,477	2,497,221
Net difference between projected and actual earnings on pension plan investments	-	8,009,980	42,115	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	532,386	797,586	87,703	532,412
District's contributions subsequent to the measurement date	413,036	5,982,098		
	<u>\$ 5,190,457</u>	<u>\$ 33,311,100</u>	<u>\$ 369,616</u>	<u>\$ 3,153,855</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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**HERRICKS UNION FREE SCHOOL DISTRICT  
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	ERS	TRS
Plan year ended:		
2023	\$ -	\$ 4,714,148
2024	1,105,348	2,467,767
2025	(242,354)	(986,614)
2026	1,559,002	15,763,767
2027	1,985,809	2,056,757
Thereafter	-	159,322
	\$ 4,407,805	\$ 24,175,147

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:

	ERS	TRS
Measurement date	March 31, 2023	June 30, 2022
Actuarial valuation date	April 1, 2022	June 30, 2021
Investment rate of return (net of pension plan investment expense, including inflation)	5.90%	6.95%
Salary increases	4.40%	1.95% - 5.18%
Cost of Living Adjustments	1.5% annually	1.3% annually
Decrements	April 1, 2015 - March 31, 2020	July 1, 2015 - June 30, 2020
	System's Experience	System's Experience
Inflation	2.90%	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 Society of Actuaries' Scale MP-2021. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2021, 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, 2022, 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, 2021, 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

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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 measurement date are summarized below:

<u>Measurement Date</u>	<u>ERS</u>		<u>TRS</u>	
	<u>March 31, 2023</u>		<u>June 30, 2022</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%	4.30%	33%	6.5%
International equity	15%	6.85%	16%	7.2%
Global equity			4%	6.9%
Private equity	10%	7.50%	8%	9.9%
Real estate	9%	4.60%	11%	6.2%
Opportunistic/ absolute return strategy	3%	5.38%		
Real assets	3%	5.84%		
Credit	4%	5.43%		
Cash	1%	0.00%		
Fixed income	23%	1.50%	16%	1.1%
Global bonds			2%	0.6%
High-yield bonds			1%	3.3%
Private debt			2%	5.3%
Real estate debt			6%	2.4%
Cash equivalents			1%	-0.3%
	<u>100%</u>		<u>100%</u>	

The expected real rate of return is net of the long-term inflation assumptions of 2.50% for ERS and 2.40% for TRS.

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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.

	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
<b>ERS</b>			
Employer's proportionate share of the net pension asset/(liability)	<u>\$ (17,323,385)</u>	<u>\$ (7,168,581)</u>	<u>\$ 1,316,940</u>
	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
<b>TRS</b>			
Employer's proportionate share of the net pension asset/(liability)	<u>\$ (57,159,713)</u>	<u>\$ (6,199,220)</u>	<u>\$ 36,658,221</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:



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	(Dollars in Thousands)	
	ERS	TRS
Measurement date	March 31, 2023	June 30, 2022
Employers' total pension liability	\$ (232,627,259)	\$ (133,883,474)
Plan fiduciary net position	211,183,223	131,964,582
Employers' net pension asset/(liability)	<u>\$ (21,444,036)</u>	<u>\$ (1,918,892)</u>
Ratio of plan fiduciary net position to the Employers' total pension liability	90.78%	98.57%

**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, 2023, represent the projected employer contribution for the period of March 31, 2023 through June 30, 2023 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2023, amounted to \$413,036.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2023, are paid to the System in September, October, and November 2023 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2023 represent employee and employer contributions for the fiscal year ended June 30, 2023, 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, 2023, amounted to \$6,651,572.

**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 expended by the District and withheld by the employees for the fiscal year ended June 30, 2023, totaled \$107,271 and \$3,564,959 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, 2023 totaled \$104,035.

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**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 95% of health premiums for retirees and between 0% and 80% 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 2023, the District contributed an estimated \$6,106,165 to the Plan, including \$6,106,165 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.

Employees Covered by Benefit Terms

At the valuation date of July 1, 2021, 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>

**Total OPEB Liability:**

The District's total OPEB liability of \$214,699,217 was measured as of June 30, 2023, 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.

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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	3.90%
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, 2023, 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.

