

**HERRICKS
UNION FREE SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

HERRICKS UNION FREE SCHOOL DISTRICT

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R.S. ABRAMS & CO., LLP

Accountants & Consultants for Over 75 years

Robert S. Abrams
(1926–2014)

Marianne E. Van Duyne, CPA
Alexandria M. Battaglia, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Herricks Union Free School District

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of Herricks Union Free School District, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of Herricks Union Free School District, as of June 30, 2015, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter - Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, Herricks Union Free School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

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 funding progress, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 16 and 60 through 64, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Boards, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Herricks Union Free School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements.

The 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. Such 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 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 15, 2015 on our consideration of Herricks Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 Herricks Union Free School District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 15, 2015

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015. 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 \$3,416,812 which is an increase of \$5,206,323 from the prior year. This was due primarily to an increase in net pension asset and deferred inflows and outflows as required by GASB Statement No. 68.
- On the District-Wide Financial Statements, revenues increased by 2.23% as a result of increased property taxes and additional state sources.
- The District continued to offer all programs, without reducing services.
- On May 19, 2015, the proposed 2015-2016 budget in the amount of \$108,240,992 was authorized by the District's residents. This budget was under the NYS property tax cap and was approved by 72% of the voters.
- During the 2014-2015 school year the District created a capital reserve to address future capital projects.

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 optional supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

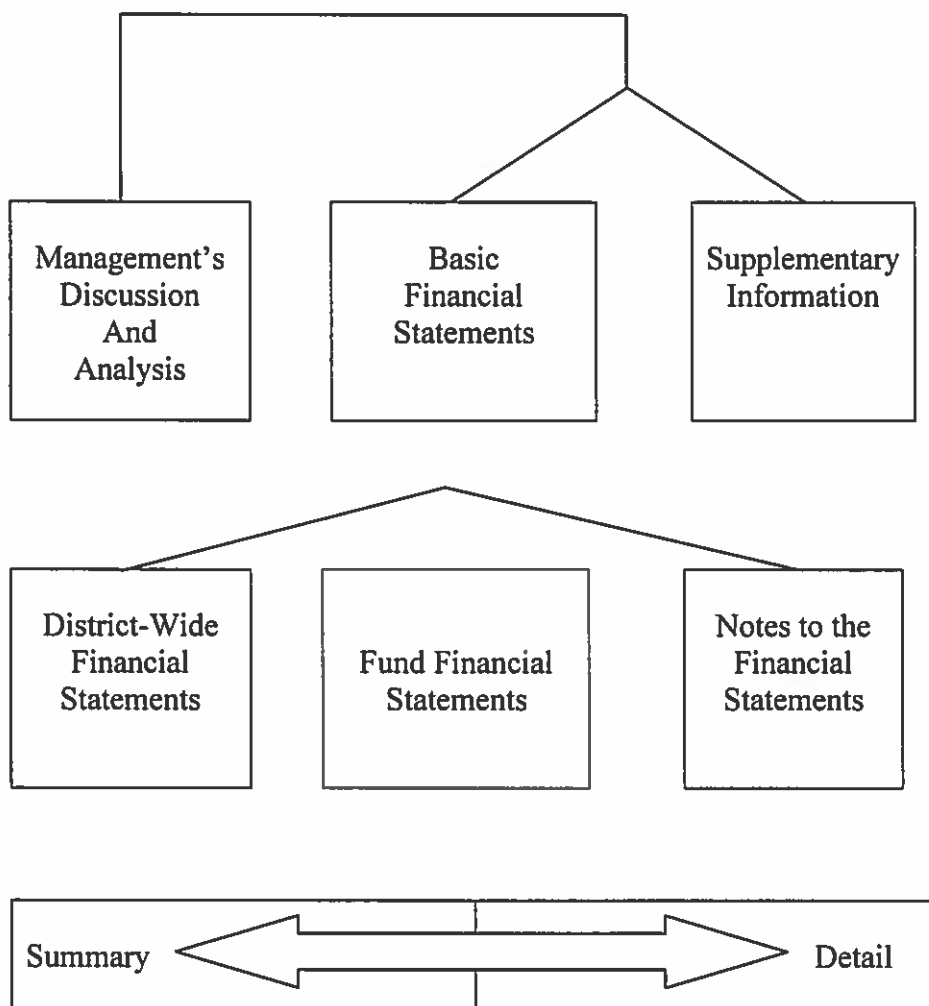
- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations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

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- *Fiduciary Funds Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

Table A-1: 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, 2015**

Table A-2 summarizes the major features of the District's 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.

Table A-2: Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
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	All additions and deductions during the year, 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, 2015**

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.

The two District-Wide Financial Statements report the District's net position and how it has changed. Net position, the difference between the assets, deferred outflows of resources, 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 is 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 are reported as expenditures when financial resources (money) are expended to purchase 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 is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both 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;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation 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.

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

The District has two kinds of funds:

i) Governmental funds

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

ii) Fiduciary funds

The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net assets and changes in net assets. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position

The District's total net position increased by \$5,206,323 in the fiscal year ended June 30, 2015, primarily due to recording the net pension asset and related deferred inflows and outflows as required by GASB Statement No. 68, as detailed in Table A-3.

Table A-3 – Condensed Statement of Net Position

	Fiscal Year 2015	Fiscal Year 2014 *	Increase (Decrease)	Total Percentage Change
Current assets and other assets	\$31,942,328	\$30,955,167	\$987,161	3.19%
Capital assets	43,668,105	45,148,457	(1,480,352)	-3.28%
Net pension asset-proportionate share	36,018,752	2,100,099	33,918,653	1615.10%
Total assets	<u>111,629,185</u>	<u>78,203,723</u>	<u>33,425,462</u>	42.74%
Deferred outflows of resources	<u>9,322,506</u>	<u>8,307,704</u>	<u>1,014,802</u>	12.22%
Total assets and deferred outflows of resources	<u>\$120,951,691</u>	<u>\$86,511,427</u>	<u>\$34,440,264</u>	39.81%
Other liabilities	\$13,254,132	\$13,078,508	\$175,624	1.34%
Long-term liabilities	<u>79,333,634</u>	<u>74,983,833</u>	<u>4,349,801</u>	5.80%
Total liabilities	<u>92,587,766</u>	<u>88,062,341</u>	<u>4,525,425</u>	5.14%
Deferred Inflows of Resources	<u>24,947,113</u>	<u>238,597</u>	<u>24,708,516</u>	10355.75%
Total liabilities and deferred inflows of resources	<u>117,534,879</u>	<u>88,300,938</u>	<u>29,233,941</u>	33.11%
Net Position				
Net investment in capital assets	25,478,972	24,502,852	976,120	3.98%
Restricted	11,782,047	10,588,289	1,193,758	11.27%
Unrestricted (deficit)	<u>(33,844,207)</u>	<u>(36,880,652)</u>	<u>3,036,445</u>	8.23%
Total net position (deficit)	<u>3,416,812</u>	<u>(1,789,511)</u>	<u>5,206,323</u>	-290.94%
Total Liabilities, deferred inflows of resources, and Net position	<u>\$120,951,691</u>	<u>\$86,511,427</u>	<u>\$34,440,264</u>	39.81%

* As restated for implementation of GASB Statement No. 68 and No. 71, see Note 1T and Note 15.

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Current assets and other assets increased \$987,161 from 2014 to 2015 due to an increase in cash offset by a decrease in state and federal aid receivable. Capital assets (net of depreciation) decreased by \$1,480,352. This was attributable to current year depreciation offset by current year additions. Net pension asset, proportionate share increased by \$33,918,653 due to changes in the proportionate share of TRS net pension assets. Other liabilities increased by \$175,624. This was attributable to an increase in due to teachers' retirement and due to other governments offset by a decrease in accounts payable. Long-term liabilities increased by \$4,349,801 mostly due to the increase in the District's net post-employment benefits obligation offset by a decrease in bonds payable and energy performance contract. The changes in deferred inflows and outflows represent amortization of pension related items as described in Note 1 and amortization on the gain on defeasance.

The net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt. This number increased from the prior year by \$976,120. This is due to current year depreciation of capital assets offset by the decrease in long term debt.

The restricted net position refers to the District's reserves: workers' compensation, unemployment, retirement contribution, insurance, repairs, employee benefit accrued liability, and capital reserve as well as the net position of the debt service fund. The increase in the balance of \$1,193,758 is a result of the District's setting up a capital reserve and funding the reserves and allocation of interest earnings, as well as the change in the debt service fund net position. Changes to the restricted net position are discussed further in Section 4 "Financial Analysis of the District's Funds".

