HERRICKS UNION FREE SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

HERRICKS UNION FREE SCHOOL DISTRICT

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R.S. ABRAMS & CO., LLP
Accountants & Consultants for Over 75 years

Robert S. Abrams
(1926–2014)

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Herricks Union Free School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Herricks Union Free School District as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary fund of the Herricks Union Free School District as of June 30, 2018, 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 - Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, Herricks Union Free School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* 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 OPEB 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 61 through 65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The other supplementary financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018, on our consideration of the Herricks Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Herricks Union Free School District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 12, 2018

HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018. 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 implemented GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in the restatement of opening Net Position to reflect the total other post-employment benefits (OPEB) liability, rather than the net OPEB liability. As a result, the District's total net position as of June 30, 2017 was restated and decreased by $113,016,570. This new GASB accounting standard has no impact on the governmental fund financial statements.

- The District's total net position, as reflected in the District-Wide Financial Statements is a deficit of $121,092,272 which is an increase to the deficit of $6,947,910 from the prior year. This was primarily due to an increase in the total other post-employment benefits obligation and accounts payable offset by a decrease in the net pension liability – proportionate share.

- On the District-Wide Financial Statements, revenues increased by 2.48% primarily due to an increase in tax revenue and additional state sources.

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

- On May 15, 2018, the proposed 2018-2019 budget in the amount of $114,391,671 was authorized by the District's residents. This budget was under the NYS property tax cap and was approved by 70% of the voters.

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.

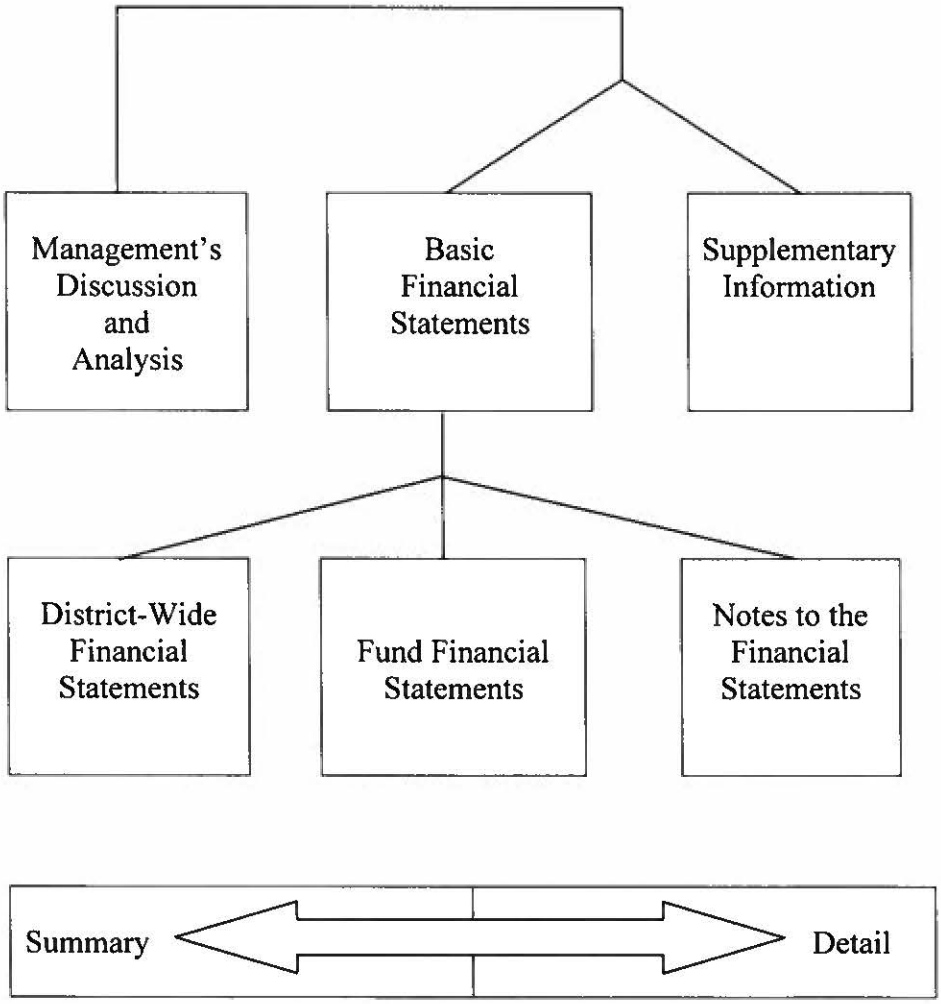
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Statements.

- 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.

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

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

Table A-1: Organization of the District's Annual Financial Report



HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

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

	District-Wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/ deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

A) District-Wide Statements

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

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

- Over time, increases and decreases in net position is an indicator of whether the financial position is improving or deteriorating, respectively.

- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

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

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

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

HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

B) Fund Financial Statements

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

The District has two kinds of funds:

i) Governmental funds

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

ii) Fiduciary funds

The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position, and is developed using the economic resources measurement focus and the accrual basis of accounting.

HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position

The District's total net position decreased by $6,947,910 resulting in a deficit of $121,092,272 in the fiscal year ended June 30, 2018, primarily due to an increase in deferred inflows related to pensions as detailed in Table A-3.

Table A-3 – Condensed Statement of Net Position

	Fiscal Year 2018	Fiscal Year 2017*	Increase (Decrease)	Total Percentage Change
Current assets and other assets	$32,823,907	$29,287,912	$3,535,995	12.07%
Capital assets	44,541,996	43,189,703	1,352,293	3.13%
Net pension asset-proportionate share-teachers' retirement system	2,431,427		2,431,427	N/A
Total assets	79,797,330	72,477,615	7,319,715	10.10%
Deferred outflows of resources	36,173,910	36,716,102	(542,192)	-1.48%
Total assets and deferred outflows of resources	$115,971,240	$109,193,717	$6,777,523	6.21%
Other liabilities	$12,648,862	$9,225,181	$3,423,681	37.11%
Long-term liabilities	213,158,571	211,897,729	1,260,842	0.60%
Total liabilities	225,807,433	221,122,910	4,684,523	2.12%
Deferred inflows of resources	11,256,079	2,216,069	9,040,010	407.93%
Total liabilities and deferred inflows of resources	237,063,512	223,338,979	13,724,533	6.15%
Net position				
Net investment in capital assets	29,896,644	27,585,072	2,311,572	8.38%
Restricted	14,291,914	12,162,668	2,129,246	17.51%
Unrestricted (deficit)	(165,280,830)	(153,893,002)	(11,387,828)	-7.40%
Total net position (deficit)	(121,092,272)	(114,145,262)	(6,947,010)	-6.09%
Total liabilities, deferred inflows of resources, and net position	$115,971,240	$109,193,717	$6,777,523	6.21%

*Long-term liabilities and unrestricted net position for 2017 have been restated for the implementation of GASB Statement No. 75. See footnote 17 for further information.

Current assets and other assets increased $3,535,995 from 2017 to 2018 primarily due to an increase in cash and accounts receivable. Capital assets (net of depreciation) increased by $1,352,293. This was attributable to current year additions offset by current year depreciation. The net pension asset - proportionate share increased by $2,431,427 compared to the prior year as a result of the actuarial valuation provided by the state. In the prior year, the District reported a net pension liability for the teachers' retirement system. Deferred outflows of resources related to the pension plans decreased by $542,192 and represent amortization of pension related items and the change in the District's contributions subsequent to the measurement date, as discussed in Note 15.

Other liabilities increased by $3,423,681. This increase was primarily attributable to an increase in accounts payable, offset by a decrease in due to teachers' retirement system. Long-term liabilities increased by $1,260,842 mostly due to increases in the District's total other post-employment benefits obligation and claims payable, offset by a decrease in net pension liability - proportionate share, energy performance contract payable, and bonds payable. The changes in deferred inflows of resources represent amortization of the gain on defeasance as discussed in Note 14, and amortization of pension related items as discussed in Note 15.

The net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt. This number increased from the prior year by $2,311,572. 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, unemployment, retirement contribution, insurance, repairs, employee benefit accrued liability, and capital reserve as well as the net position of the debt service fund. The increase in the balance of $2,129,246 primarily reflects an increase in workers' compensation, employee benefit accrued liability, and capital reserves. Changes to the restricted net position are discussed further in Section 4 "Financial Analysis of the District's Funds".

