

**HERRICKS UNION FREE SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2021**

HERRICKS UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Herricks Union Free School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Herricks Union Free School District (the "District") as of and for the fiscal year ended June 30, 2021, 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 and each major fund of the District as of June 30, 2021, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, during the year ended June 30, 2021. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of District's total other post-employment benefits liability, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 16 and 60 through 64, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards 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 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 *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 14, 2021

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, 2021. This section is a summary of the District’s financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide Financial Statements and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District’s financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

- The District’s total net position, as reflected in the District-Wide Financial Statements is a deficit of \$166,932,489 which is an increase to the deficit of \$23,605,088 from the prior year. This was primarily due to an increase in the total other post-employment benefits obligation and pension related items for the teachers’ retirement system.
- On May 18, 2021, the proposed 2021-2022 budget in the amount of \$122,867,643 was authorized by the District’s residents. The tax levy associated with this budget was under the NYS property tax cap.
- The District implemented GASB Statement No. 84, *Fiduciary Activities*, in 2021. This resulted in the restatement of opening net position and fund balance in the amount of \$324,644.
- The District was awarded funding in July 2021 under the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) in the amount of \$349,443 for the Elementary and Secondary School Emergency Relief Program (ESSER).

2. OVERVIEW OF THE FINANCIAL STATEMENTS

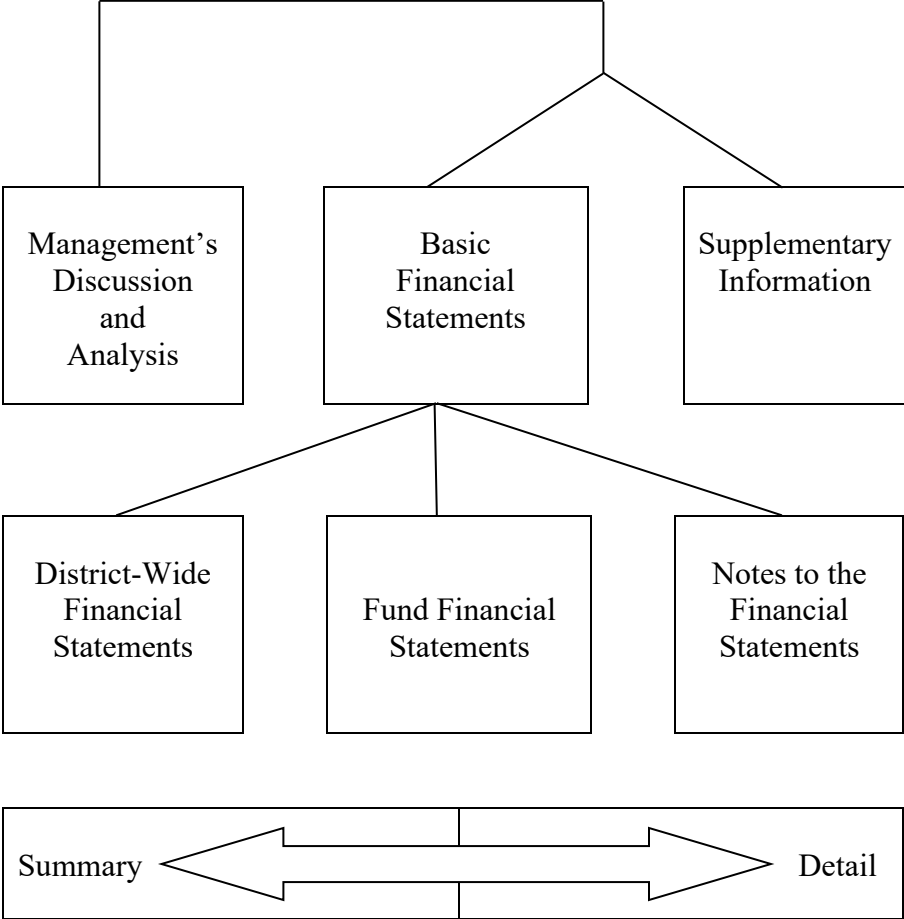
This annual report consists of four parts: management’s discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

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

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, 2021**

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

Major Features of the District-Wide and Fund Financial Statements

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

A) District-Wide Statements

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

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. 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 one kind of fund:

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

i) Governmental funds

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position

Current assets and other assets, other liabilities, and restricted net position, unrestricted net position, and total net position for 2020 have been restated for the implementation of GASB Statement No. 84, *Fiduciary Activities*. This Statement eliminates the trust and agency fund and private purpose fund and now records those activities in the general fund and miscellaneous special revenue fund. See Footnote 21 for further information.

	As Restated 2020	As Reported 2020	Increase (Decrease)
Current assets and other assets	\$ 39,438,208	\$ 37,571,078	\$ 1,867,130
Other liabilities	20,844,195	19,301,709	1,542,486
Net Position			
Restricted	18,066,421	17,987,973	78,448
Unrestricted (Deficit)	(195,566,422)	(195,812,618)	246,196
Total Net Position (Deficit)	(143,327,401)	(143,652,045)	324,644

The District's total net deficit increased by \$23,605,088 resulting in a deficit of \$166,932,489 in the fiscal year ended June 30, 2021, as detailed in the table on the following page.

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Condensed Statement of Net Position

	2021	As Restated 2020	Increase (Decrease)	Total Percentage Change
Current assets and other assets	\$ 44,431,818	\$ 39,438,208	\$ 4,993,610	12.66%
Capital assets	54,330,297	50,859,702	3,470,595	6.82%
Net pension asset-proportionate share - teachers' retirement system	-	8,179,955	(8,179,955)	(100.00)%
Total assets	<u>98,762,115</u>	<u>98,477,865</u>	<u>284,250</u>	0.29%
Deferred outflows of resources	<u>91,800,089</u>	<u>73,522,949</u>	<u>18,277,140</u>	24.86%
Total assets and deferred outflows of resources	<u>190,562,204</u>	<u>172,000,814</u>	<u>18,561,390</u>	10.79%
Other liabilities	12,609,857	20,844,195	(8,234,338)	(39.50)%
Long-term liabilities	315,317,703	264,913,142	50,404,561	19.03%
Total liabilities	<u>327,927,560</u>	<u>285,757,337</u>	<u>42,170,223</u>	14.76%
Deferred inflows of resources	<u>29,567,133</u>	<u>29,570,878</u>	<u>(3,745)</u>	(0.01)%
Total liabilities and deferred inflows of resources	<u>357,494,693</u>	<u>315,328,215</u>	<u>42,166,478</u>	13.37%
Net Position				
Net investment in capital assets	34,346,608	34,172,600	174,008	0.51%
Restricted	19,635,921	18,066,421	1,569,500	8.69%
Unrestricted (deficit)	<u>(220,915,018)</u>	<u>(195,566,422)</u>	<u>(25,348,596)</u>	(12.96)%
Total Net Position (Deficit)	<u>\$ (166,932,489)</u>	<u>\$ (143,327,401)</u>	<u>\$ (23,605,088)</u>	(16.47)%

Current assets and other assets increased \$4,993,610 from 2020 to 2021 primarily due to an increase in cash and state and federal aid receivable partially offset by a decrease in taxes receivable and due from other governments. Capital assets (net of depreciation) increased by \$3,470,595. This was attributable to current year additions exceeding current year depreciation. The District reported a net pension liability – proportionate share for the teachers’ retirement system of \$8,775,970, as a result of the actuarial valuation provided by the state. Deferred outflows of resources increased by \$18,277,140 and relates to the amortization of pension related items and the change in the District’s contributions subsequent to the measurement date, as discussed in Note 15 as well as outflows related to the total other post-employment benefits obligation as discussed in Note 17.

Other liabilities decreased by \$8,234,338. This decrease was primarily attributable to a decrease in bond anticipation note payable offset by an increase in accrued liabilities. Long-term liabilities increased by \$50,404,561 mostly due to increases in the District’s total other post-employment benefits obligation, bonds payable, and net pension liability - proportionate share – teachers’ retirement system, offset by decreases in energy performance contract debt payable, and net pension liability – proportionate share – employees’ retirement system. The changes in deferred inflows of resources represent amortization of pension related items as discussed in Note 15, and inflows related to other post-employment benefits as discussed in Note 17.

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings and improvements, and furniture & equipment, net of depreciation and related debt. This number increased from the prior year by \$174,008. This is due to current year capital asset additions net of current year depreciation, and the principal payments on debt.

The restricted net position refers to the District's reserves: workers' compensation, retirement contribution, insurance, repairs, employee benefit accrued liability, and capital reserve as well as restricted amounts for scholarships and donations and debt service. The increase in the balance of \$1,569,500 primarily reflects an increase in the retirement contribution and capital reserve.

The unrestricted net deficit relates to the balance of the District's net position. This deficit amount of \$220,915,018 is an increase of \$25,348,596 from the prior year deficit. The increase from prior year is primarily due to the increase in the total other post-employment benefits and the change in related deferred inflows and outflows as discussed in Note 17.