**B) Changes in the Total OPEB Liability:**

Balance at June 30, 2022	\$ 213,507,818
Changes for the fiscal year:	
Service cost	6,646,382
Interest	7,786,825
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(7,135,643)
Benefit payments	(6,106,165)
Net changes	<u>1,191,399</u>
Balance at June 30, 2023	<u><u>\$ 214,699,217</u></u>

Changes in assumptions or other inputs include changing the discount rate from 3.70% to 3.90% based on the 20-year Municipal GO AA Bond Index as of June 30, 2023, 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 (2.90%) or 1-percentage point higher (4.90%) than the current discount rate:

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	1% Decrease (2.90%)	Discount Rate (3.90%)	1% Increase (4.90%)
Total OPEB liability	<u>\$ 254,149,814</u>	<u>\$ 214,699,217</u>	<u>\$ 183,690,798</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>\$ 176,459,380</u>	<u>\$ 214,699,217</u>	<u>\$ 265,421,383</u>

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

For the fiscal year ended June 30, 2023, the District recognized OPEB expense of \$11,615,700. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,162,400
Changes of assumptions or other inputs	2,134,789	34,471,829
	<u>\$ 2,134,789</u>	<u>\$ 36,634,229</u>

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

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Fiscal Year ended June 30:

2024	\$ (2,817,505)
2025	(5,918,794)
2026	(5,918,793)
2027	(7,678,442)
2028	(11,146,531)
Thereafter	(1,019,375)
	<u>\$ (34,499,440)</u>

**NOTE 17 – ASSIGNED: APPROPRIATED FUND BALANCE**

The amount of \$550,000 has been appropriated to reduce taxes for the year ending June 30, 2024.

**NOTE 18 – RESTRICTED FOR CAPITAL RESERVE**

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

	<u>Capital Reserve</u> May 19, 2018	<u>Capital Reserve</u> May 19, 2018	
Date Created	10	10	
Number of Years to Fund			
Maximum Funding	\$7,500,000 (plus interest)	\$7,500,000 (plus interest)	
<b>General Fund</b>			<b><u>Total</u></b>
Funding Provided	\$ 4,985,653	\$ 3,169,500	\$ 8,155,153
Interest Earnings	32,836	63,276	96,112
Use of Reserve	(4,999,927)	(1,208,145)	(6,208,072)
Total General Fund	<u>18,562</u>	<u>2,024,631</u>	<u>2,043,193</u>
<b>Capital Projects Fund</b>			
Funding Provided	4,999,927	1,208,145	6,208,072
Use of Reserve	(4,684,228)	(1,033,686)	(5,717,914)
Total Capital Projects Fund	<u>315,699</u>	<u>174,459</u>	<u>490,158</u>
Balance as of June 30, 2023	<u>\$ 334,261</u>	<u>\$ 2,199,090</u>	<u>\$ 2,533,351</u>

**NOTE 19 – 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.

**HERRICKS UNION FREE SCHOOL DISTRICT  
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**B) Risk Retention:**

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for incurred claims and incurred by not recorded (IBNR) based on a liability evaluation performed March 31, 2022. As of the valuation date of March 31, 2022, 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 \$2,180,554. Claims activity for the current and preceding year is summarized below.

	2023	2022
Unpaid claims, beginning of year	\$ 1,281,826	\$ 1,384,399
Incurred claims and claim adjustment expenses	730,490	500,143
Claim payments	(730,490)	(602,716)
Unpaid claims, end of year	<u>\$ 1,281,826</u>	<u>\$ 1,281,826</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, 2023. The program is accounted for in the general fund of the District. Dental activity for the current year is summarized below.

	2023
Dental program, beginning of year	\$ 595,314
Premiums collected	558,767
Dental claims paid during the year	(600,096)
Dental program, end of year	<u>\$ 553,985</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, 2023**

**NOTE 20– COMMITMENTS AND CONTINGENCIES:**

**A) Encumbrances:**

All encumbrances are classified as assigned or restricted fund balance. At June 30, 2023, the District encumbered the following amounts:

General fund	
General support	\$ 349,383
Instructional	82,205
Pupil transportation	123,861
Community services	602
Employee benefits	534
Total general fund	<u>\$ 556,585</u>
Special aid fund	
Instructional	<u>\$ 19,711</u>
School lunch fund	
Food service program	<u>\$ 33,585</u>
Capital projects fund	
Capital projects	<u>\$ 1,759,046</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.