The unrestricted net deficit relates to the balance of the District's net position. This deficit amount of \$33,844,207 is a decrease of \$3,036,445 from the prior year. The decrease in the deficit is primarily due to the increase in net pension asset – proportionate share and deferred outflows of resources for pension being recorded in accordance with GASB Statement No. 68 offset by an increase in net post-employment benefits obligation.

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. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2015 and 2014 is as follows:

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Table A-4: Change in Net Position from Operating Results
Governmental Activities Only

	Fiscal Year 2015	Fiscal Year 2014	Increase (Decrease)	Total Percentage Change
Revenues				
Program revenues				
Charges for services	\$2,759,047	\$2,394,690	\$364,357	15.22%
Operating grants	2,623,344	2,404,417	218,927	9.11%
General revenues				
Property taxes and other tax items	93,690,909	92,432,877	1,258,032	1.36%
State sources	9,299,561	9,058,750	240,811	2.66%
Investment earnings	632,535	627,958	4,577	0.73%
Other	854,259	544,319	309,940	56.94%
Total Revenues	109,859,655	107,463,011	2,396,644	2.23%
Expenses				
General support	13,593,969	14,361,970	(768,001)	-5.35%
Instruction	84,546,401	91,903,179	(7,356,778)	-8.00%
Pupil transportation	3,809,003	3,874,150	(65,147)	-1.68%
Community service	912,509	785,159	127,350	16.22%
Debt service - interest	429,495	645,217	(215,722)	-33.43%
Food service program	1,361,955	1,385,588	(23,633)	-1.71%
Total Expenses	104,653,332	112,955,263	(8,301,931)	-7.35%
Change in net position (deficit)	\$5,206,323	(\$5,492,252)	\$10,698,575	-194.79%

2014 information was not restated because all of the information necessary was not readily available. The cumulative effect of applying the change of accounting principles is shown as an adjustment to the beginning net position. See Note 15 for more information.

The District's total fiscal year 2015 revenues totaled \$109,859,655. (See Table A-4). This is an increase of \$2,396,644 or 2.23% over the prior year. Property taxes and other tax items and state sources accounted for most of the District's revenue by contributing 85.28% and 8.46%, respectively, of total revenue. (See Table A-5). The remainder came from fees charged for services, operating grants, investment earnings, and other miscellaneous sources.

The total cost of all programs and services totaled \$104,653,332 for fiscal year 2015. This is a decrease of \$8,301,931 or 7.35% from the prior year. These expenses are predominantly related to general instruction and caring for (pupil services) and transporting students, which account for 84.43% of district expenses. (See Table A-6). The District's general support activities accounted for 12.99% of total costs.

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Table A-5: Revenues for Fiscal Year 2015 (See Table A-4)

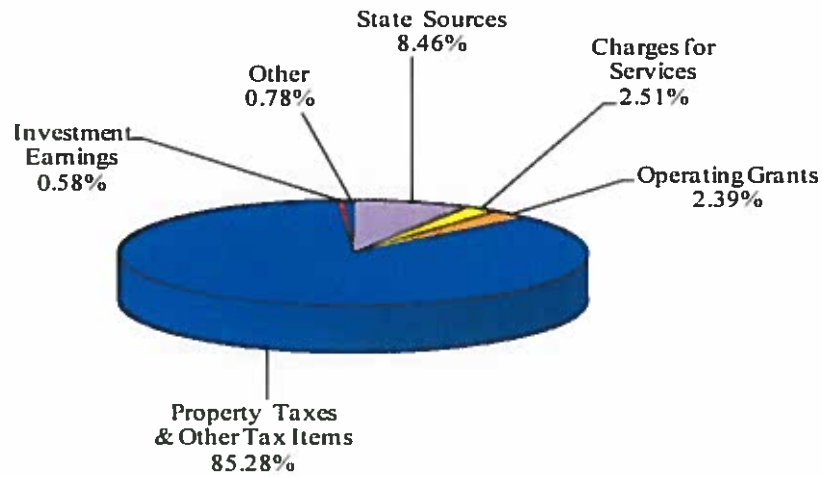
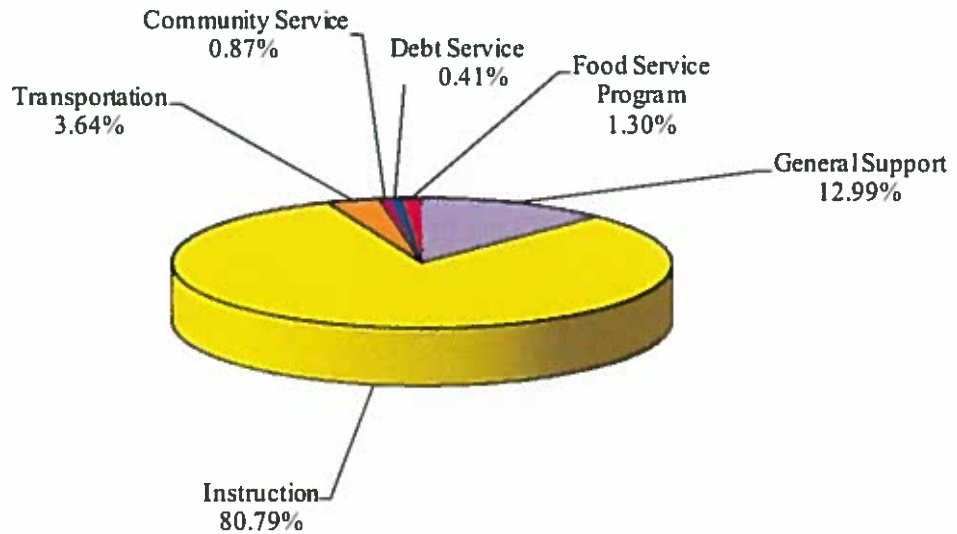


Table A-6: Expenses for Fiscal Year 2015 (See Tables A-4 and A-7)



**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

C) Governmental Activities

Revenues for the District’s governmental activities totaled \$109,859,655 while total expenses equaled \$104,653,332. The increase in the net position for governmental activities was \$5,206,323 in 2015 due to the implementation of GASB No. 68. Since actual revenues exceeded actual expenses, the overall good financial condition of the District, as a whole, can be credited to:

- Continued leadership of the District’s Board and administration;
- Strong tax base;
- Strategic use of services from the Nassau BOCES;
- Improved curriculum and community support;
- Contract Settlements

Table A-7 presents the cost of major District activities: general support, instruction, pupil transportation, debt service and food service program. The table also shows each activity’s net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District’s taxpayers by each of these functions.

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2014
General support	\$13,593,969	\$14,361,970	\$13,593,969	\$14,361,970
Instruction	84,546,401	91,903,179	80,850,060	88,544,247
Pupil transportation	3,809,003	3,874,150	3,728,550	3,874,150
Community service	912,509	785,159	675,990	666,425
Debt service - interest	429,495	645,217	429,495	645,217
Food service program	1,361,955	1,385,588	(7,123)	64,147
Total	\$104,653,332	\$112,955,263	\$99,270,941	\$108,156,156

- The cost of all governmental activities this year was \$104,653,332. (Statement of Activities, Expenses column-see Exhibit 3)
- The users of the District’s programs \$2,759,047 financed some of the cost. (Statement of Activities, Charges For Services column-see Exhibit 3)
- The federal and state governments subsidized certain programs with grants of \$2,623,344 (Statement of Activities, Operating Grants column – see Exhibit 3)

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- Most of the District's net costs \$99,270,941 were financed by District taxpayers and state and federal aid. (Statements of Activities, Net (Expense) Revenue and Changes in Net Position column-see Exhibit 3)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variations between years for the governmental Fund Financial Statements are not the same as variations 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 by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

As of June 30, 2015, the District's combined governmental funds reported a total fund balance of \$18,770,538 which is an increase of \$799,096 from the prior year.