The unrestricted net deficit relates to the balance of the District's net position. This deficit amount of $165,280,830 is an increase of $11,387,828 from the prior year deficit. The increase from prior year is primarily due to the increase in deferred inflows related to pensions as discussed in Note 15 and the District's net investment in capital assets as shown on Supplemental Schedule 7 in the accompanying financial statements.

B) Changes in Net Position

The results in this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with real property taxes. A summary of this statement for the years ended June 30, 2018 and 2017 is as follows:

HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Governmental Activities Only

	Fiscal Year 2018	Fiscal Year 2017	Increase (Decrease)	Total Percentage Change
Revenues				
Program revenues				
Charges for services	$2,635,451	$2,848,517	($213,066)	-7.48%
Operating grants	2,460,326	2,537,789	(77,463)	-3.05%
General revenues				
Real property taxes and other tax items	96,470,196	95,040,158	1,430,038	1.50%
State sources	12,673,152	11,245,086	1,428,066	12.70%
Use of money and property	785,536	689,731	95,805	13.89%
Other	539,751	406,907	132,844	32.65%
Total Revenues	115,564,412	112,768,188	2,796,224	2.48%
Expenses				
General support	15,507,206	15,996,716	(489,510)	-3.06%
Instruction	100,584,922	97,238,009	3,346,913	3.44%
Pupil transportation	4,089,764	3,919,419	170,345	4.35%
Community service	378,765	1,120,949	(742,184)	-66.21%
Debt service - interest	462,638	490,801	(28,163)	-5.74%
Food service program	1,488,127	1,582,852	(94,725)	-5.98%
Total Expenses	122,511,422	120,348,746	2,162,676	1.80%
Change in net position	($6,947,010)	($7,580,558)	$633,548	8.36%

Information for 2017 was not restated as it was not required for the implementation of GASB Statement No. 75. The cumulative effect of applying the change in accounting principle is shown as an adjustment to the beginning net position in 2018. See Note 17 for more information.

The District's total fiscal year 2018 revenues totaled $115,564,412. (See Table A-4). This is an increase of $2,796,224 or 2.48% over the prior year. Real property taxes and other tax items and state sources accounted for most of the District's revenue by contributing 83.48% and 10.97%, respectively, of total revenue. (See Table A-5). The remainder came from charges for services, operating grants, use of money and property, and other miscellaneous sources.

The total cost of all programs and services totaled $122,511,422 for fiscal year 2018. This is an increase of $2,162,676 or 1.80% from the prior year. These expenses are predominantly related to general instruction and pupil transportation which account for 85.44% of district expenses. (See Table A-6). The District's general support activities accounted for 12.66% of total costs.

HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Table A-5: Revenues for Fiscal Year 2018 (See Table A-4)

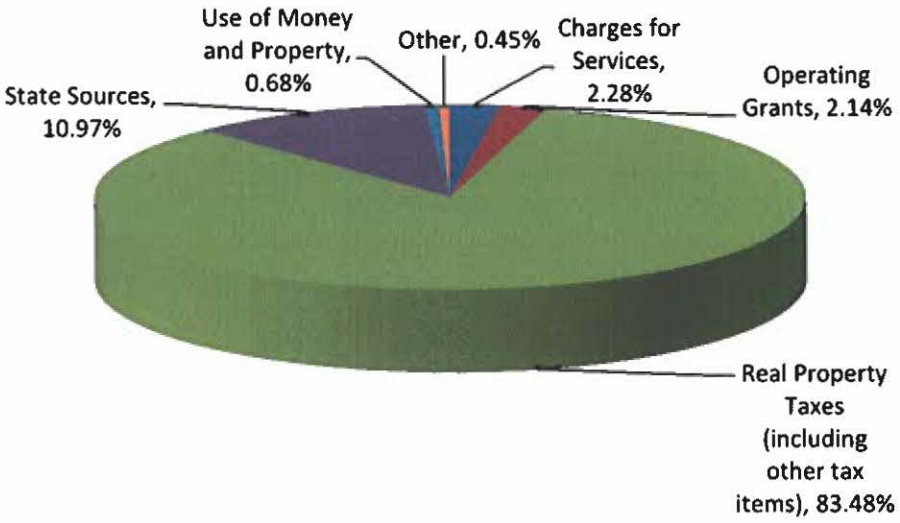
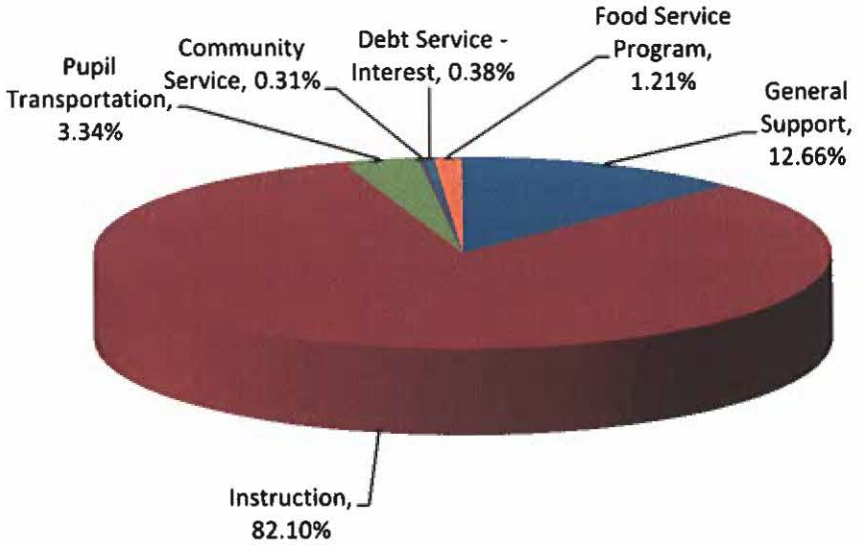


Table A-6: Expenses for Fiscal Year 2018 (See Tables A-4 and A-7)



HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

C) Governmental Activities

Revenues for the District's governmental activities totaled $115,564,412 while total expenses equaled $122,511,422. The overall decrease in the net position for governmental activities was $6,947,010 in 2018 as actual expenses exceeded actual revenues. Despite the deficit, overall the District remains in good financial condition, as a whole, due to:

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

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

Table A-7: Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
Category	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2017
General support	$15,507,206	$15,996,716	$15,507,206	$15,996,716
Instruction	100,584,922	97,238,009	97,238,202	93,481,569
Pupil transportation	4,089,764	3,919,419	3,965,564	3,841,034
Community service	378,765	1,120,949	257,973	955,632
Debt service - interest	462,638	490,801	462,638	490,801
Food service program	1,488,127	1,582,852	(15,938)	196,688
Total	$122,511,422	$120,348,746	$117,415,645	$114,962,440

- The cost of all governmental activities this year was $122,511,422. (Statement of Activities, Expenses column-see Exhibit 3)

- The users of the District's programs financed $2,635,451 of the cost. (Statement of Activities, Charges for Services column-see Exhibit 3)

- The federal and state governments subsidized certain programs with grants of $2,460,326 (Statement of Activities, Operating Grants column – see Exhibit 3)

- Most of the District's net costs of $117,415,645 were financed by District taxpayers and state and federal aid. (Statements of Activities, Net (Expense) Revenue and Changes in Net Position column-see Exhibit 3)

HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018, the District's combined governmental funds reported a total fund balance of $19,975,393 which is an increase of $112,251 from the prior year.