At this time, the District has twenty-five (25) active lawsuits under the Child Victim's Act. Twenty-eight (28) claims were received by the District. Two (2) claims were settled during the fiscal year ended June 30, 2023 and one (1) claim has been settled subsequent to this date. In each case, the plaintiff alleges instances of sexual assault by former District employees. The District denies all allegations and liability in each lawsuit. The alleged incidents occurred in the 1970's and 1980's and the individuals involved in the claims are not, and have not been

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affiliated with the District for thirty (30) to forty (40) years. Three of the twenty-eight cases are being handled by an insurance carrier. In the remaining cases, the District continues to explore 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 available will be a District charge and would be funded either through budgetary appropriations or through the issuance of bonds.

**NOTE 21 - TAX ABATEMENTS:**

The District received Payment in Lieu of Tax (PILOT) payments of \$2,246,351 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 22– 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 21, 2023, the District issued a tax anticipation note for \$6,000,000 maturing on June 21, 2024 for the interim financing of the general fund operations. This note includes a premium of \$43,560.
- B) On September 21, 2023, the District issued a bond anticipation note for \$1,545,000 maturing on September 20, 2024 for the interim financing of capital projects. This note includes a premium of \$10,200.



## **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, 2023**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Final Budget Variance with Budgetary Actual</b>
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 102,879,658	\$ 97,817,909	\$ 97,817,909	\$ -
Other tax items	2,029,708	7,091,457	7,443,327	351,870
Charges for services	1,567,853	1,567,853	1,526,124	(41,729)
Use of money and property	641,254	641,254	1,467,937	826,683
Sale of property and compensation for loss	1,500	1,500	234,204	232,704
Miscellaneous	202,531	202,531	366,544	164,013
Interfund revenues	-	-	-	-
State sources				
Basic formula	8,743,921	8,743,921	8,650,381	(93,540)
Excess cost aid	3,126,934	3,126,934	3,126,206	(728)
BOCES aid	1,633,985	1,633,985	1,454,513	(179,472)
Lottery aid	2,656,884	2,656,884	3,795,293	1,138,409
Textbook aid	248,443	248,443	248,611	168
Computer software aid	66,347	66,347	67,530	1,183
Library A/V loan program aid	27,681	27,681	28,175	494
Tuition	73,197	73,197	108,993	35,796
Computer hardware	43,005	43,005	43,202	197
Federal sources				
Federal Emergency Management Assistance (FEMA)	-	-	112,767	112,767
Medicaid reimbursement	197,000	197,000	87,552	(109,448)
<b>TOTAL REVENUES</b>	<b>124,139,901</b>	<b>124,139,901</b>	<b>126,579,268</b>	<b>2,439,367</b>
Other financing sources				
TAN premium	25,580	25,580	42,938	17,358
Transfers from other funds	-	-	163,183	163,183
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>124,165,481</b>	<b>124,165,481</b>	<b>\$ 126,785,389</b>	<b>\$ 2,619,908</b>
Appropriated fund balance	1,150,000	1,213,402		
Prior year encumbrances	1,018,103	1,018,103		
Appropriated reserves	-	102,271		
<b>TOTAL REVENUES, OTHER FINANCING SOURCES, APPROPRIATED FUND BALANCE, AND RESERVES</b>	<b>\$ 126,333,584</b>	<b>\$ 126,499,257</b>		