A summary of the change 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, 2015**

	2015	2014	Increase/ (Decrease)	Percentage Change
General fund				
Nonspendable - prepaid expenditures	\$790,898	\$778,331	\$12,567	1.61%
Restricted for workers' compensation	2,252,178	2,161,805	90,373	4.18%
Restricted for unemployment	817,045	830,300	(13,255)	-1.60%
Restricted for retirement contributions	4,886,935	4,875,388	11,547	0.24%
Restricted for insurance	550,093	550,000	93	0.02%
Restricted for repairs	2,775	2,772	3	0.11%
Restricted for employee benefit accrued liability	1,200,000	1,200,000	-	0.00%
Restricted for capital	1,747,140		1,747,140	N/A
Assigned - designated for subsequent year's expenditures	1,440,000	1,756,000	(316,000)	-18.00%
Assigned for general support	135,927	208,377	(72,450)	-34.77%
Assigned for instruction	736,321	496,091	240,230	48.42%
Assigned for pupil transportation		169	(169)	N/A
Assigned for community services	2		2	N/A
Unassigned	4,303,272	4,303,796	(524)	-0.01%
Total fund balance - general fund	<u>18,862,586</u>	<u>17,163,029</u>	<u>1,699,557</u>	9.90%
School lunch fund				
Nonspendable-inventory & prepaid expenditures	39,611	37,324	2,287	6.13%
Unassigned	(232,538)	(196,935)	(35,603)	-18.08%
Total fund balance - school lunch fund	<u>(192,927)</u>	<u>(159,611)</u>	<u>(33,316)</u>	-20.87%
Debt service fund				
Restricted for debt service	325,881	823,763	(497,882)	-60.44%
Total fund balance - debt service fund	<u>325,881</u>	<u>823,763</u>	<u>(497,882)</u>	-60.44%
Capital projects fund				
Assigned -unappropriated		144,261	(144,261)	N/A
Unassigned	(225,002)		(225,002)	N/A
Total fund balance - capital projects fund	<u>(225,002)</u>	<u>144,261</u>	<u>(369,263)</u>	-255.97%
Total fund balance - all funds	<u>\$18,770,538</u>	<u>\$17,971,442</u>	<u>\$799,096</u>	4.45%

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

In the general fund the District can attribute changes to fund balance primarily due to operating results, Board approved transfers and allocation of interest earnings.

The increase in the restricted fund balance for workers' compensation of \$90,373 is a result of the District appropriating \$504,176 for use, allocating interest and earnings of the fund of \$60,866 and funding an additional \$533,683 into the reserve.

The decrease in the restricted fund balance for unemployment of \$13,255 is the result of the District appropriating \$13,705 for use and allocating interest of \$450 into the reserve.

The increase in the restricted fund balance for retirement contributions of \$11,547 is the result of allocating interest of \$11,547.

The increase in the restricted fund balance for insurance of \$93 is the result of the District appropriating \$22,814 for use, offset by the earnings of the fund of \$22,907.

The increase in the restricted fund balance for repairs of \$3 is the result of allocating interest.

The restricted fund balance for employee benefit accrued liability had disbursements of \$205,706 and funding of additional \$205,706.

The restricted fund balance for capital is the District funding the voter approved capital reserve in the amount of \$1,747,140.

The decrease in the total fund balance of the school lunch fund of \$33,316 is the operating deficit of the school lunch fund for the current year.

The decrease in the debt service fund balance of \$497,882 is the result of the District appropriating \$500,000 for use and allocating interest and earnings of \$2,118.

The decrease in the capital projects fund of \$369,263 is primarily a result of new bond projects starting this year. Bonds will be issued during 2015-2016.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2014-2015 Budget

The District's general fund adopted budget for the year ended June 30, 2015 was \$107,594,911. This amount was increased by encumbrances carried forward from the prior year in the amount of \$704,637 and budget revisions in the amount of \$1,434,042 which resulted in a final budget of \$109,733,590. The majority of the funding was property taxes and STAR revenue of \$93,667,559.

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

Opening, unassigned fund balance	\$4,303,796
Revenues over budget	839,914
Expenditures and encumbrance under budget	3,842,072
Transfers to reserves	(2,526,535)
Interest to reserves	(14,277)
Budget revisions per Board Approval	(689,131)
Change in nonspendable - prepaid expenditures	(12,567)
Assigned -appropriated for June 30, 2016 budget	(1,440,000)
Closing, unassigned fund balance	<u><u>\$4,303,272</u></u>

The revenues over budget of \$839,914 were primarily in charges for services and miscellaneous items. (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget of \$3,842,072 were primarily in programs for children with handicapping conditions and employee benefits (see Supplemental Schedule #1 for detail).

The closing unassigned fund balance represents the fund balance retained by the District that is not restricted or assigned for subsequent year's taxes. This amount is limited to 4% of the 2015-2016 budget.

The changes in fund balance is discussed further in Management Discussion and Analysis Section 4, Financial Analysis of the District's Funds.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets

A summary of the District's capital assets net of depreciation are as follows:

Table A-8: Capital Assets (Net of Depreciation)

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Category	Fiscal Year 2015	Fiscal Year 2014	Increase (Decrease)	Percentage Change
Land & land improvements	\$4,700,907	\$4,700,907	-	0.00%
Construction in progress	433,904	208,901	\$225,003	107.71%
Buildings & building improvements	75,894,635	75,545,085	349,550	0.46%
Furniture & equipment	3,482,220	3,627,404	(145,184)	-4.00%
Vehicles	1,634,249	1,605,210	29,039	1.81%
Subtotal	<u>86,145,915</u>	<u>85,687,507</u>	<u>458,408</u>	0.53%
Less: Accumulated depreciation	<u>42,477,810</u>	<u>40,539,050</u>	<u>1,938,760</u>	4.78%
Total Net Capital Assets	<u><u>\$43,668,105</u></u>	<u><u>\$45,148,457</u></u>	<u><u>(\$1,480,352)</u></u>	-3.28%

The District spent \$574,553 in the capital projects fund.

B) Long-Term Debt

At June 30, 2015, the District had total bonds payable of \$15,600,000 and an energy performance contract of \$2,384,621. The bonds were issued for district-wide projects, and the energy performance contract was issued for energy savings costs. The decrease in outstanding debt represents principal payments. A summary of outstanding debt at June 30, 2015 and 2014 is as follows:

	2015	2014	Increase (Decrease)
Bonds payable	\$15,600,000	\$17,775,000	(\$2,175,000)
Energy performance contract	2,384,621	2,632,008	(247,387)
Total	<u><u>\$17,984,621</u></u>	<u><u>\$20,407,008</u></u>	<u><u>(\$2,422,387)</u></u>

7. FACTORS BEARING ON THE DISTRICT’S FUTURE

- A) The District issued \$6,000,000 in tax anticipation notes on September 29, 2015, maturing on June 24, 2016 with interest rate of 2.00% and received a TAN premium of \$66,540.
- B) The District issued \$3,500,000 in serial bonds on August 4, 2015, maturing on June 15, 2022 with interest rate of 1.45%.
- C) The general fund budget for the 2015-2016 school year was approved by the voters in the amount of \$108,240,992. This is an increase of \$646,081 or 0.60% over the previous year’s budget. The 2015-

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

2016 budget was under the NYS property tax cap. The increase was primarily due to increases in personnel costs.

- D)** The 2015-2016 budget is negatively impacted by certain trends impacting school districts. These include increases in health insurance costs.
- E)** The NYS Legislature has introduced and approved a property tax cap beginning in the 2012-2013 school year. This bill limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year's levy. If the tax levy proposed to the voters is within the school district's tax levy cap, then a majority vote would be required for approval. If the proposed tax levy exceeds the district's tax levy cap, the threshold required for approval would be 60 percent of the vote. A school district that does not levy an amount up to the cap in any one year would be allowed to carry over unused tax levy capacity into future years.
- F)** New York State recently enacted a law to effectively "freeze" property taxes for two years on the primary residences of homeowners with annual incomes at or below \$500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners will receive a credit, which will be distributed in the form of a check from New York State, up to the calculated amount of the tax cap. The program also requires the school districts and local governments in the second year to develop or participate in the development of a state approved government efficiency plan that will achieve savings. The law is effective for school districts starting with the 2014-2015 school year. This program will provide an incentive for the District to be tax cap compliant. Herricks has submitted, as part of a North Shore consortium, a tax efficiency plan to be approved by New York State.

