

**H**ERMON-DEKALB  
CENTRAL SCHOOL DISTRICT

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***FINANCIAL STATEMENTS***

June 30, 2023



# Table of Contents

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## HERMON-DEKALB CENTRAL SCHOOL DISTRICT

INDEPENDENT AUDITOR’S REPORT _____	1
MANAGEMENT'S DISCUSSION AND ANALYSIS _____	5
AUDITED BASIC FINANCIAL STATEMENTS _____	21
STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES _____	21
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION – GOVERNMENTAL ACTIVITIES _____	22
BALANCE SHEET – GOVERNMENTAL FUNDS _____	23
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION _____	24
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS _____	26
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES _____	27
NOTES TO AUDITED BASIC FINANCIAL STATEMENTS _____	29
REQUIRED SUPPLEMENTARY INFORMATION _____	81
SCHEDULE OF CHANGES IN THE DISTRICT’S TOTAL OPEB LIABILITY AND RELATED RATIOS _____	81
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND _____	82
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) - NYSLRS PENSION PLAN _____	85
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – NYSLRS PENSION PLAN _____	86
SUPPLEMENTARY INFORMATION _____	87
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT – GENERAL FUND _____	87

SCHEDULE OF CAPITAL PROJECTS FUND - PROJECTS EXPENDITURES AND FINANCING RESOURCES _____	88
COMBINED BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS _____	89
COMBINED REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS _____	90
NET INVESTMENT IN CAPITAL ASSETS _____	91
FEDERAL AWARD PROGRAM INFORMATION _____	92
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 <i>GOVERNMENT AUDITING STANDARDS</i> _____	93
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE _____	95
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS _____	98
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS _____	100
SCHEDULE OF FINDINGS AND QUESTIONED COSTS _____	102
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS _____	105
EXTRA CLASSROOM ACTIVITY FUNDS _____	106
INDEPENDENT AUDITOR’S REPORT ON EXTRA CLASSROOM ACTIVITY FUNDS _____	107
EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS _____	109
EXTRA CLASSROOM ACTIVITY FUNDS - NOTE TO FINANCIAL STATEMENT _____	110

## **INDEPENDENT AUDITOR'S REPORT**

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### **BOARD OF EDUCATION HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

#### **Report on the Audit of the Financial Statements**

##### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hermon-DeKalb Central School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Hermon-DeKalb Central School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hermon-DeKalb Central School District, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hermon-DeKalb Central School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

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

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

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

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

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 5-20), Schedule of Changes in the District's Total OPEB Liability and Related Ratios (page 81), Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund (pages 83-84), Schedule of District's Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan (page 85), and Schedule of District's Contributions – NYSLRS Pension Plan (page 86) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

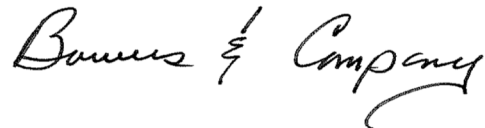
## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hermon-DeKalb Central School District's basic financial statements. The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund – Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 87-91) and Schedule of Expenditures of Federal Awards (pages 98-99), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund – Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 87-91), and the Schedule of Expenditures of Federal Awards (pages 98-99) are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2023, on our consideration of the Hermon-DeKalb Central 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hermon-DeKalb Central School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hermon-DeKalb Central School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Banner & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Watertown, New York  
October 12, 2023



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## HERMON-DEKALB CENTRAL SCHOOL DISTRICT

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

#### INTRODUCTION

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The following is a discussion and analysis of Hermon-DeKalb Central School District's financial performance for the fiscal year ended June 30, 2023. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund financial statements. Responsibility for completeness and fairness of the information contained rests with the District.

#### FINANCIAL HIGHLIGHTS

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The District's purpose is to educate all students to high levels of academic performance while fostering positive growth in social/emotional behaviors and attitudes. The Board of Education is the governing body elected by the residents of the District. Their mission is to maintain certain standards in excellence set by the New York State Board of Regents. This has to be accomplished with the least economic impact to the local taxpayer. The following financial highlights are the District's attempt at completing this mission.

- For the year ending June 30, 2023, total revenues of \$14,793,074 were \$193,510 less than the \$14,986,584 in expenses. The District's financial position as a whole, includes a total net position deficit of \$(16,619,001) as of June 30, 2023.
- The District's portion of Assigned General Fund balance designated to reduce real estate taxes in 2023-2024 is \$1,276,430 or 55% of the Assigned and Unassigned General Fund balance. At June 30, 2023, the General Fund Unassigned Fund Balance is \$1,031,775 or 7.23% of the 2023-2024 budget.
- The total property assessment for the District in the 2022-2023 school year was \$160,878,008, which was a \$2,467,366 or 1.6%, increase over the 2021-2022 school year. The true value tax rate for 2022-2023 was \$16.12 per thousand of assessment; a \$0.30 increase (1.9%) from 2021-2022.
- The District employs about 84 full and part time employees. There are two unions; NYSUT (teachers) and CSEA (support Staff). NYSUT has a collective bargaining agreement in place until June 30, 2025. CSEA also has a collective bargaining agreement in place until June 30, 2025.
- Total ending enrollment for the 2022-2023 school year was 403, a decrease of 11 students from the 2021-2022 school year. Our projected enrollment for fall 2024 is 400 students, which is stable for the District from previous years and similar to the current enrollment changes in neighboring school districts in the county.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

### OVERVIEW OF FINANCIAL STATEMENTS

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This annual report consists of three parts: MD&A (this section), the basic financial statements, and required 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 District's operations in *more detail* than the District-wide statements. The fund financial statements concentrate on the District's most significant funds with all other non-major funds listed in total in one column.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. 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 and actual for the year.

The following summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2023

**OVERVIEW OF FINANCIAL STATEMENTS – Continued**

<b>Table A-1</b>		<b>Major Features of the District-Wide and Fund Financial Statement</b>	
		<b>Fund Financial Statements</b>	
	<b>District-Wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	Entire District (except fiduciary funds)	The activities of the School District that are not fiduciary, such as instruction, special education and building maintenance	Instances in which the School District acts as a trustee or acts as an agent for resources that belong to others but does not have administrative control, such as property taxes collected on behalf of other governments or scholarships in a trust
<b>Required Financial Statements</b>	1. Statement of Net Position 2. Statement of Activities	3. Balance Sheet 4. Statement of Revenues, Expenditures, and Changes in Fund Balance	5. Statement of Fiduciary Net Position 6. Statement of Changes in Fiduciary Net Position
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic focus
<b>Type of Asset / Liability Information</b>	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities both short-term and long-term; funds do not currently contain capital assets, although they can
<b>Type of Inflow / Outflow Information</b>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	Additions and deductions during the year, regardless of when cash is received or paid

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2023

**OVERVIEW OF FINANCIAL STATEMENTS – Continued**

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**District-Wide Statements**

The District-wide 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 and liabilities. 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 statements report the District's *net position* and how they have changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are shown as *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state and federal aid finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

## HERMON-DEKALB CENTRAL SCHOOL DISTRICT

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

#### OVERVIEW OF FINANCIAL STATEMENTS – Continued

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##### Fund Financial Statements – Continued

The District has one kind of fund:

- **Governmental Funds:** Most of the District's 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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

#### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

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Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$16,619,001 at the close of the most recent fiscal year. This represents a \$193,510 decrease in the statement of net position for the year. The overall deficit is largely due to the District's other postemployment benefit (OPEB) liability. As of June 30, 2023, the OPEB liability was \$28,864,662 compared to \$30,219,841 reported at the close of the prior fiscal year. See Note 11 for additional OPEB information.

The largest portion of the District's net position reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2023

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS  
A WHOLE – Continued**

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The following schedule summarizes the District's Net Position. The complete Statement of Net Position can be found in the District's basic financial statements.

**Condensed Statement of Net Position  
Comparison 2021-2022 and 2022-2023**

	2021-2022	2022-2023	Change
<b>Assets</b>			
Current and Other Assets	\$ 5,166,223	\$ 6,041,470	\$ 875,247
Capital Assets, Net	19,522,302	19,293,042	(229,260)
Net Pension Asset - Proportionate Share	3,465,214	-	(3,465,214)
<b>Total Assets</b>	<u>\$ 28,153,739</u>	<u>\$ 25,334,512</u>	<u>\$ (2,819,227)</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Bond Refunding	\$ 55,121	\$ 28,417	\$ (26,704)
Other Postemployment Benefits	6,254,734	4,678,460	(1,576,274)
Pensions	2,339,617	2,397,668	58,051
<b>Total Deferred Outflows of Resources</b>	<u>\$ 8,649,472</u>	<u>\$ 7,104,545</u>	<u>\$ (1,544,927)</u>
<b>Liabilities</b>			
Current Liabilities	\$ 14,753,392	\$ 14,246,883	\$ (506,509)
Long-Term Liabilities	31,350,965	29,794,432	(1,556,533)
Net Pension Liability - Proportionate Share	-	1,004,579	1,004,579
<b>Total Liabilities</b>	<u>\$ 46,104,357</u>	<u>\$ 45,045,894</u>	<u>\$ (1,058,463)</u>
<b>Deferred Inflows of Resources</b>			
Pensions	\$ 4,465,195	\$ 254,066	\$ (4,211,129)
Other Postemployment Benefits	2,659,150	3,758,098	1,098,948
<b>Total Deferred Inflows of Resources</b>	<u>\$ 7,124,345</u>	<u>\$ 4,012,164</u>	<u>\$ (3,112,181)</u>
<b>Net Position</b>			
Net Investment in Capital Assets, Net of Related Debt	\$ 4,715,988	\$ 6,050,036	\$ 1,334,048
Restricted	1,830,487	2,102,503	272,016
Unrestricted	(22,971,966)	(24,771,540)	(1,799,574)
<b>Total Net Position</b>	<u>\$ (16,425,491)</u>	<u>\$ (16,619,001)</u>	<u>\$ (193,510)</u>

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## HERMON-DEKALB CENTRAL SCHOOL DISTRICT

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE – Continued

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In general, current assets are those assets that are available to satisfy current obligations and current liabilities and those liabilities that will be paid within one year. Current assets consist primarily of cash and cash equivalents of \$4,595,460 and state, federal and BOCES aid receivable of \$1,424,890.