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

HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	2018	2017	Increase/ (Decrease)	Percentage Change
General fund				
Nonspendable - prepaid expenditures	$976,639	$898,668	$77,971	8.68%
Restricted for workers' compensation	2,108,397	1,706,908	401,489	23.52%
Restricted for unemployment	185,505	185,328	177	0.10%
Restricted for retirement contribution	5,293,564	5,128,458	165,106	3.22%
Restricted for insurance	550,339	549,776	563	0.10%
Restricted for repairs	2,785	2,782	3	0.11%
Restricted for employee benefit accrued liability	1,176,787	798,206	378,581	47.43%
Restricted for capital	1,708,786	8,729	1,700,057	19475.97%
Assigned - designated for subsequent year's expenditures	1,300,000	1,300,000	-	0.00%
Assigned for general support	262,037	110,149	151,888	137.89%
Assigned for instruction	443,938	828,199	(384,261)	-46.40%
Assigned for community services	298	70	228	325.71%
Assigned for employee benefits	14,472	4,024	10,448	259.64%
Unassigned	4,575,666	4,277,842	297,824	6.96%
Total fund balance - general fund	18,599,213	15,799,139	2,800,074	17.72%
School lunch fund				
Nonspendable-inventory & prepaid expenditures	27,120	38,150	(11,030)	-28.91%
Unassigned	(303,523)	(383,781)	80,258	20.91%
Total fund balance - school lunch fund	(276,403)	(345,631)	69,228	20.03%
Debt service fund				
Restricted for debt service	547,784	526,057	21,727	4.13%
Total fund balance - debt service fund	547,784	526,057	21,727	4.13%
Capital projects fund				
Restricted	3,339,327	3,916,910	(577,583)	-14.75%
Unassigned	(2,234,528)	(33,333)	(2,201,195)	-6603.65%
Total fund balance - capital projects fund	1,104,799	3,883,577	(2,778,778)	-71.55%
Total fund balance - all funds	$19,975,393	$19,863,142	$112,251	0.57%

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

The increase in the restricted fund balance for workers' compensation of $401,489 is a result of a Board approved transfer in the amount of $400,000 and allocating interest of $1,489.

The increase in the restricted fund balance for unemployment of $177 is the result of allocating interest.

The increase in the restricted fund balance for retirement contributions of $165,106 is the result of a Board approved transfer in the amount of $131,575 and allocating interest of $33,531.

The increase in the restricted fund balance for insurance of $563 is the result of allocating interest.

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

The increase in restricted fund balance for employee benefit accrued liability of $378,581 is the result of disbursements of $126,497 offset by a Board approved transfer of $500,000 and allocation of interest in the amount of $5,078.

The increase in the restricted fund balance for capital of $1,700,057 is the result of a Board approved transfer of $1,700,000 and the allocation of interest in the amount of $57.

The increase in the total fund balance of the school lunch fund of $69,228 is the operating profit of the school lunch fund for the current year of $39,949 as well as the transfer from the general fund of $29,279.

The increase in the debt service fund balance of $21,727 is primarily the result of premiums on obligations and interest earnings.

The decrease in the capital projects fund of $2,778,778 is primarily a result of capital outlays for the 2016 Bond capital projects offset by a transfer of $801,890 from the general fund.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2017-2018 Budget

The District's general fund adopted budget for the year ended June 30, 2018 was $111,215,736. This amount was increased by encumbrances carried forward from the prior year in the amount of $942,442 and budget revisions in the amount of $832,612 which resulted in a final budget of $112,990,790. The majority of the funding was property taxes and STAR revenue of $94,094,175.

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:

HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Opening, unassigned fund balance	$4,277,842
Revenues over budget	1,307,824
Expenditures and encumbrance under budget	3,206,669
Transfers to reserves	(2,731,575)
Interest to reserves	(40,898)
Budget revision - emergency	(65,694)
Change in nonspendable	(77,971)
Unused appropriated insurance reserve	(531)
Assigned -appropriated for June 30, 2019 budget	(1,300,000)
Closing, unassigned fund balance	$4,575,666

The revenues over budget of $1,307,824 were primarily due to one-time sources such as residual PILOT, additional foundation aid, and Dormitory Authority of the State of New York (DASNY) grants (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget of $3,206,669 were primarily due to actual expenditures and encumbrances in instruction, central services, transportation, and employee benefits (see Supplemental Schedule #1 for detail) less than estimated, in particular health insurance and payroll savings from leave replacements and substitutes.

The District transferred $400,000 to the workers' compensation reserve, $131,575 to the employee retirement reserve, $500,000 to the employee benefit accrued liability reserve, and $1,700,000 to the capital reserve.

Interest allocated to the reserves in the amount of $40,898 related to the workers' compensation reserve in the amount of $1,489, the unemployment reserve in the amount of $177, the retirement contribution reserve in the amount of $33,531, the insurance reserve in the amount of $563, the repair reserve in the amount of $3, the employee benefit accrued liability reserve in the amount of $5,078, and the capital reserve in the amount of $57.

The District had a Board approved, budget revision to appropriate $65,694 of fund balance for an emergency purchase.

The change in non-spendable in the amount of $77,971 is due to expenditures being prepaid at the end of the fiscal year for health insurance.

The District appropriated an additional $531 of the insurance reserve and $126,497 of the employee benefits accrued liability reserve for related expenses but only incurred $126,497 of expenses. The remaining $531 remains available for use during the 2018-2019 school year.

The assigned, appropriated fund balance of $1,300,000 is the amount the District has chosen to use partially fund its operating budget for 2018-2019.

The closing unassigned fund balance represents the fund balance retained by the District that is not restricted or assigned for subsequent year's taxes. This amount is limited to 4.00% of the 2018-2019 budget, and represents 4.00%.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets

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

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

Category	Fiscal Year 2018	Fiscal Year 2017	Increase (Decrease)	Percentage Change
Land & land improvements	$5,860,417	$5,171,302	$689,115	13.33%
Construction in progress	3,000,917	109,364	2,891,553	2643.97%
Buildings & building improvements	78,784,806	78,734,806	50,000	0.06%
Furniture & equipment	3,415,692	3,455,883	(40,191)	-1.16%
Vehicles	2,115,804	2,115,312	492	0.02%
Subtotal	93,177,636	89,586,667	3,590,969	4.01%
Less: Accumulated depreciation	48,635,640	46,396,964	2,238,676	4.83%
Total Net Capital Assets	$44,541,996	$43,189,703	$1,352,293	3.13%

The District spent $3,580,668 in the capital projects fund and has $1,104,799 available for projects.

B) Long-Term Debt

At June 30, 2018, the District had total bonds payable of $11,785,000 and an energy performance contract of $1,579,455. The bonds were issued for district-wide projects, and the energy performance contract was issued for energy savings costs. See Note 13 for further information. A summary of outstanding debt at June 30, 2018 and 2017 is as follows:

	2018	2017	Increase (Decrease)
Bonds payable	$11,785,000	$14,270,000	($2,485,000)
Energy performance contract	1,579,455	1,858,775	(279,320)
Total	$13,364,455	$16,128,775	($2,764,320)

HERRICKS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

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

A) The NYS Legislature approved a property tax cap beginning in the 2012-2013 school year. This legislation limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders, and torts over five percent of the prior year's levy. If the tax levy proposed to the voters is within the school district's tax levy cap, then a majority vote would be required for approval. If the proposed tax levy exceeds the district's tax levy cap, the threshold required for approval would be 60 percent of the vote. A school district that does not levy an amount up to the cap in any one year would be allowed to carry over unused tax levy capacity into future years.

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

C) Increases in employee benefits, including but not limited to health insurance, continue to be major budgetary considerations. The premium increase for health insurance for the past few years has exceeded the tax levy growth factor. Retirement system contributions are expected to increase for 2018-2019. A continuation of this trend would place budgetary strains on overall operations.

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

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, 2018

ASSETS	
Current assets	
Cash	
Unrestricted	$9,424,611
Restricted	14,892,075
Receivables	
State and federal aid	1,776,109
Taxes receivable	1,303,479
Due from other governments	1,461,591
Due from fiduciary funds	1,529,582
Accounts receivable	1,432,701
Inventories	21,908
Prepaid expenditures	981,851
Non-current assets	
Capital assets	
Not being depreciated	4,731,033
Being depreciated, net of accumulated depreciation	39,810,963
Net pension asset - proportionate share - teachers' retirement system	2,431,427
TOTAL ASSETS	79,797,330
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	36,173,910
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 115,971,240
LIABILITIES	
Payables	
Accounts payable	$3,423,031
Accrued liabilities	258,246
Accrued interest payable	92,786
Claims payable	699,812
Due to other governments	174,038
Compenstated absenses payable	153,775
Due to teachers' retirement system	5,419,836
Due to employees' retirement system	444,661
Note payable	
Bond anticipation note	1,800,000
Unearned credits	
Collections in advance	182,677
Long-term liabilities	
Due and payable within one year	
Bonds payable	2,535,000
Energy performance contract	290,855
Due and payable after one year	
Bonds payable	9,250,000
Energy performance contract	1,288,600
Compensated absences payable	6,819,830
Claims payable	993,240
Total other post-employment benefits liability	190,693,853
Net pension liability - proportionate share - employees' retirement system	1,287,193
TOTAL LIABILITIES	225,807,433
DEFERRED INFLOWS OF RESOURCES	
Gain on defeasance	102,257
Pensions	11,153,822
TOTAL DEFERRED INFLOWS OF RESOURCES	11,256,079
NET POSITION	
Net investment in capital assets	29,896,644
Restricted	
Workers' compensation	2,108,397
Unemployment insurance	185,505
Retirement contribution	5,293,564
Insurance	550,339
Repairs	2,785
Employee benefit accrued liability	1,176,787
Debt service	547,784
Capital	4,426,753
	14,291,914
Unrestricted (deficit)	(165,280,830)
TOTAL NET POSITION (DEFICIT)	(121,092,272)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$115,971,240

