HERRICKS UNION FREE SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

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
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Herricks Union Free School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Herricks Union Free School District as of and for the fiscal year ended June 30, 2016, 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 fund of the Herricks Union Free School District as of June 30, 2016, 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.

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 17 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 Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 basic financial statements.

The other supplementary financial 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 other supplementary financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2016, on our consideration of the 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 the 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 11, 2016

HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016. 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 $6,451,866 which is an increase of $3,035,054 from the prior year. This was primarily due to deferred inflows and outflows related to pensions. There were also increases in other tax items offset by an increase in bonds payable and net OPEB obligation.

- On the District-Wide Financial Statements, revenues increased by 2.04% as a result of increased real property taxes and other tax items and additional state sources.

- The District continued to offer all programs, without reducing services.

- On May 17, 2016, the proposed 2016-2017 budget in the amount of $110,310,540 was authorized by the District's residents. This budget was under the NYS property tax cap and was approved by 74% of the voters.

- In May 2015, the community approved the establishment of a capital reserve by the District to address future capital projects. The District funded the capital reserve in the amount of $1,138,513 in the current year.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.

- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Statements.

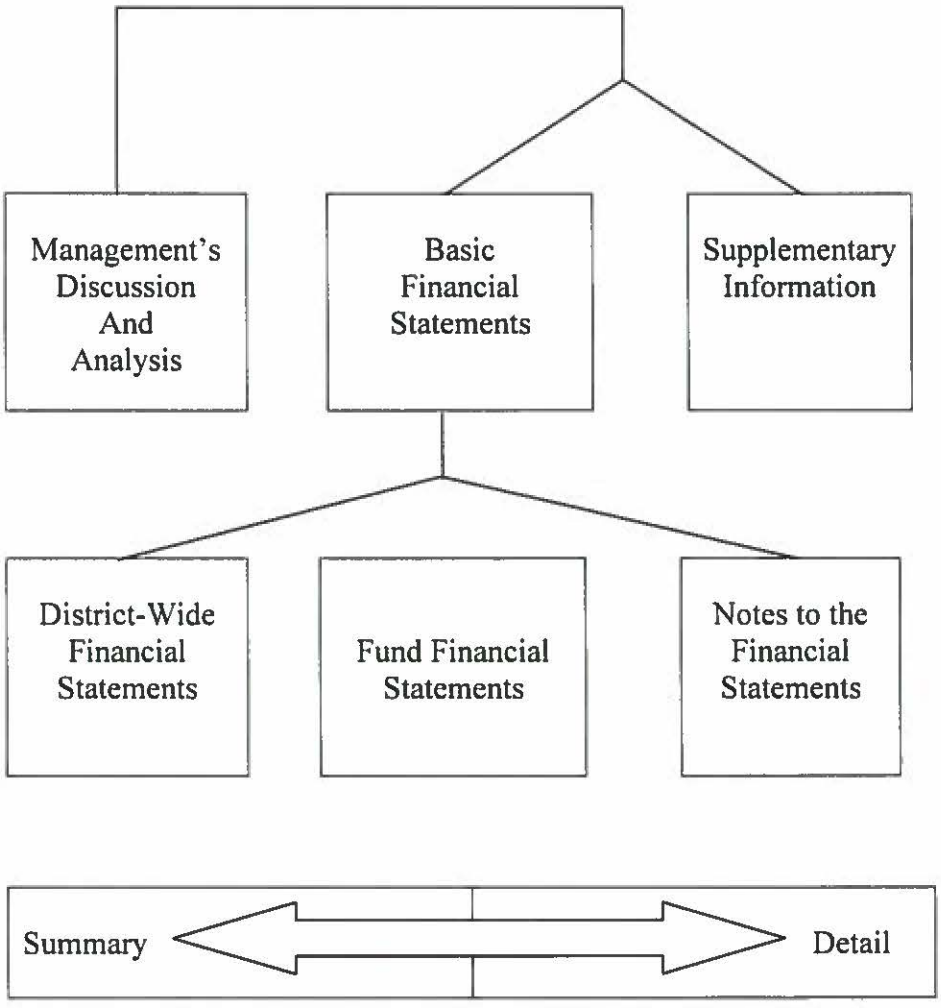
- The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.

HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

- *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, 2016

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	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances	• 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, 2016

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 and deferred outflows of resources, and liabilities and deferred inflows of resources is one way to measure the financial health or *position* of the District.

- Over time, increases and decreases in net position 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.

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 in separate reconciliation schedules 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 position and changes in net position, and is developed using the economic resources measurement focus and the accrual basis of accounting.

HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position

The District's total net position increased by $3,035,054 in the fiscal year ended June 30, 2016, primarily due to deferred inflows and outflows related to pensions. There were also increases in other tax items offset by an increase in bonds payable and net OPEB obligation, as detailed in Table A-3.

Table A-3 – Condensed Statement of Net Position

	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Total Percentage Change
Current assets and other assets	$32,843,094	$31,942,328	$900,766	2.82%
Capital assets	43,421,534	43,668,105	(246,571)	-0.56%
Net pension asset-proportionate share	33,093,415	36,018,752	(2,925,337)	-8.12%
Total assets	109,358,043	111,629,185	(2,271,142)	-2.03%
Deferred outflows of resources	13,179,076	9,322,506	3,856,570	41.37%
Total assets and deferred outflows of resources	$122,537,119	$120,951,691	$1,585,428	1.31%
Other liabilities	$11,612,862	$13,254,132	($1,641,270)	-12.38%
Long-term liabilities	92,122,355	79,333,634	12,788,721	16.12%
Total liabilities	103,735,217	92,587,766	11,147,451	12.04%
Deferred inflows of resources	12,350,036	24,947,113	(12,597,077)	-50.50%
Total liabilities and deferred inflows of resources	116,085,253	117,534,879	(1,449,626)	-1.23%
Net position				
Net investment in capital assets	26,127,056	25,478,972	648,084	2.54%
Restricted	12,597,536	11,782,047	815,489	6.92%
Unrestricted (deficit)	(32,272,726)	(33,844,207)	1,571,481	4.64%
Total net position	6,451,866	3,416,812	3,035,054	88.83%
Total liabilities, deferred inflows of resources, and net position	$122,537,119	$120,951,691	$1,585,428	1.31%

Current assets and other assets increased $900,766 from 2015 to 2016 due to an increase in cash and due to other governments offset by a decrease in state and federal aid receivable and taxes receivable. Capital assets (net of depreciation) decreased by $246,571. This was attributable to current year depreciation offset by current year additions. Net pension asset - proportionate share decreased by $2,925,337 due to actuarial valuations provided by the New York State Teachers Retirement System. Deferred outflows of resources related to the pension plans increased by $3,856,570, and represents contributions to the retirement plans subsequent to the measurement dates and actuarial contributions to the retirement plans subsequent to the measurement dates and actuarial determination amounts that will be amortized in future years.