B) Changes in Net Position

Charges for services, operating grants and contributions, and instruction expenses were increased due to the implementation of GASB Statement No. 84, *Fiduciary Activities*. The following schedule outlines these changes:

	As Restated 2020	As Reported 2020	Increase (Decrease)
Revenues			
Charges for services	\$ 3,060,126	\$ 2,454,613	\$ 605,513
Operating grants and contributions	2,085,292	2,080,217	5,075
Expenses			
Instruction	110,150,791	109,439,112	711,679

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 real property taxes. A summary of this statement for the years ended June 30, 2021 and 2020 is as follows:

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Change in Net Position from Operating Results - Governmental Activities Only

	2021	As Restated 2020	Increase (Decrease)	Total Percentage Change
Revenues				
Program revenues				
Charges for services	\$ 1,593,026	\$ 3,060,126	\$ (1,467,100)	(47.94)%
Operating grants and contributions	3,131,752	2,085,292	1,046,460	50.18%
Capital grants and contributions	125,000	40,000	85,000	212.50%
General revenues				
Real property taxes and other tax items	103,296,119	100,827,125	2,468,994	2.45%
Use of money and property	551,040	849,788	(298,748)	(35.16)%
State sources	12,739,916	12,714,844	25,072	0.20%
Other	910,276	509,582	400,694	78.63%
Total Revenues	122,347,129	120,086,757	2,260,372	1.88%
Expenses				
General support	20,066,849	17,903,581	2,163,268	12.08%
Instruction	119,432,359	110,150,791	9,281,568	8.43%
Pupil transportation	4,401,329	3,989,080	412,249	10.33%
Community service	73,461	464,404	(390,943)	(84.18)%
Debt service - interest	575,254	430,061	145,193	33.76%
Food service program	1,402,965	1,410,305	(7,340)	(0.52)%
Total Expenses	145,952,217	134,348,222	11,603,995	8.64%
Change in net position	\$ (23,605,088)	\$ (14,261,465)	\$ (9,343,623)	(65.52)%

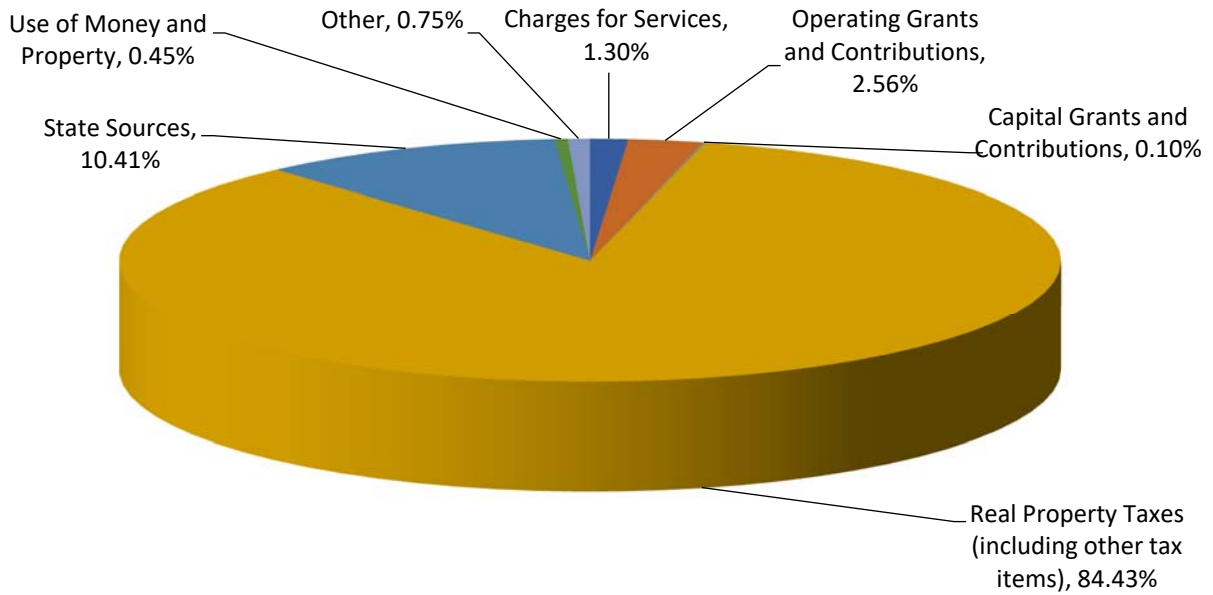
The District's total fiscal year 2021 revenues totaled \$122,347,129. This is an increase of \$2,260,372 or 1.88% over the prior year. Real property taxes and other tax items and state sources accounted for most of the District's revenue by contributing 84.43% and 10.41%, respectively, of total revenue. The remainder came from charges for services, operating grants and contributions, capital grants and contributions, use of money and property, and other miscellaneous sources.

The total cost of all programs and services totaled \$145,952,217 for fiscal year 2021. This is an increase of \$11,603,995 or 8.64% from the prior year. These expenses are predominantly related to instruction and pupil transportation which account for 84.63% of district expenses. The District's general support activities accounted for 13.89% of total costs.

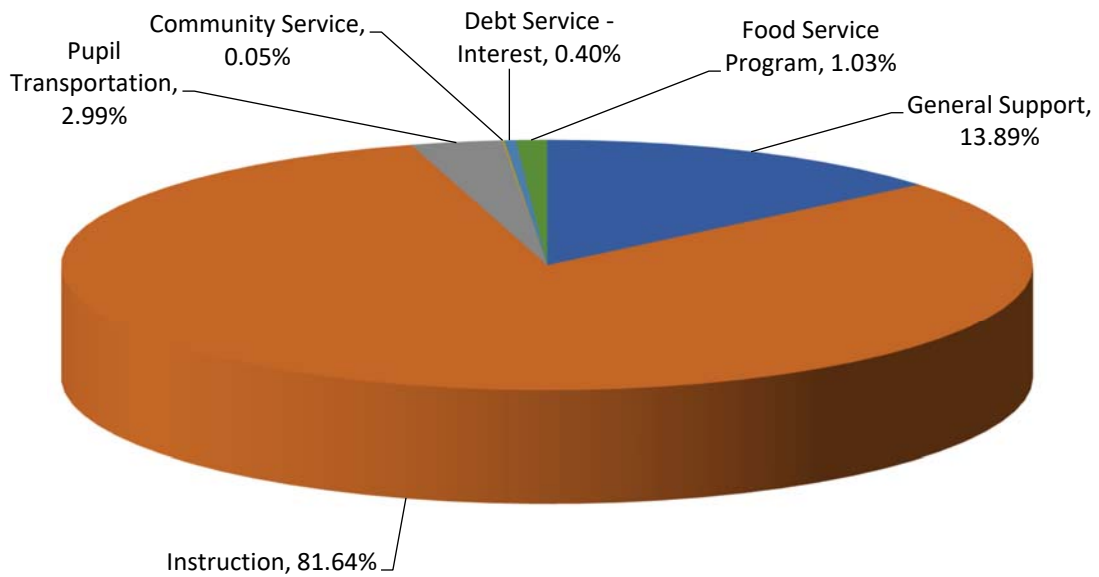
The users of the District's programs financed \$1,593,026 of the cost. The federal and state governments subsidized certain programs with operating grants and contributions of \$3,131,752, and capital grants and contributions of \$125,000.

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Revenues for Fiscal Year 2021



Expenses for Fiscal Year 2021



**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, 2021, the District’s combined governmental funds reported a total fund balance of \$32,216,994 which is an increase of \$13,783,503 over the prior year. Fund balance for 2020 was restated to include a miscellaneous special revenue fund for extraclassroom activities and scholarships and donations due to the implementation of GASB Statement No. 84, *Fiduciary Activities*. See Note 21 “Restatement of Fund Balances and Net Position” for further information.

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, 2021**

	2021	As Restated 2020	Increase/ (Decrease)	Percentage Change
General fund				
Nonspendable - prepaid expenditures	\$ 998,153	\$ 950,724	\$ 47,429	4.99%
Restricted for workers' compensation	1,247,289	1,616,196	(368,907)	(22.83)%
Restricted for retirement contribution	10,111,552	9,552,664	558,888	5.85%
Restricted for insurance	553,559	553,185	374	0.07%
Restricted for repairs	2,797	2,795	2	0.07%
Restricted for employee benefit accrued liability	1,022,975	1,078,000	(55,025)	(5.10)%
Restricted for capital	1,828,894	1,532,959	295,935	19.30%
Assigned - appropriated for subsequent year's expenditures	1,150,000	1,300,000	(150,000)	(11.54)%
Assigned for general support	989,633	1,220,034	(230,401)	(18.88)%
Assigned for instruction	584,261	598,918	(14,657)	(2.45)%
Assigned for pupil transportation	57,507	138,253	(80,746)	(58.40)%
Assigned - Board designated for specific purposes	-	1,000,000	(1,000,000)	N/A
Unassigned	4,914,705	4,821,381	93,324	1.94%
Total fund balance - general fund	<u>23,461,325</u>	<u>24,365,109</u>	<u>(903,784)</u>	<u>(3.71)%</u>
School lunch fund				
Nonspendable-inventory & prepaid expenditures	27,562	38,698	(11,136)	(28.78)%
Unassigned	(367,597)	(327,170)	(40,427)	(12.36)%
Total fund balance - school lunch fund	<u>(340,035)</u>	<u>(288,472)</u>	<u>(51,563)</u>	<u>(17.87)%</u>
Miscellaneous Special Revenue Fund				
Restricted for scholarships and donations	70,486	78,448	(7,962)	10.15%
Assigned - unappropriated fund balance	235,586	246,196	(10,610)	4.31%
Total fund balance - miscellaneous special revenue fund	<u>306,072</u>	<u>324,644</u>	<u>(18,572)</u>	<u>5.72%</u>
Debt service fund				
Restricted for debt service	769,928	616,274	153,654	24.93%
Total fund balance - debt service fund	<u>769,928</u>	<u>616,274</u>	<u>153,654</u>	<u>24.93%</u>
Capital projects fund				
Restricted	7,913,921	3,053,619	4,860,302	159.17%
Assigned - appropriated fund balance	105,783	-	105,783	N/A
Unassigned	-	(9,637,683)	9,637,683	(100.00)%
Total fund balance - capital projects fund	<u>8,019,704</u>	<u>(6,584,064)</u>	<u>14,603,768</u>	<u>(221.80)%</u>
Total fund balance - all funds	<u>\$ 32,216,994</u>	<u>\$ 18,433,491</u>	<u>\$ 13,783,503</u>	<u>74.77%</u>

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

A) General Fund

The net change in fund balance within the general fund is a decrease of \$903,784, as a result of expenditures and other financing uses of \$119,981,190 exceeding revenues and other financing sources of \$119,077,406.

Expenditures and other uses increased by \$7,820,062 or 6.97% compared to the prior year. This was primarily the result of an increase in general support, instruction, and pupil transportation expenditures partially offset by community service expenditures.

B) School Lunch Fund

The decrease in the total fund balance of the school lunch fund of \$51,563 is the operating loss of the school lunch fund for the current year of \$83,026 due to the pandemic and remote instruction offset by the transfer in from the general fund of \$31,463.

C) Miscellaneous Special Revenue Fund

The net change in fund balance in the miscellaneous special revenue fund is due to extraclassroom and scholarship expenditures exceeding revenues.

D) Debt Service Fund

The increase in the debt service fund balance of \$153,654 is primarily the result of bond premium issued in 2021 and interest offset by operating transfers to the general fund.