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. Helen Costigan, 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, 2015

ASSETS	
Current assets	
Cash	
Unrestricted	\$13,751,220
Restricted	11,782,047
Receivables	
State and federal aid	1,830,483
Taxes receivable	1,528,018
Due from other governments	1,181,308
Due from fiduciary funds	973,152
Accounts receivable	61,341
Inventories	34,046
Prepaid expenditures	800,713
Non-current assets	
Capital assets	
Not being depreciated	2,164,020
Being depreciated, net of accumulated depreciation	41,504,085
Net pension asset - proportionate share	<u>36,018,752</u>
TOTAL ASSETS	<u>111,629,185</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>9,322,506</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 120,951,691</u>
LIABILITIES	
Payables	
Accounts payable	\$1,936,163
Accrued liabilities	328,364
Accrued interest payable	82,342
Claims payable	789,240
Due to fiduciary funds	29
Due to other governments	110,000
Compensated absences payable	118,624
Due to teachers' retirement system	8,748,653
Due to employees' retirement system	503,580
Unearned credits	
Collections in advance	637,137
Long-term liabilities	
Due and payable within one year	
Bonds payable	1,915,000
Energy performance contract	257,603
Compensated absences payable	200,000
Due and payable after one year	
Bonds payable	13,685,000
Energy performance contract	2,127,018
Compensated absences payable	6,117,207
Claims payable	253,584
Net other post employment benefits obligation	53,395,590
Net pension liability - proportionate share	<u>1,382,632</u>
DEFERRED INFLOWS OF RESOURCES	
Gain on defeasance	204,512
Pensions	<u>24,742,601</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>117,534,879</u>
NET POSITION (DEFICIT)	
Net investment in capital assets	<u>25,478,972</u>
Restricted	
Workers' Compensation	2,252,178
Unemployment	817,045
Retirement Contribution	4,886,935
Insurance	550,093
Repairs	2,775
Employee Benefit Accrued Liability	1,200,000
Debt	325,881
Capital	<u>1,747,140</u>
	<u>11,782,047</u>
Unrestricted (deficit)	<u>(33,844,207)</u>
TOTAL NET POSITION	<u>3,416,812</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$120,951,691</u>

**HERRICKS UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS / PROGRAMS				
General support	(\$13,593,969)			(\$13,593,969)
Instruction	(84,546,401)	\$1,664,315	\$2,032,026	(80,850,060)
Pupil transportation	(3,809,003)		80,453	(3,728,550)
Community services	(912,509)		236,519	(675,990)
Debt service - interest	(429,495)			(429,495)
Food service program	(1,361,955)	1,094,732	274,346	7,123
TOTAL FUNCTIONS AND PROGRAMS	<u>(\$104,653,332)</u>	<u>\$2,759,047</u>	<u>\$2,623,344</u>	<u>(99,270,941)</u>
 GENERAL REVENUES				
Real property taxes				84,185,879
Other tax items - including STAR reimbursement				9,505,030
Use of money & property				632,535
Sale of property & compensation for loss				85,826
Miscellaneous				642,236
State sources				9,299,561
Medicaid reimbursement				126,197
TOTAL GENERAL REVENUES				<u>104,477,264</u>
 CHANGE IN NET POSITION				5,206,323
 TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR AS RESTATED (SEE NOTE 15)				<u>(1,789,511)</u>
 TOTAL NET POSITION - END OF YEAR				<u><u>\$3,416,812</u></u>

**HERRICKS UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash						
Unrestricted	\$12,745,931	\$730,530	\$130,498		\$144,261	\$13,751,220
Restricted	11,456,473			\$325,574		11,782,047
Receivables						
State and federal aid	567,588	1,245,932	16,963			1,830,483
Taxes receivable	1,528,018					1,528,018
Due from other governments	1,181,308					1,181,308
Due from other funds	2,491,336			307		2,491,643
Due from fiduciary funds	961,530	11,622				973,152
Accounts receivable	36,933	23,598	810			61,341
Inventories			34,046			34,046
Prepaid expenditures	790,898	4,250	5,565			800,713
TOTAL ASSETS	<u>\$31,760,015</u>	<u>\$2,015,932</u>	<u>\$187,882</u>	<u>\$325,881</u>	<u>\$144,261</u>	<u>\$34,433,971</u>
LIABILITIES AND FUND BALANCES						
Payables						
Accounts payable	\$1,772,931	\$116,705	\$29,049		\$17,478	\$1,936,163
Accrued liabilities	256,972	14,170	57,222			328,364
Claims payable	789,240					789,240
Due to other governments	109,322		678			110,000
Due to other funds	307	1,845,720	293,831		351,785	2,491,643
Due to fiduciary funds			29			29
Due to teachers' retirement system	8,748,653					8,748,653
Due to employees' retirement system	503,580					503,580
Compensated absences	118,624					118,624
Unearned credits						
Collections in advance	597,800	39,337				637,137
TOTAL LIABILITIES	<u>12,897,429</u>	<u>2,015,932</u>	<u>380,809</u>	<u>-</u>	<u>369,263</u>	<u>15,663,433</u>
FUND BALANCES						
Nonspendable	790,898		39,611			830,509
Restricted:						
Workers' compensation	2,252,178					2,252,178
Unemployment	817,045					817,045
Retirement contribution	4,886,935					4,886,935
Insurance	550,093					550,093
Repairs	2,775					2,775
Employee benefit accrued liability	1,200,000					1,200,000
Debt				\$325,881		325,881
Capital	1,747,140					1,747,140
Assigned:						
Appropriated fund balance	1,440,000					1,440,000
Unappropriated fund balance	872,250					872,250
Unassigned: Fund balance (deficit)	4,303,272		(232,538)		(225,002)	3,845,732
TOTAL FUND BALANCES (DEFICIT)	<u>18,862,586</u>	<u>-</u>	<u>(192,927)</u>	<u>325,881</u>	<u>(225,002)</u>	<u>18,770,538</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$31,760,015</u>	<u>\$2,015,932</u>	<u>\$187,882</u>	<u>\$325,881</u>	<u>\$144,261</u>	<u>\$34,433,971</u>

**HERRICKS UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Governmental Fund Balances \$18,770,538

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	\$86,145,915	
Accumulated depreciation	<u>(42,477,810)</u>	43,668,105

Defeasance gain - gain on defeasance on the advance refunding. The Statement of Net Position will amortize the gain on defeasance on the advance refunding over the life of the bond. Governmental funds recorded the gain on defeasance on the advance refunding as a revenue. (204,512)

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 that will be recognized in future periods amounted to:

Deferred outflows of resources-pensions	\$9,322,506	
Deferred inflows of resources-pensions	<u>(24,742,601)</u>	(15,420,095)

Certain disbursements previously expended in the governmental funds relating to pensions are treated as long term assets and increase net position. Net pension asset - Teachers' retirement system proportionate share at year end amounted to: 36,018,752

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 on bonds and energy performance contract	(82,342)
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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	(\$15,600,000)	
Energy performance contract	(2,384,621)	
Compensated absences payable	(6,317,207)	
Claims payable	(253,584)	
Net other post employment benefits obligation	(53,395,590)	
Net pension liability - ERS proportionate share	<u>(1,382,632)</u>	
		<u>(79,333,634)</u>

Total Net Position	<u><u>\$3,416,812</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, 2015

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$84,185,879					\$84,185,879
Other tax items - including STAR reimbursement	9,505,030					9,505,030
Charges for services	1,664,315					1,664,315
Use of money and property	631,659		\$72	\$804		632,535
Sale of property and compensation for loss	85,826					85,826
Miscellaneous	573,091	\$64,482	342	1,314		639,229
Interfund revenue	3,007					3,007
State sources	9,299,561	1,091,446	18,278			10,409,285
Federal sources		1,257,552	177,814			1,435,366
Medicaid reimbursement	126,197					126,197
Surplus food			78,254			78,254
Sales - school lunch			1,094,732			1,094,732
TOTAL REVENUES	106,074,565	2,413,480	1,369,492	2,118	-	109,859,655
EXPENDITURES						
General support	11,249,125					11,249,125
Instruction	60,161,460	2,530,289				62,691,749
Pupil transportation	3,215,265	80,453				3,295,718
Community service	521,218	236,519				757,737
Employee benefits	26,190,461					26,190,461
Debt service principal	2,422,387					2,422,387
Debt service interest	476,021					476,021
Cost of sales			1,402,808			1,402,808
Capital outlay					\$574,553	574,553
TOTAL EXPENDITURES	104,235,937	2,847,261	1,402,808	-	574,553	109,060,559
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,838,628	(433,781)	(33,316)	2,118	(574,553)	799,096
OTHER FINANCING SOURCES AND (USES)						
Operating transfers (in)	644,260	433,781			349,550	1,427,591
Operating transfers (out)	(783,331)			(500,000)	(144,260)	(1,427,591)
TOTAL OTHER FINANCING SOURCES AND (USES)	(139,071)	433,781	-	(500,000)	205,290	-
NET CHANGE IN FUND BALANCES	1,699,557	-	(33,316)	(497,882)	(369,263)	799,096
FUND BALANCES - BEGINNING OF YEAR	17,163,029	-	(159,611)	823,763	144,261	17,971,442
FUND BALANCES - END OF YEAR	\$18,862,586	\$ -	(\$192,927)	\$325,881	(\$225,002)	\$18,770,538