See Accompanying Notes to Financial Statements

HERRICKS UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	
FUNCTIONS / PROGRAMS				
General support	($15,507,206)			($15,507,206)
Instruction	(100,584,922)	$1,452,324	$1,894,396	(97,238,202)
Pupil transportation	(4,089,764)		124,200	(3,965,564)
Community services	(378,765)		120,792	(257,973)
Debt service - interest	(462,638)			(462,638)
Food service program	(1,488,127)	1,183,127	320,938	15,938
TOTAL FUNCTIONS AND PROGRAMS	($122,511,422)	$2,635,451	$2,460,326	(117,415,645)
GENERAL REVENUES				
Real property taxes				86,029,929
Other tax items - including STAR reimbursement				10,440,267
Use of money and property				785,536
Sale of property and compensation for loss				122,515
Miscellaneous				265,803
State sources				12,673,152
Medicaid reimbursement				151,433
TOTAL GENERAL REVENUES				110,468,635
CHANGE IN NET POSITION				(6,947,010)
TOTAL NET POSITION - BEGINNING OF YEAR AS RESTATED (SEE NOTE 17)				(114,145,262)
TOTAL NET POSITION - END OF YEAR				($121,092,272)

See Accompanying Notes to Financial Statements

HERRICKS UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	$7,981,170	$177,402	$338,141		927,898	$9,424,611
Restricted	11,026,163			$526,585	3,339,327	14,892,075
Receivables						
State and federal aid	886,373	875,729	14,007			1,776,109
Taxes receivable	1,303,479					1,303,479
Due from other governments	1,461,591					1,461,591
Due from other funds	1,567,839			21,199		1,589,038
Due from fiduciary funds	1,529,582					1,529,582
Accounts receivable	1,412,191	20,311	199			1,432,701
Inventories			21,908			21,908
Prepaid expenditures	976,639		5,212			981,851
TOTAL ASSETS	$28,145,027	$1,073,442	$379,467	$547,784	$4,267,225	$34,412,945
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Payables						
Accounts payable	$2,051,920	$98,846	$10,316		$1,261,949	$3,423,031
Accrued liabilities	206,143	22,647	29,456			258,246
Claims payable	699,812					699,812
Due to other governments	173,329		709			174,038
Due to other funds	21,199	919,673	547,689		100,477	1,589,038
Due to teachers' retirement system	5,419,836					5,419,836
Due to employees' retirement system	444,661					444,661
Compensated absences	153,775					153,775
Note payable						
Bond anticipation note payable					1,800,000	1,800,000
Unearned credits						
Collections in advance	82,701	32,276	67,700			182,677
TOTAL LIABILITIES	9,253,376	1,073,442	655,870	-	3,162,426	14,145,114
DEFERRED INFLOW OF RESOURCES						
PILOT	292,438					292,438
FUND BALANCES						
Nonspendable	976,639		27,120			1,003,759
Restricted:						
Workers' compensation	2,108,397					2,108,397
Unemployment insurance	185,505					185,505
Retirement contribution	5,293,564					5,293,564
Insurance	550,339					550,339
Repairs	2,785					2,785
Employee benefit accrued liability	1,176,787					1,176,787
Debt service				$547,784		547,784
Capital	1,708,786				2,717,967	4,426,753
Unspent bond proceeds					621,360	621,360
Assigned:						
Appropriated fund balance	1,300,000					1,300,000
Unappropriated fund balance	720,745					720,745
Unassigned (deficit)	4,575,666		(303,523)		(2,234,528)	2,037,615
TOTAL FUND BALANCES (DEFICIT)	18,599,213	-	(276,403)	547,784	1,104,799	19,975,393
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$28,145,027	$1,073,442	$379,467	$547,784	$4,267,225	$34,412,945

See Accompanying Notes to Financial Statements

HERRICKS UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2018

Total Governmental Fund Balances		$19,975,393
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position include those capital assets among the assets of the district as a whole, and their original costs are expensed annually over their useful lives.		
Original cost of capital assets	$93,177,636	
Accumulated depreciation	(48,635,640)	44,541,996
Deferred inflows of resources - PILOT - The Statement of Net Position recognizes revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual.		292,438
Defeasance gain - gain on defeasance on the advance refunding. The Statement of Net Position will amortize the gain on defeasance on the advance refunding over the life of the bond. Governmental funds recorded the gain on defeasance on the advance refunding as a revenue in the yea of issue.		(102,257)
Governmental funds recognize revenue and expenditures incurred under the modified accrual method. The Statement of Net Position recognizes revenues received and expenditures incurred under the full accrual method. Deferred inflows and outflows related to pensions that will be recognized in future periods amounted to:		
Deferred outflows of resources-pensions	$36,173,910	
Deferred inflows of resources-pensions	(11,153,822)	25,020,088
Certain disbursements previously expended in the governmental funds relating to pensions are treated as long term assets and increase net position. Net pension asset - teachers' retirement system, proportionate share at year end amounted to:		2,431,427
Payables that are associated with long-term liabilities and short-term debt that are not payable in the current period are not 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		(92,786)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:		
Bonds payable	($11,785,000)	
Energy performance contract	(1,579,455)	
Compensated absences payable	(6,819,830)	
Claims payable	(993,240)	
Total other post-employment benefits obligations payable	(190,693,853)	
Net pension liability - employees' retirement system	(1,287,193)	
		(213,158,571)
Total Net Position		($121,092,272)

See Accompanying Notes to Financial Statements

HERRICKS UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	$86,029,929					$86,029,929
Other tax items - including STAR reimbursement	10,424,136					10,424,136
Charges for services	1,452,324					1,452,324
Use of money and property	763,461		$348	$21,727		785,536
Sale of property and compensation for loss	122,515					122,515
Miscellaneous	243,039	$22,468	296			265,803
Interfund revenue	3,461					3,461
State sources	12,673,152	957,060	18,368			13,648,580
Federal sources		1,182,328	232,921			1,415,249
Medicaid reimbursement	151,433					151,433
Surplus food			69,649			69,649
Sales			1,183,127			1,183,127
TOTAL REVENUES	111,863,450	2,161,856	1,504,709	21,727	-	115,551,742
EXPENDITURES						
General support	11,876,839					11,876,839
Instruction	64,697,213	2,352,770				67,049,983
Pupil transportation	3,149,915	124,200				3,274,115
Community service	170,456	120,792				291,248
Employee benefits	24,656,903					24,656,903
Debt service principal	2,764,320					2,764,320
Debt service interest	480,655					480,655
Cost of sales			1,464,760			1,464,760
Capital outlay					$3,580,668	3,580,668
TOTAL EXPENDITURES	107,796,301	2,597,762	1,464,760	-	3,580,668	115,439,491
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,067,149	(435,906)	39,949	21,727	(3,580,668)	112,251
OTHER FINANCING SOURCES AND (USES)						
Operating transfers (in)		435,906	29,279		801,890	1,267,075
Operating transfers (out)	(1,267,075)					(1,267,075)
TOTAL OTHER FINANCING SOURCES AND (USES)	(1,267,075)	435,906	29,279	-	801,890	-
NET CHANGE IN FUND BALANCES	2,800,074	-	69,228	21,727	(2,778,778)	112,251
FUND BALANCES - BEGINNING OF YEAR	15,799,139	-	(345,631)	526,057	3,883,577	19,863,142
FUND BALANCES - END OF YEAR	$18,599,213	$ -	($276,403)	$547,784	$1,104,799	$19,975,393