E) Capital Projects Fund

The increase in the capital projects fund of \$14,603,768 is primarily a result of proceeds from bonds, bond premium, and transfers from the general fund exceeding capital outlay.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2020-2021 Budget

The District's general fund adopted budget for the year ended June 30, 2021 was \$120,534,523. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,957,205 and budget revisions and appropriation of reserves in the amount of \$4,284,641 which resulted in a final budget of \$126,776,369. The majority of the funding was real property taxes and STAR revenue of \$103,077,171.

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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	\$ 4,821,381
Revenues under budget	(273,648)
Expenditures and encumbrance under budget	5,163,778
Transfers to reserves	(2,032,479)
Interest to reserves	(35,090)
Change in nonsependable	(47,429)
Use of reserves - workers' compensation	370,155
Budget revision - COVID-19 school reopening costs	(2,901,963)
Change in assigned - designated for specific purposes	1,000,000
Assigned - appropriated for June 30, 2022 budget	(1,150,000)
Closing, unassigned fund balance	<u><u>\$ 4,914,705</u></u>

The opening unassigned fund balance of \$4,821,381 is the June 30, 2020 unassigned fund balance.

The revenues under budget of \$273,648 were primarily due to variances in other real property tax items, charges for services, and state aid. (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget of \$5,163,778 were primarily due to the pandemic and subsequent impact on instruction, central services, transportation, and employee benefits. (see Supplemental Schedule #1 for detail)

The District funded \$532,479 to the retirement contribution reserve – teachers’ retirement system, and \$1,500,000 to the capital reserve.

Interest allocated to the reserves in the amount of \$35,090 related to the workers’ compensation reserve in the amount of \$1,248, the retirement contribution reserve in the amount of \$20,654, the teachers’ retirement reserve in the amount of \$5,755, the insurance reserve in the amount of \$374, the employee benefit accrued liability reserve in the amount of \$2,977, the repair reserve in the amount of \$2, and the capital reserve in the amount of \$4,080.

The change in non-spendable in the amount of \$47,429 is due to expenditures being prepaid at the end of the fiscal year for health insurance.

The District utilized \$370,155 of the workers’ compensation reserve.

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The District had a Board approved, budget revision to appropriate \$2,901,963 of fund balance for the COVID-19 school reopening plan.

The District had a budget revision to use \$58,002 from the employee benefit accrued liability. This budgeted use of the reserves resulted in no net effect to unassigned fund balance.

The Board has assigned \$1,000,000 of unassigned fund balance in the prior year to be used for the specific purpose of complying with the District's mandated COVID-19 school reopening plan to prepare the District's buildings for the safe return of students and staff, as these unanticipated expenses were not provided for in the 2020-2021 adopted budget. The unanticipated expenses are primarily related to salaries for teachers and nurses. These funds were transferred into unassigned fund balance.

The assigned, appropriated fund balance of \$1,150,000 is the amount the District has chosen to partially fund its operating budget for 2021-2022.

The closing unassigned fund balance represents the fund balance retained by the District that is not restricted or assigned for subsequent year's taxes or other purposes. This amount is limited to 4.00% of the 2021-2022 budget, and is within the allowable limit, representing 4.00% of the 2021-2022 budget.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets

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

	2021	2020	Increase (Decrease)	Percentage Change
Land & land improvements	\$ 5,737,401	\$ 5,590,763	\$ 146,638	2.62%
Construction in progress	5,332,926	12,463,401	(7,130,475)	-57.21%
Buildings & building improvements	91,738,734	78,831,361	12,907,373	16.37%
Furniture & equipment	3,350,729	2,192,725	1,158,004	52.81%
Vehicles	2,454,332	2,325,621	128,711	5.53%
	<u>108,614,122</u>	<u>101,403,871</u>	<u>7,210,251</u>	7.11%
Less: Accumulated depreciation	<u>54,283,825</u>	<u>50,544,169</u>	<u>3,739,656</u>	7.40%
Total net capital assets	<u>\$ 54,330,297</u>	<u>\$ 50,859,702</u>	<u>\$ 3,470,595</u>	6.82%

The District had capital asset additions of \$7,351,458, recorded depreciation expense of \$3,880,863 and disposed of fully depreciated assets of \$141,207. See Note 9 to the financial statements for detail.

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

B) Long-Term Debt

At June 30, 2021, the District had total bonds payable (excluding unamortized premium) of \$20,935,000 and an energy performance contract of \$670,359. The bonds were issued for district-wide projects, and the energy performance contract was issued for energy savings costs. The increase in bonds payable reflects a serial bond issued on August 6, 2020 offset by principal payments and the decrease in the energy performance contract payable represents principal payments. See Note 13 to the financial statements. A summary of outstanding debt at June 30, 2021 and 2020 is as follows:

	2021	2020	Increase (Decrease)
Bonds payable (excluding unamortized premium)	\$ 20,935,000	\$ 6,665,000	\$ 14,270,000
Energy performance contract debt payable	670,359	985,734	(315,375)
Total	<u>\$ 21,605,359</u>	<u>\$ 7,650,734</u>	<u>\$ 13,954,625</u>

7. FACTORS BEARING ON THE DISTRICT’S FUTURE

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

- A) Future budgets may be negatively affected by certain trends impacting school districts. These factors include rising health care premiums, increased costs associated with meeting the requirements for instructional services and the property tax cap could impact the District’s ability to fund its current cost of services.
- B) On September 23, 2021, the District issued a tax anticipation note for \$7,000,000 maturing on June 17, 2022 for interim financing of the general fund operations. The note includes a total premium of \$41,860.
- C) The federal government has passed several laws in the past year to address the economic and health consequences of the COVID-19 pandemic, including the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act and the American Rescue Plan (ARP) Act. The District expects to receive non-recurring revenues to be used to fund expenditures that meet the requirements set forth by the U.S. Department of Education.
- D) The District was awarded \$99,643 for the Elementary and Secondary School Emergency Relief Program (ESSER) and \$16,888 for the Governor’s Emergency Education Relief Program (GEER) for the Coronavirus Aid, Relief, and Economic Security (CARES) Act. As of the date of the issued financial statements, the District has received 100% of the awarded amount.

**HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

HERRICKS UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS		
Current assets		
Cash		
Unrestricted		\$ 13,681,355
Restricted		23,694,317
Receivables		
State and federal aid		1,935,230
Taxes receivable		2,018,449
Due from other governments		1,868,954
Accounts receivable		207,798
Inventories		22,207
Prepaid expenditures		1,003,508
Non-current assets		
Capital assets		
Not being depreciated		7,063,042
Being depreciated, net of accumulated depreciation		<u>47,267,255</u>
TOTAL ASSETS		<u>98,762,115</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions		37,917,044
Other post-employment benefits		<u>53,883,045</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES		<u>91,800,089</u>
LIABILITIES		
Payables		
Accounts payable		\$ 3,692,567
Accrued liabilities		1,235,636
Accrued interest payable		560,405
Due to other governments		211,767
Compensated absences payable		58,002
Due to teachers' retirement system		5,955,678
Due to employees' retirement system		462,968
Student deposits		92,224
Security deposits		46,853
Unearned credits		
Collections in advance		293,757
Long-term liabilities		
Due and payable within one year		
Bonds payable (inclusive of unamortized premium)		3,120,744
Energy performance contract debt payable		328,399
Compensated absences payable		79,560
Due and payable after one year		
Bonds payable (inclusive of unamortized premium)		20,078,066
Energy performance contract debt payable		341,960
Compensated absences payable		7,825,863
Claims payable		1,384,399
Total other post-employment benefits obligation		273,349,503
Net pension liability - proportionate share - employees' retirement system		33,239
Net pension liability - proportionate share - teachers' retirement system		<u>8,775,970</u>
TOTAL LIABILITIES		<u>327,927,560</u>
DEFERRED INFLOWS OF RESOURCES		
Other post-employment benefits		14,972,365
Pensions		<u>14,594,768</u>
TOTAL DEFERRED INFLOWS OF RESOURCES		<u>29,567,133</u>
NET POSITION		
Net investment in capital assets		<u>34,346,608</u>
Restricted		
Workers' compensation		1,247,289
Retirement contribution		
Employees retirement system		7,491,535
Teachers' retirement system		2,620,017
Insurance		553,559
Repairs		2,797
Employee benefit accrued liability		1,022,975
Scholarships and donations		70,486
Debt service		769,928
Capital		<u>5,857,335</u>
		<u>19,635,921</u>
Unrestricted (deficit)		<u>(220,915,018)</u>
TOTAL NET POSITION (DEFICIT)		<u>\$ (166,932,489)</u>

**HERRICKS UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

FUNCTIONS / PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
General support	\$ (20,066,849)	\$	\$	\$ (20,066,849)
Instruction	(119,432,359)	1,418,739	2,033,575	(115,855,045)
Pupil transportation	(4,401,329)			(4,401,329)
Community services	(73,461)		10,066	(63,395)
Debt service - interest	(575,254)			(575,254)
Food service program	(1,402,965)	174,287	1,088,111	(140,567)
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ (145,952,217)</u>	<u>\$ 1,593,026</u>	<u>\$ 3,131,752</u>	<u>\$ (141,102,439)</u>
GENERAL REVENUES				
Real property taxes				95,045,501
Other tax items - including STAR reimbursement				8,250,618
Use of money and property				551,040
Sale of property and compensation for loss				42,613
Miscellaneous				750,196
State sources				12,739,916
Medicaid reimbursement				117,467
TOTAL GENERAL REVENUES				<u>117,497,351</u>
CHANGE IN NET POSITION				(23,605,088)
TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR (AS RESTATED, SEE NOTE 21)				<u>(143,327,401)</u>
TOTAL NET POSITION (DEFICIT) - END OF YEAR				<u>\$ (166,932,489)</u>