**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, 2015**

Net Change in Fund Balances \$799,096

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 year ended June 30, 2015 increased by (214,973)

Claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Claims payable for the year ended June 30, 2015 decreased by 79,553

Net other post-employment benefits obligation payable in the Statement of Activities differs from the amount reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Net other post-employment benefits obligation payable for the year ended June 30, 2015 increased by (7,103,593)

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	\$805,432	
Loss on disposal	(2,949)	
Depreciation expense	<u>(2,282,835)</u>	(1,480,352)

Long-Term Debt Differences

Repayment of bond and energy performance 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. 2,422,387

Interest on long-term 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 from June 30, 2014 to June 30, 2015 changed by 12,441

Governmental funds report the premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net amount of amortization is 34,085

Pension Difference

Increases / decreases in the proportionate share of net pension asset/liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Teachers' retirement system	\$9,803,307	
Employees' retirement system	<u>854,372</u>	<u>\$10,657,679</u>

Changes in Net Position \$5,206,323

**HERRICKS UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	<u>Agency Funds</u>	<u>Private Purpose Trust Funds</u>
ASSETS		
Cash		
Restricted	\$2,766,010	\$92,899
Accounts receivable	12,058	
Due from governmental funds	29	
TOTAL ASSETS	<u><u>\$2,778,097</u></u>	<u><u>\$92,899</u></u>
LIABILITIES		
Due to governmental funds	\$973,152	
Extraclassroom activity balance	191,247	
Other liabilities	1,613,698	
TOTAL LIABILITIES	<u><u>\$2,778,097</u></u>	<u><u>-</u></u>
NET POSITION		
Restricted for scholarships		92,899
TOTAL NET POSITION		<u><u>92,899</u></u>
TOTAL LIABILITIES AND NET POSITION		<u><u>\$92,899</u></u>

**HERRICKS UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Gifts and contributions	\$9,027
Interest and earnings	100
TOTAL ADDITIONS	<u>9,127</u>
 DEDUCTIONS	
Scholarships and awards	<u>15,932</u>
TOTAL DEDUCTIONS	<u>15,932</u>
 CHANGE IN NET POSITION	 (6,805)
 NET POSTION - BEGINNING OF YEAR	 <u>99,704</u>
 NET POSITION - END OF YEAR	 <u><u>\$92,899</u></u>

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

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

A) Reporting entity:

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of five (5) members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, and by GASB Statement 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement 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 and its component unit and other organizational entities determined to be includable in the District’s financial reporting entity. 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, the following is a brief description of a certain entity included in the District’s reporting entity.

Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District’s business office. The District reports these assets held by its agent for the Extraclassroom organizations in the Statement of Fiduciary Net Position – Fiduciary Fund. Separate audited Financial Statements of the Extraclassroom Activity Funds can be found at the District’s business office.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

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

C) Basis of presentation:

i) 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.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

ii) Fund Financial Statements:

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

The 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.

School Lunch Fund: This fund is used to account for the activities of the District's food service operations.

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

The District reports the following fiduciary funds:

Fiduciary Funds: These funds are used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-Wide Financial Statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

D) Measurement focus and basis of accounting:

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

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E) Real Property taxes:

i) Calendar:

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on July 1. Taxes are collected by the Town of North Hempstead during the period 2014-2015.

ii) 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.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure 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 and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

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

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

H) Estimates:

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

I) Cash and investments:

The District's cash and investments consist of cash on hand, demand deposits, and short-term investments 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.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

K) Inventories and prepaid items:

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

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

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

Prepaid items as of June 30, 2015 consisted of health insurance premiums in the general fund and school lunch fund, and an annual subscription fee in the federal fund.

L) Capital assets:

Capital assets are reported at actual cost for acquisitions subsequent to 20 years. For assets acquired prior to 20 years, estimated historical costs, based on appraisals conducted by independent third-party professionals are used. Donated assets are reported at estimated fair market 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:

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

M) 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.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Collections in advance consist of amounts received in advance for summer programs in the general fund and for amounts received in advance for grants in the special aid fund.

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. The District has one item that qualifies for reporting in this category. This amount is related to pensions reported in the District-Wide Statement of Net Position. This represents the difference between expected and actual experience (ERS), the net difference between projected and actual investment earnings on pension plan investments (ERS), changes in proportion and differences between employer contributions and proportionate share of contributions (ERS), and the District's contributions to the pension systems (TRS and ERS systems) subsequent to the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The District has two items that qualify for reporting in this category. The first item is a deferred gain on refunding which resulted from the difference in carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item amount is related to pensions reported in the District-Wide Statement of Net Position. This represents the differences between expected and actual experience (TRS) and the net difference between projected and actual earnings on pension plan investments (TRS) and changes in proportion (TRS).

O) Vested employee benefits:

Compensated absences:

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

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

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

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting termination method and an accrual for that liability is included in the District-Wide Financial Statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

P) Other benefits:

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

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of 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 Financial Statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45

Q) Short-term debt:

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

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

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue dated.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

R) Accrued liabilities and long-term obligations:

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

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

S) Equity Classifications:

i) District-Wide Financial Statements:

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

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

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

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

ii) Fund Financial Statements:

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

(1) **Non-spendable** fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory in the amount of \$34,046 and prepaid expenditures in the amount of \$5,565 in the school lunch fund. Non-spendable fund balance also includes the prepaid expenditures recorded in the general fund of \$790,898 for health insurance.

(2) **Restricted** fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 under restricted fund balance.

Unemployment Insurance Reserve

Unemployment insurance reserve (GML §6-m), 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 under restricted fund balance.

Retirement Contribution Reserve

Retirement contribution reserve (GML §6-r), must be used for financing retirement contributions. 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. This reserve is accounted for in the general fund under restricted fund balance.

Insurance Reserve

Insurance reserve (GML §6-m) must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the insurance reserve, however, the annual contribution to this

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the general fund under restricted fund balance.

Repair Reserve

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

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 under restricted fund balance.

Debt Service

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

Capital Reserve

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

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Scholarships

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

- (3) **Committed fund balance** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District’s highest level of decision making authority (i.e., Board of Education). The District has no committed fund balances as of June 30, 2015.
- (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.

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.

Deficit Fund Balance

The school lunch fund had a deficit fund balance of \$192,927.

The capital projects fund had a deficit fund balance of \$225,002. This will be funded once the District obtains permanent financing.

Order of Use of Fund Balance

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

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

T) New Accounting Standards

The District has implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2015:

Statement No. 68, *Accounting and Financial reporting for Pensions – An Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

U) Future Changes in Accounting Standards:

GASB has issued Statement No. 72, *Fair Value Measurement and Application* effective for the year ending June 30, 2016.

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the year ending June 30, 2018. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending June 30, 2016.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

V) Change in Accounting Principles:

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of the Statements requires the District to report as an asset and/ or liability, its portion of the collective net pension asset and liability in the New York State Teachers' and Employees' Retirement Systems. The implementation of the statements also requires the District to report a deferred outflow and/or inflow for the effect of the net change in the District's proportion of the collective net pension asset and /or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Also included as a deferred outflow is the District contributions to the pension systems subsequent to the measurement date. See Note 15 for the financial statement impact of implementation of the Statements.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

A) Total fund balances of governmental funds vs. net position of governmental activities:

Total fund balances of the District’s governmental funds differ from “net position” of governmental activities reported in the Statement of Net Position. The difference primarily results from additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

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

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

i) 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.

ii) 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 in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

iii) Long-term debt transaction differences:

Long-term debt transaction 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.

iv) Employee benefit allocations:

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Balances based on the

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

requirements of New York State. These costs have been allocated based on total salary for each function in the Statement of Activities.

v) Pension difference:

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

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

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

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

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

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

B) Encumbrances:

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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:

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

None of the District's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year end.

B) Restricted cash:

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2015 included \$11,782,047 within in the governmental funds for debt service and general reserve purposes and \$2,858,909 within the fiduciary funds.