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, 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. Included in deferred outflows of resources in the current year is \$2,397,668 related to the District's participation in the NYS TRS and ERS pension systems, \$4,678,460 related to the District's OPEB Plan, and \$28,417 related to the deferred charge on bond refunding.

Current liabilities consist principally of accounts payable and accrued expenses totaling \$285,073, amounts due to retirement systems totaling \$439,421, and the current portion of long-term debt totaling \$564,605. Current liabilities also include a BAN payable in the amount of \$12,855,000.

In addition to liabilities, the Statement of Net Position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Included in deferred inflows of resources in the current year is \$254,066 related to the District's participation in the NYS TRS and ERS pension systems and \$3,758,098 related to the District's OPEB Plan.

The Statement of Activities shows the cost of program services net of charges for services and grants offsetting those services. General revenues including tax revenue, investment earnings and unrestricted state and federal aid must support the net cost of the District's programs.

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2023

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS  
A WHOLE – Continued**

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The following schedule summarizes the District's activities. The complete Statement of Activities can be found in the District's basic financial statements.

**Condensed Statement of Activities  
Comparison 2021-2022 and 2022-2023**

	2021-2022	2022-2023	% Change
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 113,629	\$ 92,090	-19.0%
Operating Grants	1,885,553	1,836,027	-2.6%
General Revenues			
Property and Other Tax Items	2,622,118	2,672,608	1.9%
Use of Money and Property	259,763	221,026	-14.9%
Sale of Property and Compensation for Loss	23,012	1,864	-91.9%
Gain on Disposition of Fixed Assets	9,771	26,250	168.7%
Miscellaneous	245,922	354,078	44.0%
State Sources	8,393,098	9,555,279	13.8%
Federal Sources	15,970	33,852	112.0%
Total Revenues	<u>\$ 13,568,836</u>	<u>\$ 14,793,074</u>	<u>9.0%</u>
<b>Expenses</b>			
General Support	\$ 1,987,343	\$ 2,213,162	11.4%
Instruction	9,671,156	11,027,415	14.0%
Pupil Transportation	755,329	882,782	16.9%
Community Service	3,732	-	-100.0%
Debt Service - Interest	216,381	561,497	159.5%
School Food Service Program	255,010	301,728	18.3%
Total Expenses	<u>12,888,951</u>	<u>14,986,584</u>	<u>16.3%</u>
<b>Change in Net Position</b>	<u>\$ 679,885</u>	<u>\$ (193,510)</u>	<u>128.5%</u>



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## HERMON-DEKALB CENTRAL SCHOOL DISTRICT

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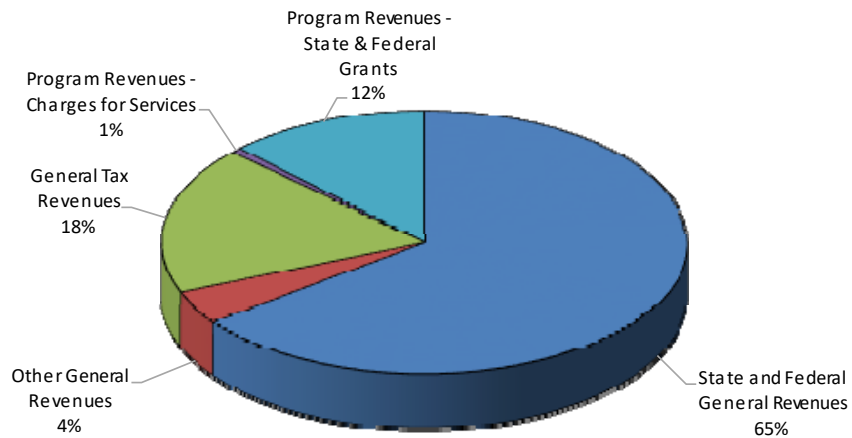
### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

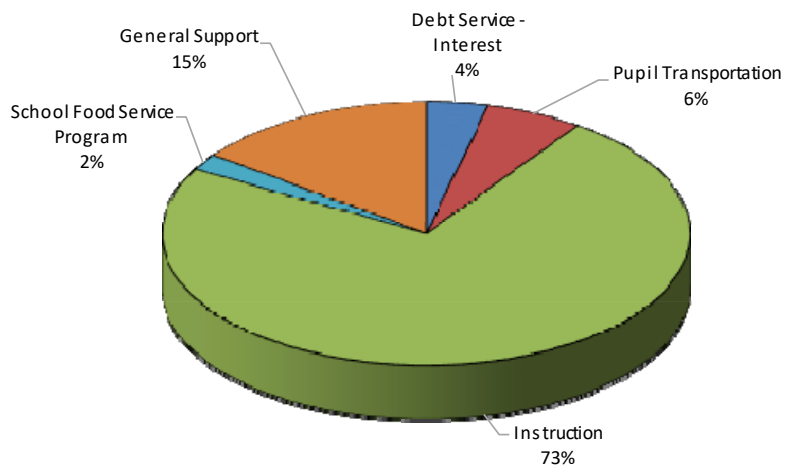
### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE – Continued

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Sources of Revenues for Fiscal Year 2023



Sources of Expenses for Fiscal Year 2023



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## HERMON-DEKALB CENTRAL SCHOOL DISTRICT

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE – Continued

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The School District is heavily dependent on both state and federal aid for its funding. State and Federal Grants and State and Federal General Revenues combined account for 77% of total revenues. General Tax Revenues account for 18% of revenues received for the year. These two sources account for 95% of the total revenues received in the 2022-2023 school year.

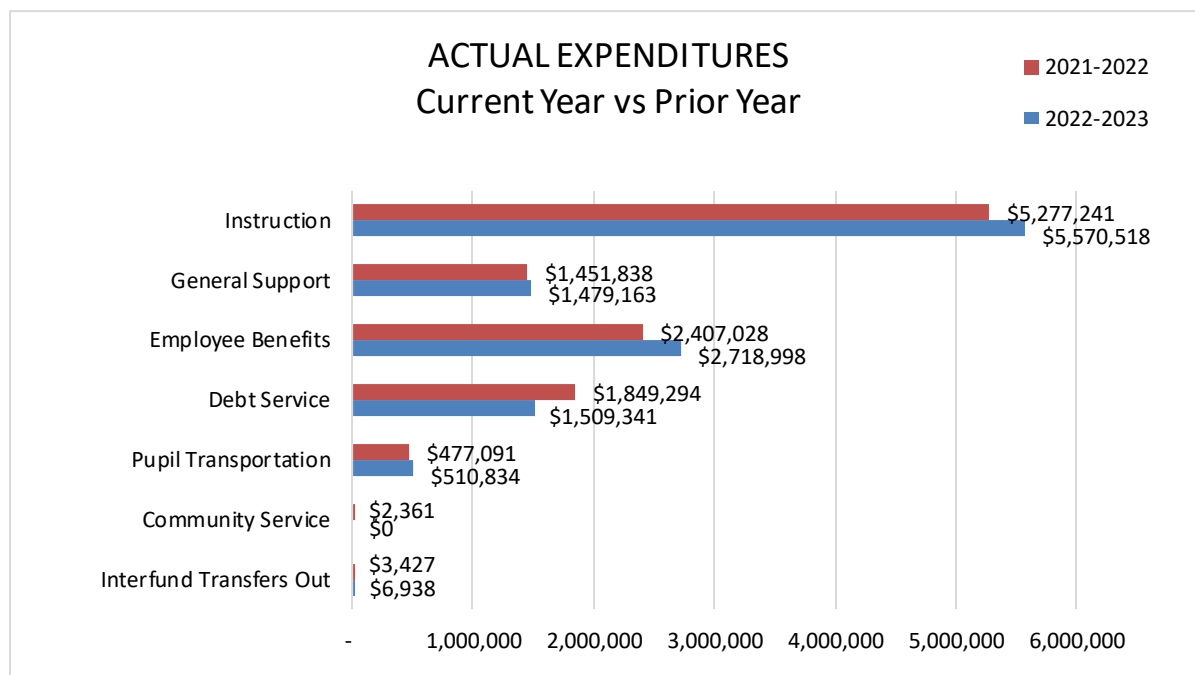
Instruction, transportation, and general support account for 94% of the total expenses of the District, which is comparative to prior year percentages.

The financial statements also include the Special Aid Fund and School Food Service Fund, which are primarily funded by state and federal aid and food sales.

#### General Fund Budgetary Highlights

The District's budget of \$13,557,125 for 2022-2023 was approved by referendum on May 17, 2022 (201 residents voted). The District's total budget increase for 2022-2023 was \$680,420 or a 5.28% increase from the prior year budget.

Actual expenditures for 2022-2023 including transfers of \$6,938 to other funds totaled \$11,795,792, for a favorable variance of \$1,782,961 (under budgeted amounts). The graph below shows how the actual expenditures are distributed for each budget over the past two budget years:



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## HERMON-DEKALB CENTRAL SCHOOL DISTRICT

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE – Continued

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#### General Fund Budgetary Highlights – Continued

Fiscal year 2022-2023 expenditures were \$327,512 or 2.86% more than the prior year expenditures. Expenditures for Instruction increased \$293,277 in fiscal year 2022-2023 over the prior year. The District continues its efforts to continue to meet and exceed state standards, inclusive of Common Core, in all areas. The cost of the Handicapped Program were reduced based on the needs of the students. General Support expenditures increased by \$27,325. The District continues to be fiscally prudent. Employee benefit expenditures increased by \$311,970 in fiscal year 2022-2023. Debt service expenditures decreased by \$339,953 in the fiscal year 2022-23.

The District appropriated \$1,276,430 of the fund balance for the year ending June 30, 2023 to reduce taxes in the next fiscal year. Unspent appropriations provide cash flow at year-end when state aid is uncertain.