**HERRICKS UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General	Special Aid	School Lunch	Miscellaneous Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
ASSETS							
Cash							
Unrestricted	\$ 12,677,692	\$ 7,850	\$ 6,405	\$ 143,313	\$ 942,844	\$ 846,095	\$ 13,681,355
Restricted	14,767,066			70,486		7,913,921	23,694,317
Receivables							
State and federal aid	646,644	973,043	315,543				1,935,230
Taxes receivable	2,018,449						2,018,449
Due from other governments	1,868,954						1,868,954
Due from other funds	1,526,459	3,889		94,833			1,625,181
Accounts receivable	202,431	5,237	130				207,798
Inventories			22,207				22,207
Prepaid expenditures	998,153		5,355				1,003,508
TOTAL ASSETS	\$ 34,705,848	\$ 990,019	\$ 349,640	\$ 308,632	\$ 942,844	\$ 8,760,016	\$ 46,056,999
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Payables							
Accounts payable	\$ 2,788,491	\$ 154,081	\$ 24,431	\$ 2,560		\$ 723,004	\$ 3,692,567
Accrued liabilities	1,197,195	5,052	33,389				1,235,636
Due to other governments	211,039		728				211,767
Due to other funds	98,722	826,002	510,233		172,916	17,308	1,625,181
Due to teachers' retirement system	5,955,678						5,955,678
Due to employees' retirement system	462,968						462,968
Compensated absences	58,002						58,002
Student deposits	92,224						92,224
Security deposits	46,853						46,853
Unearned credits							
Collections in advance	167,979	4,884	120,894				293,757
TOTAL LIABILITIES	11,079,151	990,019	689,675	2,560	172,916	740,312	13,674,633
DEFERRED INFLOWS OF RESOURCES							
Payments in lieu of taxes	165,372						165,372
TOTAL DEFERRED INFLOWS OF RESOURCES	165,372	-	-	-	-	-	165,372
FUND BALANCES							
Nonspendable	998,153		27,562				1,025,715
Restricted:							
Workers' compensation	1,247,289						1,247,289
Retirement contribution							
Employees' retirement system	7,491,535						7,491,535
Teachers' retirement system	2,620,017						2,620,017
Insurance	553,559						553,559
Repairs	2,797						2,797
Employee benefit accrued liability	1,022,975						1,022,975
Scholarships and donations				70,486			70,486
Debt service					769,928		769,928
Capital	1,828,894					4,028,441	5,857,335
Unspent bond proceeds						3,885,480	3,885,480
Assigned:							
Appropriated fund balance	1,150,000					105,783	1,255,783
Unappropriated fund balance	1,631,401			235,586			1,866,987
Unassigned (deficit)	4,914,705		(367,597)				4,547,108
TOTAL FUND BALANCES (DEFICIT)	23,461,325	-	(340,035)	306,072	769,928	8,019,704	32,216,994
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 34,705,848	\$ 990,019	\$ 349,640	\$ 308,632	\$ 942,844	\$ 8,760,016	\$ 46,056,999

**HERRICKS UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2021**

Total Governmental Fund Balances \$ 32,216,994

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 costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 108,614,122	
Accumulated depreciation	<u>(54,283,825)</u>	54,330,297

Deferred inflows of resources - The Statement of Net Position recognizes revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual. 165,372

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

Deferred outflows of resources-pensions	\$ 37,917,044	
Deferred outflows of resources-other post-employment benefits	53,883,045	
Deferred inflows of resources-other post-employment benefits	(14,972,365)	
Deferred inflows of resources-pensions	<u>(14,594,768)</u>	62,232,956

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

Accrued interest on debt		(560,405)
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Long-term liabilities at year-end consisted of:

Bonds payable, inclusive of premiums	\$ (23,198,810)	
Energy performance contract debt payable	(670,359)	
Compensated absences payable	(7,905,423)	
Claims payable	(1,384,399)	
Total other post-employment benefits obligation	(273,349,503)	
Net pension liability - teachers' retirement system	(8,775,970)	
Net pension liability - employees' retirement system	<u>(33,239)</u>	
		<u>(315,317,703)</u>

Total Net Position		<u><u>\$ (166,932,489)</u></u>
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HERRICKS UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General	Special Aid	School Lunch	Miscellaneous Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
REVENUES							
Real property taxes	\$ 95,045,501	\$	\$	\$	\$	\$	\$ 95,045,501
Other tax items - including STAR reimbursement	8,234,700						8,234,700
Charges for services	1,090,565			328,174			1,418,739
Use of money and property	533,322		55	55	17,608		551,040
Sale of property and compensation for loss	42,613						42,613
Miscellaneous	667,465	20,741	340	39,498		125,000	853,044
Interfund revenue	1,731						1,731
State sources	12,958,044	666,242	36,906				13,661,192
Federal sources	116,531	1,221,370	943,615				2,281,516
Medicaid reimbursement	117,467						117,467
Surplus food			107,590				107,590
Sales			174,287				174,287
TOTAL REVENUES	118,807,939	1,908,353	1,262,793	367,727	17,608	125,000	122,489,420
EXPENDITURES							
General support	15,336,273						15,336,273
Instruction	68,408,802	2,251,820		386,299			71,046,921
Pupil transportation	3,555,999						3,555,999
Community service	36,981	10,066					47,047
Employee benefits	26,487,274						26,487,274
Debt service principal	3,105,375						3,105,375
Debt service interest	403,345						403,345
Cost of sales			1,345,819				1,345,819
Capital outlay						6,910,673	6,910,673
TOTAL EXPENDITURES	117,334,049	2,261,886	1,345,819	386,299	-	6,910,673	128,238,726
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,473,890	(353,533)	(83,026)	(18,572)	17,608	(6,785,673)	(5,749,306)
OTHER FINANCING SOURCES AND (USES)							
Proceeds from serial bonds						16,915,000	16,915,000
Bond premium					326,159	2,085,000	2,411,159
BANs redeemed by appropriations						145,000	145,000
Tan premium	61,650						61,650
Operating transfers (in)	207,817	353,533	31,463			2,262,145	2,854,958
Operating transfers (out)	(2,647,141)				(190,113)	(17,704)	(2,854,958)
TOTAL OTHER FINANCING SOURCES AND (USES)	(2,377,674)	353,533	31,463	-	136,046	21,389,441	19,532,809
NET CHANGE IN FUND BALANCES	(903,784)	-	(51,563)	(18,572)	153,654	14,603,768	13,783,503
FUND BALANCES - BEGINNING OF YEAR (AS RESTATED, SEE NOTE 21)	24,365,109	-	(288,472)	324,644	616,274	(6,584,064)	18,433,491
FUND BALANCES - END OF YEAR	\$ 23,461,325	\$ -	\$ (340,035)	\$ 306,072	\$ 769,928	\$ 8,019,704	\$ 32,216,994

**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, 2021**

Net Change in Fund Balances \$ 13,783,503

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

Long-Term Revenue and Expense Differences

In the Statement of Activities, compensated absences are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. Compensated absences payable for the fiscal year ended June 30, 2021 increased by (172,798)

Deferred inflows of resources - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method. The difference in the revenues recognized under the full accrual method for the fiscal year ended June 30, 2021 was (202,210)

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

Teachers' retirement system	\$	(6,456,882)	
Employees' retirement system		796,239	
Other post-employment benefits		<u>(18,285,842)</u>	(23,946,485)

Capital Related Differences

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

Capital outlays	\$	7,351,458	
Depreciation expense		<u>(3,880,863)</u>	<u>3,470,595</u>

Long-Term Debt Differences

Repayment of bond and energy performance contract debt payable principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 2,960,375

Interest on debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest 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, 2020 to June 30, 2021 changed by (353,345)

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. (16,915,000)

Proceeds from bond premiums are 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. (2,411,159)

Governmental funds report the discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net amount of amortization is 181,436

Change in Net Position \$ (23,605,088)

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

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

A) Reporting entity:

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

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

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

B) Joint venture:

The District is a component district in the Nassau Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs, which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

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

C) Basis of presentation:

District-Wide Financial Statements:

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

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

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

The District reports the following major governmental funds:

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

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

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

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

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

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

D) Measurement focus and basis of accounting:

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

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

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

E) Real property taxes:

Calendar:

Real property taxes are levied annually by the Board of Education no later than August 15th, and are payable on October 1 and April 1. Taxes are collected by the Town of North Hempstead during the period 2020-2021.

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Enforcement:

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

F) Restricted resources:

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

G) Interfund transactions:

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flows. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

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

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

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

H) Estimates:

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

**HERRICKS UNION FREE SCHOOL DISTRICT
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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 expenses/expenditures at the time of purchase, and are considered immaterial in amount.

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

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

Prepaid items as of June 30, 2021 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 acquisition value at the time received.

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

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

M) Collections in advance:

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

Collections in advance consist of amounts received in advance for summer programs and rent in the general fund; for amounts received in advance for grants in the special aid fund; and for amounts received in advance for meals that have not yet been purchased 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 two items that qualify for reporting in this category. These amounts are related to pensions and other post-employment benefits reported in the District-Wide Statement of Net Position, which are detailed further in Notes 15 and 17.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are related to pensions and other post-employment benefits liability reported in the District-Wide Statement of Net Position, and are detailed further in Notes 15 and 17.

In addition to liabilities, the Governmental Funds Balance Sheet will sometimes report deferred inflow of resources when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. In subsequent periods, when the availability criterion is met, deferred inflows of resources are classified as revenues. The District-Wide Financial Statements, however, report these deferred inflows of resources as revenues in accordance with the accrual basis of accounting and economic resources measurement focus. The general fund reported \$165,372 in unavailable revenue at June 30, 2021 and represents payments in lieu of taxes received from LIPA, which is statutorily limited each year.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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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 Financials Statements, the cost of post-employment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**HERRICKS UNION FREE SCHOOL DISTRICT
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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 liabilities of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent liabilities that will be extinguished by the use of expendable, available resources of the fund.

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

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue dated. See Note 12 for details on short-term debt issued or redeemed during the fiscal year.

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, net pension liabilities, total other post-employment benefits obligation, and compensated absences that will be paid from governmental funds, are reported as a liability in the Fund Financial Statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the Fund Financial Statements when due.

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

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

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laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

ii) Fund Financial Statements:

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

- (1) **Non-spendable** fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory in the amount of \$22,207 and prepaid expenditures in the amount of \$5,355 in the school lunch fund. Non-spendable fund balance also includes the prepaid expenditures recorded in the general fund of \$998,153.
- (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.

Retirement Contribution Reserve

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

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Insurance Reserve

Insurance reserve (GML §6-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.

Repair Reserve

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

Employee Benefit Accrued Liability Reserve

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

Scholarships and Donations

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

Debt Service

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

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FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Capital Reserve

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

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

Unspent Bond Proceeds

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

- (3) **Committed** fund balance – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District’s highest level of decision making authority (i.e., Board). The District has no committed fund balances as of June 30, 2021.
- (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. The District’s unassigned fund balance at June 30, 2021 is within the legal limit. See Supplemental Schedule #5 for more information.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Deficit Fund Balance

The school lunch fund had a deficit unassigned fund balance of \$367,597 as a result of operating deficits in the current and prior years.