Other liabilities decreased by $1,641,270. This decrease was primarily attributable to a decrease in compensated absences payable and due to teachers' and employees' retirement system offset by an increase in accounts payable and accrued liabilities. Long-term liabilities increased by $12,788,721 mostly due to the increase in the District's net post-employment benefits obligation and net pension liability proportionate share and bonds payable offset by a decrease energy performance contract and compensated absences payable. The change in deferred inflows of resources represent amortization on the gain on defeasance as discussed in Note 14, and amortization of pension related items as discussed in Note 15.

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 $648,084. This is due to current year principal payments and the unspent bond proceeds.

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 $815,489 primarily reflects the funding of the capital reserve fund approved by the community in May 2015, the funding of the retirement reserve and allocation of interest earnings, as well as the change in the debt service fund net position offset by the use of workers' compensation reserve and unemployment reserve. 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 ($32,272,726) is a decrease of $1,571,481 from the prior year deficit. The decrease from prior year is primarily due to the current year adjustments of deferred inflows of resources and deferred outflows of resources related to pensions as required by GASB Statements No. 68 and No. 71.

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, 2016 and 2015 is as follows:

HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Total Percentage Change
Revenues				
Program revenues				
Charges for services	$2,782,979	$2,759,047	$23,932	0.87%
Operating grants	2,578,155	2,623,344	(45,189)	-1.72%
General revenues				
Real property taxes and other tax items	95,018,274	93,690,909	1,327,365	1.42%
State sources	10,275,048	9,299,561	975,487	10.49%
Investment earnings	680,874	632,535	48,339	7.64%
Other	770,211	854,259	(84,048)	-9.84%
Total Revenues	112,105,541	109,859,655	2,245,886	2.04%
Expenses				
General support	13,900,378	13,593,969	306,409	2.25%
Instruction	88,174,781	84,546,401	3,628,380	4.29%
Pupil transportation	3,702,724	3,809,003	(106,279)	-2.79%
Community service	1,228,443	912,509	315,934	34.62%
Debt service - interest	515,326	429,495	85,831	19.98%
Food service program	1,548,835	1,361,955	186,880	13.72%
Total Expenses	109,070,487	104,653,332	4,417,155	4.22%
Change in net position	$3,035,054	$5,206,323	($2,171,269)	-41.70%

The District's total fiscal year 2016 revenues totaled $112,105,541. (See Table A-4). This is an increase of $2,245,886 or 2.04% over the prior year. Real property taxes and other tax items and state sources accounted for most of the District's revenue by contributing 84.76% and 9.16%, respectively, of total revenue. (See Table A-5). The remainder came from fees charges for services, operating grants, investment earnings, and other miscellaneous sources.

The total cost of all programs and services totaled $109,070,487 for fiscal year 2016. This is an increase of $4,417,155 or 4.22% from the prior year. These expenses are predominantly related to general instruction and caring for (pupil services) and transporting students, which account for 84.24% of district expenses. (See Table A-6). The District's general support activities accounted for 12.74% of total costs.

HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Table A-5: Revenues for Fiscal Year 2016 (See Table A-4)

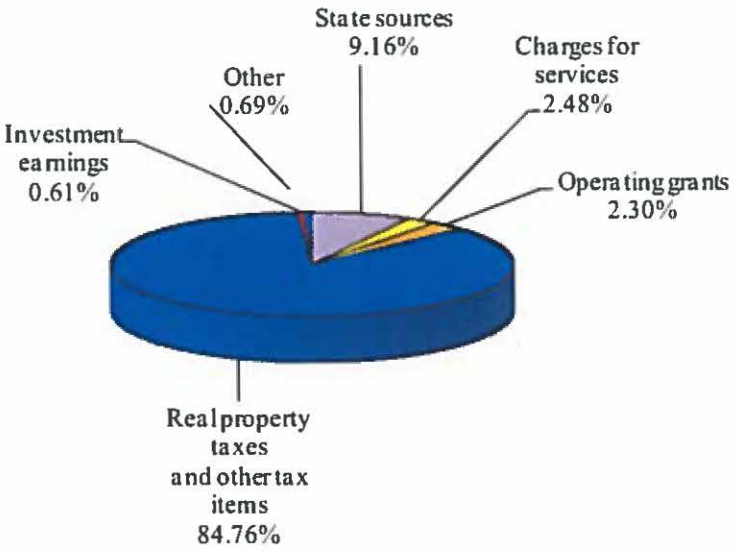
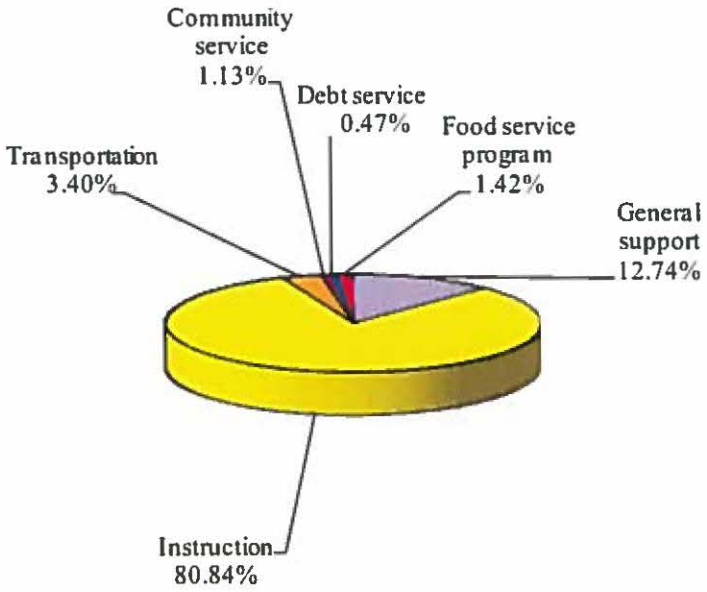


Table A-6: Expenses for Fiscal Year 2016 (See Tables A-4 and A-7)



HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

C) Governmental Activities

Revenues for the District's governmental activities totaled $112,105,541 while total expenses equaled $109,070,487. The increase in the net position for governmental activities was $3,035,054 in 2016 as actual revenues exceeded actual expenses. This increase in 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;

Table A-7 presents the cost of major District activities: general support, instruction, pupil transportation, community service, 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

	Total Cost of Services		Net Cost of Services	
Category	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2015
General support	$13,900,378	$13,593,969	$13,900,378	$13,593,969
Instruction	88,174,781	84,546,401	84,706,960	80,850,060
Pupil transportation	3,702,724	3,809,003	3,568,202	3,728,550
Community service	1,228,443	912,509	828,394	675,990
Debt service - interest	515,326	429,495	515,326	429,495
Food service program	1,548,835	1,361,955	190,093	(7,123)
Total	$109,070,487	$104,653,332	$103,709,353	$99,270,941