On May 17, 2016, the voters authorized the establishment of a Capital Reserve Fund, which by Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The reserve was authorized for up to 10 years and in an amount not to exceed \$550,000 with funding from budget appropriations or fund balances. At June 30, 2018, the reserve was fully funded at \$550,000. The voters subsequently approved a \$15,000,000 Capital Project in January 2019, and the reserve funds were transferred to the Campus-Wide Capital Projects Fund for use. The Project was approved by the New York State Education Department in February 2020. The 1<sup>st</sup> phase was completed in 2022. The 2<sup>nd</sup> and final phase is nearing completion and is expected to be done at the end of 2023.

#### Revenues

Real property tax revenues closely match the budgeted revenues. Additional unbudgeted State Aid was received largely due to Homeless Aid. Other revenue comes from the annual BOCES Refund.

As the District plans for future revenues, all districts in NYS were subject to the property tax cap legislation for the first time while developing the 2012-2013 budget. This limits the amount of revenue that can be raised via property taxes without a super majority and while the impact varies by district, it will be a factor for all districts going forward.

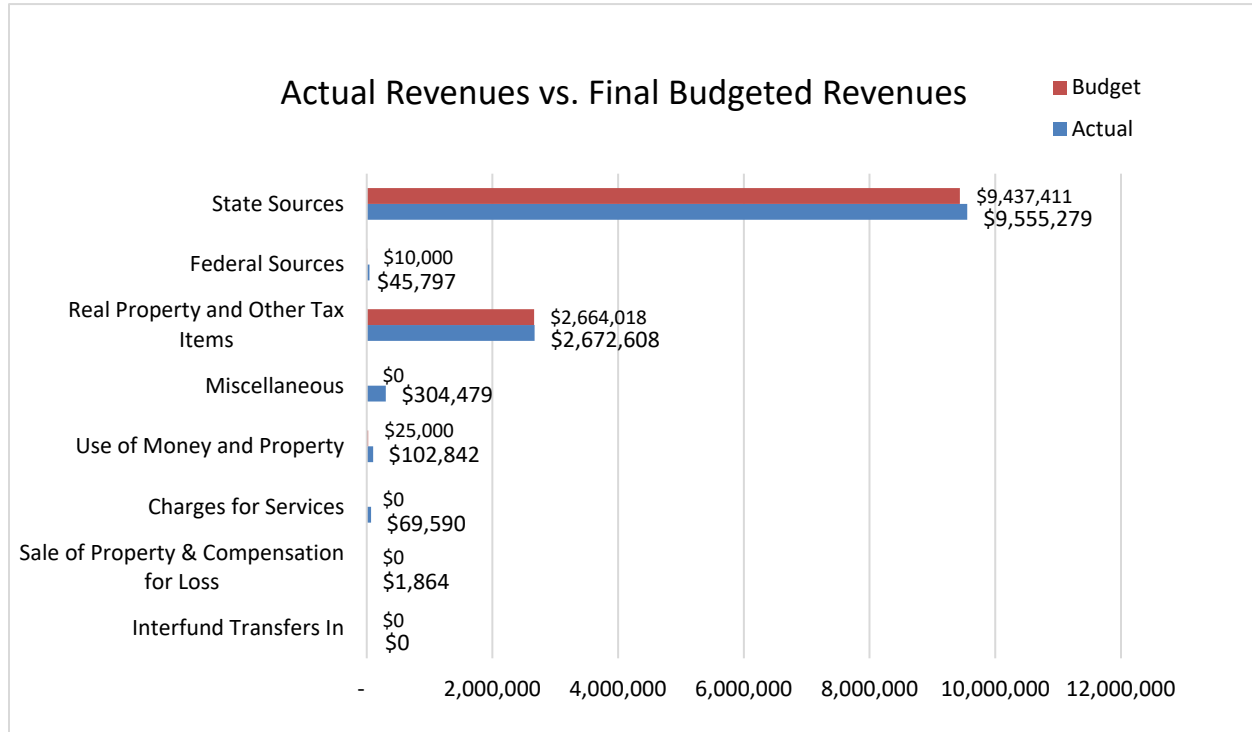
## HERMON-DEKALB CENTRAL SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE – Continued

#### Revenues – Continued



#### Expenditures

As the following graph portrays, expenditures were in line with the 2022-2023 final budget. The total unspent appropriation budget was \$1,773,074 at June 30, 2023.

The under-spent budgeted appropriations of \$1,773,074 netted with positive revenue variances of \$596,030 are used to fund the Assigned and Unassigned Fund Balances for the subsequent year. The 2022-2023 Assigned Fund Balance is \$1,286,317 and the Unassigned Fund Balance is \$1,031,775. The Unassigned Fund Balance is 7.23% of the 2023-2024 school budget.

## HERMON-DEKALB CENTRAL SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

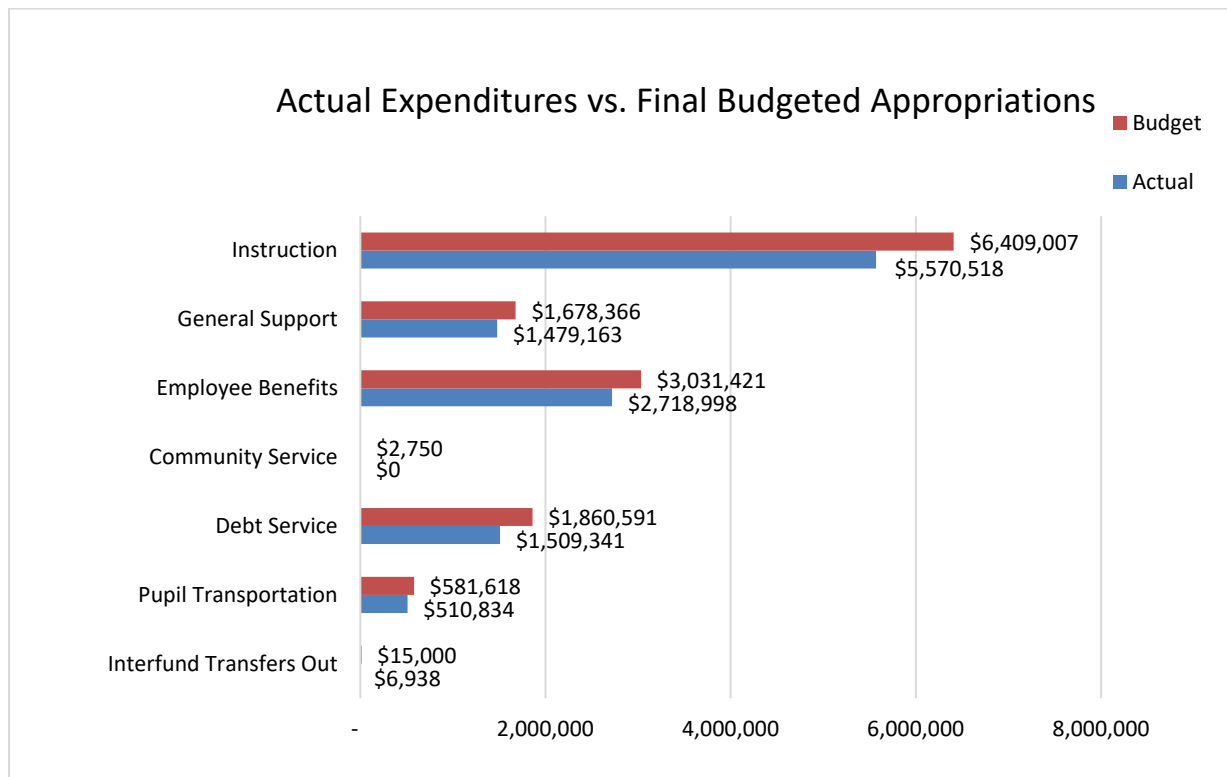
June 30, 2023

### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE – Continued

#### Expenditures – Continued

The Assigned Fund Balance needs to be maintained to help the District with cash flow at the end of the school year. In order to decrease assigned fund balance, without raising the tax levy in the subsequent year, other revenue sources (State Aid) would need to increase.

The following graph compares actual expenditures with final budgeted appropriations. Refer to Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund in the financial statements for more detailed information.



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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2023

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

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Land is valued at acquisition cost and the School District only owns property with structures on or adjacent to it.

Building and improvements have various dates of construction from the initial construction in 1957 to the 1967 elementary and middle school wing with the auditorium project and in 1991 the weight room, gym storage, auxiliary gymnasium and more elementary classrooms were added.

Furniture and equipment are recorded for the entire District and includes vehicles and school buses.

The Board of Education established a fixed asset policy on January 8, 2018 to capitalize fixed assets of at least \$5,000.

Capital assets net of depreciation and amortization totaled \$19,293,042 at June 30, 2023.

	<b>Balance June 30, 2022</b>	<b>Additions</b>	<b>Retirements / Reclassifications</b>	<b>Balance June 30, 2023</b>
Land	\$ 110,143	\$ -	\$ -	\$ 110,143
Construction in Progress	14,069,661	104,900	(13,840,210)	334,351
Building & Improvements	13,073,420	-	13,663,550	26,736,970
Furniture & Equipment	4,485,853	338,636	(26,442)	4,798,047
Intangible Lease Assets - Equipment	19,969	-	(19,969)	-
Less:				
Accumulated Depreciation and Amortization	12,236,744	660,573	(210,848)	12,686,469
<b>Net Capital Assets</b>	<b>\$ 19,522,302</b>	<b>\$ (217,037)</b>	<b>\$ (12,223)</b>	<b>\$ 19,293,042</b>

For more information on capital assets refer to Note 5 in the notes to financial statements.

**Short-Term Debt**

The District received a Bond Anticipation note in the amount of \$12,855,000 on June 28, 2023 to pay off the Bond Anticipation note received in the PY of \$13,250,000 and to finance the capital project in the short-term. For more information refer to Note 6.

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2023

**CAPITAL ASSETS AND DEBT ADMINISTRATION –**Continued

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**Long-Term Debt**

The District has a bond outstanding on a capital project originally issued in 2009 and refinanced in 2016. This bond will mature on June 15, 2024.