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) New accounting pronouncements:

GASB has issued Statement No. 84, *Fiduciary Activities* (GASB Statement No. 84), effective for the fiscal year ended June 30, 2021. It provides guidance for identifying fiduciary activities, primarily based on whether the government is controlling the assets, and the beneficiaries with whom the fiduciary relationship exists, and on how different fiduciary activities should be reported. The District has adopted and implemented GASB Statement No. 84, *Fiduciary Activities*, in 2021. See Note 21 for further consideration.

U) Future accounting pronouncements:

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

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

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.

**HERRICKS UNION FREE SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

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

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

Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accruals basis, whereas the accrual basis of accounting is used on the Statement of Activities.

Capital related differences:

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

Long-term debt differences:

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

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

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

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board as a result

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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 and Cash Equivalents:

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

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

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

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

B) Restricted Cash and Cash Equivalents:

Restricted cash and equivalents represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2021 included \$23,694,317 within in the governmental funds for general reserve purposes, scholarships and donations, debt service, capital projects, and unspent bond proceeds.

C) Investments:

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

NOTE 5 – PARTICIPATION IN BOCES:

During the fiscal year ended June 30, 2021, the District was billed \$5,010,750 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,594,529. 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.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 6 – STATE AND FEDERAL AID RECEIVABLES:

State and federal aid receivables at June 30, 2021 consisted of the following:

General fund	
State sources	
Excess cost aid	\$ 453,418
NYS Grant	100,000
Federal sources	
CARES Act	93,226
Total	<u>646,644</u>
Special aid fund	
State and local aid	254,078
Federal aid	718,965
Total	<u>973,043</u>
School lunch fund	
Lunch - state aid	16,559
Lunch - federal aid	298,984
Total	<u>315,543</u>
Total state and federal aid receivable	<u>\$ 1,935,230</u>

District management has deemed the amounts to be fully collectible.

NOTE 7 – PREPAID EXPENDITURES:

Prepaid expenditures at June 30, 2021 consisted of the following:

General fund	
Health insurance premium for July 2021	\$ 998,153
School lunch fund	
Health insurance premium for July 2021	5,355
Total prepaid expenditures	<u>\$ 1,003,508</u>

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 8 – DUE FROM OTHER GOVERNMENTS:

Due from other governments in the general fund at June 30, 2021 consisted of the following:

Non resident tuition	\$ 621,823
District of location -special education	421,752
BOCES aid	702,492
Interest & penalties on property tax	94,812
Border property billing	28,075
Total due from other governments	<u>\$ 1,868,954</u>

District management has deemed the amounts to be fully collectible.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 9 - CAPITAL ASSETS:

Capital asset balances and activity for the fiscal year ended June 30, 2021 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	12,463,401	6,910,673	(14,041,148)	5,332,926
Total capital assets not being depreciated	<u>14,193,517</u>	<u>6,910,673</u>	<u>(14,041,148)</u>	<u>7,063,042</u>
Capital assets that are depreciated:				
Building & building improvements	78,831,361		12,907,373	91,738,734
Furniture and equipment	2,192,725	103,380	1,054,624	3,350,729
Vehicles	2,325,621	256,788	(128,077)	2,454,332
Land improvement	3,860,647	80,617	66,021	4,007,285
Total capital assets being depreciated	<u>87,210,354</u>	<u>440,785</u>	<u>13,899,941</u>	<u>101,551,080</u>
Less accumulated depreciation:				
Building & building improvements	46,073,782	3,382,277		49,456,059
Furniture and equipment	879,949	147,262	(13,130)	1,014,081
Vehicles	1,411,103	151,758	(128,077)	1,434,784
Land improvement	2,179,335	199,566		2,378,901
Total accumulated depreciation	<u>50,544,169</u>	<u>3,880,863</u>	<u>(141,207)</u>	<u>54,283,825</u>
Total capital assets being depreciated, net	<u>36,666,185</u>	<u>(3,440,078)</u>	<u>14,041,148</u>	<u>47,267,255</u>
Total capital assets, net	<u>\$ 50,859,702</u>	<u>\$ 3,470,595</u>	<u>\$ -</u>	<u>\$ 54,330,297</u>

Depreciation expense has been allocated to the following functions:

General support	\$ 138,996
Instruction	3,601,802
Pupil transportation	140,065
	<u>\$ 3,880,863</u>

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 10 - COLLECTIONS IN ADVANCE:

Collections in advance as of June 30, 2021 consisted of:

General fund	
Summer program	\$ 61,678
Rent	52,699
Group insurance	53,602
Total general fund	<u>167,979</u>
Special aid fund	
Unearned revenues from local and federal grants	<u>4,884</u>
School lunch fund	
Prepaid meals	<u>120,894</u>
Total collections in advance	<u><u>\$ 293,757</u></u>

NOTE 11 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General fund	\$ 1,526,459	\$ 98,722	\$ 207,817	\$ 2,647,141
Special aid fund	3,889	826,002	353,533	-
School lunch fund	-	510,233	31,463	-
Miscellaneous special revenue fund	94,833	-	-	-
Debt service fund	-	172,916	-	190,113
Capital projects fund	-	17,308	2,262,145	17,704
Totals	<u><u>\$ 1,625,181</u></u>	<u><u>\$ 1,625,181</u></u>	<u><u>\$ 2,854,958</u></u>	<u><u>\$ 2,854,958</u></u>

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

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

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 12 - SHORT-TERM DEBT:

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN	8/7/2020	2.00%	\$ 9,020,000	\$ -	\$ (9,020,000)	\$ -
TAN	6/18/2021	1.50%	-	7,500,000	(7,500,000)	-
			<u>\$ 9,020,000</u>	<u>\$ 15,000,000</u>	<u>\$ (24,020,000)</u>	<u>\$ -</u>

The tax anticipation note (TAN) was issued on September 24, 2020 for interim financing of the general fund. Total interest due at maturity was \$82,500 offset by a premium of \$61,650 which resulted in a net interest cost of \$20,850 to the District.

A) Short-Term Interest:

Interest on short-term debt for the year was comprised of:

	<u>Total</u>
Interest paid	\$ 200,751
Less interest accrued in the prior year	<u>(165,868)</u>
Total interest expense on short-term debt	<u>\$ 34,883</u>

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 13 – LONG-TERM LIABILITIES:

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Bonds payable:					
Bonds payable	\$ 6,665,000	\$ 16,915,000	\$ (2,645,000)	\$ 20,935,000	\$ 2,960,000
Add: Bond premium	-	2,411,159	(147,349)	2,263,810	160,744
	<u>6,665,000</u>	<u>19,326,159</u>	<u>(2,792,349)</u>	<u>23,198,810</u>	<u>3,120,744</u>
Other liabilities:					
Energy performance contract debt payable	985,734	-	(315,375)	670,359	328,399
Compensated absences payable	7,732,625	230,800	(58,002)	7,905,423	79,560
Claims payable	1,384,399	412,360	(412,360)	1,384,399	-
Total other post-employment benefits liability	239,116,032	39,474,178	(5,240,707)	273,349,503	-
Net pension liability - proportionate share					
Employees' retirement system	9,029,352	1,701,898	(10,698,011)	33,239	-
Teachers' retirement system	-	8,775,970	-	8,775,970	-
Total long-term liabilities	<u>\$ 264,913,142</u>	<u>\$ 69,921,365</u>	<u>\$ (19,516,804)</u>	<u>\$ 315,317,703</u>	<u>\$ 3,528,703</u>

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

Issued Debt

On December 6, 2016, the voters approved a bond issue not to exceed \$25,000,000 for district-wide capital improvements. On August 6, 2020, the District issued serial bonds in the amount of \$16,915,000 and received a premium of \$2,411,159. The bonds mature on August 1, 2035.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

A) Bonds payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2021
Construction serial bond	8/4/2015	6/15/2022	2.00% - 4.00%	\$ 530,000
Construction serial bond - refunding	5/15/2014	11/1/2021	2.00% - 3.00%	1,540,000
Construction serial bond	5/13/2014	5/1/2024	1.25% - 2.25%	1,950,000
Construction serial bond	8/6/2020	8/1/2035	2.00% - 5.00%	16,915,000
Total serial bonds payable				<u><u>\$ 20,935,000</u></u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2022	\$ 2,960,000	\$ 958,950	\$ 3,918,950
2023	1,550,000	585,638	2,135,638
2024	1,610,000	524,887	2,134,887
2025	990,000	461,550	1,451,550
2026	1,045,000	410,675	1,455,675
2027-2031	6,010,000	1,235,075	7,245,075
2032-2035	6,770,000	343,800	7,113,800
Total	<u><u>\$ 20,935,000</u></u>	<u><u>\$ 4,520,575</u></u>	<u><u>\$ 25,455,575</u></u>

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

B) Energy performance contract debt payable

Energy performance contract debt payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2021
Energy performance contract debt payable	9/6/2007	8/15/2023	4.08%	<u><u>\$ 670,359</u></u>

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2022	\$ 328,399	\$ 24,082	\$ 352,481
2023	341,960	10,520	352,480
Total	<u>\$ 670,359</u>	<u>\$ 34,602</u>	<u>\$ 704,961</u>

C) Long-term interest

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

	<u>Total</u>
Interest paid	\$ 202,594
Less interest accrued in the prior year	(41,192)
Plus interest accrued in the current year	560,405
Less amortization of bond premium	(147,349)
Less amortization of gain on defeasance	(34,087)
Total expense	<u>\$ 540,371</u>

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, 2021 consisted of the following:

Bond premium	\$ 459,627
Deferred amounts on refunding	(217,009)
	<u>242,618</u>
Amortization to date	(242,618)
Total gain on defeasance, net of amortization	<u>\$ -</u>

The gain on defeasance on the advanced refunding is being amortized on the District-Wide Financial Statements using the straight-line method over 7 years, the time to maturity of the refunded bonds, at the point of refunding. Amortization of the defeasance gain recorded on the District-Wide financials amounted to \$34,087 for the fiscal year ending June 30, 2021, leaving a balance at June 30, 2021 of \$0.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 15 – PENSION PLANS:

Teachers' Retirement System

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

Employees' Retirement System

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

A) Funding Policies:

The Systems are noncontributory, except as follows:

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

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

For ERS, the Comptroller annually certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund, for the ERS' fiscal year ended March 31st. The District's contribution rates for ERS' fiscal year ended March 31, 2021 for covered payroll was 16.10% for Tiers 3 & 4, 13.4% for Tier 5, and 9.6% for Tier 6.

Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS. The District's contribution rate for the TRS' fiscal year ended June 30, 2020 was 9.53% of covered payroll.

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

	NYSERS	NYSTRS
2021	\$ 1,701,898	\$ 5,412,359
2020	\$ 1,645,429	\$ 4,776,045
2019	\$ 1,735,864	\$ 5,581,280

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

At June 30, 2021, the District reported the following liability for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of March 31, 2021 for ERS and June 30, 2020 for TRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension 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.

Measurement date	ERS	TRS
	March 31, 2021	June 30, 2020
Net pension liability	\$ 33,239	\$ 8,775,970
District's portion of the Plan's total net pension liability	0.0333814%	0.317594%
Change in porportion since prior measurement date	-0.0007166%	0.0027390%

For the fiscal year ended June 30, 2021, the District recognized pension expense of \$913,020 for ERS and pension expense of \$11,871,988 for TRS. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 405,941	\$ 7,689,506	\$	\$ 449,752
Changes of assumptions	6,111,615	11,099,560	115,267	3,956,413
Net difference between projected and actual earnings on pension plan investments		5,731,478	9,548,252	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	591,566	412,051	266,950	258,134
District's contributions subsequent to the measurement date	462,968	5,412,359		
	<u>\$ 7,572,090</u>	<u>\$ 30,344,954</u>	<u>\$ 9,930,469</u>	<u>\$ 4,664,299</u>

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Plan year ended:		
2021	\$	\$ 3,475,166
2022	(461,900)	6,957,689
2023	(107,833)	5,755,463
2024	(452,901)	3,546,496
2025	(1,798,713)	149,880
Thereafter		383,602
	<u>\$ (2,821,347)</u>	<u>\$ 20,268,296</u>

Actuarial Assumptions

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2021	June 30, 2020
Actuarial valuation date	April 1, 2020	June 30, 2019
Interest rate	5.90%	7.10%
Salary scale	4.40%	4.72% - 1.90%
Cost of living adjustments	1.40% annually	1.30%, annually
Decrement tables	April 1, 2015 - March 31, 2020	July 1, 2009 - June 30, 2014
	System's Experience	System's Experience
Inflation rate	2.70%	2.20%

For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System's experience with adjustments for mortality improvements based on MP-2018. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2018, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The long-term rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selections of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of investment expense and inflation) for each major asset class, as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of the valuation date are summarized below:

<u>Measurement Date</u>	<u>ERS</u>		<u>TRS</u>	
	<u>March 31, 2021</u>		<u>June 30, 2020</u>	
	Target	Long-term expected real	Target	Long-term expected real
<u>Asset type</u>	<u>Allocation</u>	<u>rate of return</u>	<u>Allocation</u>	<u>rate of return</u>
Domestic equity	32.0%	4.05%	33.0%	7.10%
International equity	15.0%	6.30%	16.0%	7.70%
Global equity			4.0%	7.40%
Private equity	10.0%	6.75%	8.0%	10.40%
Real estate	9.0%	4.95%	11.0%	6.80%
Absolute return strategies	4.0%	3.25%		
Opportunistic portfolio	3.0%	4.65%		
Real assets	3.0%	5.95%		
Bonds and mortgages	23.0%			
Cash	1.0%	0.50%		
Domestic fixed income securities			16.0%	1.80%
Global fixed income securities			2.0%	1.00%
High-yield fixed income securities			1.0%	3.90%
Private debt			1.0%	5.20%
Real estate debt			7.0%	3.60%
Short-term			1.0%	0.70%
	<u>100%</u>		<u>100%</u>	

The expected real rate of return is net of the long-term inflation assumptions of 2.00% for ERS, and 2.20% for TRS.

Discount Rate

The discount rate used to calculate the total pension liability was 5.90% for ERS and 7.10% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 5.90% for ERS and 7.10% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (4.90% for ERS and 6.10% for TRS) or 1-percentage point higher (6.90% for ERS and 8.10% for TRS) than the current rate:

	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
<u>ERS</u>			
Employer's proportionate share of the net pension asset/(liability)	\$ (9,225,913)	\$ (33,239)	\$ 8,444,557
	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
<u>TRS</u>			
Employer's proportionate share of the net pension asset/(liability)	\$ (55,434,780)	\$ (8,775,970)	\$ 30,382,595

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2021	June 30, 2020
Employers' total pension liability	\$ (220,680,157)	\$ (123,242,776)
Plan Net Position	220,580,583	120,479,505
Employers' net pension liability	<u>\$ (99,574)</u>	<u>\$ (2,763,271)</u>
Ratio of plan net position to the Employers' total pension liability	99.95%	97.76%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2021 represent the projected employer contribution for the period of March 31, 2021 through June 30, 2021 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$462,968.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021 are paid to the System in September, October, and November 2021 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2021 represent employee and employer contributions for the fiscal year ended June

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

30, 2021 based on paid TRS wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2021 amounted to \$5,955,678.

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 withheld by the employees for the fiscal year ended June 30, 2021, totaled \$70,002 and \$3,586,978 respectively.

B) Deferred Compensation Plan:

The District has established a deferred compensation plan in accordance with Internal Revenue Code section 457 for all employees. The District makes no contributions into this plan. The amount deferred by eligible employees for the fiscal year ended June 30, 2021 totaled \$148,752.

NOTE 17 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

A) General Information about the OPEB Plan:

Plan Description

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

Benefits Provided

The Plan provides medical and Medicare Part B benefits for retired employees and their eligible dependents. Benefit terms provide for the District to contribute between 50% and 90% of health premiums for retirees and between 0% and 75% of the excess cost of family coverage over individual coverage depending on the coverage selected, date of retirement, and bargaining unit. Upon death of a retiree, the District will only continue the Medicare Part B reimbursement for the surviving spouse or surviving dependent. The District recognizes the cost of the Plan annually as expenditures in the fund financial statements as payments are accrued. For fiscal year 2021, the District contributed an estimated \$5,240,707 to the Plan, including \$5,240,707 for current premiums and \$0 to prefund benefits. Currently, there is no

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

provision in the law to permit the District to fund OPEB by any other means than the “pay as you go” method.

Employees Covered by Benefit Terms

At the valuation date of July 1, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	469
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	612
	<u>1,081</u>

B) Total OPEB Liability:

The District’s total OPEB liability of \$273,349,503 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020, with update procedures used to roll forward the OPEB liability to the measurement date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.50%
Discount rate	1.90%
Healthcare cost trend rates:	
Pre-65 Medical/retiree contributions	6.25% decreasing each year to an ultimate rate of 4.50% for 2027, and later years
Post-65 Medical	7.25% decreasing each year to an ultimate rate

The discount rate was based on the 20-year Municipal GO AA Bond Rate Index, as of June 30, 2021 per *Fidelity Investments*.

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

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

C) Changes in the Total OPEB Liability:

Balance at June 30, 2020	\$ 239,116,032
Changes for the fiscal year:	
Service cost	9,521,622
Interest	5,675,896
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	24,276,660
Benefit payments	(5,240,707)
Net changes	34,233,471
Balance at June 30, 2021	\$ 273,349,503

Changes in assumptions or other inputs include changing the discount rate from 2.40% to 1.90% based on the 20-year Municipal GO AA Bond Index as of June 30, 2021 per *Fidelity Investments*.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (0.90%) or 1-percentage point higher (2.90%) than the current discount rate:

	1% Decrease (0.90%)	Discount Rate (1.90%)	1% Increase (2.90%)
Total OPEB liability	\$ 332,746,465	\$ 273,349,503	\$ 227,733,343

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	\$ 217,372,196	\$ 273,349,503	\$ 350,349,797

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of \$23,526,549. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,727,497	\$
Changes of assumptions or other inputs	50,155,548	14,972,365
	\$ 53,883,045	\$ 14,972,365

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

Fiscal Year ended June 30:		
2022	\$	8,171,243
2023		8,171,243
2024		8,171,243
2025		8,171,243
2026		3,112,854
Thereafter		3,112,854
	\$	38,910,680

NOTE 18 - TAX ABATEMENTS:

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

NOTE 19 – RISK MANAGEMENT:

A) General:

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

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

B) Risk Retention:

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for incurred claims and incurred by not recorded (IBNR) based on a liability evaluation performed March 31, 2021. As of March 31, 2021, the District has recorded a workers' compensation claims payable for \$1,384,399 (undiscounted). This represents the District's liability for unpaid reported claims and claims which were incurred but not reported prior to the evaluation date. The District has a workers' compensation reserve balance of \$1,247,289. Claims activity for the current and preceding year is summarized below.

	2021	2020
Unpaid claims, beginning of year	\$ 1,384,399	\$ 1,693,052
Incurred claims and claim adjustment expenses	412,360	131,414
Claim payments	(412,360)	(440,067)
Unpaid claims, end of year	\$ 1,384,399	\$ 1,384,399

The District established a self-funded dental benefit program for its employees. The benefit programs administrator, J.J Stanis and Company, Inc., is responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. In addition, the District is responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30, 2021. The program is accounted for in the general fund of the District. Dental activity for the current is summarized below.

	2021
Dental program, beginning of year	\$ 706,245
Premiums collected	556,597
Dental claims paid during the year	(632,593)
Dental program, end of year	\$ 630,249

C) Public Entity Risk Pool:

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

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 20– COMMITMENTS AND CONTINGENCIES:

A) Encumbrances:

All encumbrances are classified as assigned or restricted fund balance. At June 30, 2021, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance

General Fund

General Support	\$ 989,633
Instruction	584,261
Pupil Transportation	57,507
	<u>\$ 1,631,401</u>

Restricted and assigned:

Capital projects fund

Capital projects	<u>\$ 5,338,972</u>
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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:

The District is involved in various litigation proceedings resulting from the conduct of its affairs. Management cannot estimate monetary amounts associated with the resolution of these cases, nor the likelihood of an unfavorable outcome at this time. Some proceedings may seek amounts that exceed current insurance coverage.