See Accompanying Notes to Financial Statements

HERRICKS UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances		$112,251
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
In the Statement of Activities, compensated absences are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. Compensated absences payable for the year ended June 30, 2018 increased by		(311,436)
Deferred inflows of resources - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method. The difference in the revenues recognized under the full accrual method for the year ended June 30, 2018 was		16,131
Claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Claims payable for the year ended June 30, 2018 increased by		(671,795)
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	($1,079,004)	
Employees' retirement system	84,919	
Other post-employement benefits obligation	(9,232,706)	(10,226,791)
Capital Related Differences		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.		
Capital outlays	$3,769,419	
Loss on disposal	(1,362)	
Depreciation expense	(2,415,764)	1,352,293
Long-Term Debt Differences		
Repayment of bond and energy performance principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		2,764,320
Interest on debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2017 to June 30, 2018 changed by		(16,068)
Governmental funds report the premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net amount of amortization is		$34,085
Change in Net Position		($6,947,010)

See Accompanying Notes to Financial Statements

HERRICKS UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Agency Funds	Private Purpose Trust Funds
ASSETS		
Cash - restricted	$3,176,415	$87,847
Accounts receivable	64,710	
TOTAL ASSETS	$3,241,125	$87,847
LIABILITIES		
Due to governmental funds	$1,529,582	
Extraclassroom activity balance	205,533	
Other liabilities	1,506,010	
TOTAL LIABILITIES	$3,241,125	-
NET POSITION		
Restricted for scholarships		87,847
TOTAL NET POSITION		87,847
TOTAL LIABILITIES AND NET POSITION		$87,847

See Accompanying Notes to Financial Statements

HERRICKS UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	$9,300
Interest and earnings	95
TOTAL ADDITIONS	9,395
DEDUCTIONS	
Scholarships and awards	15,800
Dissolution of Scholarship	132
TOTAL DEDUCTIONS	15,932
CHANGE IN NET POSITION	(6,537)
NET POSTION - BEGINNING OF YEAR	94,384
NET POSITION - END OF YEAR	$87,847

See Accompanying Notes to Financial Statements

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

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 and its component unit and other organizational entities determined to be includable in the District's financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of a certain entity included in the District's reporting entity.

Extraclassroom Activity Funds

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

B) Joint venture:

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

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

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

C) Basis of presentation:

i) District-Wide Financial Statements:

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

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

ii) Fund Financial Statements:

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

The District reports the following major governmental funds:

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

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

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

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

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

The District reports the following fiduciary funds:

Fiduciary Fund: These funds are used to account for activities in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-Wide Financial Statements, because their resources do not belong to the District, and are not available to be used. The District has the following fiduciary funds:

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

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

D) Measurement focus and basis of accounting:

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

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, 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:

i) Calendar:

Real property taxes are levied annually by the Board of Education no later than August 15th, and are payable on October 1st and April 1st. Taxes are collected by the Town of North Hempstead during the period 2017-2018.

ii) Enforcement:

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

F) Restricted resources:

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

G) Interfund transactions:

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of 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 and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

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

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

H) Estimates:

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

I) Cash and investments:

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

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

J) Receivables:

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

K) Inventories and prepaid items:

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

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

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

Prepaid items as of June 30, 2018 consisted of health insurance premiums in the general fund and school lunch fund.

L) Capital assets:

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

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

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

M) Collections in advance:

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

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

N) Deferred outflows and inflows of resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. This amount is related to pensions reported in the District-Wide Statement of Net Position, and is detailed further in Note 15.

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 the defeasance gain on a bond refunding and pensions reported in the District-Wide Statement of Net Position, and are detailed further in Notes 14 and 15.

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.

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.

Q) Short-term debt:

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

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

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

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

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

S) Equity classifications:

i) District-Wide Financial Statements:

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

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

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

Unrestricted net position – reports 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 $21,908 and prepaid expenditures in the amount of $5,212 in the school

lunch fund. Non-spendable fund balance also includes the prepaid expenditures recorded in the general fund of $976,639 for health insurance.

(2) **Restricted** fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Workers' Compensation Reserve

Workers' compensation reserve (GML §6-j), is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the general fund under restricted fund balance.

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

Retirement contribution reserve (GML§6-r), must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the general fund under restricted fund balance.

Insurance Reserve

Insurance reserve (GML §6-m) must be used to pay liability, casualty, and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value, and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for

example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the insurance reserve, however, the annual contribution to this reserve may not exceed the greater of $33,000 or 5% of the budget. Settled or compromised claims up to $25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the general fund under restricted fund balance.

Repair Reserve

Repair reserve (GML §6-d) must be used to pay the cost of repairs to capital improvements or equipment, 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 under restricted fund balance.

Employee Benefit Accrued Liability Reserve

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

Debt Service

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

Capital Reserve

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

reduce the annual tax level. This reserve is accounted for in the general fund as restricted fund balance.

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

Unspent Bond Proceeds

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

Scholarships

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

(3) **Committed** fund balance – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority (i.e., Board of Education). The District has no committed fund balances as of June 30, 2018.

(4) **Assigned** fund balance – Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District management through Board policies. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.

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

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in assigned fund balance are also excluded from the 4% limitation.

Deficit Fund Balance

The school lunch fund had a deficit unassigned fund balance of $303,523 as a result of operating deficits in prior years. The capital projects fund had a deficit fund

unassigned balance of $2,234,528. This will be eliminated once permanent financing is issued.

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 standards:

The District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2018: Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended,* and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The adoption of this Statement resulted in the restatement of certain items pertaining to the June 30, 2017 District-Wide Financial Statements. Refer to Note 17 for more information.

U) Future changes in accounting standards:

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for fiscal year ended June 30, 2019, which provides guidance for the reporting of certain legally enforceable liabilities associated with the retirement of a tangible capital asset.

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the fiscal year ended June 30, 2020. 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.

GASB has issued Statement No. 87, *Leases*, effective for fiscal year ended June 30, 2021. 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.

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

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

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

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

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

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

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

i) Long-term revenue and expense differences:

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

ii) Capital related differences:

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

iii) Long-term debt 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 of Education for the following governmental funds for which legal (appropriated) budgets are

adopted. The voters of the District approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line item level.

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

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

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

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

B) Encumbrances:

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash:

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

United States and its agencies and obligations of the state and its municipalities and districts.

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

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

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:

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2018 included $14,892,075 within in the governmental funds for debt service, capital projects, and general reserve purposes and $3,264,262 within the fiduciary funds.

C) Investments:

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

NOTE 5 – PARTICIPATION IN BOCES:

During the year ended June 30, 2018, the District was billed $4,164,596 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $1,089,200. Financial statements for the BOCES are available from the BOCES administrative office at Nassau Board of Cooperative Educational Services, 71 Clinton Road, P.O. Box 9195, Garden City, NY 11530-9195.

NOTE 6 – STATE AND FEDERAL AID RECEIVABLE:

State and federal aid receivable at June 30, 2018 consisted of the following:

General fund	
General aid	$378,592
Excess cost aid	507,781
Total	886,373
Special aid fund	
Federal aid	466,208
State and local aid	409,521
Total	875,729
School lunch fund	
Lunch - state aid	14,007
Total State and federal aid receivable	$1,776,109

District management has deemed these amounts to be fully collectible.

NOTE 7 – PREPAID EXPENDITURES:

Prepaid expenditures at June 30, 2018 consisted of the following:

General fund	
Health insurance premium for July 2018	$976,639
School lunch fund	
Health insurance premium for July 2018	5,212
Total Prepaid expenditures	$981,851

NOTE 8 – DUE FROM OTHER GOVERNMENTS:

Due from other governments in the general fund at June 30, 2018 consisted of the following:

Non resident tuition	$580,303
District of location -special education	241,005
BOCES aid	495,918
Interest & penalties on property tax	41,046
Nassau County	76,890
Miscellaneous	26,429
Total Due from other governments	$1,461,591

District management has deemed the amounts to be fully collectible.