A serial bond was issued September 1, 2022 for the purchase of two school buses in the amount of \$285,000.

The District has complied with GASB 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. Regulations require the reporting of other post-employment benefits which was completed by securing the Armory Associates LLC. An interim actuarial valuation was completed during 2022-2023.

The long-term debt is classified as current (within one year) and long term (after one year). The District had the following breakdown of debt June 30, 2023 and 2022:

<b>Category</b>	<b>Fiscal Year</b>	<b>Fiscal Year</b>	<b>Total Change</b>
	<b>2022</b>	<b>2023</b>	
General Obligation Bonds	\$ 1,510,000	\$ 1,050,000	\$ (460,000)
Premium on Bonds	89,212	44,605	(44,607)
Compensated Absences	309,296	399,770	90,474
Other Postemployment Benefits Payable	30,219,841	28,864,662	(1,355,179)
Net Pension Liability – Proportionate Share	-	1,004,579	1,004,579
Lease Liability	12,223	-	(12,223)
<b>Total</b>	<b>\$ 32,140,572</b>	<b>\$ 31,363,616</b>	<b>\$ (776,956)</b>

For more information, refer to Note 7 in the notes to financial statements.

## **HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2023

### **FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE**

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- The enactment of a Property Tax Cap may limit the District's ability to raise funds to cover expenditures.
- The impact of health insurance premiums will continue to have a significant effect on the future financial health of the District. Health insurance premiums now account for 15% of our 2022-2023 budget.
- The District voters approved a \$15,000,000 Capital Project in January 2019. Work began in the Spring of 2020 and continues. Completion is anticipated by the end of 2023.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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This report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District Clerk at the following address:

Hermon Dekalb Central School  
709 E. Dekalb Road  
Dekalb Junction, NY 13630



**HERMON-DEKALB CENTRAL SCHOOL DISTRICT****AUDITED BASIC FINANCIAL STATEMENTS****STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES**

June 30, 2023

<b>ASSETS</b>	
Cash and Cash Equivalents	
Unrestricted	\$ 1,883,193
Restricted	2,712,267
Receivables	
State and Federal Aid	1,000,935
Due From Other Governments	423,955
Other	2,224
Inventories	13,993
Prepaid Expenses	4,903
Capital Assets, Net	19,293,042
<b>TOTAL ASSETS</b>	<b>\$ 25,334,512</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Other Postemployment Benefits	\$ 4,678,460
Pensions	2,397,668
Deferred Charge on Bond Refunding	28,417
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 7,104,545</b>
<b>LIABILITIES</b>	
Payables	
Accounts Payable	\$ 236,148
Accrued Liabilities	48,925
Due to Other Governments	5,234
Accrued Interest on Bonds Payable and Bond Anticipation Note	17,250
Due to Teachers' Retirement System	397,009
Due to Employees' Retirement System	42,412
Notes Payable	
Bond Anticipation	12,855,000
Unearned Credits	
Unearned Revenues – Other	80,300
Long-Term Liabilities	
Due and Payable Within One Year	
Bonds Payable, Net of Unamortized Premium	564,605
Due and Payable After One Year	
Bonds Payable, Net of Unamortized Premium	530,000
Compensated Absences Payable	399,770
Other Postemployment Benefits Payable	28,864,662
Net Pension Liability – Proportionate Share	1,004,579
<b>TOTAL LIABILITIES</b>	<b>\$ 45,045,894</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	\$ 254,066
Other Postemployment Benefits	3,758,098
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 4,012,164</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 6,050,036
Restricted for:	
Debt Service	163,225
Other Legal Restrictions	1,939,278
Unrestricted (Deficit)	(24,771,540)
<b>TOTAL NET POSITION</b>	<b>\$ (16,619,001)</b>

See notes to audited basic financial statements.

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION – GOVERNMENTAL ACTIVITIES**

Year Ended June 30, 2023

		Program Revenues		Net (Expenses)
		Charges for	Operating	Revenues and
	Expenses	Services	Grants	Changes in
				Net Position
<b>FUNCTIONS/PROGRAMS</b>				
General Support	\$ 2,213,162	\$ -	\$ -	\$ (2,213,162)
Instruction	11,027,415	69,590	1,562,154	(9,395,671)
Pupil Transportation	882,782	-	-	(882,782)
Debt Service – Interest	561,497	-	-	(561,497)
School Food Service Program	301,728	22,500	273,873	(5,355)
Total Functions and Programs	<u>\$ 14,986,584</u>	<u>\$ 92,090</u>	<u>\$ 1,836,027</u>	<u>(13,058,467)</u>
<b>GENERAL REVENUES</b>				
Real Property Taxes				2,316,644
Other Tax Items				355,964
Use of Money and Property				221,026
Sale of Property and Compensation for Loss				1,864
Gain on Disposition of Assets				26,250
State Sources				9,555,279
Medicaid Reimbursement				33,852
Miscellaneous				<u>354,078</u>
Total General Revenues				<u>12,864,957</u>
Change in Net Position				(193,510)
Net Position – Beginning of Year				<u>(16,425,491)</u>
Net Position – End of Year				<u>\$ (16,619,001)</u>

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See notes to audited basic financial statements.

**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

**BALANCE SHEET – GOVERNMENTAL FUNDS**

June 30, 2023

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects- Campus-Wide</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents					
Unrestricted	\$ 1,694,245	\$ 28,052	\$ -	\$ 160,896	\$ 1,883,193
Restricted	1,764,229	-	700,965	247,073	2,712,267
Receivables					
Due From Other Funds	510,217	3,398	-	95,445	609,060
State and Federal Aid	423,222	574,810	-	2,903	1,000,935
Due From Other Governments	423,955	-	-	-	423,955
Other	2,224	-	-	-	2,224
Inventories	-	-	-	13,993	13,993
Prepaid Expenditures	4,903	-	-	-	4,903
<b>TOTAL ASSETS</b>	<u>\$4,822,995</u>	<u>\$ 606,260</u>	<u>\$ 700,965</u>	<u>\$ 520,310</u>	<u>\$ 6,650,530</u>
<b>LIABILITIES</b>					
Payables					
Accounts Payable	\$ 163,022	\$ 53,323	\$ 19,803	\$ -	\$ 236,148
Accrued Liabilities	46,855	2,001	-	69	48,925
Due to Other Funds	86,473	465,882	2,980	53,725	609,060
Due to Other Governments	-	4,923	-	311	5,234
Due to Teachers' Retirement System	397,009	-	-	-	397,009
Due to Employees' Retirement System	42,412	-	-	-	42,412
Notes Payable					
Bond Anticipation	-	-	12,855,000	-	12,855,000
Unearned Credits					
Unearned Revenues – Other	-	80,131	-	169	80,300
Total Liabilities	<u>735,771</u>	<u>606,260</u>	<u>12,877,783</u>	<u>54,274</u>	<u>14,274,088</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred State Aid	-	-	-	1,582	1,582
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,582</u>	<u>1,582</u>
<b>FUND BALANCES (DEFICITS)</b>					
Nonspendable	4,903	-	-	13,993	18,896
Restricted	1,764,229	-	-	338,274	2,102,503
Assigned	1,286,317	-	-	113,769	1,400,086
Unassigned (Deficit)	1,031,775	-	(12,176,818)	(1,582)	(11,146,625)
Total Fund Balances (Deficit)	<u>4,087,224</u>	<u>-</u>	<u>(12,176,818)</u>	<u>464,454</u>	<u>(7,625,140)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>	<u>\$4,822,995</u>	<u>\$ 606,260</u>	<u>\$ 700,965</u>	<u>\$ 520,310</u>	<u>\$ 6,650,530</u>

See notes to audited basic financial statements.

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION**

June 30, 2023

**Total Fund Balance (Deficit) - Governmental Funds** \$ (7,625,140)

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

Proportionate share of long-term asset and liability associated with participation in state retirement systems are not current financial resources or obligations and are not reported in the fund statements.

Net Pension Liability - Proportionate Share – TRS	\$ 362,202	
Net Pension Liability - Proportionate Share – ERS	<u>642,377</u>	(1,004,579)

Deferred inflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements consist of:

Pensions	\$ 254,066	
Other Postemployment Benefits	<u>3,758,098</u>	(4,012,164)

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements consist of:

Pensions	\$ 2,397,668	
Other Postemployment Benefits	4,678,460	
Deferred Charge on Bond Refunding	<u>28,417</u>	7,104,545

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. Therefore, deferred inflows of resources are not reported on the Statement of Net Position.