**Note to Required Supplementary Information**

Budget Basis of Accounting

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

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, 2023

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 112,713	\$ 127,857	\$ 84,168	\$ 28,200	\$ 15,489
Central administration	413,477	414,007	413,765	-	242
Finance	1,346,707	1,226,324	1,152,205	37,559	36,560
Staff	757,470	1,254,651	1,171,934	-	82,717
Central services	12,226,391	12,108,020	11,374,393	283,624	450,003
Special items	1,304,559	1,567,605	1,562,737	-	4,868
Total General Support	16,161,317	16,698,464	15,759,202	349,383	589,879
Instruction					
Instruction, adm., and imp.	5,695,000	5,860,076	5,739,531	205	120,340
Teaching - regular school	37,370,820	37,217,929	36,890,332	5,660	321,937
Programs for children with handicapping conditions	19,300,911	19,167,229	18,811,076	1,003	355,150
Occupational education	934,577	859,169	852,980	-	6,189
Teaching special schools	9,000	7,656	7,356	-	300
Instructional media	3,163,770	3,127,923	3,073,963	520	53,440
Pupil services	5,971,911	6,092,278	5,733,944	74,817	283,517
Total Instruction	72,445,989	72,332,260	71,109,182	82,205	1,140,873
Pupil transportation	4,549,758	4,296,671	3,994,810	123,861	178,000
Community services	123,311	59,609	37,205	602	21,802
Employee benefits	29,213,728	29,175,105	29,104,409	534	70,162
Debt service					
Debt service principal	1,891,962	1,981,962	1,977,924	-	4,038
Debt service interest	667,734	795,401	791,636	-	3,765
Total Debt service	2,559,696	2,777,363	2,769,560	-	7,803
<b>TOTAL EXPENDITURES</b>	125,053,799	125,339,472	122,774,368	556,585	2,008,519
Other financing uses					
Transfers to other funds	1,279,785	1,159,785	1,139,562	-	20,223
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 126,333,584</u>	<u>\$ 126,499,257</u>	<u>123,913,930</u>	<u>\$ 556,585</u>	<u>\$ 2,028,742</u>
<b>NET CHANGE IN FUND BALANCE</b>			2,871,459		
<b>FUND BALANCE - BEGINNING OF YEAR</b>			23,156,679		
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 26,028,138</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 DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/(LIABILITY)  
FOR THE FISCAL YEARS ENDED JUNE 30,\***

	<b>NYSERS Pension Plan</b>									
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
District's proportion of the net pension asset/(liability)	0.0334293%	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)	\$ (7,168,581)	\$ 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	\$ 11,759,513	\$ 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	60.96%	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)	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%

	<b>NYSTRS Pension Plan</b>									
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
District's proportion of the net pension asset/(liability)	0.3230630%	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)	\$ (6,199,220)	\$ 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	\$ 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
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	10.75%	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)	98.57%	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.

Employees' Retirement System  
The discount rate remained at 5.90% as reflected in 2023 and 2022 above.

Teachers' Retirement System  
The discount rate remained at 6.95% as reflected in 2023 and 2022 above.

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

<b>NYSERS Pension Plan</b>										
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 1,358,824	\$ 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
Contributions in relation to the contractually required contribution	1,358,824	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
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 12,137,568	\$ 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
Contributions as a percentage of covered payroll	11.20%	11.24%	14.43%	14.08%	14.55%	14.72%	14.76%	15.81%	18.49%	19.26%
<b>NYSTRS Pension Plan</b>										
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 5,982,098	\$ 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
Contributions in relation to the contractually required contribution	5,982,098	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
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 58,749,117	\$ 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
Contributions as a percentage of covered payroll	10.18%	9.73%	9.53%	8.86%	10.57%	9.73%	11.60%	13.10%	17.30%	12.12%

**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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>						
Service cost	\$ 6,646,382	\$ 11,203,027	\$ 9,521,622	\$ 7,319,940	\$ 7,575,008	\$ 7,214,293
Interest	7,786,825	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	(7,135,643)	(64,731,654)	24,276,660	7,099,056	18,607,724	-
Benefit payments	<u>(6,106,165)</u>	<u>(5,297,909)</u>	<u>(5,240,707)</u>	<u>(5,290,924)</u>	<u>(4,878,401)</u>	<u>(4,514,188)</u>
<b>Net change in total OPEB liability</b>	1,191,399	(59,841,685)	34,233,471	20,340,681	28,081,498	9,232,706
<b>Total OPEB liability - beginning</b>	<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>	<u>181,461,147</u>
<b>Total OPEB liability - ending</b>	<u><u>214,699,217</u></u>	<u><u>213,507,818</u></u>	<u><u>273,349,503</u></u>	<u><u>\$ 239,116,032</u></u>	<u><u>\$ 218,775,351</u></u>	<u><u>\$ 190,693,853</u></u>
<b>Covered-employee payroll</b>	\$ 61,588,171	\$ 61,588,171	\$ 61,512,392	\$ 61,512,392	\$ 59,484,884	\$ 58,367,948
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	348.60%	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 3.9% as of June 30, 2023.  
The discount rate was 3.7% as of June 30, 2022.  
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.