NOTE 9 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2018 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	109,364	$2,891,553		3,000,917
Total capital assets not being depreciated	1,839,480	2,891,553	-	4,731,033
Capital assets that are depreciated:				
Building & building improvements	78,734,806	50,000		78,784,806
Furniture and equipment	3,455,883	114,957	(155,148)	3,415,692
Vehicles	2,115,312	23,794	(23,302)	2,115,804
Land improvement	3,441,186	689,115		4,130,301
Total capital assets being depreciated	87,747,187	877,866	(178,450)	88,446,603
Less accumulated depreciation:				
Building & building improvements	40,351,150	2,028,393		42,379,543
Furniture and equipment	2,617,308	127,434	(153,786)	2,590,956
Vehicles	1,547,444	77,729	(23,302)	1,601,871
Land improvement	1,881,062	182,208		2,063,270
Total accumulated depreciation	46,396,964	2,415,764	(177,088)	48,635,640
Total capital assets being depreciated, net	41,350,223	(1,537,898)	(1,362)	39,810,963
Total capital assets, net	$43,189,703	$1,353,655	($1,362)	$44,541,996

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

General support	$143,123
Instruction	2,209,067
Pupil transportation	64,936
	$2,417,126

NOTE 10- COLLECTIONS IN ADVANCE:

Collections in advance as of June 30, 2018 consisted of:

General fund	
Summer program	$82,701
Special aid fund	
Unearned revenues from local and federal grants	32,276
School lunch fund	
Prepaid meals and charged meals	67,700
Total Collections in Advance	$182,677

NOTE 11 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	$3,097,421	$21,199		$1,267,075
Special aid fund		919,673	$435,906	
School lunch fund		547,689	29,279	
Debt service fund	21,199			
Capital projects fund		100,477	801,890	
Total government activities	3,118,620	1,589,038	1,267,075	1,267,075
Fiduciary agency fund		1,529,582		
Totals	$3,118,620	$3,118,620	$1,267,075	$1,267,075

The District typically transfers from the general fund to the special aid fund to fund the District's share of extended school year program (summer school handicap) expenses required by New York State law and to fund the State Supported Section 4201 schools. The District transferred from the

general fund to the school lunch fund to assist in subsidizing the school lunch program. The District also transferred from the general fund to the capital projects fund to finance capital construction projects.

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

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

NOTE 12 - SHORT-TERM DEBT:

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	9/27/2018	2.00%	$ -	$ 1,800,000	$ -	$ 1,800,000
TAN	6/22/2018	2.25%	-	7,000,000	7,000,000	-
Total			$ -	$ 8,800,000	$ 7,000,000	$ 1,800,000

The tax anticipation note (TAN) was issued on September 27, 2017 for interim financing of the general fund. The bond anticipation note (BAN) was issued on September 27, 2017 for interim financing in the capital projects fund. The TAN includes a premium of $59,780 which will result in a net interest cost of $56,156 to the District:

A) Short-Term Interest:

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

	Total
Interest paid	$56,156
Plus interest accrued in the current year	27,100
Total interest expense on short-term debt	$83,256

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
Long-term debt:					
Bonds payable	$ 14,270,000		$ 2,485,000	$ 11,785,000	$ 2,535,000
Energy performance contract	1,858,775		279,320	1,579,455	290,855
Other liabilities:					
Compenstated absences payable	6,508,394	$ 465,211	153,775	6,819,830	
Claims payable	321,445	986,267	314,472	993,240	
Total other post-employment benefits liability *	181,461,147	13,746,894	4,514,188	190,693,853	
Net pension liability - proportionate share	7,477,968		6,190,775	1,287,193	
Total long-term liabilities	$ 211,897,729	$ 15,198,372	$ 13,937,530	$ 213,158,571	$ 2,825,855

*Beginning balance as restated for GASB Statement No. 75

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

Unissued Debt

On December 6, 2016, the voters approved a bond issue not to exceed $25,000,000 for district-wide capital improvements. As of June 30, 2018, the District has not issued any long-term debt for this authorization. A bond anticipation note for $1,800,000 was issued and outstanding at June 30, 2018.

A) Bonds payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Construction serial bond	8/4/2015	6/15/2022	2-4%	$2,055,000
Construction serial bond - refunding	5/15/2014	11/1/2021	2-3%	5,955,000
Construction serial bond	5/13/2014	5/1/2024	1.25%-2.25%	3,775,000
	Total serial bonds payable			$11,785,000

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2019	$2,535,000	$296,038	$2,831,038
2020	2,585,000	235,188	2,820,188
2021	2,645,000	165,488	2,810,488
2022	2,705,000	86,588	2,791,588
2023	650,000	29,588	679,588
2024	665,000	14,963	679,963
Total	$11,785,000	$827,853	$12,612,853

B) Energy performance contract

Energy performance contract is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Energy Performance Contract	9/6/2007	8/15/2023	4.08%	$1,579,455

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2019	$290,855	$61,626	$352,481
2020	302,866	49,614	352,480
2021	315,375	37,106	352,481
2022	328,399	24,082	352,481
2023	341,960	10,520	352,480
Total	$1,579,455	$182,948	$1,762,403

C) **Long-term interest**

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

	Total
Interest paid	$424,499
Less interest accrued in the prior year	(76,718)
Plus interest accrued in the current year	65,686
Less amortization of gain on defeasance	(34,085)
Total expense	$379,382

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, 2018 consisted of the following:

Bond premium	$459,627
Deferred amounts on refunding	(217,009)
	242,618
Amortization to date	(140,361)
Total gain on defeasance, net of amortization	$102,257

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 $34,085 for the year ending June 30, 2018, leaving a balance at June 30, 2018 of $102,257.

NOTE 15 – PENSION PLANS:

i) Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides

that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

ii) Employees' Retirement System

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

A) Funding Policies:

The Systems are noncontributory, except as follows:

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

2. New York State Employees' Retirement System
    a. Employees who joined the system after July 27, 1976

i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.

b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
   i. Employees contribute 3% of their salary throughout active membership.

c. Employees who joined the system on or after April 1, 2012
   i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The District is required to contribute at an actuarially determined rate. The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	NYSERS	NYSTRS
2018	$ 1,766,134	$ 5,051,024
2017	$ 1,783,149	$ 5,940,971
2016	$ 1,946,294	$ 6,631,403

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

At June 30, 2018, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2018 for ERS and June 30, 2017 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Net pension asset/(liability)	$ (1,287,193)	$ 2,431,427
District's portion of the Plan's total net pension asset/(liability)	0.0398827%	0.319883%
Change in proportion since the prior measurement date	-0.0027601%	-0.004209%

For the year ended June 30, 2018, the District recognized pension expense of $1,681,214 for ERS and pension expense of $6,130,427 for TRS. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources		Deferred Inflow of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	$ 459,100	$ 2,000,467	$ 379,383	$ 947,985
Changes of assumptions	853,515	24,740,239	-	-
Net difference between projected and actual earnings on pension plan investments	1,869,545	-	3,690,295	5,726,713
Changes in proportion and differences between the District's contributions and proportionate share of contributions	386,258	369,101	123,092	286,354
District's contributions subsequent to the measurement date	444,661	5,051,024	-	-
	$ 4,013,079	$ 32,160,831	$ 4,192,770	$ 6,961,052

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	ERS	TRS
Year ended:		
2019	$ 400,613	$ 580,191
2020	294,893	6,563,040
2021	(895,189)	4,701,602
2022	(424,669)	1,180,350
2023	-	4,687,974
Thereafter	-	2,435,598
	$ (624,352)	$ 20,148,755

Actuarial Assumptions

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

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest rate	7.0%	7.25%
Salary scale	3.80%	4.72% - 1.90%
Cost of living adjustments	1.3% annually	1.5% annually
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.50%	2.50%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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:

	ERS		TRS	
Valuation Date	April 1, 2017		June 30, 2016	
Asset type	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Domestic equity	36%	4.55%	35%	5.9%
International equity	14%	6.35%	18%	7.4%
Private equity	10%	7.50%	8%	9.0%
Real estate	10%	5.55%	11%	4.3%
Absolute return strategies	2%	3.75%		
Opportunistic portfolio	3%	5.68%		
Real assets	3%	5.29%		
Bonds and mortgages	17%	1.31%		
Cash	1%	-0.25%		
Inflation-indexed bonds	4%	1.25%		
Domestic fixed income securities			16%	1.6%
Global fixed income securities			2%	1.3%
High-yield fixed income securities			1%	3.9%
Mortgages			8%	2.8%
Short-term			1%	0.6%
	100%		100%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.0% for ERS and 7.25% 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 (6.0% for ERS and 6.25% for TRS) or 1-percentage point higher (8.0% for ERS and 8.25% for TRS) than the current rate:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset (liability)	($9,739,246)	($1,287,193)	$5,862,907

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension asset (liability)	($41,886,278)	$2,431,427	$39,545,305

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands) ERS	TRS
Valuation date	April 1, 2017	June 30, 2016
Employers' total pension liability	$ (183,400,590)	$ (114,708,261)
Plan fiduciary net position	180,173,145	115,468,360
Employers' net pension asset/(liability)	$ (3,227,445)	$ 760,099
Ratio of plan fiduciary net position to the Employers' total pension asset/(liability)	98.24%	100.66%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to $444,661.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October, and November 2018 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 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, 2018 amounted to $5,419,836.