- The cost of all governmental activities this year was $109,070,487. (Statement of Activities, Expenses column-see Exhibit 3)

- The users of the District's programs $2,782,979 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 $2,578,155 (Statement of Activities, Operating Grants column – see Exhibit 3)

- Most of the District's net costs $103,709,353 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)

HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variances between years for the governmental Fund Financial Statements are not the same as variances between years for the District-Wide Financial Statements. The District's governmental funds are presented on the **current financial resources measurement focus** and the **modified accrual basis of accounting**. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased 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, 2016, the District's combined governmental funds reported a total fund balance of $21,229,797 which is an increase of $2,459,259 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, 2016

	2016	2015	Increase/ (Decrease)	Percentage Change
General fund				
Nonspendable - prepaid expenditures	$843,437	$790,898	$52,539	6.64%
Restricted for workers' compensation	1,927,334	2,252,178	(324,844)	-14.42%
Restricted for unemployment	207,522	817,045	(609,523)	-74.60%
Restricted for retirement contributions	5,112,287	4,886,935	225,352	4.61%
Restricted for insurance	549,461	550,093	(632)	-0.11%
Restricted for repairs	2,778	2,775	3	0.11%
Restricted for employee benefit accrued liability	985,470	1,200,000	(214,530)	-17.88%
Restricted for capital	3,291,141	1,747,140	1,544,001	88.37%
Assigned - designated for subsequent year's expenditures	1,200,000	1,440,000	(240,000)	-16.67%
Assigned for general support	92,927	135,927	(43,000)	-31.63%
Assigned for instruction	642,636	736,321	(93,685)	-12.72%
Assigned for pupil transportation	16,359		16,359	N/A
Assigned for community services	229	2	227	11350.00%
Unassigned	4,412,171	4,303,272	108,899	2.53%
Total fund balance - general fund	19,283,752	18,862,586	421,166	2.23%
School lunch fund				
Nonspendable-inventory & prepaid expenditures	29,878	39,611	(9,733)	-24.57%
Unassigned	(313,342)	(232,538)	(80,804)	-34.75%
Total fund balance - school lunch fund	(283,464)	(192,927)	(90,537)	-46.93%
Debt service fund				
Restricted for debt service	521,543	325,881	195,662	60.04%
Total fund balance - debt service fund	521,543	325,881	195,662	60.04%
Capital projects fund				
Restricted for Capital Projects	1,707,966		1,707,966	N/A
Unassigned		(225,002)	225,002	-100.00%
Total fund balance - capital projects fund	1,707,966	(225,002)	1,932,968	-859.09%
Total fund balance - all funds	$21,229,797	$18,770,538	$2,459,259	13.10%

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 decrease in the restricted fund balance for workers' compensation of $324,844 is a result of the District appropriating $326,286 for use and allocating interest and earnings of the fund of $1,442.

The decrease in the restricted fund balance for unemployment of $609,523 is the result of the District reassigning $610,000 from this reserve to the retirement and capital reserves and allocating interest of $477 into the reserve.

The increase in the restricted fund balance for retirement contributions of $225,352 is the result of allocating interest of $15,352 and reallocation of $210,000 from the reserve for unemployment.

The decrease in the restricted fund balance for insurance of $632 is the result of the District appropriating $950 for use, offset by the earnings of the fund of $318.

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

The decrease in restricted fund balance for employee benefit accrued liability is the result of disbursements of $218,239 offset by earnings of the fund of $3,708.

The increase in the restricted fund balance for capital is the result of reallocation of $400,000 from the reserve for unemployment, interest of $5,488 and the District funding $1,138,513 into the capital reserve approved by the voters in May 2015.

The decrease in the total fund balance of the school lunch fund of $90,537 is the operating deficit of the school lunch fund for the current year.

The increase in the debt service fund balance of $195,662 is primarily the result of premiums on obligations of $320,367 offset by interest expense of $108,504.

The increase in the capital projects fund of $1,932,968 is primarily a result of the commencement of new bond projects this year. Bonds were issued during 2015-2016.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2015-2016 Budget

The District's general fund adopted budget for the year ended June 30, 2016 was $108,240,992. This amount was increased by encumbrances carried forward from the prior year in the amount of $872,250 and budget revisions in the amount of $776,385 which resulted in a final budget of $109,889,627. The majority of the funding was property taxes and STAR revenue of $94,631,366.

HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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	$4,303,272
Revenues over budget	1,234,872
Expenditures and encumbrance under budget	1,522,778
Transfers to reserve	(1,138,513)
Interest to reserves	(26,788)
Unused appropriated reserves	(230,911)
Change in nonspendable - prepaid expenditures	(52,539)
Assigned -appropriated for June 30, 2017 budget	(1,200,000)
Closing, unassigned fund balance	$4,412,171

The revenues over budget of $1,234,872 were primarily due to additional state aid that was contingent on submission of an approved APPR plan, an unanticipated PILOT (Payment in Lieu of Tax) as well as charges for services. (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget of $1,522,778 were primarily to instructional, transportation and employee benefits (see Supplemental Schedule #1 for detail).

The transfers to reserves in the amount of $1,138,513 related to the funding of the capital reserve.

Interest allocated to the reserves in the amount of $26,788 related to the workers' compensation reserve in the amount of $1,442, the unemployment reserve in the amount of $477, the insurance reserve in the amount of $318, the retirement contribution reserve in the amount of $15,352, the repair reserve in the amount of $3, the employee benefit accrued liability reserve in the amount of $3,708 and the capital reserve in the amount of $5,488.

The District appropriated $776,385 to use in the reserves for the current year. The District used $326,286 in the workers' compensation reserve, $950 in the insurance reserve and $218,238 in the employee benefit accrued liability reserve, leaving $230,911 in unused appropriated reserves.

The change in non-spendable in the amount of $52,539 is due to expenditures being prepaid at the end of the fiscal year for subscriptions a difference in the amount of $24,000 and health insurance a difference in the amount of $28,539.

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 2016-2017 budget.

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)

Category	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Percentage Change
Land & land improvements	$4,700,907	$4,700,907	-	-
Construction in progress	1,627,696	433,904	$1,193,792	275.13%
Buildings & building improvements	76,267,875	75,894,635	373,240	0.49%
Furniture & equipment	3,226,901	3,482,220	(255,319)	-7.33%
Vehicles	1,943,948	1,634,249	309,699	18.95%
Subtotal	87,767,327	86,145,915	1,621,412	1.88%
Less: Accumulated depreciation	44,345,793	42,477,810	1,867,983	4.40%
Total Net Capital Assets	$43,421,534	$43,668,105	($246,571)	-0.56%

The District spent $1,567,032 in the capital projects fund on construction in progress and has $1,707,966 available for projects.