1,582

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

The Cost of Capital Assets is	\$ 31,979,511	
Accumulated Depreciation and Amortization is	<u>(12,686,469)</u>	19,293,042

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION – CONTINUED**

June 30, 2023

Long-term liabilities, including bonds payable and compensated absences, are not due in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities, at year end, consist of:

Bonds Payable	\$ 1,050,000	
Premium on Bonds Payable	44,605	
Accrued Interest on Bonds Payable and BAN	17,250	
Compensated Absences Payable	399,770	
Other Postemployment Benefits Payable	<u>28,864,662</u>	<u>(30,376,287)</u>
<b>Total Net Position – Governmental Activities</b>		<u><u>\$ (16,619,001)</u></u>

**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS**

Year Ended June 30, 2023

	<b>General</b>	<b>Special Aid</b>	<b>Capital Project- Campus-Wide</b>	<b>Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Real Property Taxes	\$ 2,316,644	\$ -	\$ -	\$ -	\$ 2,316,644
Other Tax Items	355,964	-	-	-	355,964
Charges for Services	69,590	-	-	22,500	92,090
Use of Money and Property	102,842	13	-	35,252	138,107
Sale of Property and Compensation for Loss	1,864	-	-	-	1,864
State Sources	9,555,279	134,358	-	6,587	9,696,224
Medicaid Reimbursement	33,852	-	-	-	33,852
Federal Sources	11,945	1,427,796	-	267,286	1,707,027
Miscellaneous	304,479	-	-	75,849	380,328
Total Revenues	<u>12,752,459</u>	<u>1,562,167</u>	<u>-</u>	<u>407,474</u>	<u>14,722,100</u>
<b>EXPENDITURES</b>					
General Support	1,479,163	148,206	-	41,724	1,669,093
Instruction	5,570,518	1,262,021	-	-	6,832,539
Pupil Transportation	510,834	-	-	-	510,834
Employee Benefits	2,718,998	158,878	-	47,322	2,925,198
Debt Service					
Principal	940,000	-	-	200,000	1,140,000
Interest	569,341	-	-	-	569,341
Food Service Program					
Cost of Sales	-	-	-	200,217	200,217
Other Expenditures	-	-	-	72,861	72,861
Capital Outlay	-	-	104,899	281,279	386,178
Total Expenditures	<u>11,788,854</u>	<u>1,569,105</u>	<u>104,899</u>	<u>843,403</u>	<u>14,306,261</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>963,605</u>	<u>(6,938)</u>	<u>(104,899)</u>	<u>(435,929)</u>	<u>415,839</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Premium on Debt Issuance	-	-	-	82,919	82,919
BANs Redeemed From Appropriations	-	-	395,000	-	395,000
Proceeds from Debt	-	-	-	285,000	285,000
Operating Transfers In	-	6,938	-	3,721	10,659
Operating Transfers (Out)	(6,938)	-	-	(3,721)	(10,659)
Total Other Financing Sources and (Uses)	<u>(6,938)</u>	<u>6,938</u>	<u>395,000</u>	<u>367,919</u>	<u>762,919</u>
Net Change in Fund Balance	956,667	-	290,101	(68,010)	1,178,758
Fund Balances (Deficit) – Beginning of Year	<u>3,130,557</u>	<u>-</u>	<u>(12,466,919)</u>	<u>532,464</u>	<u>(8,803,898)</u>
Fund Balances (Deficit) – End of Year	<u>\$ 4,087,224</u>	<u>\$ -</u>	<u>\$ (12,176,818)</u>	<u>\$ 464,454</u>	<u>\$ (7,625,140)</u>

See notes to audited basic financial statements.

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF  
ACTIVITIES**

Year Ended June 30, 2023

<b>Net Change in Fund Balances – Total Governmental Funds</b>	<b>\$</b>	<b>1,178,758</b>
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position assets with an initial, individual cost of more than \$5,000 are capitalized and in the Statement of Activities, the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization exceeded capital outlays in the current period.

Capital Outlays	\$	443,536	
Depreciation and Amortization Expense		<u>(660,573)</u>	(217,037)

Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position. This is the amount of debt repayments made in the current period for bonds and lease liabilities.	745,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. The interest reported in the Statement of Activities is decreased by the amount by which the amortization of bond premiums exceeded the increase in accrued interest on bonds and the amortization of the deferred charge on refunding.	7,844
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In the Statement of Activities, certain operating expenses--compensated absences (vacations and certain sick pay) and special termination benefits (early retirement) --are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(90,474)
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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF  
ACTIVITIES – CONTINUED**

Year Ended June 30, 2023

Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Long-term revenue differences relating to ESSER and GEER Funding was reported as revenue in the Statement of Activities and a deferred inflow in the governmental funds in the prior year, and therefore is reported as revenue in the governmental funds and excluded from the Statement of Activities in the current year. (11,945)

Proceeds of long-term debt, including premium on issuance, are recorded as another financing source for governmental funds but it is not recorded in the Statement of Activities. This is the amount of proceeds from long-term debt received in the current year. (285,000)

On the Statement of Activities, the actual and projected long-term expenditures for postemployment benefits and related deferred outflows/inflows are reported, whereas, on the governmental funds only the actual expenditures are recorded for postemployment benefits. (1,320,043)

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

Teachers' Retirement System	\$	(74,860)	
Employees' Retirement System		<u>(125,753)</u>	<u>(200,613)</u>

<b>Change in Net Position of Governmental Activities</b>			<b><u>\$</u></b>	<b><u>(193,510)</u></b>
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## HERMON-DEKALB CENTRAL SCHOOL DISTRICT

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### NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

#### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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The financial statements of Hermon-DeKalb Central School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are described below:

##### **Reporting Entity**

The Hermon-DeKalb Central School 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 nine members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

##### Extra Classroom Activity Funds

The Extra Classroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extra Classroom 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 Extra Classroom Activity Funds can be found at the District's business office. Due to administrative involvement, the District accounts for assets in a special revenue fund.

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## HERMON-DEKALB CENTRAL SCHOOL DISTRICT

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### NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

#### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –

Continued

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##### Joint Venture

The District is one of 18 component school districts in the St. Lawrence-Lewis Counties 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 that 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 costs is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year, the District was billed \$2,531,167 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$1,026,191. This represents state aid distributions of \$801,148 and 2022 fund balance returned to schools of \$225,043.

Financial statements for the BOCES are available from the BOCES administrative office.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –**

Continued

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**Basis of Presentation**

District-Wide 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 and Federal 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.

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

Fund Statements

The fund statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following governmental funds:

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

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –**

Continued

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**Basis of Presentation – Continued**

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition, extra classroom activity funds which the District has administrative involvement or other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

Special Aid Fund: Used to account for proceeds received from state and federal grants that are restricted for specific educational programs.

School Food Service Fund: Used to account for child nutrition activities whose funds are restricted as to use.

Extra Classroom Activity Funds: Used to account for funds of the students of the District which are restricted as to use by the various student organizations where the District has administrative involvement over the funds.

Scholarships and Awards Fund: Used to account for proceeds received from various individuals and organizations that are restricted for specific scholarship and award programs not under specific trust arrangements.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplementary schedules either separately or in the aggregate.

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. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

Permanent Fund: This fund accounts for proceeds received from various individuals and organizations that is permanently restricted and earnings only are available for use of specific scholarship and award programs based on the agreements.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –**

Continued

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**Measurement Focus and Basis of Accounting**

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 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 collectible within 60 days after the end of the fiscal year as it matches the liquidation of related obligations.

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

**Property Taxes**

Real property taxes are levied annually by the Board of Education no later than September 1, 2022, and became a lien on August 8, 2022. Taxes are collected during the period September 1, 2022 to October 31, 2022.

Uncollected real property taxes are subsequently enforced by St. Lawrence 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 April 1.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –**

Continued

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**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 the associated legal requirements, many of which are described elsewhere in these Notes.

**Interfund Transactions**

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

In the District-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types. Eliminations have been made for all interfund receivables and payables between the funds.

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

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

**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 encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –**

Continued

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**Cash and Cash Equivalents**

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

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.

**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.

**Inventories and Prepaid Items**

Inventories of food in the School Food Service 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 inventory items in other funds are recorded as expenditures at the time of purchase and are considered immaterial in amount.

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.

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –**Continued

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**Inventories and Prepaid Items – Continued**

A prepaid item was recorded in the General Fund in the amount of \$4,903, which represents the District's contribution to the School and Municipal Energy Cooperative of WNY (SMEC). Contributions made by member districts are recorded by SMEC as a current liability, and members are allocated a share of the organization's net assets based on each participant share of premiums paid for the year.

A portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures.

**Other Assets**

In the District-wide financial statements, bond discounts and premiums, and any prepaid bond insurance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

**Capital Assets and Intangible Lease Assets**

Capital assets are reported at actual cost or estimated historical cost, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

	<b>Capitalization Threshold</b>	<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
Buildings and Improvements	\$ 5,000	SL	40-50 Years
Site Improvements	5,000	SL	20 Years
Furniture and Equipment	5,000	SL	5-15 Years
Vehicles	5,000	SL	8 Years



**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –**

Continued

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**Capital Assets and Intangible Lease Assets – Continued**

Intangible lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, plus ancillary charges necessary to place the lease into service. A capitalization threshold of \$5,000 is used for lease acquisitions that are prepaid and have no corresponding lease liability. Intangible lease assets are amortized over the lease term (3-5 years) consistent with the decrease in the related lease liability or using the straight-line method if there is no corresponding lease liability.

The District does not possess any infrastructure.

**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, deferred outflows of resources, 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 four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the District-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is the District contributions to the New York State Teachers' and Employees' pension systems and to Other Postemployment Benefit (OPEB) plan subsequent to the measurement date. The fourth item is related to OPEB reported in the District-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs and the net change in the actual and expected experience.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –**Continued

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**Deferred Outflows and Inflows of Resources – Continued**

In addition to liabilities, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (TRS and ERS system) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB reported in the District-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs and the net change in the actual and expected experience. The third item arises only under a modified accrual basis of accounting and is reported as unavailable revenue – Smart Schools – grant monies. This represents a deferred inflow only on the Balance Sheet in the governmental funds and revenue on the District-wide Statement of Net Position.

**Unearned Revenue**

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

**Vested Employee Benefits**Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave and vacation time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts. Upon retirement or resignation, employees may contractually receive a payment based on unused accumulated sick leave.

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.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –**

Continued

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**Vested Employee Benefits – Continued**

Consistent with GASB Statement 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 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.

**Other Benefits**

District employees participate in the New York State and Local Employees' Retirement System or 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 to retired employees 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 cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

**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 the second fiscal year succeeding the year in which the note was issued.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –**

Continued

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**Short-Term Debt – Continued**

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

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

**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 fully, in a timely manner, from current financial resources. Claims and judgments, other postemployment benefits payable, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

**Equity Classifications**

District-Wide Statements

In the District-wide statements there are three classes of net position:

**Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation and amortization) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –**

Continued

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**Equity Classifications – Continued**

**Restricted Net Position** – reports net position when constraints placed on the assets or deferred outflows of resources 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 are deemed to be available for general use by the District.

Fund Statements

In the fund basis statement, there are five classifications of fund balance:

**Nonspendable** – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Food Service Fund of \$13,993 and a \$4,903 deposit to School and Municipal Energy Cooperative of WNY in the General Fund.