D) Operating Leases:

The District is committed under various non-cancelable operating leases, primarily for copiers (principally in the general fund). Expenditures were \$66,221 for the fiscal year ended June 30, 2021. The following is a summary of obligations of government activities under operating lease payments:

Fiscal year ended June 30,	Total
2022	\$ 66,390
2023	49,671
2024	21,775
2025	761
Total	<u>\$ 138,597</u>

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 21 – RESTATEMENT OF FUND BALANCES AND NET POSITION:

During the year ended June 30, 2021, the District implemented GASB Statement No. 84, *Fiduciary Activities*. The adoption and implementation of this Statement resulted in in the reporting changes in assets and other liabilities. The District’s net fund balance and net position have been restated as follows:

	General Fund	Miscellaneous Special Revenue Fund	Statement of Net Position
Fund Balance/Net Position (Deficit)			
Beginning of Year, as Reported	\$ 24,365,109	\$ -	\$ (143,652,045)
Assets			
Cash - restricted	3,071,860	324,644	3,396,504
Due from governmental funds	(1,549,832)		(1,549,832)
Accounts receivable	20,458		20,458
Total Assets	<u>1,542,486</u>	<u>324,644</u>	<u>1,867,130</u>
Liabilities			
Other liabilities	1,542,486	-	1,542,486
Total Liabilities	<u>1,542,486</u>	<u>-</u>	<u>1,542,486</u>
Fund Balance/Net Position (Deficit)			
Restricted for scholarships	-	78,448	78,448
Assigned unappropriated fund balance	-	246,196	246,196
Total Fund Balance	<u>-</u>	<u>324,644</u>	<u>324,644</u>
Net increase (decrease) in fund balance	<u>-</u>	<u>324,644</u>	<u>324,644</u>
Fund Balance/Net Position (Deficit)			
Beginning of Year, as Restated	<u>\$ 24,365,109</u>	<u>\$ 324,644</u>	<u>\$ (143,327,401)</u>

NOTE 22– SUBSEQUENT EVENTS:

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

**HERRICKS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

- A) The District was awarded funding in July 2021 under the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) in the amount of \$349,443 for the Elementary and Secondary School Emergency Relief Program (ESSER).

- B) On September 23, 2021, the District issued a tax anticipation note for \$7,000,000 maturing on June 17, 2022 for interim financing of the general fund operations. The note includes a total premium of \$41,860.

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, 2021**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
REVENUES				
Local Sources				
Real property taxes	\$ 94,510,061	\$ 95,045,501	\$ 95,045,501	\$ -
Other real property tax items	8,567,110	8,031,670	8,234,700	203,030
Charges for services	1,624,364	1,624,364	1,090,565	(533,799)
Use of money & property	926,032	926,032	533,322	(392,710)
Sale of property & compensation for loss	1,600	1,600	42,613	41,013
Miscellaneous	195,950	195,950	667,465	471,515
Interfund revenues	2,500	2,500	1,731	(769)
State sources				
Basic formula	5,983,783	5,983,783	4,760,313	(1,223,470)
Excess cost aid	3,300,000	3,300,000	3,371,321	71,321
BOCES aid	1,392,642	1,392,642	1,594,529	201,887
Lottery aid	2,176,171	2,176,171	2,694,045	517,874
Textbook aid	245,530	245,530	244,825	(705)
Computer software aid	66,170	66,170	65,898	(272)
Library A/V loan program aid	27,610	27,610	27,493	(117)
Tuition	-	-	59,592	59,592
Other	-	-	100,000	100,000
Computer hardware	40,000	40,000	40,028	28
Federal sources				
CARES Act	-	116,531	116,531	-
Medicaid reimbursement	175,000	175,000	117,467	(57,533)
TOTAL REVENUES	119,234,523	119,351,054	118,807,939	(543,115)
Other financing sources				
Tan premium	-	-	61,650	61,650
Transfers from other funds	-	-	207,817	207,817
TOTAL REVENUES AND OTHER FINANCING SOURCES	119,234,523	119,351,054	\$ 119,077,406	\$ (273,648)
Appropriated fund balance	1,300,000	1,300,000		
Appropriated reserves	1,957,205	6,125,315		
TOTAL REVENUES, OTHER FINANCING SOURCES, APPROPRIATED FUND BALANCE, AND RESERVES	\$ 122,491,728	\$ 126,776,369		

Note to Required Supplementary Information

Budget Basis of Accounting

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

HERRICKS UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 117,927	\$ 105,019	\$ 78,993	\$ -	\$ 26,026
Central administration	401,486	417,537	413,638	-	3,899
Finance	1,193,189	1,229,682	1,191,501	8,850	29,331
Staff	658,092	670,092	632,944	1,593	35,555
Central services	12,295,200	13,193,466	11,854,618	979,190	359,658
Special items	1,184,577	1,176,098	1,164,579	-	11,519
Total General Support	<u>15,850,471</u>	<u>16,791,894</u>	<u>15,336,273</u>	<u>989,633</u>	<u>465,988</u>
Instructional					
Instruction, adm. & imp.	5,732,529	5,889,530	5,623,815	16,429	249,286
Teaching - regular school	35,720,135	36,856,793	35,929,688	39,650	887,455
Programs for children with handicapping conditions	18,825,276	18,410,053	17,112,658	104,277	1,193,118
Occupational education	906,880	955,821	818,466	-	137,355
Teaching special schools	9,000	8,300	4,259	-	4,041
Instructional media	3,603,798	4,421,925	3,879,847	303,739	238,339
Pupil services	5,764,200	5,995,422	5,040,069	120,166	835,187
Total Instructional	<u>70,561,818</u>	<u>72,537,844</u>	<u>68,408,802</u>	<u>584,261</u>	<u>3,544,781</u>
Pupil transportation	<u>3,908,129</u>	<u>3,955,049</u>	<u>3,555,999</u>	<u>57,507</u>	<u>341,543</u>
Community services	<u>205,741</u>	<u>151,016</u>	<u>36,981</u>	<u>-</u>	<u>114,035</u>
Employee benefits	<u>26,939,139</u>	<u>27,092,028</u>	<u>26,487,274</u>	<u>-</u>	<u>604,754</u>
Debt service					
Debt service principal	3,120,375	3,120,375	3,105,375	-	15,000
Debt service interest	390,848	403,348	403,345	-	3
Total Debt service	<u>3,511,223</u>	<u>3,523,723</u>	<u>3,508,720</u>	<u>-</u>	<u>15,003</u>
TOTAL EXPENDITURES	<u>120,976,521</u>	<u>124,051,554</u>	<u>117,334,049</u>	<u>1,631,401</u>	<u>5,086,104</u>
Other financing uses					
Transfers to other funds	<u>1,515,207</u>	<u>2,724,815</u>	<u>2,647,141</u>	<u>-</u>	<u>77,674</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 122,491,728</u>	<u>\$ 126,776,369</u>	<u>119,981,190</u>	<u>\$ 1,631,401</u>	<u>\$ 5,163,778</u>
NET CHANGE IN FUND BALANCE			(903,784)		
FUND BALANCE - BEGINNING OF YEAR			<u>24,365,109</u>		
FUND BALANCE - END OF YEAR			<u>\$ 23,461,325</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

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

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

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

Notes to Schedule:*Trust Assets*

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

Changes of Assumptions and Other Inputs

The discount rate was 1.9% as of June 30, 2021 (based on 20-year Municipal GO AA Bond Index, as of 06/30/21, per *Fidelity Investments*).

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

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

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

Assumption changes in 2020 include changes in retirement rates, termination rates as well as medical trend rates.

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

	NYSERS Pension Plan							
	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension (liability) asset	0.0333814%	0.0340980%	0.0370693%	0.0398827%	0.0426428%	0.0407754%	0.0409275%	0.0409275%
District's proportionate share of the net pension (liability) asset	\$ (33,239)	\$ (9,029,352)	\$ (2,626,475)	\$ (1,287,193)	\$ (4,006,812)	\$ (6,544,568)	\$ (1,382,632)	\$ (1,849,457)
District's covered payroll	\$ 11,715,927	\$ 11,724,101	\$ 12,048,290	\$ 11,992,583	\$ 12,085,283	\$ 12,202,642	\$ 11,626,399	\$ 11,344,585
District's proportionate share of the net pension (liability) asset as a percentage of its covered payroll	0.28%	77.02%	21.80%	10.73%	33.15%	53.63%	11.89%	16.30%
Plan fiduciary net position as a percentage of the total pension (liability) asset	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%
	NYSTRS Pension Plan							
	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension (liability) asset	0.317594%	0.314855%	0.316419%	0.319883%	0.324092%	0.318610%	0.323346%	0.319041%
District's proportionate share of the net pension (liability) asset	\$ (8,775,970)	\$ 8,179,955	\$ 5,721,685	\$ 2,431,427	\$ (3,471,156)	\$ 33,093,415	\$ 36,018,752	\$ 2,100,099
District's covered payroll	\$ 53,905,697	\$ 52,810,804	\$ 51,898,141	\$ 51,227,336	\$ 50,622,659	\$ 48,489,107	\$ 48,424,353	\$ 47,376,050
District's proportionate share of the net pension (liability) asset as a percentage of its covered payroll	16.28%	15.49%	11.02%	4.75%	6.86%	68.25%	74.38%	4.43%
Plan fiduciary net position as a percentage of the total pension (liability) asset	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

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

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

NYSERS Pension Plan

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 1,701,898	\$ 1,645,429	\$ 1,735,864	\$ 1,766,134	\$ 1,783,149	\$ 1,946,294	\$ 2,142,100	\$ 2,184,693	\$ 2,004,779	\$ 1,621,787
Contributions in relation to the contractually required contribution	1,701,898	1,645,429	1,735,864	1,766,134	1,783,149	1,946,294	2,142,100	2,184,693	2,004,779	1,621,787
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 11,791,614	\$ 11,687,326	\$ 11,933,990	\$ 11,997,056	\$ 12,084,756	\$ 12,313,760	\$ 11,585,448	\$ 11,340,996	\$ 11,155,398	\$ 11,347,126
Contributions as a percentage of covered payroll	14.43%	14.08%	14.55%	14.72%	14.76%	15.81%	18.49%	19.26%	17.97%	14.29%