**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, 2023**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 125,315,481
Add: Prior year's encumbrances	<u>1,018,103</u>
Original Budget	126,333,584
Budget revisions:	
Use of unassigned fund balance - replacement of firewall	63,402
Appropriated use of employee benefit accrued liability reserve	<u>102,271</u>
Final Budget	<u><u>\$ 126,499,257</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LIMIT CALCULATION**

Next year's voter approved budget	<u><u>\$ 134,719,970</u></u>
Maximum allowed (4% of 2023-2024 budget)	<u><u>\$ 5,388,799</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 1,106,585
Unassigned fund balance	<u>5,388,727</u>
Total unrestricted fund balance	6,495,312
Less:	
Appropriated fund balance	\$ 550,000
Encumbrances included in assigned fund balance	<u>556,585</u>
Total adjustments	<u>1,106,585</u>
General Fund - Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 5,388,727</u></u>
Actual percentage	4.00%

**HERRICKS UNION FREE SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND  
JUNE 30, 2023**

	Project #	Current Appropriation	Expenditures and Obligations to Date			Unexpended Balance	Proceeds of Obligations	State Aid	Methods of Financing		Interfund Transfers	Total	Fund Balance June 30, 2023
			Prior Year's	Current Year	Total				Capital Reserve	Local Sources			
<b><u>Bond 2016 (approved December 6, 2016):</u></b>													
SRA Window (PHIII)	0110	\$ 84,500	\$ 2,165	\$ 258	\$ 2,423	\$ 82,077	\$ 84,500	\$ -	\$ -	\$ -	\$ -	\$ 84,500	\$ 82,077
Denton Ave Window (PHIII)	0321	250,000	152,558	-	152,558	97,442	152,557	-	-	-	-	152,557	(1) *
Searingtown Window (PHIII)	0524	295,000	157,756	-	157,756	137,244	157,755	-	-	-	-	157,755	(1) *
HS Window and Exterior Doors (PHIII)	0836	4,722,000	4,439,356	-	4,439,356	282,644	4,439,355	-	-	-	-	4,439,355	(1) *
Center St Inte Wall Imp (PHIII)	0224	219,266	7,017	198,751	205,768	13,498	219,266	-	-	-	-	219,266	13,498
Denton Ave Inte Wall Imp (PHIII)	0322	207,034	7,058	90,221	97,279	109,755	207,034	-	-	-	-	207,034	109,755
Searingtown Inte Wall Imp (PHIII)	0526	180,498	155,965	969	156,934	23,564	180,498	-	-	-	-	180,498	23,564
HS Inte Wall Imp (PHIII)	0839	97,652	2,116	162	2,278	95,374	97,652	-	-	-	-	97,652	95,374
Center St Ventilation and Electric Improvments	0221	79,606	75,087	-	75,087	4,519	75,086	-	-	-	-	75,086	(1) *
HS Fitness Center	0840	3,665,800	3,334,704	275,530	3,610,234	55,566	3,665,800	-	-	-	-	3,665,800	55,566
Localized Masonry													
SRA	0111	-	-	5,466	5,466	(5,466)	-	-	-	-	-	-	(5,466) *
Center St	0226	204,044	9,558	280,059	289,617	(85,573)	-	-	-	-	-	-	(289,617) *
Denton Ave	0324	277,748	8,509	266,310	274,819	2,929	-	-	-	-	-	-	(274,819) *
Searingtown	0528	328,953	7,592	192,455	200,047	128,906	-	-	-	-	-	-	(200,047) *
Community Center	0708	584,896	-	20,746	20,746	564,150	-	-	-	-	-	-	(20,746) *
HS Generator (PH V)	545,000	545,000	19,278	279,349	298,627	246,373	23,476	-	-	-	-	23,476	(275,151) *
<b><u>Capital Reserve (CR) 2014-15:</u></b>													
Selective Interior Doors & Hardware													
SRA	0108	33,728	33,406	-	33,406	322	-	-	33,728	-	-	33,728	322
Center St	0220	121,728	98,592	-	98,592	23,136	-	-	121,728	-	-	121,728	23,136