B) Long-Term Debt

At June 30, 2016, the District had total bonds payable of $16,705,000 and an energy performance contract of $2,127,017. The bonds were issued for district-wide projects, and the energy performance contract was issued for energy savings costs. The increase in outstanding debt represents the issuance of bonds in August 2015 (see Note 13 to Financial Statements – Long-Term Liabilities). A summary of outstanding debt at June 30, 2016 and 2015 is as follows:

	2016	2015	Increase (Decrease)
Bonds payable	$16,705,000	$15,600,000	$1,105,000
Energy performance contract	2,127,017	2,384,621	(257,604)
Total	$18,832,017	$17,984,621	$847,396

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

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

A) The NYS Legislature approved a property tax cap beginning in the 2012-2013 school year. This legislation 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.

B) The District has been able to maintain programs through the use of fund balance and conservative budgetary practices. However, as costs continue to escalate, and with a tax cap in place, these practices can only sustain the District for a period of time.

C) Increases in employee benefits, including but not limited to health insurance, continue to be major budgetary considerations. Although the retirement system contributions decreased for 2016-2017, a reversal of this trend will continue to place budgetary strains on the overall district operation.

D) New mandates from the New York State Education Department, and the cost of implementation and compliance, continue to strain an already difficult situation. Although mandate relief is continuously mentioned as an immediate means to reduce such costs, and taxes, no substantive action has been implemented at the state level.

HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

Exhibit 2

HERRICKS UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS	
Current assets	
Cash	
Unrestricted	$12,462,329
Restricted	14,305,502
Receivables	
State and federal aid	1,612,289
Taxes receivable	1,276,923
Due from other governments	1,227,408
Due from fiduciary funds	955,951
Accounts receivable	129,377
Inventories	23,994
Prepaid expenditures	849,321
Non-current assets	
Capital assets	
Not being depreciated	3,357,812
Being depreciated, net of accumulated depreciation	40,063,722
Net pension asset - proportionate share	33,093,415
TOTAL ASSETS	109,358,043
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	13,179,076
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 122,537,119
LIABILITIES	
Payables	
Accounts payable	$2,058,799
Accrued liabilities	451,092
Accrued interest payable	87,241
Claims payable	749,275
Due to other governments	123,705
Compenstated absenses payable	20,964
Due to teachers' retirement system	7,011,286
Due to employees' retirement system	436,286
Unearned credits	
Collections in advance	674,214
Long-term liabilities	
Due and payable within one year	
Bonds payable	2,435,000
Energy performance contract	268,242
Compensated absences payable	212,000
Due and payable after one year	
Bonds payable	14,270,000
Energy performance contract	1,858,775
Compensated absences payable	5,834,790
Claims payable	556,976
Net other post employment benefits obligation	60,142,004
Net pension liability - proportionate share	6,544,568
TOTAL LIABILITIES	103,735,217
DEFERRED INFLOWS OF RESOURCES	
Gain on defeasance	170,427
Pensions	12,179,609
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	116,085,253
NET POSITION	
Net investment in capital assets	26,127,056
Restricted	
Workers' compensation	1,927,334
Unemployment insurance	207,522
Retirement contribution	5,112,287
Insurance	549,461
Repairs	2,778
Employee benefit accrued liability	985,470
Debt service	521,543
Capital	3,291,141
	12,597,536
Unrestricted (deficit)	(32,272,726)
TOTAL NET POSITION	6,451,866
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$122,537,119

See Accompanying Notes to Financial Statements

HERRICKS UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

FUNCTIONS / PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
General support	($13,900,378)			($13,900,378)
Instruction	(88,174,781)	$1,734,320	$1,733,501	(84,706,960)
Pupil transportation	(3,702,724)		134,522	(3,568,202)
Community services	(1,228,443)		400,049	(828,394)
Debt service - interest	(515,326)			(515,326)
Food service program	(1,548,835)	1,048,659	310,083	(190,093)
TOTAL FUNCTIONS AND PROGRAMS	($109,070,487)	$2,782,979	$2,578,155	(103,709,353)
GENERAL REVENUES				
Real property taxes				83,304,988
Other tax items - including STAR reimbursement				11,713,286
Use of money and property				680,874
Sale of property and compensation for loss				25,956
Miscellaneous				609,023
State sources				10,275,048
Medicaid reimbursement				135,232
TOTAL GENERAL REVENUES				106,744,407
CHANGE IN NET POSITION				3,035,054
TOTAL NET POSITION - BEGINNING OF YEAR				3,416,812
TOTAL NET POSITION - END OF YEAR				$6,451,866

See Accompanying Notes to Financial Statements

HERRICKS UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	$10,517,570	$1,520,924	$255,431	$125,039	$43,365	$12,462,329
Restricted	12,075,993			521,543	1,707,966	14,305,502
Receivables						
State and federal aid	444,574	1,164,259	3,456			1,612,289
Taxes receivable	1,276,923					1,276,923
Due from other governments	1,227,408					1,227,408
Due from other funds	3,115,947					3,115,947
Due from fiduciary funds	955,942	9				955,951
Accounts receivable	122,294	4,659	2,424			129,377
Inventories			23,994			23,994
Prepaid expenditures	843,437		5,884			849,321
TOTAL ASSETS	$30,580,088	$2,689,851	$291,189	$646,582	$1,751,331	$35,959,041
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Payables						
Accounts payable	$1,910,182	$92,944	$12,308		$43,365	$2,058,799
Accrued liabilities	332,240	60,143	58,709			451,092
Claims payable	749,275					749,275
Due to other governments	122,882		823			123,705
Due to other funds		2,520,425	470,483	$125,039		3,115,947
Due to teachers' retirement system	7,011,286					7,011,286
Due to employees' retirement system	436,286					436,286
Compensated absences	20,964					20,964
Unearned credits						
Collections in advance	625,545	16,339	32,330			674,214
TOTAL LIABILITIES	11,208,660	2,689,851	574,653	125,039	43,365	14,641,568
DEFERRED INFLOW OF RESOURCES						
LIPA PILOT	87,676					87,676
FUND BALANCES						
Nonspendable	843,437		29,878			873,315
Restricted:						
Workers' compensation	1,927,334					1,927,334
Unemployment insurance	207,522					207,522
Retirement contribution	5,112,287					5,112,287
Insurance	549,461					549,461
Repairs	2,778					2,778
Employee benefit accrued liability	985,470					985,470
Debt service				521,543		521,543
Capital	3,291,141					3,291,141
Unspent bond proceeds					1,707,966	1,707,966
Assigned:						
Appropriated fund balance	1,200,000					1,200,000
Unappropriated fund balance	752,151					752,151
Unassigned: (deficit)	4,412,171		(313,342)			4,098,829
TOTAL FUND BALANCES (DEFICIT)	19,283,752	-	(283,464)	521,543	1,707,966	21,229,797
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$30,580,088	$2,689,851	$291,189	$646,582	$1,751,331	$35,959,041