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 also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 5 – PARTICIPATION IN BOCES:

During the year ended June 30, 2015, the District was billed \$3,464,376 for BOCES administrative and program costs. The District’s share of BOCES aid amounted to \$809,888. 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 RECEIVABLE:

State and federal aid receivable at June 30, 2015 consisted of the following:

General fund	
Excess cost aid	\$567,588
Total	567,588
Special aid fund	
Federal aid	531,810
State and local aid	714,122
Total	1,245,932
School lunch fund	
Lunch - federal aid	15,459
Lunch - state aid	1,504
Total	16,963
Total State and federal aid receivable	\$ 1,830,483

District management has deemed these amounts to be fully collectible.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 7 – PREPAID EXPENDITURES:

Prepaid expenditures at June 30, 2015 consisted of the following:

General fund	
Health insurance premium for July 2015	\$790,898
Total general fund	<u>790,898</u>
School lunch fund	
Health insurance premium for July 2015	5,565
Total school lunch fund	<u>5,565</u>
Federal fund	
Other	4,250
Total federal fund	<u>4,250</u>
Total Prepaid expenditures	<u><u>\$800,713</u></u>

NOTE 8 – DUE FROM OTHER GOVERNMENTS:

Due from other governments in the general fund at June 30, 2015 consisted of the following:

Non resident tuition	\$612,451
District of location -special education	159,971
BOCES aid	368,355
Interest & penalties on property tax	33,682
Miscellaneous	6,849
Total Due from other governments	<u><u>\$1,181,308</u></u>

District management has deemed the amounts to be fully collectible.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 9 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2015 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	208,901	\$225,003		433,904
Total capital assets not being depreciated	1,939,017	225,003	-	2,164,020
Capital assets that are depreciated:				
Building & building improvements	75,545,085	349,550		75,894,635
Furniture and equipment	3,627,404	201,840	(\$347,024)	3,482,220
Vehicles	1,605,210	29,039		1,634,249
Land improvement	2,970,791			2,970,791
Total capital assets being depreciated	83,748,490	580,429	(347,024)	83,981,895
Less accumulated depreciation:				
Building & building improvements	34,549,405	1,944,043		36,493,448
Furniture and equipment	3,056,077	148,952	(344,075)	2,860,954
Vehicles	1,512,805	42,821		1,555,626
Land improvement	1,420,763	147,019		1,567,782
Total accumulated depreciation	40,539,050	2,282,835	(344,075)	42,477,810
Total capital assets being depreciated, net	43,209,440	(1,702,406)	(2,949)	41,504,085
Total capital assets, net	\$45,148,457	(\$1,477,403)	(\$2,949)	\$43,668,105

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

General support	\$121,502
Instruction	2,140,180
Food service program	24,102
	<u>\$2,285,784</u>

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 10- COLLECTIONS IN ADVANCE:

Collections in advance as of June 30, 2015 consisted of:

General Fund	
Summer Program	\$597,800
Total	\$597,800
Special Aid	
Unearned revenues from local and federal grants	\$39,337
Total	\$39,337
Total Collections in Advance	\$637,137

NOTE 11 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$3,452,866	\$307	\$644,260	\$783,331
Special aid fund	11,622	1,845,720	433,781	
School lunch fund		293,860		
Debt service Fund	307			500,000
Capital projects fund		351,785	349,550	144,260
Total government activities	3,464,795	2,491,672	1,427,591	1,427,591
Fiduciary agency fund	29	973,152		
Totals	\$3,464,824	\$3,464,824	\$1,427,591	\$1,427,591

The District typically transfers from the general fund to the special aid fund to fund the District's 20% share of summer school handicap expenses required by New York State law and to fund the State Supported Section 4201 schools. The District transferred from the general fund to the capital projects fund to fund projects. The District transferred \$144,260 from the capital projects fund to the general fund to return unused funds on projects.

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

All inter-fund payables are expected to be repaid within one year.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 12 - SHORT-TERM DEBT:

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
TAN	6/26/2015	1.00%	\$ -	\$ 7,000,000	\$ 7,000,000	\$ -
Total			\$ -	\$ 7,000,000	\$ 7,000,000	\$ -

Interest expense on short term debt for the year was \$12,427. The TAN was issued for interim financing of the general fund.

NOTE 13- LONG-TERM LIABILITIES:

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

	<u>Beginning Balance</u>	<u>Reclassified/ Issued</u>	<u>Reclassified/ Redeemed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long - Term Debt					
Bond Payable	\$17,775,000		\$2,175,000	\$15,600,000	\$1,915,000
Energy performance contract	2,632,008		247,387	2,384,621	257,603
Other liabilities:					
Compenstated absences payable	6,102,234	\$214,973		6,317,207	200,000
Claims payable	333,137		79,553	253,584	
Net other post employment benefits obligation	46,291,997	10,905,679	3,802,086	53,395,590	
Net pension liability - proportionate share	1,849,457 *	1,717,868	2,184,693	1,382,632	
Total long-term liabilities	<u>\$74,983,833</u>	<u>\$12,838,520</u>	<u>\$8,488,719</u>	<u>\$79,333,634</u>	<u>\$2,372,603</u>

* As restated

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

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

A) Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Construction Serial Bond - Refunding	5/15/2015	11/1/2021	2-3%	\$10,125,000
Construction Serial Bond	5/13/2015	5/1/2024	1.25%-2.25%	5,475,000
Total Serial bonds payable				<u>\$15,600,000</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2016	\$1,915,000	\$319,338	\$2,234,338
2017	1,955,000	284,900	2,239,900
2018	2,000,000	249,738	2,249,738
2019	2,040,000	213,837	2,253,837
2020	2,075,000	172,787	2,247,787
2021-2024	5,615,000	233,425	5,848,425
Total	<u>\$15,600,000</u>	<u>\$1,474,025</u>	<u>\$17,074,025</u>

In the prior year, the District defeased certain construction serial bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The redemption date for the 2005 refunded bonds of \$10,345,000 was November 15, 2014.

B) Energy performance contract

Energy performance contract is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Energy Performance Contract	9/6/2007	2/15/2023	4.08%	<u>\$2,384,621</u>

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2016	\$257,603	\$94,877	\$352,480
2017	268,242	84,239	352,481
2018	279,320	73,161	352,481
2019	290,855	61,626	352,481
2020	302,866	49,614	352,480
2021-2023	985,735	71,708	1,057,443
Total	<u>\$2,384,621</u>	<u>\$435,225</u>	<u>\$2,819,846</u>

C) Long-term interest

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

Interest paid	<u>\$463,594</u>
Less interest accrued in the prior year	(94,783)
Plus interest accrued in the current year	82,342
Less amortization of gain on defeasance	(34,085)
Total expense	<u>\$417,068</u>

NOTE 14 – DEFERRED INFLOWS OF RESOURCES

The gain on defeasance pertaining to the 2014 bond refunding as recorded in the District-Wide Financial Statements as deferred inflows of resources at June 30, 2015 consisted of the following:

Bond premium	\$459,627
Deferred amounts on refunding	(217,009)
	<u>242,618</u>
Amortization to date	(38,106)
Total Gain on defeasance	<u>\$204,512</u>

The gain on defeasance on the advanced refunding is being amortized on the District-Wide Financial Statements using the straight-line method over 7 years, the time to maturity of the refunded bonds, at the point of refunding. Amortized defeasance gain recorded on the District-Wide financials amount to \$34,085 for the year ending June 30, 2015.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 15 – PENSION PLANS:

A) Plan Description and Benefits Provided

i) Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

ii) 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 (RSSL). 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 (GLIP) which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany NY 12244.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
 - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
 - i. Employees contribute 3.5% of their salary throughout active membership.
 - c. Employees who joined the system on or after April 1, 2012
 - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

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

For NYSERS, the Comptroller 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. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The District is required to contribute at an actuarially determined rate. 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 were:

	NYSERS	NYSTRS
2015	\$ 2,142,100	\$ 8,388,786
2014	\$ 2,184,693	\$ 5,868,700
2013	\$ 2,004,779	\$ 5,466,819

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

At June 30, 2015, 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, 2015 for ERS and June 30, 2014 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.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2015	June 30, 2015
Net pension asset/(liability)	\$ (1,382,632)	\$ 36,018,752
District's portion of the Plan's total net pension asset/(liability)	0.0409275%	0.323346%

For the year ended June 30, 2015, the District recognized pension expense of (\$1,414,521) for TRS and \$1,287,728 for ERS. At June 30, 2015 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>		<u>Deferred Inflow of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 44,260			\$ 526,708
Net difference between projected and actual earnings on pension plan investments	240,146			24,190,507
Changes in proportion and differences between the District's contributions and proportionate share of contributions	145,734			25,386
District's contributions subsequent to the measurement date	503,580	\$ 8,388,786		
	\$ 933,720	\$ 8,388,786	\$ -	\$ 24,742,601