NYSTRS Pension Plan

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 5,412,359	\$ 4,776,045	\$ 5,581,280	\$ 5,051,024	\$ 5,940,971	\$ 6,631,403	\$ 8,388,786	\$ 5,868,700	\$ 5,466,819	\$ 5,496,582
Contributions in relation to the contractually required contribution	5,412,359	4,776,045	5,581,280	5,051,024	5,940,971	6,631,403	8,388,786	5,868,700	5,466,819	5,496,582
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 56,792,852	\$ 53,905,697	\$ 52,810,804	\$ 51,898,141	\$ 51,227,336	\$ 50,622,659	\$ 48,489,107	\$ 48,424,353	\$ 47,376,050	\$ 49,493,075
Contributions as a percentage of covered payroll	9.53%	8.86%	10.57%	9.73%	11.60%	13.10%	17.30%	12.12%	11.54%	11.11%

**HERRICKS UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 122,491,728
Add: Prior year's encumbrances		<u>1,957,205</u>
Original Budget		124,448,933
Budget revisions:		
COVID-19 School Reopening Costs	\$ 2,901,963	
CARES ACT - ESSER and GEER	116,531	
Voter approved transfer of Capital Reserve	1,208,145	
Use of EBALR for retirement payout	<u>58,002</u>	
		<u>4,284,641</u>
Final Budget		<u>\$ 128,733,574</u>

SECTION 1318 OF REAL PROPERTY TAX LIMIT CALCULATION

Next year's voter approved budget		<u>\$ 122,867,643</u>
Maximum allowed (4% of 2021-2022 budget)		<u>\$ 4,914,706</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 2,781,401	
Unassigned fund balance	<u>4,914,705</u>	
Total unrestricted fund balance		7,696,106
Less:		
Appropriated fund balance	\$ 1,150,000	
Encumbrances included in assigned fund balance	<u>1,631,401</u>	
Total adjustments		<u>2,781,401</u>
General Fund - Fund Balance Subject to Section 1318 of Real Property Tax Law		<u>\$ 4,914,705</u>
Actual percentage		4.00%

HERRICKS UNION FREE SCHOOL DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
 JUNE 30, 2021

Project #	Current Appropriation	Expenditures and Obligations to Date			Unexpended Balance	Proceeds of Obligations	State Aid	Capital Reserve	Local Sources	Interfund Transfers	Total	Fund Balance June 30, 2021	
		Prior Year's	Current Year	Total									
Bond 2014 (approved 2014, issued 2015):													
High School Localized Windows	0832	\$ 664,077	\$ 664,062	\$ 15	\$ 664,077	\$ -	\$ 664,077	\$ -	\$ -	\$ -	\$ 664,077	\$ -	
Transfer to General Fund/Debt Service		-	-	-	-	-	17,704	-	-	(17,704)	-	-	
Bond 2014 (approved 2014, issued 2015):		3,482,296	3,482,281	15	3,482,296	-	3,500,000	-	-	(17,704)	3,482,296	-	
Bond 2016 (approved December 6, 2016):													
HS Cafeteria	0834	5,994,458	5,856,906	12,868	5,869,774	124,684	5,994,458	-	-	-	5,994,458	124,684	
HS Synthetic Turf Field	0833	1,664,369	1,554,543	-	1,554,543	109,826	1,664,369	-	-	-	1,664,369	109,826	
HS Sports Storage	1601	177,349	172,588	-	172,588	4,761	177,349	-	-	-	177,349	4,761	
HS Press Box	1701	70,468	66,157	-	66,157	4,311	70,468	-	-	-	70,468	4,311	
HS Comfort Station	1801	1,421,630	1,289,324	-	1,289,324	132,306	1,421,630	-	-	-	1,421,630	132,306	
Center St Plumbing (PHIII)	0223	112,500	45	(45)	-	112,500	112,500	-	-	-	112,500	112,500	
Searingtown Plumbing (PHIII)	0525	50,000	51	(51)	-	50,000	50,000	-	-	-	50,000	50,000	
MS Plumbing	1125	75,000	50	(50)	-	75,000	75,000	-	-	-	75,000	75,000	
HS Plumbing	0838	40,000	250	(250)	-	40,000	40,000	-	-	-	40,000	40,000	
SRA (PHIII)	0110	84,500	-	-	2,165	82,335	84,500	-	-	-	84,500	82,335	
Center St Window (PHIII)	0222	241,000	90	151,089	151,179	89,821	241,000	-	-	-	241,000	89,821	
Denton Ave Window (PHIII)	0321	250,000	90	148,645	148,735	101,265	250,000	-	-	-	250,000	101,265	
Searingtown Window (PHIII)	0524	295,000	90	153,843	153,933	141,067	295,000	-	-	-	295,000	141,067	
Community Center Exterior Doors	0707	50,000	120	1,281	1,401	48,599	50,000	-	-	-	50,000	48,599	
MS Exterior Doors	1124	90,000	120	2,305	2,425	87,575	90,000	-	-	-	90,000	87,575	
HS Window & Exterior Doors	0836	4,722,000	15,658	3,630,410	3,646,068	1,075,932	4,722,000	-	-	-	4,722,000	1,075,932	
Center St Inte Wall Imp (PHIII)	0224	219,266	533	6,484	7,017	212,249	219,266	-	-	-	219,266	212,249	
Denton Ave Inte Wall Imp (PHIII)	0322	207,034	533	6,525	7,058	199,976	207,034	-	-	-	207,034	199,976	
Searingtown Inte Wall Imp (PHIII)	0526	180,498	474	5,056	5,530	174,968	180,498	-	-	-	180,498	174,968	
HS Inte Wall Imp	0839	97,652	741	1,375	2,116	95,536	97,652	-	-	-	97,652	95,536	
SRA	0109	44,948	28,527	7,144	35,671	9,277	44,948	-	-	-	44,948	9,277	
Center St	0221	79,606	72,904	1,233	74,137	5,469	79,606	-	-	-	79,606	5,469	
Denton Ave	0320	63,310	49,122	2,388	51,510	11,800	63,310	-	-	-	63,310	11,800	
Searingtown	0523	146,045	110,809	28,289	139,098	6,947	146,045	-	-	-	146,045	6,947	
HS	0835	540,150	445,804	28,923	474,727	65,423	540,150	-	-	-	540,150	65,423	
MS	1123	7,613	1,024	-	1,024	6,589	7,613	-	-	-	7,613	6,589	
HS Fitness Center	0840	3,665,800	-	1,433,339	1,433,339	2,232,461	2,250,603	-	-	-	2,250,603	817,264	
Capital Reserve (CR) 2014-15:													
Selective Interior Doors & Hardware													
SRA	0108	33,728	32,900	390	33,290	438	-	33,728	-	-	33,728	438	
Center St	0220	121,728	94,641	3,951	98,592	23,136	-	121,728	-	-	121,728	23,136	
Denton Ave	0319	119,340	98,961	2,909	101,870	17,470	-	119,340	-	-	119,340	17,470	
Searingtown	0522	164,823	105,930	2,377	108,307	56,516	-	164,823	-	-	164,823	56,516	
Community Ctr	0705	134,730	97,631	-	97,631	37,099	-	134,730	-	-	134,730	37,099	
HS	0833	241,296	209,456	831	210,287	31,009	-	241,296	-	-	241,296	31,009	
MS	1122	206,453	155,542	-	155,542	50,911	-	206,453	-	-	206,453	50,911	
Site Improvements													
SRA	0109	176,574	171,932	13	171,945	4,629	-	176,574	-	-	176,574	4,629	
Center St	0221	377,592	368,208	9,384	377,592	-	-	377,592	-	-	377,592	-	
Denton Ave	0320	388,166	369,477	8,780	378,257	9,909	-	388,166	-	-	388,166	9,909	
Searingtown	0523	327,485	321,035	5,403	326,438	1,048	-	327,485	-	-	327,485	1,047	
Community Ctr	0706	129,247	-	-	-	129,247	-	129,247	-	-	129,247	129,247	
Middle School	1126	838,918	-	43,602	43,602	795,316	-	838,918	-	-	838,918	795,316	
High School	0841	1,790,112	-	76,278	76,278	1,713,834	-	1,790,112	-	-	1,790,112	1,713,834	
CR 2019 HS Auditorium		1,208,145	-	-	-	1,208,145	-	1,208,145	-	-	1,208,145	1,208,145	
CR 2014-15 Unallocated		(50,265)	-	-	-	(50,265)	-	(50,265)	-	-	(50,265)	(50,265)	
Bond 2016 & CR 2014-15 Total		26,798,269	11,692,266	5,776,884	17,469,150	9,329,119	19,174,999	-	6,208,072	-	25,383,071	7,913,921	
DASNY & Nassau County Grants:													
DASNY Grants # 17076 MS & HS Stage Curtains & Lighting		125,000	-	125,000	125,000	-	-	125,000	-	-	125,000	-	
DASNY & Nassau County Grants Total		125,000	-	125,000	125,000	-	-	125,000	-	-	125,000	-	
Budgetary Apprpr 18/19 Gen Fund		165,000	162,373	-	162,373	2,627	-	-	165,000	-	165,000	2,627	
Budgetary Apprpr 19/20 Gen Fund		165,000	107,070	33,550	140,620	24,380	-	-	165,000	-	165,000	24,380	
Budgetary Apprpr 20/21 Gen Fund-Wireless Infrastructure, Site Work, Smokeheads		1,054,000	-	975,224	975,224	78,776	-	-	1,054,000	-	1,054,000	78,776	
Budgetary Appropriation Total		1,384,000	269,443	1,008,774	302,993	105,783	-	-	1,384,000	-	1,384,000	105,783	
TOTAL		\$ 31,789,565	\$ 15,443,990	6,910,673	\$ 21,379,439	\$ 9,434,902	\$ 22,674,999	\$ 125,000	\$ 6,208,072	\$ 1,384,000	\$ (17,704)	\$ 30,374,367	\$ 8,019,704

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

**HERRICKS UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2021**

Capital assets, net		\$ 54,330,297
Deduct:		
Short-term portion of bonds payable, inclusive of premium	\$ 3,120,744	
Long-term portion of bonds payable, inclusive of premium	20,078,066	
Less: unspent bond proceeds	<u>(3,885,480)</u>	19,313,330
Short-term portion of energy performance contract debt payable	\$ 328,399	
Long-term portion of energy performance contract debt payable	<u>341,960</u>	<u>670,359</u>
Net investment in capital assets		<u>\$ 34,346,608</u>

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

To the Board of Education
Herricks Union Free School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Herricks Union Free School District (the "District"), as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 14, 2021.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "R.S. Abrams & Co., LLP". The signature is written in a cursive, slightly slanted style.

R.S. Abrams & Co., LLP
Islandia, NY
October 14, 2021