Denton Ave	0319	119,340	101,870	-	101,870	17,470	-	-	119,340	-	-	119,340	17,470
Searingtown	0522	164,823	109,584	-	109,584	55,239	-	-	164,823	-	-	164,823	55,239
Community Ctr	0705	134,730	98,462	-	98,462	36,268	-	-	134,730	-	-	134,730	36,268
HS	0833	241,296	217,906	-	217,906	23,390	-	-	241,296	-	-	241,296	23,390
MS	1122	206,453	147,620	-	147,620	58,833	-	-	206,453	-	-	206,453	58,833
Site Improvements													
SRA	0109	176,574	171,945	-	171,945	4,629	-	-	176,574	-	-	176,574	4,629
Center St	0221	377,592	377,593	-	377,593	(1)	-	-	377,592	-	-	377,592	(1) *
Denton Ave	0320	388,166	379,712	-	379,712	8,454	-	-	388,166	-	-	388,166	8,454
Searingtown	0523	327,486	326,438	-	326,438	1,048	-	-	327,486	-	-	327,486	1,048
CR 14-15 Site Improvements and Masonry Middle School	1126	864,467	569,542	676,353	1,245,895	(381,428)	-	-	993,714	-	-	993,714	(252,181) *
CR 14-15 Site Improvements and Masonry High School	0841	1,714,297	959,508	415,697	1,375,205	339,092	-	-	1,714,297	-	-	1,714,297	339,092
CR 2019 HS Auditorium	0843	1,208,145	-	1,033,686	1,033,686	174,459	-	-	1,208,145	-	-	1,208,145	174,459
<b>Bond 2016 &amp; Capital Reserve 2014-15 Total</b>		<b>17,820,822</b>	<b>11,970,897</b>	<b>3,736,012</b>	<b>15,706,909</b>	<b>2,113,913</b>	<b>9,302,979</b>	<b>-</b>	<b>6,208,072</b>	<b>-</b>	<b>-</b>	<b>15,511,051</b>	<b>(195,858)</b>
Budgetary Apprpr 22/23 - HS Library		776,250	-	750,719	750,719	25,531	-	-	-	776,250	-	776,250	25,531
DASNY Proj 23880 HS VE Classroom Renovation		50,000	-	46,202	46,202	3,798	-	-	-	-	-	-	(46,202) **
Smart Schools Bond Act - Technology		966,909	-	129,531	129,531	837,378	-	129,531	-	-	-	129,531	-
Leases- 2022-2023		147,514	-	147,514	147,514	-	147,514	-	-	-	-	147,514	-
<b>Budgetary Appropriation Total</b>		<b>1,940,673</b>	<b>-</b>	<b>1,073,966</b>	<b>1,073,966</b>	<b>866,707</b>	<b>147,514</b>	<b>129,531</b>	<b>-</b>	<b>776,250</b>	<b>-</b>	<b>1,053,295</b>	<b>(20,671)</b>
<b>TOTAL</b>		<b>\$ 19,761,495</b>	<b>\$ 11,970,897</b>	<b>\$ 4,809,978</b>	<b>\$ 16,780,875</b>	<b>\$ 2,980,620</b>	<b>\$ 9,450,493</b>	<b>\$ 129,531</b>	<b>\$ 6,208,072</b>	<b>\$ 776,250</b>	<b>\$ -</b>	<b>\$ 16,564,346</b>	<b>\$ (216,529)</b>

\* 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, 2023**

<b>Capital assets, net</b>		\$	59,563,760
<b>Intangible lease assets, net</b>			192,064
<b>Deduct:</b>			
Accounts payable			368,386
Short-term portion of bonds payable, inclusive of unamortized premium:	\$	1,770,744	
Long-term portion of bonds payable, inclusive of unamortized premium:		16,596,578	
Less: unspent bond proceeds		<u>(379,834)</u>	17,987,488
Short-term portion of lease liability	\$	74,581	
Long-term portion of lease liability		<u>113,096</u>	<u>187,677</u>
<b>Net investment in capital assets</b>		\$	<u><u>41,212,273</u></u>

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

To the Board of Education  
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, 2023, 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 12, 2023.

**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.

A handwritten signature in cursive script that reads "R.S. Abrams & Co., LLP".

R.S. Abrams & Co., LLP  
Islandia, New York  
October 12, 2023