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 year ended June 30, 2018, totaled $131,497 and $3,424,559 respectively.

B) Deferred Compensation Plan:

The District has established a deferred compensation plan in accordance with Internal Revenue Code section 457 for all employees. The District makes no contributions into this plan. The amount deferred by eligible employees for the year ended June 30, 2018 totaled $141,311.

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

A) General Information about the OPEB Plan:

Plan Description

The District's OPEB Plan (the "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 100% of premiums for retirees and between 35% and 100% for family 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 2018, the District contributed an estimated $4,514,188 to the Plan, including $4,514,188 for current premiums and $0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund OPEB by any other means than the "pay as you go" method.

Employees Covered by Benefit Terms

At the valuation date of July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	473
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	619
	1,092

B) Total OPEB Liability:

The District's total OPEB liability of $190,693,853 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.50%
Discount rate	3.60%
Healthcare cost trend rates	8.00% for January 1, 2019, decreasing each year to an ultimate rate of 5.00% for 2025, and later years

The discount rate was based on the 20 year AA Municipal GO Bond Rate Index, as of June 29, 2018 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.

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

	Total OPEB Liability
Balance at 6/30/17	$ 181,461,147
Changes for the fiscal year:	
Service cost	7,214,293
Interest	6,532,601
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	(4,514,188)
Net changes	9,232,706
Balance at 6/30/18	$ 190,693,853

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.60%) or 1-percentage point higher (4.60%) than the current discount rate:

	1% Decrease (2.60%)	Discount Rate (3.60%)	1% Increase (4.60%)
Total OPEB liability	$228,632,790	$190,693,853	$161,259,938

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 (7.00%) or 1-percentage point higher (9.00%) than the current healthcare cost trend rates:

	1% Decrease (7.00% decreasing to 4.00%)	Healthcare Cost Trend Rates (8.00% decreasing to 5.00%)	1% Increase (9.00% decreasing to 3.00%)
Total OPEB liability	$156,360,120	$190,693,853	$236,538,520

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

For the year ended June 30, 2018, the District recognized OPEB expense of $13,746,894. At June 30, 2018, the District reported no deferred outflows or inflows of resources, as it was the first year of implementation for GASB Statement No. 75.

E) Restatement of Net Position:

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* The implementation of GASB Statement No. 75 resulted in the reporting of total OPEB liability related to the District's OPEB Plan. The District's net position has been restated as follows:

Net position beginning of year, as previously stated	$ (1,128,692)
Removal of beginning net OPEB liability	68,444,577
Addition of beginning total OPEB liability	(181,461,147)
Net position beginning of year, as restated	$ (114,145,262)

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.

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 in February of 2018. As of February 21, 2018, the District has recorded a workers' compensation claims payable for $1,693,052 (undiscounted). This

represents the District's liability for unpaid reported claims and claims which were incurred but not reported prior to the evaluation date. The District has a workers' compensation reserve balance of $2,108,397. Claims activity for the current and preceding year is summarized below. The 2017 column differs from the 2018 column in that the 2017 column represents incurred but not paid claims only.

	2018	2017
Unpaid claims, beginning of year	$1,021,257	$1,306,251
Incurred claims and claim adjustment expenses	986,267	(9,324)
Claim payments	(314,472)	(275,670)
Unpaid claims, end of year	$1,693,052	$1,021,257

The District has chosen to establish 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. The District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30, 2018. The program is accounted for in the trust and agency fund of the District.

C) Public Entity Risk Pool:

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

NOTE 20– COMMITMENTS AND CONTINGENCIES:

A) Encumbrances:

All encumbrances are classified as assigned or restricted fund balance. At June 30, 2018, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance	
General fund	
General support	$262,037
Instruction	443,938
Community service	298
Employee benefits	14,472
	$720,745
Restricted:	
Capital projects fund	
Capital projects	$7,730,897

B) Grants:

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

C) Litigation:

As of June 30, 2018 we are unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

D) Operating Leases:

The District is committed under various non-cancelable operating leases, primarily for copiers (principally in the general fund). Expenditures were $61,277 for the fiscal year ended June 30, 2018. The following is a summary of obligations of government activities under operating lease payments:

Fiscal year ended June 30,	Total
2019	$56,009
2020	40,073
2021	28,264
2022	28,264
2023	9,564
Total	$162,174

NOTE 21– SUBSEQUENT EVENTS:

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are

recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management noted the following subsequent events requiring disclosure:

- The District issued $9,050,000 in bond anticipation notes (BAN) on August 8, 2018, maturing on August 8, 2019 with a stated interest rate of 2.75% and received a premium of $79,913.

- The District issued $6,000,000 in tax anticipation notes (TAN) on September 26, 2018, maturing on June 21, 2019 with a stated interest rate of 3.00% and received a premium of $40,142.

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, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
REVENUES				
Local Sources				
Real property taxes	$85,840,622	$85,840,622	$86,029,929	$189,307
Other real property tax items	10,348,395	10,348,395	10,424,136	75,741
Charges for services	1,126,388	1,126,388	1,452,324	325,936
Use of money & property	685,000	685,000	763,461	78,461
Sale of property & compensation for loss	3,200	3,200	122,515	119,315
Miscellaneous	193,000	193,000	243,039	50,039
Interfund revenues	2,500	2,500	3,461	961
State sources				
Basic formula	4,899,045	4,899,045	5,057,927	158,882
Excess cost aid	2,893,749	2,893,749	3,003,772	110,023
BOCES aid	1,129,939	1,129,939	1,089,200	(40,739)
Lottery aid	2,134,900	2,134,900	2,200,315	65,415
Textbook aid	242,728	242,728	240,282	(2,446)
Computer software aid	65,328	65,328	65,298	(30)
Library A/V loan program aid	27,256	27,256	27,243	(13)
Tuition	125,488	125,488	184,211	58,723
Other		639,890	770,936	131,046
Computer hardware	32,506	32,506	33,968	1,462
Federal sources				
Medicaid reimbursement	165,692	165,692	151,433	(14,259)
TOTAL REVENUES AND OTHER SOURCES	109,915,736	110,555,626	$111,863,450	$1,307,824
Appropriated fund balance	1,300,000	1,365,694		
Appropriated reserves	942,442	1,069,470		
TOTAL REVENUES, OTHER SOURCES, APPROPRIATED FUND BALANCE, AND RESERVES	$112,158,178	$112,990,790		

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, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
General support					
Board of education	$76,095	$71,279	$49,461		$21,818
Central administration	372,949	379,354	378,130		1,224
Finance	1,135,087	1,143,553	1,083,156	$8,011	52,386
Staff	631,329	625,024	535,983		89,041
Central services	9,423,228	9,490,513	8,718,956	254,026	517,531
Special items	1,113,852	1,120,470	1,111,153		9,317
Instructional					
Instruction, adm. & imp.	5,111,113	5,455,692	5,314,445	150	141,097
Teaching - regular school	33,895,498	33,540,634	33,145,352	11,560	383,722
Programs for children with handicapping conditions	19,001,371	19,100,508	18,125,474	413,635	561,399
Occupational education	705,339	720,104	694,663		25,441
Teaching special schools	11,000	12,100	8,578		3,522
Instructional media	2,557,000	2,598,639	2,436,451		162,188
Pupil services	5,259,867	5,214,626	4,972,250	18,593	223,783
Pupil transportation	3,433,507	3,406,978	3,149,915		257,063
Community services	271,158	231,415	170,456	298	60,661
Employee benefits	25,268,319	25,361,711	24,656,903	14,472	690,336
Debt service					
Debt service principal	2,764,320	2,764,320	2,764,320		-
Debt service interest	474,500	480,658	480,655		3
TOTAL EXPENDITURES	111,505,532	111,717,578	107,796,301	720,745	3,200,532
Other financing uses					
Transfers to other funds	652,646	1,273,212	1,267,075		6,137
TOTAL EXPENDITURES AND OTHER USES	$112,158,178	$112,990,790	109,063,376	$720,745	$3,206,669
NET CHANGE IN FUND BALANCE			2,800,074		
FUND BALANCE - BEGINNING OF YEAR			15,799,139		
FUND BALANCE - END OF YEAR			$18,599,213		

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 YEAR ENDED JUNE 30, 2018

Total OPEB Liability		
Service cost	$	7,214,293
Interest		6,532,601
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes of assumptions or other inputs		-
Benefit payments		(4,514,188)
Net change in total OPEB liability		9,232,706
Total OPEB liability - beginning		181,461,147
Total OPEB liability - ending	$	190,693,853
Covered-employee payroll	$	58,367,948
Total OPEB liability as a percentage of covered-employee payroll		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.