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>ERS</u>	<u>TRS</u>
Plan Year ended:		
2015		\$ (6,111,824)
2016	\$ 107,535	\$ (6,111,824)
2017	\$ 107,535	\$ (6,111,824)
2018	\$ 107,535	\$ (6,111,824)
2019	\$ 107,535	\$ (64,197)
Thereafter		\$ (231,108)

Actuarial Assumptions

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2015	June 30, 2014
Actuarial valuation date	April 1, 2014	June 30, 2013
Interest rate	7.5%	8%
Salary scale	4.90%	4.01% - 10.91%
Decrement tables	April 1, 2005 - March 31, 2010 System's Experience	July 1, 2005 - June 30, 2010 System's Experience
Inflation rate	2.70%	3.0%

For ERS, annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For ERS, the actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010. For TRS, the actuarial assumptions used in the June 30, 2013 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The long term 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 returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

<u>Measurement date</u>	<u>ERS</u> March 31, 2015	<u>TRS</u> June 30, 2014
<u>Asset type</u>		
Domestic equity	7.30%	7.30%
International equity	8.55%	8.50%
Private equity	11.00%	
Real estate	8.25%	5.00%
Absolute return strategies	6.75%	
Opportunistic portfolio	8.60%	
Real assets	8.65%	
Bonds and mortgages	4.00%	
Cash	2.25%	
Inflation-indexed bonds	4.00%	
Alternative investments		11.00%
Domestic fixed income securities		1.50%
Global fixed income securities		1.40%
Mortgages		3.40%
Short-term		0.80%

Discount Rate

The discount rate used to calculate the total pension liability was 7.5% for ERS and 8% 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 liability.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Sensitivity of the Proportionate Share of the Net Pension 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 7.5% for ERS and 8% 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-percentagepoint lower (6.5 % for ERS and 7% for TRS) or 1-percentagepoint higher (8.5% for ERS and 9% for TRS) than the current rate:

ERS	1% Decrease 6.5%	Current Assumption 7.5%	1% Increase 8.5%
Employer's proportionate share of the net pension asset (liability)	(\$9,215,839)	(\$1,382,632)	\$5,230,538
TRS	1% Decrease 7.0%	Current Assumption 8.0%	1% Increase 9.0%
Employer's proportionate share of the net pension asset (liability)	\$776,975	\$36,018,752	\$66,049,641

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	<u>ERS</u> April 1, 2014	<u>TRS</u> June 30, 2013
Valuation date		
Employers' total pension liability	\$ (164,591,504)	\$ (97,015,707)
Plan fiduciary net position	161,213,259	108,155,083
Employers' net pension asset/(liability)	<u>\$ (3,378,245)</u>	<u>\$ 11,139,376</u>
Ratio of plan fiduciary net position to the employers' total pension asset/(liability)	97.95%	111.48%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2015 represent the

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

projected employer contribution for the period of April 1, 2015 through June 30, 2015 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2015 amounted to \$503,580.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2015 are paid to the System in September, October and November 2015 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2015 represent employee and employer contributions for the fiscal year ended June 30, 2015 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2015 amounted to \$8,748,653.

Restatement of Net Position

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27*. The implementation of Statement No. 68 resulted in the reporting of an asset, deferred outflow of resources, and liability related to the District's participation in the New York State Teachers' and Employees' retirement systems. The District's net position has been restated as follows:

Net position beginning of year, as previously stated	\$ (10,347,857)
GASB Statement No. 68 implementation	
Beginning System asset - Teachers' Retirement System	2,100,099
Beginning System liability - Employees' Retirement System	(1,849,457)
Beginning deferred outflow of resources for contributions subsequent to the measurement date	
Teachers' Retirement System	7,761,531
Employees' Retirement System	<u>546,173</u>
Net position beginning of year, as restated	<u>\$ (1,789,511)</u>

D) Tax Sheltered Annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions expensed by the District and the employees for the year ended June 30, 2015, totaled \$678,711 and \$3,605,899 respectively.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

E) 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 year ended June 30, 2015 totaled \$310,400.

NOTE 16 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:

A) Plan Description

NYSHIP Empire Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by New York State. The Plan provides medical insurance benefits to eligible retirees, spouses and their eligible dependents. Article 37 of the Statutes of the state assigns the authority to establish and amend benefit provisions to the school district.

B) Funding Policy

The District shares of the cost of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the Fund Financial Statements as payments are made. For fiscal year 2015, the District contributed \$3,802,086 to the Plan. Plan members contributed between 5%-50% of the cost of premiums depending on coverage selected and date of retirement. Currently, there is no provisions in the law to permit the District to fund other post-employment benefits by an means other than the “pay as you go” method. Therefore, there are no plan assets and no report is issued.

C) Annual OPEB Cost and Net OPEB Obligation

The District’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District net OPEB obligation to the Plan:

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Annual required contribution	\$11,628,637
Interest on net OPEB obligation	1,851,680
Adjustment to Annual Required Contribution	<u>(2,574,638)</u>
Annual OPEB cost (expense)	10,905,679
Contributions made	<u>(3,802,086)</u>
Increase in net OPEB obligation	7,103,593
Net OPEB obligation-beginning of year	<u>46,291,997</u>
Net OPEB obligation-end of year	<u><u>\$53,395,590</u></u>

The District's annual OPEB cost, the OPEB contributions, percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for current and preceding two years was as follows:

Fiscal Year Ending	Annual OPEB Cost	OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/13	\$ 10,662,722	\$ 3,581,100	34%	\$ 39,311,492
6/30/14	10,552,126	3,571,621	34%	46,291,997
6/30/15	10,905,679	3,802,086	35%	53,395,590

D) Funded Status and Funding Progress

As of July 1, 2014 the District had obtained an actuarial valuation. As of the valuation, the Plan was 0 percent funded. The actuarial accrued liability for benefits was \$125,939,055 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$125,939,055. The covered payroll (annual payroll of active employees covered by the plan) was \$53,309,634 and the percentage of the UAAL to the covered payroll was 236%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

E) Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include 4.0 percent discount rate and an annual healthcare cost trend rate of 10.5 percent initially, reduced by decrements to an ultimate rate of 5 percent after twelve years. The UAAL is being amortized under the level dollar amortization method over a period of 30 years.

NOTE 17 – RISK MANAGEMENT:

A) General:

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

B) Consortiums and Self Insured Plans

The District participates in New York Schools Insurance Reciprocal (NYSIR), 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.

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported claims which were incurred on or before year-end but not paid. As of June 30, 2015, the District has incurred but unpaid claims liability in the amount of \$1,042,824 (\$789,240 of claims payable is recorded in the general fund) and has a workers' compensation reserve balance of \$2,252,178. Claims activity for the current and preceding year is summarized below:

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	2015	2014
Unpaid claims, beginning of year	\$957,137	\$1,118,564
Incurring claims and claim adjustment expenses	594,568	75,198
Claim payments	(508,881)	(236,625)
Unpaid claims, end of year	\$1,042,824	\$957,137

The District has chosen to establish a self-funded dental benefit program for its employees. The benefit programs administrator, CBCA, is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30, 2015. The program is accounted for in the trust and agency fund of the District.

NOTE 18 –FUND BALANCES – ASSIGNED AND RESTRICTED

A) Assigned: Appropriated:

The amount of \$1,440,000 has been designated as the amount estimated to be appropriated to reduce taxes for the fiscal year ending June 30, 2016 in the general fund.

B) Assigned or Restricted: Encumbered:

All encumbrances are classified as assigned or restricted fund balance. At June 30, 2015, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance	
General fund	
General support	\$135,927
Instruction	736,321
Community service	2
	\$872,250
Restricted or Assigned:	
Capital projects fund	\$2,179,404
Capital projects	\$2,179,404

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 19– COMMITMENTS AND CONTINGENCIES:

A) 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.

B) Litigation:

As of June 30, 2015 we are unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

C) Operating Leases:

The District is committed under various non-cancelable operating leases, primarily for copiers (principally in the general fund). Expenditures were \$111,181 for the fiscal year ended June 30, 2015. The following is a summary of obligations of government activities under operating lease payments:

Fiscal year ended June 30,	Total
2016	72,311
2017	45,385
2018	26,657
2019	4,547
Total	\$148,900

NOTE 20– SUBSEQUENT EVENTS:

- A)** The District issued \$6,000,000 in tax anticipation notes on September 29, 2015, maturing on June 24, 2016 with a stated interest rate of 2% and received a TAN premium of \$66,540.
- B)** The District issued \$3,500,000 in serial bonds on August 4, 2015, maturing on June 15, 2022 with a stated interest rate of 1.45%, but an effective interest rate of .293800% due to premiums.