See Accompanying Notes to Financial Statements

HERRICKS UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2016

Total Governmental Fund Balances		$21,229,797
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	$87,767,327	
Accumulated depreciation	(44,345,793)	43,421,534
Deferred inflows of resources - LIPA PILOT - The Statement of Net Position recognize revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual.		87,676
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.		(170,427)
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	$13,179,076	
Deferred inflows of resources-pensions	(12,179,609)	999,467
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:		33,093,415
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		(87,241)
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	($16,705,000)	
Energy performance contract	(2,127,017)	
Compensated absences payable	(6,046,790)	
Claims payable	(556,976)	
Net other post employment benefits obligation	(60,142,004)	
Net pension liability - ERS proportionate share	(6,544,568)	
		(92,122,355)
Total Net Position		$6,451,866

See Accompanying Notes to Financial Statements

Exhibit 6

HERRICKS UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	$83,304,988					$83,304,988
Other tax items - including STAR reimbursement	11,625,610					11,625,610
Charges for services	1,734,320					1,734,320
Use of money and property	675,261		$64	$5,549		680,874
Sale of property and compensation for loss	25,956					25,956
Miscellaneous	221,533	$64,054	260	320,367		606,214
Interfund revenue	2,809					2,809
State sources	10,275,048	931,525	18,715			11,225,288
Federal sources	27,895	1,308,652	202,017			1,538,564
Medicaid reimbursement	135,232					135,232
Surplus food			89,351			89,351
Sales - school lunch			1,048,659			1,048,659
TOTAL REVENUES	108,028,652	2,304,231	1,359,066	325,916	-	112,017,865
EXPENDITURES						
General support	11,436,825	2,809		21,750		11,461,384
Instruction	63,438,725	2,216,494				65,655,219
Pupil transportation	3,399,432	134,522				3,533,954
Community service	664,183	400,049				1,064,232
Employee benefits	25,012,278					25,012,278
Debt service principal	2,652,604					2,652,604
Debt service interest	436,008			108,504		544,512
Cost of sales			1,567,391			1,567,391
Capital outlay					$1,567,032	1,567,032
TOTAL EXPENDITURES	107,040,055	2,753,874	1,567,391	130,254.00	1,567,032	113,058,606
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	988,597	(449,643)	(208,325)	195,662	(1,567,032)	(1,040,741)
OTHER FINANCING SOURCES AND (USES)						
Proceeds from serial bonds					3,500,000	3,500,000
Operating transfers (in)	7,212	449,643	125,000			581,855
Operating transfers (out)	(574,643)		(7,212)			(581,855)
TOTAL OTHER FINANCING SOURCES AND (USES)	(567,431)	449,643	117,788	-	3,500,000	3,500,000
NET CHANGE IN FUND BALANCES	421,166	-	(90,537)	195,662	1,932,968	2,459,259
FUND BALANCES - BEGINNING OF YEAR	18,862,586	-	(192,927)	325,881	(225,002)	18,770,538
FUND BALANCES - END OF YEAR	$19,283,752	$ -	($283,464)	$521,543	$1,707,966	$21,229,797

See Accompanying Notes to Financial Statements

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, 2016

Net Change in Fund Balances		$2,459,259
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, 2016 decreased by		270,417
Deferred inflows of resources - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method. The difference in the revenues recognized under the full accrual method for the year ended June 30, 2016 was		87,676
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, 2016 increased by		(303,392)
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, 2016 increased by		(6,746,414)
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	$2,002,134	
Loss on disposal	(1,626)	
Depreciation expense	(2,247,079)	(246,571)
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.		2,652,604
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, 2015 to June 30, 2016 changed by		(4,899)
Proceeds from serial bonds is an other financing source in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		(3,500,000)
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	$8,807,217	
Employees' retirement system	(474,928)	$8,332,289
Change in Net Position		$3,035,054

See Accompanying Notes to Financial Statements

Exhibit 8

HERRICKS UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Agency Funds	Private Purpose Trust Funds
ASSETS		
Cash		
Restricted	$2,729,393	$96,687
Accounts receivable	34,493	
TOTAL ASSETS	$2,763,886	$96,687
LIABILITIES		
Due to governmental funds	$955,951	
Extraclassroom activity balance	195,323	
Other liabilities	1,612,612	
TOTAL LIABILITIES	$2,763,886	-
NET POSITION		
Restricted for scholarships		96,687
TOTAL NET POSITION		96,687
TOTAL LIABILITIES AND NET POSITION		$96,687

See Accompanying Notes to Financial Statements

Exhibit 9

HERRICKS UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	$18,691
Interest and earnings	97
TOTAL ADDITIONS	18,788
DEDUCTIONS	
Scholarships and awards	15,000
TOTAL DEDUCTIONS	15,000
CHANGE IN NET POSITION	3,788
NET POSTION - BEGINNING OF YEAR	92,899
NET POSITION - END OF YEAR	$96,687

See Accompanying Notes to Financial Statements

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 No. 14, *The Financial Reporting Entity*, and by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District 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.

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.

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.

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 August 15th, and are payable on October 1st and April 1st. Taxes are collected by the Town of North Hempstead during the period 2016-2017.

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.

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 and demand deposits.

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

J) Receivables:

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

K) Inventories and prepaid items:

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market. Purchases of 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, 2016 consisted of health insurance premiums in the general fund and school lunch fund.

L) Capital assets:

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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.

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

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), changes of assumptions (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 (TRS and 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 qualifies 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 ERS) and the net difference between projected and actual earnings on pension plan investments (TRS) and changes in proportion (TRS and ERS systems).

Deferred inflows of resources are reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. In subsequent periods, when the availability criterion is met, deferred inflows of resources are reclassified as revenues. In the District-Wide Financial Statements, deferred inflows of resources are generally treated as revenues. The District reported $87,676 in LIPA PILOT deferred inflows of resources in the general fund at June 30, 2016.

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.

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.

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 $23,994 and prepaid expenditures in the amount of $5,884 in the school lunch fund. Non-spendable fund balance also includes the prepaid expenditures recorded in the general fund of $843,437 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 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 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.

Unspent Bond Proceeds

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

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, 2016.

(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 $283,464.

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.

T) Future changes in accounting standards:

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. 77, *Tax Abatement Disclosures*, effective for the year ending June 30, 2017. This statement defines tax abatements and provides for increased disclosures including authority, eligibility criteria, dollar amount of taxes abated, and other information.

GASB has issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, which is effective for the year ended June 30, 2017. This statement addresses issues in the previously issued pension statements regarding payroll related measures in the required supplementary information, the selection of assumptions and deviations from other guidance, and the treatment of employee (plan member) contributions made by employers.

These are the statements that the District feels may have an impact on these financial statements and are not an all inclusive list of GASB statements issued. The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

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 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 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, 2016 included $14,305,502 within in the governmental funds for debt service and general reserve purposes and $2,826,080 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.