The amounts presented for the fiscal year were determined as of the measurement date of the plan.

See Accompanying Notes to Financial Statements

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

	2018	2017	2016	2015	2014
District's proportion of the net pension (liability) asset	0.0398827%	0.0426428%	0.0407754%	0.0409275%	0.0409275%
District's proportionate share of the net pension (liability) asset	$(1,287,193)	$(4,006,812)	$(6,544,568)	$(1,382,632)	$(1,849,457)
District's covered payroll	$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 - employee payroll	10.73%	33.15%	53.63%	11.89%	16.30%
Plan fiduciary net position as a percentage of the total pension (liability) as:	98.24%	94.70%	90.68%	97.95%	97.20%

NYSTRS Pension Plan

	2018	2017	2016	2015	2014
District's proportion of the net pension (liability) asset	0.319883%	0.324092%	0.318610%	0.323346%	0.319041%
District's proportionate share of the net pension (liability) asset	$2,431,427	$(3,471,156)	$33,093,415	$36,018,752	$2,100,099
District's covered payroll	$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 - employee payroll	4.75%	6.86%	68.25%	74.38%	4.43%
Plan fiduciary net position as a percentage of the total pension (liability) as:	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

	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	$ 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	1,766,134	1,783,149	1,946,294	2,142,100	2,184,693	2,004,779	1,621,787
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$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 employee payroll	14.72%	14.76%	15.81%	18.49%	19.26%	17.97%	14.29%

NYSTRS Pension Plan

	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	$ 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	5,051,024	5,940,971	6,631,403	8,388,786	5,868,700	5,466,819	5,496,582
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$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 employee payroll	9.73%	11.60%	13.10%	17.30%	12.12%	11.54%	11.11%

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

HERRICKS UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		$111,215,736
Add: Prior year's encumbrances		942,442
Original Budget		112,158,178
Budget revisions:		
Capital transfer for grants received	$601,890	
Bullet aid received	38,000	
Emergency - NOC A/C repair	65,694	
Employee benefit accrued liability payment	126,497	
Insurance reserve expenses	531	832,612
Final Budget		$112,990,790

SECTION 1318 OF REAL PROPERTY TAX LIMIT CALCULATION

Next year's voter approved budget		$114,391,671
Maximum allowed (4% of 2018-2019 budget)		$4,575,667
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	2,020,745	
Unassigned fund balance	4,575,666	
Total unrestricted fund balance		$6,596,411
Less:		
Appropriated fund balance	1,300,000	
Ecumbrances included in assigned fund balance	720,745	
Total adjustments		2,020,745
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		$4,575,666
Actual percentage		4.00%

HERRICKS UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
JUNE 30, 2018

	Project #	Current Appropriation	Expenditures and Obligations to Date: Prior Year's	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Sources	Capital Reserve	Local Sources	Total	Fund Balance
Bond 2014 (approved 2014, issued 2015)		$ 3,500,000	$ 2,839,514	$ 39,126	$ 2,878,640	$ 621,360	$ 3,500,000	$ -	$ -	$ -	$ 3,500,000	$ 621,360
					-	-						-
Bond 2016 (approved December 6, 2016):					-	-						-
HS Cafetena	0834	5,864,839	2,380	635,297	637,677	5,227,162					-	(637,677) *
HS Synthetic Turf Field	0833	1,800,000	45,346	1,335,269	1,380,615	419,385					-	(1,380,615) *
HS Sports Storage	1601	177,349	1,875	14,003	15,878	161,471					-	(15,878) *
HS Press Box	1701	73,334	1,875	9,687	11,562	61,772					-	(11,562) *
HS Comfort Station	1801	1,329,202	1,875	250,423	252,298	1,076,904					-	(252,298) *
Localized Ventilation & Electric Improvements												
SRA	0109	34,000		1,793	1,793	32,207					-	(1,793) *
Center St	0221	85,000		2,357	2,357	82,643					-	(2,357) *
Denton Ave	0320	35,000		910	910	34,090					-	(910) *
Searingtown	0523	100,000		2,561	2,561	97,439					-	(2,561) *
HS	0835	405,000		10,646	10,646	394,354					-	(10,646) *
MS	1123	40,000		1,024	1,024	38,976					-	(1,024) *
											-	-
Capital Reserve (CR) 2014-15:											-	-
Selective Interior Doors & Hardware											-	-
SRA	0108	33,728	1,512	31,388	32,900	828			33,728		33,728	828
Center St	0220	119,486	2,563	40,719	43,282	76,204			119,486		119,486	76,204
Denton Ave	0319	119,340	3,338	47,112	50,450	68,890			119,340		119,340	68,890
Searingtown	0522	164,823	5,856	43,485	49,341	115,482			164,823		164,823	115,482
Community Ctr	0705	134,730	6,108	43,077	49,185	85,545			134,730		134,730	85,545
HS	0833	243,538	249	209,207	209,456	34,082			243,538		243,538	34,082
MS	1122	206,453	15,091	139,398	154,489	51,964			206,453		206,453	51,964
					-	-					-	-
Site Improvements						-					-	-
SRA	0109	243,300		6,240	6,240	237,060			243,300		243,300	237,060
Center St	0221	316,000		8,846	8,846	307,154			316,000		316,000	307,154
Denton Ave	0320	360,000		9,235	9,235	350,765			360,000		360,000	350,765
Searingtown	0523	380,000		9,750	9,750	370,250			380,000		380,000	370,250
Community Ctr	0706	280,000			-	280,000			280,000		280,000	280,000
					-	-					-	-
CR 2014-15 Unallocated		689,743			-	689,743			689,743		689,743	689,743
					-	-					-	-
Bond 2016 & CR 2014-15 Total		13,234,865	88,068	2,852,427	2,940,495	10,294,370	-	-	3,291,141	-	3,291,141	350,646
DASNY & Nassau County Grants:												
DASNY Grants #6800 MS Athletic Field		150,000		150,000	150,000	-		150,000			150,000	-
		-			-	-					-	-
DASNY Grants #8016 Fencing		125,000		125,000	125,000	-		125,000			125,000	-
		-			-	-					-	-
DASNY Grants #8827 CC Parking Lot		200,000		200,000	200,000	-		200,000			200,000	-
		-			-	-					-	-
DASNY Grants #8890 HS LED Lighting		50,000			-	50,000		50,000			50,000	50,000
		-			-	-					-	-
Nassau County - CC Pking Lot		76,890		76,890	76,890	-				76,890	76,890	-
		-			-	-					-	-
DASNY & Nassau County Grants Total		601,890	-	551,890	551,890	50,000	-	525,000		76,890	601,890	50,000
					-	-					-	-
Budgetary Appropr 16/17 Gen Fund		200,000	179,982	20,018	200,000	-				200,000	200,000	-
		-			-	-					-	-
Budgetary Appropr 17/18 Gen Fund		200,000		117,207	117,207	82,793				200,000	200,000	82,793
		-			-	-					-	-
Budgetary Appropriation Total		400,000	179,982	137,225	317,207	82,793	-	-	-	400,000	400,000	82,793
											-	
TOTAL		$ 17,736,755	$ 3,107,564	$ 3,580,668	$ 6,688,232	$ 11,048,523	$ 3,500,000	$ 525,000	$ 3,291,141	$ 476,890	$ 7,793,031	$ 1,104,799

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

HERRICKS UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2018

Capital assets, net		$44,541,996
Deduct:		
Defeasance gain		102,257
Bond anticipation note payable		1,800,000
Short-term portion of bonds payable	$2,535,000	
Long-term portion of bonds payable	9,250,000	
Less: unspent bond proceeds	(621,360)	11,163,640
Short-term portion of energy performance contract	290,855	
Long-term portion of energy performance contract	1,288,600	1,579,455
Net investment in capital assets		$29,896,644

R.S. ABRAMS & CO., LLP
Accountants & Consultants for Over 75 years

Robert S. Abrams
(1926–2014)

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

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

To the Board of Education
Herricks Union Free School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Herricks Union Free School District, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Herricks Union Free School District's basic financial statements, and have issued our report thereon dated October 12, 2018.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

R. S. Abrams + Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 12, 2018