**Restricted** – 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. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The District has established the following restricted fund balances:

**Debt Service**

According to General Municipal Law §6-1, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. The monies are accounted for in the Debt Service Fund.

**Permanent Fund – Scholarships**

The fund is used to account for and report resources that are legally restricted to the extent that earnings, not principal, may be used for purposes that benefit the School District and recipients of the designated scholarships. The monies are accounted for in the Permanent Fund – Scholarships.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –**Continued

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**Equity Classifications – Continued****Unemployment Insurance**

According to General Municipal Law §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.

**Repair**

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

**Employee Benefit Accrued Liability**

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

**Scholarships and Awards Fund**

According to constraints placed on the use of resources established by various scholarship and award programs, must be used for the specific purpose outlined in the program. The monies are accounted for in the Scholarships and Awards Fund.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –**Continued

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**Equity Classifications – Continued****Extra Classroom Activity Funds**

According to the regulations of the Commissioner of Education (8 NYCRR Part 172), the Board of Education of the District is required to make the rules and regulations for the establishment, conduct, operation, and maintenance of extra classroom activities and for the safeguarding, accounting and audit of all moneys received. According to the regulations of the Board of Education, the monies represent the funds of the students of the District and must be used by the student organizations of the District. The monies are accounted for in the Extra Classroom Activity Funds.

**Retirement Contributions**

According to General Municipal Law §6-r, all expenditures made from the retirement contributions reserve fund must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve must be accounted for separately and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. This reserve is accounted for in the General Fund.

**Capital**

According to Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –**

Continued

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**Equity Classifications – Continued**

**Insurance**

According to General Municipal Law §6-n, must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action and funded by budgetary appropriations or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the General Fund.

Restricted fund balance includes the following at June 30, 2023:

General Fund	
Unemployment Insurance	\$ 82,666
Retirement Contributions - NYSERS	660,235
Retirement Contributions - NYSTRS	233,784
Insurance	29,452
Employee Benefit Accrued Liability	266,165
Capital	407,483
Repair	84,444
Debt Service Fund	163,225
Extra Classroom Activity Fund	52,117
Scholarships and Awards Fund	6,388
Permanent Fund - Scholarships	116,544
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Total Restricted Funds	\$ 2,102,503
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**Committed** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the districts highest level of decision-making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2023.



**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –**

Continued

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**Equity Classifications – Continued**

**Assigned** – Includes amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

**Unassigned** – Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds, excluding the reserve for tax reduction, a school 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, encumbrances and amounts reserved for insurance recoveries are also excluded from the 4% limitation.

**Order of Use of Fund Balance**

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as assigned fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

**New Accounting Standards**

The District has adopted all current Statements of Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2023, the District implemented the following new statements issued by GASB:

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## HERMON-DEKALB CENTRAL SCHOOL DISTRICT

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### NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

#### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –

Continued

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##### **New Accounting Standards – Continued**

GASB has issued Statement No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2023.

GASB has issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the year ending June 30, 2023.

GASB has issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023.

GASB has issued Statement No. 98, *The Annual Comprehensive Financial Report*, effective for the year ended June 30, 2023.

GASB has issued Statement No. 99, *Omnibus 2022*, effective for the year ended June 30, 2023.

##### **Future Changes in Accounting Standards**

GASB has issued Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, effective for the year ended June 30, 2024.

GASB has issued Statement No. 101, *Compensated Absences*, effective for the year ended June 30, 2025.

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.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

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

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Due to the differences in the measurement focus and basis of accounting used in the fund statements and the District-wide 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 District-wide statements, compared with the current financial resources focus of the governmental funds.

**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. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term liabilities, including pensions and other postemployment benefits payable.

**Statement of Revenues, Expenditures, and Changes in Fund Balances vs. Statement of Activities**

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

1. 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 accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. 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 as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES  
BETWEEN FUND STATEMENTS AND DISTRICT-WIDE  
STATEMENTS – Continued**

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**Statement of Revenues, Expenditures, and Changes in Fund Balances vs. Statement of  
Activities – Continued**

3. Long-Term Debt Transaction Differences:

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

4. Pension Differences:

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

5. OPEB Differences:

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND  
ACCOUNTABILITY**

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**Budgets**

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental fund for which legal (appropriated) budgets are adopted:

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year.

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board 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. No supplemental appropriations occurred during the year ended June 30, 2023.

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 fund 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.

Special Revenue Funds have not been included in the comparison because they do not have a legally authorized (appropriated) budget.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND  
ACCOUNTABILITY – Continued**

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**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 restrictions or assignments 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.

**Other**

The Capital Projects – Smart Schools Fund shows an unassigned fund balance deficit of \$1,582. This deficit will be funded when the District obtains funding from the State.

The Capital Projects – Campus-Wide Fund shows an unassigned fund balance deficit of \$12,176,818. This deficit will be funded when the District obtains permanent financing for its current construction project.

The District's unreserved undesignated fund balance was in excess of the New York State Real Property Tax Law 1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The District plans to responsibly reduce the fund balance through continuing to keep tax levy increases equal to or below 2%, continue to responsibly fund district reserves in the General Fund, and utilize approximately \$1,276,000 of appropriated fund balance in the next fiscal year.

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 4 – CASH AND CASH EQUIVALENTS -  
CUSTODIAL CREDIT, CONCENTRATION OF CREDIT,  
INTEREST RATE, AND FOREIGN CURRENCY RISKS**

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**Cash**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these notes.

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

Uncollateralized	<u>\$ -</u>
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	<u>\$ 829,138</u>

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 as of year-end includes \$1,764,229 restricted for various fund balance reserves in the General Fund, \$700,965 restricted for a voter approved project in the Capital Projects – Campus-Wide Fund, \$72,024 restricted for debt service payments in the Debt Service Fund, \$52,117 restricted for extra classroom in the Extra Classroom Activity Funds, \$2,145 restricted for scholarships and awards in the Scholarships and Awards Fund, and \$120,787 restricted for scholarships in the Permanent Fund – Scholarships within the governmental funds.

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2023 all deposits were fully insured and collateralized by the District's agent, but not in the District's name.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 4 – CASH AND CASH EQUIVALENTS –  
CUSTODIAL CREDIT, CONCENTRATION OF CREDIT,  
INTEREST RATE, AND FOREIGN CURRENCY RISKS –**

Continued

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**Cash – Continued**

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with Federal, State and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Administrator of the District.

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

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

**Investment Pool – NYCLASS**

The District participates in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, § 119-0, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. At June 30, 2023, the School District held \$2,905,976 in the General Fund, \$680,708 in the Capital Projects – Campus-Wide Fund, \$72,024 in the Debt Service Fund, and \$120,787 in the Permanent Fund – Scholarships through the cooperative classified as unrestricted and restricted cash.

The above amounts represent the cost of the investment pool shares and are considered to approximate net asset value. The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of NYCLASS.



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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 5 – CAPITAL ASSETS AND INTANGIBLE LEASE ASSETS**

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Capital asset and intangible lease asset balances and activity for the year ended June 30 are as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements/ Reclassifications</b>	<b>Ending Balance</b>
Capital Assets That Are Not Depreciated:				
Land	\$ 110,143	\$ -	\$ -	\$ 110,143
Construction in Progress	14,069,661	104,900	(13,840,210)	334,351
Total Nondepreciable Assets	<u>14,179,804</u>	<u>104,900</u>	<u>(13,840,210)</u>	<u>444,494</u>
Other Capital Assets:				
Buildings and Improvements	13,073,420	-	13,663,550	26,736,970
Furniture and Equipment	4,485,853	338,636	(26,442)	4,798,047
Intangible Lease Assets - Equipment	19,969	-	(19,969)	-
Total Other Capital Assets	<u>17,579,242</u>	<u>338,636</u>	<u>13,637,108</u>	<u>31,535,017</u>
Less Accumulated Depreciation:				
Buildings and Improvements	8,834,799	412,210	-	9,247,009
Furniture and Equipment	3,394,199	248,363	(203,102)	3,439,460
Less Accumulated Amortization:				
Intangible Lease Assets - Equipment	<u>7,746</u>	<u>-</u>	<u>(7,746)</u>	<u>-</u>
Total Accumulated Depreciation and Amortization	<u>12,236,744</u>	<u>660,573</u>	<u>(210,848)</u>	<u>12,686,469</u>
Total Other Capital Assets, Net	<u>5,342,498</u>	<u>(321,937)</u>	<u>13,847,956</u>	<u>18,848,548</u>
Capital Assets, Net	<u>\$ 19,522,302</u>	<u>\$ (217,037)</u>	<u>\$ 7,746</u>	<u>\$ 19,293,042</u>

Depreciation and amortization expense was charged to governmental functions as follows:

General Support	\$ 105,752
Instruction	514,628
Pupil Transportation	<u>40,193</u>
Total Depreciation and Amortization Expense	<u>\$ 660,573</u>

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 6 – SHORT-TERM DEBT OBLIGATIONS**

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Short-term debt may be authorized and issued to fund Capital Project costs and other approved expenditures incurred prior to obtaining permanent financing through issuances of bond anticipation notes (BANs).

Details related to the short-term debt activity for the fiscal year ended June 30, 2023, are as follows:

	<b>Maturity</b>	<b>Interest Rate (%)</b>	<b>Beginning Balance</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Ending Balance</b>
BAN	6/29/2023	4.00%	\$ 13,250,000	\$ -	\$ 13,250,000	\$ -
BAN	6/28/2024	4.50%	-	12,855,000	-	12,855,000
			<u>\$ 13,250,000</u>	<u>\$ 12,855,000</u>	<u>\$ 13,250,000</u>	<u>\$ 12,855,000</u>

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

Interest Paid	\$ 530,000
Less: Accrued Interest in the Prior Year	(1,472)
Plus: Accrued Interest in the Current Year	<u>3,214</u>
Total Interest on Short-Term Debt	<u>\$ 531,742</u>

**NOTE 7 – LONG-TERM DEBT OBLIGATIONS**

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

**Serial Bonds**

The School District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The provisions will be in the General Fund's future budgets for capital indebtedness.