NOTE 5 – PARTICIPATION IN BOCES:

During the year ended June 30, 2016, the District was billed $3,783,961 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $853,548. 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, 2016 consisted of the following:

General fund	
Excess cost aid	$444,574
Total	444,574
Special aid fund	
Federal aid	636,351
State and local aid	527,908
Total	1,164,259
School lunch fund	
Lunch - state aid	3,456
Total	3,456
Total State and federal aid receivable	$ 1,612,289

District management has deemed these amounts to be fully collectible.

NOTE 7 – PREPAID EXPENDITURES:

Prepaid expenditures at June 30, 2016 consisted of the following:

General fund	
Health insurance premium for July 2016	$843,437
Total general fund	843,437
School lunch fund	
Health insurance premium for July 2016	5,884
Total school lunch fund	5,884
Total Prepaid expenditures	$849,321

NOTE 8 – DUE FROM OTHER GOVERNMENTS:

Due from other governments in the general fund at June 30, 2016 consisted of the following:

Non resident tuition	$387,190
District of location -special education	125,343
BOCES aid	641,094
Interest & penalties on property tax	54,020
Miscellaneous	19,761
Total Due from other governments	$1,227,408

District management has deemed the amounts to be fully collectible.

NOTE 9 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2016 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	433,904	$1,567,032	($373,240)	1,627,696
Total capital assets not being depreciated	2,164,020	1,567,032	(373,240)	3,357,812
Capital assets that are depreciated:				
Building & building improvements	75,894,635		$373,240	76,267,875
Furniture and equipment	3,482,220	71,900	(327,219)	3,226,901
Vehicles	1,634,249	363,202	(53,503)	1,943,948
Land improvement	2,970,791			2,970,791
Total capital assets being depreciated	83,981,895	435,102	(7,482)	84,409,515
Less accumulated depreciation:				
Building & building improvements	36,493,448	1,920,372		38,413,820
Furniture and equipment	2,860,954	133,973		2,994,927
Vehicles	1,555,626	45,018	(325,593)	1,275,051
Land improvement	1,567,782	147,716	(53,503)	1,661,995
Total accumulated depreciation	42,477,810	2,247,079	(379,096)	44,345,793
Total capital assets being depreciated, net	41,504,085	(1,811,977)	371,614	40,063,722
Total capital assets, net	$43,668,105	($244,945)	($1,626)	$43,421,534

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

General support	$134,710
Instruction	2,085,821
Food service program	28,174
	$2,248,705

NOTE 10- COLLECTIONS IN ADVANCE:

Collections in advance as of June 30, 2016 consisted of:

General Fund	
Summer program	$625,545
Special Aid Fund	
Unearned revenues from local and federal grants	16,339
School Lunch Fund	
Prepaid meals and charged meals	32,330
Total Collections in Advance	$674,214

NOTE 11 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	$4,071,889		$7,212	$574,643
Special aid fund	9	$ 2,520,425	449,643	
School lunch fund		470,483	125,000	7,212
Debt service fund		125,039		
Capital projects fund				
Total government activities	4,071,898	3,115,947	581,855	581,855
Fiduciary agency fund		955,951		
Totals	$4,071,898	$4,071,898	$581,855	$581,855

The District typically transfers from the general fund to the special aid fund to fund the District's share of extended school year program (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 school lunch fund to assist in subsidizing the school lunch program. The District also transferred from the school lunch fund to the general fund the remaining funds left over for the new POS system the school lunch implemented.

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.

NOTE 12 - SHORT-TERM DEBT:

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	6/24/2016	2.00%	$ -	$ 6,000,000	$ 6,000,000	$ -
Total			$ -	$ 6,000,000	$ 6,000,000	$ -

Interest expense on short term debt for the year was $21,793. The tax anticipation note (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:

	Beginning Balance	Reclassed/ Issued	Reclassed/ Redeemed	Ending Balance	Due Within One Year
Long - Term Debt					
Bond Payable	$ 15,600,000	$ 3,500,000	$ 2,395,000	$ 16,705,000	$ 2,435,000
Energy performance contract	2,384,621		257,604	2,127,017	268,242
Other liabilities:					
Compenstated absencess payable	6,317,207		270,417	6,046,790	212,000
Claims payable	253,584	303,392		556,976	
Net other post employment benefits obligation	53,395,590	10,794,740	4,048,326	60,142,004	
Net pension liability - proportionate share	1,382,632	7,176,257	2,014,321	6,544,568	
Total long-term liabilities	$ 79,333,634	$ 21,774,389	$ 8,985,668	$ 92,122,355	$ 2,915,242

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.

A) Bonds Payable

On August, 2015, the District issued $3,500,000 in serial bonds with an average interest rate of 3.57% payable over 7 years and maturing on June 15, 2022. This was approved by voters on May 20, 2015 to fund various building improvements at the Middle School and Denton Ave School.

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Construction Serial Bond	8/4/2015	6/15/2022	2-4%	$3,020,000
Construction Serial Bond - Refunding	5/15/2015	11/1/2021	2-3%	8,765,000
Construction Serial Bond	5/13/2015	5/1/2024	1.25%-2.25%	4,920,000
	Total Serial bonds payable			$16,705,000

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2017	$2,435,000	$400,900	$2,835,900
2018	2,485,000	351,338	2,836,338
2019	2,535,000	296,038	2,831,038
2020	2,585,000	235,188	2,820,188
2021	2,645,000	165,488	2,810,488
2022-2024	4,020,000	131,138	4,151,138
Total	$16,705,000	$1,580,090	$18,285,090

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%	$2,127,017

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

Fiscal Year Ended June 30,	Principal	Interest	Total
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	315,375	37,106	352,481
2022-2023	670,359	34,602	704,961
Total	$2,127,017	$340,348	$2,467,365

C) Long-term interest

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

	Total
Interest paid	$522,719
Less interest accrued in the prior year	(82,342)
Plus interest accrued in the current year	87,241
Less amortization of gain on defeasance	(34,085)
Total expense	$493,533

NOTE 14 – DEFERRED INFLOWS OF RESOURCES – GAIN ON DEFEASANCE:

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, 2016 consisted of the following:

Bond premium	$459,627
Deferred amounts on refunding	(217,009)
	242,618
Amortization to date	(72,191)
Total Gain on defeasance	$170,427

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. Amortization of the defeasance gain recorded on the District- Wide financials amount to $34,085 for the year ending June 30, 2016, leaving a balance at June 30, 2016 of $170,427.

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.