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, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local Sources				
Real property taxes	\$84,185,879	\$84,185,879	\$84,185,879	\$ -
Other real property tax items	9,481,680	9,481,680	9,505,030	23,350
Charges for services	1,407,250	1,407,250	1,664,315	257,065
Use of money & property	595,191	595,191	631,659	36,468
Sale of property & compensation for loss	17,000	17,000	85,826	68,826
Miscellaneous	87,000	87,000	573,091	486,091
Interfund revenues	1,500	1,500	3,007	1,507
State sources				
Basic formula	3,638,711	3,638,711	3,536,589	(102,122)
Excess cost aid	2,900,000	2,900,000	2,757,244	(142,756)
BOCES aid	856,000	856,000	809,888	(46,112)
Lottery aid	1,714,000	1,714,000	1,702,231	(11,769)
Textbook aid	242,000	242,000	244,476	2,476
Computer software aid	64,000	64,000	65,643	1,643
Library A/V loan program aid	27,000	27,000	27,387	387
Tuition			90,228	90,228
Computer hardware	26,700	26,700	25,875	(825)
Other state aid		40,000	40,000	-
Medicaid reimbursement	95,000	95,000	126,197	31,197
Other financing sources				
Transfers from other funds	500,000	500,000	644,260	144,260
TOTAL REVENUES AND OTHER SOURCES	105,838,911	105,878,911	\$106,718,825	\$839,914
Appropriated fund balance	1,756,000	2,944,336		
Appropriated reserves	704,637	910,343		
TOTAL REVENUES, OTHER SOURCES AND APPROPRIATED FUND BALANCE	\$108,299,548	\$109,733,590		

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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual and Encumbrances</u>
EXPENDITURES					
General support					
Board of education	\$58,500	\$42,324	\$42,310		\$14
Central administration	371,650	399,298	399,298		-
Finance	979,033	1,052,521	1,015,153	\$13,500	23,868
Staff	320,325	337,579	336,738		841
Central services	8,455,493	8,741,759	8,391,550	122,427	227,782
Special items	1,047,730	1,079,317	1,064,076		15,241
Instructional					
Instruction, adm. & imp.	4,583,131	4,711,605	4,691,898	3,005	16,702
Teaching - regular school	31,507,597	31,369,436	30,428,184	18,776	922,476
Programs for children with handicapping conditions	18,797,651	18,788,659	16,891,003	676,168	1,221,488
Occupational education	726,338	714,693	679,396		35,297
Teaching special schools	10,500	11,500	11,231		269
Instructional media	2,500,615	2,799,261	2,574,125	50	225,086
Pupil services	4,893,894	5,055,058	4,885,623	38,322	131,113
Pupil transportation	3,350,932	3,350,084	3,215,265		134,819
Community services	510,504	533,804	521,218	2	12,584
Employee benefits	26,515,002	26,951,926	26,190,461		761,465
Debt service					
Debt service principal	2,312,387	2,422,387	2,422,387		-
Debt service interest	884,702	549,265	476,021		73,244
TOTAL EXPENDITURES	<u>107,825,984</u>	<u>108,910,476</u>	<u>104,235,937</u>	<u>872,250</u>	<u>3,802,289</u>
Other financing uses					
Transfers to other funds	<u>473,564</u>	<u>823,114</u>	<u>783,331</u>		<u>39,783</u>
TOTAL EXPENDITURES AND OTHER USES	<u>\$108,299,548</u>	<u>\$109,733,590</u>	<u>105,019,268</u>	<u>\$872,250</u>	<u>\$3,842,072</u>
NET CHANGE IN FUND BALANCE			1,699,557		
FUND BALANCE - BEGINNING OF YEAR			<u>17,163,029</u>		
FUND BALANCE - END OF YEAR			<u>\$18,862,586</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 FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB)
JUNE 30, 2015**

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
July 1, 2010	\$0	\$121,715,899	\$121,715,899	0%	\$50,966,356	239%
July 1 2012	\$0	\$121,499,319	\$121,499,319	0%	\$51,674,106	235%
July 1 2014	\$0	\$125,939,055	\$125,939,055	0%	\$53,309,634	236%

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

<u>NYSERS Pension Plan</u>		
	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0409275%	0.0409275%
District's proportionate share of the net pension liability (asset)	\$1,382,632	\$1,849,457
District's covered payroll	\$11,626,399	\$11,344,585
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	11.89%	16.30%
Plan fiduciary net position as a percentage of the total pension liability (asset)	97.95%	97.20%
<u>NYSTRS Pension Plan</u>		
	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.323346%	0.319041%
District's proportionate share of the net pension liability (asset)	\$(36,018,752)	\$(2,100,099)
District's covered payroll	\$48,424,353	\$47,376,050
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	74.38%	4.43%
Plan fiduciary net position as a percentage of the total pension liability (asset)	111.48%	100.70%

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

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

NYSERS Pension Plan				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 2,142,100	\$ 2,184,693	\$ 2,004,779	\$ 1,621,787
Contributions in relation to the contractually required contribution	<u>2,142,100</u>	<u>2,184,693</u>	<u>2,004,779</u>	<u>1,621,787</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$11,585,448	\$11,340,996	\$11,155,398	\$11,347,126
Contributions as a percentage of covered employee payroll	18.49%	19.26%	17.97%	14.29%

NYSTRS Pension Plan				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 8,388,786	\$ 5,868,700	\$ 5,466,819	\$ 5,496,582
Contributions in relation to the contractually required contribution	<u>8,388,786</u>	<u>5,868,700</u>	<u>5,466,819</u>	<u>5,496,582</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$48,489,107	\$48,424,353	\$47,376,050	\$49,493,075
Contributions as a percentage of covered employee payroll	17.30%	12.12%	11.54%	11.11%

**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, 2015**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$107,594,911
Add: Prior year's encumbrances		<u>704,637</u>
Original Budget		108,299,548
Budget revisions:		
State aid	\$40,000	
Workers' compensation expenses	577,101	
Insurance expenses	127,810	
Emergency repairs and purchases	133,875	
Board approved funding for Capital projects	349,550	
Employee benefit expenses	<u>205,706</u>	<u>1,434,042</u>
Final Budget		<u><u>\$109,733,590</u></u>

SECTION 1318 OF REAL PROPERTY TAX LIMIT CALCULATION

Next year's voter approved budget		<u>\$108,240,992</u>
Maximum allowed (4% of 2015-2016 budget)		<u>\$4,329,640</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 2,312,250	
Unassigned fund balance	<u>4,303,272</u>	
Total unrestricted fund balance		\$6,615,522
Less:		
Appropriated fund balance	1,440,000	
Encumbrances included in assigned fund balance	<u>872,250</u>	
Total adjustments		<u>2,312,250</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u><u>\$4,303,272</u></u>
Actual percentage		3.98%

HERRICKS UNION FREE SCHOOL DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Project Title	Original Appropriation	Revised Appropriation	Expenditures and Obligations to Date			Unexpended Balance	Proceeds of Obligations	Methods of Financing		Fund Balance (Deficit) June 30, 2015
			Prior Year's	Current Year	Total			Local	Sources	
Budgetary Appropriation Fire Hydrant Bond 2014	\$ 353,162	\$ 353,162	\$ 208,901	\$ 144,261	\$ 353,162	\$ -	\$ -	\$ 353,162	\$ -	\$ -
Budgetary Appropriation HS Boiler 14/15	3,500,000	3,500,000	-	225,002	225,002	3,274,998	-	-	349,550	(225,002)
TOTAL	\$ 4,202,712	\$ 4,202,712	\$ 208,901	\$ 718,813	\$ 927,714	\$ 3,274,998	\$ -	\$ 702,712	\$ 349,550	\$ (225,002)

* As of June 30, 2015 unexpended fire hydrant project funds are no longer needed, the balance of \$144,261 was transferred back to the General Fund.

** The deficit will be funded with serial bonds which were issued on August 4, 2015.

**HERRICKS UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2015**

Capital assets, net		\$43,668,105
Deduct:		
Defeasance gain		204,512
Short-term portion of bonds payable	\$1,915,000	
Long-term portion of bonds payable	<u>13,685,000</u>	15,600,000
Short-term portion of energy performance contract	257,603	
Long-term portion of energy performance contract	<u>2,127,018</u>	<u>2,384,621</u>
Net Investment in capital assets		<u><u>\$25,478,972</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, each major fund, and the fiduciary funds of Herricks Union Free School District, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Herricks Union Free School District's basic financial statements, and have issued our report thereon dated October 15, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 15, 2015