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 7 – LONG-TERM DEBT OBLIGATIONS – Continued**

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**Lease Liabilities**

The District enters into agreements to lease office equipment. Leases with a lease term greater than twelve months are recorded at the present value of the future minimum lease payments as of the date of their inception.

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

<b>Government Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
Bonds and Notes Payable:					
General Obligation Debt:					
Serial Bonds	\$ 1,510,000	\$ 285,000	\$ 745,000	\$ 1,050,000	\$ 520,000
Premium on Bonds	89,212	-	44,607	44,605	44,605
Total Bonds and Notes Payable	1,599,212	285,000	789,607	1,094,605	564,605
Other Liabilities:					
Compensated Absences					
Payable	309,296	90,474	-	399,770	-
Other Postemployment					
Benefits Liability	30,219,841	-	1,355,179	28,864,662	-
Net Pension Liability -					
Proportionate Share	-	1,004,579	-	1,004,579	-
Lease Liability	12,223	-	12,223	-	-
Total Other Liabilities	30,541,360	1,095,053	1,367,402	30,269,011	-
Total Governmental Activities	\$ 32,140,572	\$ 1,380,053	\$ 2,157,009	\$ 31,363,616	\$ 564,605

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences, postemployment benefits, and lease obligations.

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 7 – LONG-TERM DEBT OBLIGATIONS – Continued**

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Existing serial and statutory bond obligations:

<b>Description</b>	<b>Issue Date</b>	<b>Final Maturity</b>	<b>Interest Rate (%)</b>	<b>Balance</b>
Serial Bonds - Refunding	9/21/16	6/15/24	2.00-4.00	\$ 280,000
Bus Purchase	9/1/22	9/1/27	3.875	285,000
Bus Purchase	9/1/21	9/1/26	0.50-1.60	180,000
Bus Purchase	9/1/20	9/1/25	0.50-1.61	160,000
Bus Purchase	9/5/19	9/1/24	1.00-2.50	105,000
Bus Purchase	9/5/18	9/1/23	2.75-2.875	40,000
Total Serial Bonds				<u>\$ 1,050,000</u>

The following is a summary of debt service requirements for bonds payable at year-end June 30:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 520,000	\$ 29,029	\$ 549,029
2025	210,000	11,045	221,045
2026	155,000	7,103	162,103
2027	105,000	3,848	108,848
2028	60,000	1,163	61,163
Totals	<u>\$ 1,050,000</u>	<u>\$ 52,188</u>	<u>\$ 1,102,188</u>

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 7 – LONG-TERM DEBT OBLIGATIONS – Continued**

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**Advance Refunding**

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2023, the amount of outstanding defeased bonds totaled approximately \$295,000.

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

Interest Paid	\$ 39,341
Plus: Amortization of Deferred Charge on Bond Refunding	26,704
Less: Amortization of Bond Premium	(44,607)
Less: Interest Accrued in the Prior Year	(5,719)
Plus: Interest Accrued in the Current Year	<u>14,036</u>
Total Interest on Long-Term Debt	<u><u>\$ 29,755</u></u>

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 8 – PENSION PLANS**

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**General Information**

The District participates in the New York State Teachers' Retirement System (NYSTRS) and the New York State Employees' Retirement System (NYSERS). These are cost-sharing multiple employer public employee defined benefit retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

**Teachers' Retirement System (TRS) Plan Description**

The District participates in the New York State Teachers' Retirement (NYSTRS). This is a cost-sharing multiple-employer defined benefit 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 NYSTRS Annual Comprehensive Financial report which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 8 – PENSION PLANS – Continued**

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**Employees' Retirement System (ERS) Plan Description**

The District participates in the New York State and Local Employees' Retirement System (ERS). 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 net 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](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

**TRS Benefits Provided**

Benefits

The benefits provided to members of the System are established by New York State law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and are subdivided into the following six classes:

*Tier 1*

Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.

*Tier 2*

Members who last joined on or after July 1, 1973 and prior to July 27, 1976 are covered by the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law (RSSL).

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 8 – PENSION PLANS – Continued**

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**TRS Benefits Provided – Continued**

*Tier 3*

Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 14 and Article 15 of the RSSL.

*Tier 4*

Members who last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the RSSL.

*Tier 5*

Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

*Tier 6*

Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Service Retirements

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2% per year of credited service times final average salary.

Under Article 19 of the RSSL, eligible Tier 1 and 2 members can receive additional service credit of one-twelfth of a year for each year of retirement credit as of the date of retirement or death up to a maximum of 2 additional years.

Tiers 2 through 5 are eligible for the same but with the following limitations: (1) Tiers 2 through 4 members receive an unreduced benefit for retirement at age 62 or retirement at ages 55 through 61 with 30 years of service or reduced benefit for retirement at ages 55 through 61 with less than 30 years of service. (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service. They receive a reduced benefit for retirement at age 55 and 56 regardless of service credit, or ages 57 through 61 with less than 30 years of service.



**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 8 – PENSION PLANS – Continued**

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**TRS Benefits Provided – Continued**

Tier 6 members are eligible for a service retirement allowance of 1.75% per year of credited service for the first 20 years of service plus 2% per year for years of service in excess of 20 years times final average salary. Tier 6 members receive an unreduced benefit for retirement at age 63. They receive a reduced benefit at ages 55-62 regardless of service credit.

Vested Benefits

Retirement benefits for Tiers 1-6 are now vested after 5 years of credited service. Prior to April 9, 2022, Tier 5 and 6 members to attain 10 years of state service credit to be vested. Benefits are payable at age 55 or greater with the limitations previously noted for service retirements.

Disability Retirement

Members are eligible for disability retirement benefits after 10 years of credited New York State service except for Tier 3 where disability retirement is permissible after 5 years of credited New York State service pursuant to the provisions of Article 14 of the RSSL. The Tier 3 benefit is integrated with Social Security.

Death Benefits

Death benefits are paid to the beneficiary of active members who die in service and certain retirees. For active members, the benefit is based on final salary, age and the number of years of credited service. For retired members, it is also based on the number of years in retirement.

Prior and Military Service

After 2 years of membership, members of all tiers may claim and receive credit for prior New York State public or teaching service. Only Tier 1 and 2 members may, under certain conditions, claim out-of-state service. Certain members may also claim military service credit prior to or interrupting membership.

Tier Reinstatement

In accordance with Chapter 640 of the Laws of 1998, any active member who had a prior membership may elect to be reinstated to their original date and Tier of membership.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 8 – PENSION PLANS – Continued**

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**TRS Benefits Provided – Continued**

Permanent Cost-of-Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index, not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of maximum annual benefit. The applicable percentage payable beginning September 2022 and 2021 is 3.0% and 1.4%, respectively. Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State service. Certain members who retire pursuant to the provisions of Article 14 of the RSSL are eligible for automatic cost-of-living supplementation based on the increase in the consumer price index with a maximum per annum increase of 3%.

**ERS Benefits Provided**

Benefits

The System provides retirement benefits as well as death and disability benefits.

*Tiers 1 and 2*

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 8 – PENSION PLANS – Continued**

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**ERS Benefits Provided – Continued**

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year's compensation in the final average salary calculation is limited to no more than 20 percent greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous 2 years.

*Tiers 3, 4, and 5*

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 5 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 3, 4 and 5 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 2 years.

*Tier 6*

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 8 – PENSION PLANS – Continued**

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**ERS Benefits Provided – Continued**

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 5 or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the 5 highest consecutive years of employment. For Tier 6 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 4 years.

Vested Benefits

Members who joined the System prior to January 1, 2010 need 5 years of service to be 100 percent vested. Members who joined on or after January 1, 2010 required 10 years of service credit to be 100 percent vested. As of April 9, 2022, legislation was passed that reduced the number of years of service credit from 10 years to 5 years. Therefore, all Members are vested when they reach 5 years of service credit.

Disability Retirement Benefits

Disability retirement benefits are available to ERS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offset of other benefits depend on a member's tier, years of service, and plan.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 8 – PENSION PLANS – Continued**

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**ERS Benefits Provided – Continued**Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all retirees who have attained age 62 and have been retired for five years; (ii) all retirees who have attained age 55 and have been retired for 10 years; (iii) all disability retirees, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible retiree as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor but cannot be less than 1 percent or exceed 3 percent.

**Funding Policies**

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years. (The District chose to prepay the required contributions by December 15, 2022 and received an overall discount of \$1,162).

The District's share of the required contributions, based on covered payroll paid for the current and two preceding years, were:

	<b>NYSTRS</b>	<b>NYSERS</b>
2022-2023	\$ 327,698	\$ 110,593
2021-2022	301,994	140,809
2020-2021	271,887	119,288

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 8 – PENSION PLANS – Continued**

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**Funding Policies – Continued**

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the District exercised.

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

At June 30, 2023, the District reported the following asset (liability) for its proportionate share of the net pension asset (liability) for each of the Systems. The net pension asset (liability) was measured as of March 31, 2023 for ERS and June 30, 2022 for TRS. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation. The District's proportion of the net pension asset (liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<b>ERS</b>	<b>TRS</b>
Measurement Date	March 31, 2023	June 30, 2022
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (642,377)	\$ (362,202)
District's Portion (%) of the Plan's Total Net Pension Asset (Liability)	0.0029956%	0.018876%
Change in Proportion (%) Since the Prior Measurement Date	0.0001832%	0.000206%

**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 8 – PENSION PLANS – Continued**

**Pension Assets, Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued**

For the year ended June 30, 2023, the District's recognized pension expense of \$125,753 for ERS and \$74,860 for TRS. At June 30, 2023, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences Between Expected and Actual Experience	\$ 68,418	\$ 379,542	\$ 18,040	\$ 7,258
Changes of Assumptions	311,979	702,611	3,448	145,905
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	467,999	3,774	-
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	54,801	7,544	6,334	69,307
District's Contributions Subsequent to the Measurement Date	42,412	362,362	-	-
Total	<u>\$ 477,610</u>	<u>\$ 1,920,058</u>	<u>\$ 31,596</u>	<u>\$ 222,470</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset (liability) in the year ended June 30, 2024, if applicable. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the year ended as follows:

	<b>ERS</b>	<b>TRS</b>
2024	\$ 100,370	\$ 249,585
2025	(20,268)	123,395
2026	144,406	(66,984)
2027	179,094	911,587
2028	-	113,279
Thereafter	-	4,364

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 8 – PENSION PLANS – Continued**

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**Actuarial Assumptions**

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

	<b>ERS</b>	<b>TRS</b>
Measurement Date	March 31, 2023	June 30, 2022
Actuarial Valuation Date	April 1, 2022	June 30, 2021
Interest Rate	5.9%	6.95%
Salary Scale	4.4%	1.3%
Decrement Tables	April 1, 2015 - March 31, 2020 System's Experience	July 1, 2015 - June 30, 2020 System's Experience
Inflation Rate	2.9%	2.4%

For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2021. For TRS, annuitant mortality rates are based on July 1, 2015 – June 30, 2020 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2021.