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
2016	$ 1,946,294	$ 6,631,403
2015	$ 2,142,100	$ 8,388,786
2014	$ 2,184,693	$ 5,868,700

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

At June 30, 2016, 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, 2016 for ERS and June 30, 2015 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Measurement date	March 31,2016	June 30, 2015
Net pension asset/(liability)	$ (6,544,568)	$ 33,093,415
District's portion of the Plan's total net pension asset/(liability)	0.0407754%	0.318610%
Change in proportion since the prior measurement date	(.00015%)	(.00474%)

For the year ended June 30, 2016, the District recognized pension expense of $2,421,222 for ERS and a reduction of pension expense of ($2,193,482) for TRS. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources		Deferred Inflow of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	$ 33,071		$ 775,749	$ 917,160
Changes of assumptions	1,745,239			
Net difference between projected and actual earnings on pension plan investments	3,882,597			10,461,001
Changes in proportion and differences between the District's contributions and proportionate share of contributions	302,549	147,931	3,265	22,434
District's contributions subsequent to the measurement date	436,286	6,631,403		
	$ 6,399,742	$ 6,779,334	$ 779,014	$ 11,400,595

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	ERS	TRS
Plan Year ended:		
2016		$ (4,205,285)
2017	$ 1,322,928	$ (4,205,285)
2018	$ 1,322,928	$ (4,205,285)
2019	$ 1,322,928	$ 1,753,757
2020	$ 1,215,658	$ (100,274)
Thereafter		$ (290,292)

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:

	ERS	TRS
Measurement date	March 31, 2016	June 30, 2015
Actuarial valuation date	April 1, 2015	June 30, 2014
Interest rate	7.00%	8.00%
Salary scale	3.80%	4.01% - 10.91%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2005 - June 30, 2010 System's Experience
Inflation rate	2.50%	3.0%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 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, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

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:

	ERS	TRS
Measurement date	March 31, 2016	June 30, 2015
Asset type		
Domestic equity	7.30%	6.50%
International equity	8.55%	7.70%
Private equity	11.00%	
Real estate	8.25%	4.60%
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		9.90%
Domestic fixed income securities		2.10%
Global fixed income securities		1.90%
Mortgages		3.40%
Short-term		1.20%

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 8.0% 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.

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 7.0% for ERS and 8.0% 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 (6.0% for ERS and 7.0% for TRS) or 1-percentagepoint higher (8.0% for ERS and 9.0% for TRS) than the current rate:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset (liability)	($14,757,527)	($6,544,568)	$395,030

TRS	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
Employer's proportionate share of the net pension asset (liability)	$2,257,398	$33,093,415	$63,240,236

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) ERS	TRS
Valuation date	April 1, 2015	June 30, 2014
Employers' total pension liability	$ (172,303,544)	$ (99,332,104)
Plan fiduciary net position	156,253,265	109,718,917
Employers' net pension asset/(liability)	$ (16,050,279)	$ 10,386,813
Ratio of plan fiduciary net position to the employers' total pension asset/(liability)	90.68%	110.46%

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, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016

based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to $436,286.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 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, 2016 amounted to $7,011,286.

NOTE 16 – PENSION PLANS – OTHER:

A) Tax Sheltered Annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions expensed by the District and the employees for the year ended June 30, 2016, totaled $223,239 and $3,261,830 respectively.

B) Deferred Compensation Plan:

The District has established a deferred compensation plan in accordance with Internal Revenue Code section 457 for all employees. The District makes no contributions into this plan. The amount deferred by eligible employees for the year ended June 30, 2016 totaled $249,816.

NOTE 17 – 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 2016, the District contributed $4,048,326 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:

Annual required contribution	$11,628,637
Interest on net OPEB obligation	2,135,824
Adjustment to Annual Required Contribution	(2,969,721)
Annual OPEB cost (expense)	10,794,740
Contributions made	(4,048,326)
Increase in net OPEB obligation	6,746,414
Net OPEB obligation-beginning of year	53,395,590
Net OPEB obligation-end of year	$60,142,004

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
6/30/14	$ 10,552,126	$ 3,571,621	34%	$ 46,291,997
6/30/15	$ 10,905,679	$ 3,802,086	35%	$ 53,395,590
6/30/16	$ 10,794,740	$ 4,048,326	37.5%	$ 60,142,004

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.

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 18 – RISK MANAGEMENT:

A) General:

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

B) Risk Retention:

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has 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, 2016, the District has incurred but unpaid claims liability in the amount of $1,306,251 ($749,275 of claims payable is recorded in the general fund) and has a workers' compensation reserve balance of $1,927,334. Claims activity for the current and preceding year is summarized below:

	2016	2015
Unpaid claims, beginning of year	$1,042,824	$957,137
Incurred claims and claim adjustment expenses	2,979,568	594,568
Claim payments	(2,716,141)	(508,881)
Unpaid claims, end of year	$1,306,251	$1,042,824

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, 2016. The program is accounted for in the trust and agency fund of the District.

C) **Public Entity Risk Pool:**

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its 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.

NOTE 19– COMMITMENTS AND CONTINGENCIES:

A) **Encumbrances:**

All encumbrances are classified as assigned or restricted fund balance. At June 30, 2016, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance	
General fund	
General support	$92,927
Instruction	642,636
Pupil transportation	16,359
Community service	229
	$752,151
Restricted:	
Capital projects fund	$1,113,259
Capital projects	$1,113,259

B) Grants:

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

C) Litigation:

As of June 30, 2016 we are unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

D) Operating Leases:

The District is committed under various non-cancelable operating leases, primarily for copiers (principally in the general fund). Expenditures were $72,311 for the fiscal year ended June 30, 2016. The following is a summary of obligations of government activities under operating lease payments:

Fiscal year ended June 30,	Total
2017	$62,173
2018	43,083
2019	21,335
2020	3,847
Total	$130,438

NOTE 20– SUBSEQUENT EVENTS:

A) The District issued $7,000,000 in tax anticipation notes on September 22, 2016, maturing on June 23, 2017 with a stated interest rate of 1.50% and received a TAN premium of $36,610.

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, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
REVENUES				
Local Sources				
Real property taxes	$85,457,529	$83,304,988	$83,304,988	$ -
Other real property tax items	9,173,837	11,326,378	11,625,610	299,232
Charges for services	1,563,800	1,563,800	1,734,320	170,520
Use of money & property	609,021	609,021	675,261	66,240
Sale of property & compensation for loss	2,000	2,000	25,956	23,956
Miscellaneous	130,000	130,000	221,533	91,533
Interfund revenues	3,000	3,000	2,809	(191)
State sources				
Basic formula	3,684,126	3,684,126	4,079,091	394,965
Excess cost aid	2,991,861	2,991,861	2,855,439	(136,422)
BOCES aid	964,064	964,064	853,548	(110,516)
Lottery aid	1,702,231	1,702,231	1,905,507	203,276
Textbook aid	244,810	244,810	243,951	(859)
Computer software aid	65,000	65,000	65,238	238
Library A/V loan program aid	27,000	27,000	27,218	218
Tuition	90,228	90,228	214,703	124,475
Computer hardware	30,485	30,485	30,353	(132)
Federal sources				
FEMA			27,895	27,895
Medicaid reimbursement	62,000	62,000	135,232	73,232
Other financing sources				
Transfers from other funds			7,212	7,212
TOTAL REVENUES AND OTHER SOURCES	106,800,992	106,800,992	$108,035,864	$1,234,872
Appropriated fund balance	1,440,000	1,440,000		
Appropriated reserves	872,250	1,648,635		
TOTAL REVENUES, OTHER SOURCES AND APPROPRIATED FUND BALANCE	$109,113,242	$109,889,627		

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, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
General support					
Board of education	$54,110	$54,110	$49,110		$5,000
Central administration	371,419	371,419	371,231		188
Finance	1,097,798	1,097,798	1,086,952	$8,317	2,529
Staff	277,646	277,646	272,034	196	5,416
Central services	8,704,760	8,704,760	8,574,125	84,335	46,300
Special items	1,083,260	1,097,964	1,083,373	79	14,512
Instructional					
Instruction, adm. & imp.	5,076,913	5,076,913	5,023,169	1,756	51,988
Teaching - regular school	32,403,119	32,403,119	32,074,282	27,813	301,024
Programs for children with handicapping conditions	18,247,508	18,247,508	17,669,977	546,464	31,067
Occupational education	724,984	724,984	696,865		28,119
Teaching special schools	10,500	10,500	8,604		1,896
Instructional media	3,070,121	3,070,121	2,940,231	18,686	111,204
Pupil services	5,241,171	5,241,171	5,025,597	47,917	167,657
Pupil transportation	3,716,244	3,716,244	3,399,432	16,359	300,453
Community services	672,992	672,992	664,183	229	8,580
Employee benefits	24,697,441	25,459,122	25,012,278		446,844
Debt service					
Debt service principal	2,652,604	2,652,604	2,652,604		-
Debt service interest	436,008	436,008	436,008		-
TOTAL EXPENDITURES	108,538,598	109,314,983	107,040,055	752,151	1,522,777
Other financing uses					
Transfers to other funds	574,644	574,644	574,643		1
TOTAL EXPENDITURES AND OTHER USES	$109,113,242	$109,889,627	107,614,698	$752,151	$1,522,778
NET CHANGE IN FUND BALANCE			421,166		
FUND BALANCE - BEGINNING OF YEAR			18,862,586		
FUND BALANCE - END OF YEAR			$19,283,752		

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, 2016

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%

See Paragraph on Required Supplementary Information Included in Auditor's Report

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,*

NYSERS Pension Plan

	2016	2015	2014
District's proportion of the net pension (liability) asset	0.0407754%	0.0409275%	0.0409275%
District's proportionate share of the net pension (liability) asset	$(6,544,568)	$(1,382,632)	$(1,849,457)
District's covered payroll	$12,202,642	$11,626,399	$11,344,585
District's proportionate share of the net pension (liability) asset as a percentage of its covered - employee payroll	53.63%	11.89%	16.30%
Plan fiduciary net position as a percentage of the total pension (liability) asset	90.68%	97.95%	97.20%

NYSTRS Pension Plan

	2016	2015	2014
District's proportion of the net pension (liability) asset	0.318610%	0.323346%	0.319041%
District's proportionate share of the net pension (liability) asset	$33,093,415	$36,018,752	$2,100,099
District's covered payroll	$48,489,107	$48,424,353	$47,376,050
District's proportionate share of the net pension (liability) asset as a percentage of its covered - employee payroll	68.25%	74.38%	4.43%
Plan fiduciary net position as a percentage of the total pension (liability) asset	110.46%	111.48%	100.70%

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

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

NYSERS Pension Plan

	2016	2015	2014	2013	2012
Contractually required contribution	$ 1,946,294	$ 2,142,100	$ 2,184,693	$ 2,004,779	$ 1,621,787
Contributions in relation to the contractually required contribution	1,946,294	2,142,100	2,184,693	2,004,779	1,621,787
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$12,313,760	$11,585,448	$11,340,996	$11,155,398	$11,347,126
Contributions as a percentage of covered employee payroll	15.81%	18.49%	19.26%	17.97%	14.29%

NYSTRS Pension Plan

	2015	2015	2014	2013	2012
Contractually required contribution	$ 6,631,403	$ 8,388,786	$ 5,868,700	$ 5,466,819	$ 5,496,582
Contributions in relation to the contractually required contribution	6,631,403	8,388,786	5,868,700	5,466,819	5,496,582
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$50,622,659	$48,489,107	$48,424,353	$47,376,050	$49,493,075
Contributions as a percentage of covered employee payroll	13.10%	17.30%	12.12%	11.54%	11.11%

See Paragraph on Required Supplementary Information Included in Auditor's Report

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, 2016

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		$108,240,992
Add: Prior year's encumbrances		872,250
Original Budget		109,113,242
Budget revisions:		
Workers' compensation expenses	$520,090	
Insurance expenses	38,056	
Employee benefit expenses	218,239	776,385
Final Budget		$109,889,627

SECTION 1318 OF REAL PROPERTY TAX LIMIT CALCULATION

Next year's voter approved budget		$110,310,540
Maximum allowed (4% of 2016-2017 budget)		$4,412,422
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	$ 1,952,151	
Unassigned fund balance	4,412,171	
Total unrestricted fund balance		$6,364,322
Less:		
Appropriated fund balance	1,200,000	
Ecumbrances included in assigned fund balance	752,151	
Total adjustments		1,952,151
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		$4,412,171
Actual percentage		4.00%

HERRICKS UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Project Title	Original Appropriation	Revised Appropriation	Expenditures and Obligations to Date			Unexpended Balance	Methods of Financing		Total	Fund Balance June 30, 2016
			Prior Year's	Current Year	Total		Proceeds of Obligations	Local Sources		
Bond 2014	$ 3,500,000	$ 3,500,000	$ 225,002	$ 1,567,032	$ 1,792,034	$ 1,707,966	$ 3,500,000		$ 3,500,000	$ 1,707,966
TOTAL	$ 3,500,000	$ 3,500,000	$ 225,002	$ 1,567,032	$ 1,792,034	$ 1,707,966	$ 3,500,000	$ -	$ 3,500,000	$ 1,707,966

HERRICKS UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2016

Capital assets, net		$43,421,534
Deduct:		
Defeasance gain		170,427
Short-term portion of bonds payable	$2,435,000	
Long-term portion of bonds payable	14,270,000	
Less: unspent bond proceeds	(1,707,966)	14,997,034
Short-term portion of energy performance contract	268,242	
Long-term portion of energy performance contract	1,858,775	2,127,017
Net investment in capital assets		$26,127,056

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 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 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 the Herricks Union Free School District, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Herricks Union Free School District's basic financial statements, and have issued our report thereon dated October 11, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Herricks Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 the 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. According, this communication is not suitable for any other purpose.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 11, 2016