For ERS, the actuarial assumptions used in the April 1, 2022 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020.



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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 8 – PENSION PLANS – Continued**

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**Actuarial Assumptions – Continued**

The long-term rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	<b>ERS</b>	<b>TRS</b>
Measurement Date	March 31, 2023	June 30, 2022
Asset Type		
Domestic Equity	4.30%	6.50%
International Equity	6.85%	7.20%
Private Equity	7.50%	9.90%
Global Equity		6.90%
Real Estate	4.60%	6.20%
Opportunistic / Absolute Return Strategies Portfolio	5.38%	
Credit	5.43%	
Real Assets	5.84%	
Fixed Income	1.50%	
Cash		-0.30%
Private Debt		5.30%
Real Estate Debt		2.40%
Domestic Fixed Income Securities		1.10%
Global Bonds		0.60%
High-Yield Bonds		3.30%

**Discount Rate**

The discount rate used to calculate the total pension asset (liability) was 5.9% for ERS and 6.95% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset (liability).

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 8 – PENSION PLANS – Continued**

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**Sensitivity of the Proportionate Share of the Net Pension Asset (Liability) to the Discount Rate Assumption**

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 5.9% for ERS and 6.95% for TRS, as well as what the District's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower (4.9% for ERS and 5.95% for TRS) or 1-percentage point higher (6.9% for ERS and 7.95% for TRS) than the current rate:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
<b>ERS</b>	<b>(4.9%)</b>	<b>Assumption</b>	
		<b>(5.9%)</b>	<b>(6.9%)</b>
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (1,552,349)	\$ (642,377)	\$ 118,011

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
<b>TRS</b>	<b>(5.95%)</b>	<b>Assumption</b>	
		<b>(6.95%)</b>	<b>(7.95%)</b>
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (3,339,672)	\$ (362,202)	\$ 2,141,831

**Pension Plan Fiduciary Net Position**

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

	(In Thousands)		
	<b>ERS</b>	<b>TRS</b>	<b>Total</b>
Measurement Date	March 31, 2023	June 30, 2022	
Employer's Total Pension Asset (Liability)	\$ (232,627,259)	\$ (133,883,474)	\$ (366,510,733)
Plan Net Position	<u>211,183,223</u>	<u>131,964,582</u>	<u>343,147,805</u>
Employer's Net Pension Asset (Liability)	<u>\$ (21,444,036)</u>	<u>\$ (1,918,892)</u>	<u>\$ (23,362,928)</u>
Ratio of Plan Net Position to the Employer's Total Pension Asset (Liability)	90.78%	98.57%	

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 8 – PENSION PLANS – Continued**

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**Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2023 represent the projected employer contribution for the period of April 1, 2023 through June 30, 2023 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2023 amounted to \$42,412.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2023 are paid to the System in September, October and November 2023 through a state aid intercept. Accrued retirement contributions as of June 30, 2023 represent employee and employer contributions for the fiscal year ended June 30, 2023 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2023 amounted to \$397,009.

**NOTE 9 – INTERFUND TRANSACTIONS -  
GOVERNMENTAL FUNDS**

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Interfund balances at June 30, 2023 are as follows:

	<b>Interfund</b>		<b>Interfund</b>	
	<b>Receivables</b>	<b>Payables</b>	<b>Revenues</b>	<b>Expenditures</b>
General	\$ 510,217	\$ 86,473	\$ -	\$ 6,938
Special Aid	3,398	465,882	6,938	-
Debt Service	91,202	-	3,721	-
School Food Service	-	44,179	-	-
Permanent Fund - Scholarships	-	4,243	-	-
Scholarships and Awards	4,243	-	-	-
Capital Projects - Campus-Wide	-	2,980	-	-
Capital Projects - Buses	-	3,721	-	3,721
Capital Projects - Smart Schools	-	1,582	-	-
Total	<u>\$ 609,060</u>	<u>\$ 609,060</u>	<u>\$ 10,659</u>	<u>\$ 10,659</u>

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 9 – INTERFUND TRANSACTIONS -  
GOVERNMENTAL FUNDS – Continued**

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The District typically transfers resources between funds for the purpose of mitigating the effects of transient cash flow issues. The General Fund advanced funds to the Special Aid Fund to provide temporary cash until New York State has reimbursed the grant programs. Unexpended funds from a capital project are transferred to the Debt Service Fund upon completion.

**NOTE 10 – FUND BALANCE EQUITY**

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The following is a summary of the Governmental Funds fund balances of the District at the year ended June 30, 2023.

<b>FUND BALANCES (DEFICITS)</b>	<b>General</b>	<b>Capital Projects - Campus-Wide</b>	<b>Non- Major</b>	<b>Total Governmental Funds</b>
Nonspendable				
School Food Service Inventory	\$ -	\$ -	\$ 13,993	\$ 13,993
Prepaid Expenditures	4,903	-	-	4,903
Restricted				
Debt Service	-	-	163,225	163,225
Unemployment Insurance	82,666	-	-	82,666
Retirement Contributions - NYSERS	660,235	-	-	660,235
Retirement Contributions - NYSTRS	233,784	-	-	233,784
Insurance	29,452	-	-	29,452
Employee Benefit Accrued Liability	266,165	-	-	266,165
Capital	407,483	-	-	407,483
Extra Classroom Activity Fund	-	-	52,117	52,117
Scholarships and Awards Fund	-	-	6,388	6,388
Permanent Fund - Scholarships	-	-	116,544	116,544
Repair	84,444	-	-	84,444
Assigned				
General Support	5,800	-	-	5,800
Instruction	2,998	-	-	2,998
Pupil Transportation	1,089	-	-	1,089
Designated for Next Fiscal Year	1,276,430	-	-	1,276,430
School Food Service Fund	-	-	113,769	113,769
Unassigned (Deficit)				
Capital Projects - Campus-Wide	-	(12,176,818)	-	(12,176,818)
Capital Projects - Smart Schools	-	-	(1,582)	(1,582)
General Fund	1,031,775	-	-	1,031,775
Total Governmental Fund Balance (Deficit)	<u>\$ 4,087,224</u>	<u>\$ (12,176,818)</u>	<u>\$ 464,454</u>	<u>\$ (7,625,140)</u>

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS**

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**General Information about the OPEB Plan**

*Plan Description* – The District’s defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District’s Board, subject to applicable collective bargaining and employment agreements, and Board of Education policy. The plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

*Benefits Provided* – The District provides healthcare benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

*Employees Covered by Benefit Terms* – At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	52
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>70</u>
Total Covered Employees	<u><u>122</u></u>

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund financial statements as payments are made. For the year ended June 30, 2023, the District recognized approximately \$760,000 for its share of insurance premiums for currently enrolled retirees.

The District participates in the St. Lawrence-Lewis Health Insurance Consortium (the Plan). The Plan allows eligible District employees and spouses to continue health coverage upon retirement. The Plan does issue a publicly available financial report.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE)**

**BENEFITS – Continued**

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**General Information about the OPEB Plan – Continued**

The District provides postemployment health insurance coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the District's contractual agreements. Under both instructional and non-instructional contracts, the District's employees will continue to pay a portion of the total cost of health insurance coverage after retirement. The District remains responsible for the remaining cost with the exception of one employee where the District assumes the full cost of health insurance coverage after retirement.

Eligible teachers are those who are at least age 55 with 10 years of service. Employees must also be eligible to retire under the TRS. Current and future retirees in the teacher employee group contribute 20% of the premium for both individual and spousal coverage. Surviving spouses do not receive health care coverage.

Eligible employees are those who are members of the CSEA employee group are at least age 55 and have 10 years of service. Employees must also be eligible under the ERS for this group. Current and future retirees contribute 30% of the plan premium for individual coverage and 50% for spousal coverage. Surviving spouses do not receive health care coverage under this plan.

**Total OPEB Liability**

The District has obtained an actuarial valuation report as of June 30, 2023 which indicates that the total liability for other postemployment benefits is \$28,864,662 which is reflected in the Statement of Net Position. The OPEB liability was measured as of July 1, 2022 and was determined by an actuarial valuation as of July 1, 2021.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE)****BENEFITS – Continued**

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**Total OPEB Liability – Continued**

*Actuarial Assumptions and Other Inputs* – The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**Actuarial Methods and Assumptions**

Measurement Date	07/01/22
Rate of Compensation Increase	3.00%
Inflation Rate	2.50%
Discount Rate	3.54%
Health Care Cost Trend Rate Assumed for Next Fiscal Year	7.00%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.94%
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period (in Years)	6.2

The discount rate was based on the Bond Buyer Weekly 20-Bond GO Index as of July 1, 2022.

Mortality rates were based on the sex-distinct and job category-specific headcount weighted Pub-2010 Public Retirement Plans Mortality Tables for employees and healthy retirees, adjusted for mortality improvements with scale MP-2021 mortality improvement scale on a generational basis.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2020 – June 30, 2021.

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE)****BENEFITS – Continued**

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**Changes in the Total OPEB Liability**

Balance at June 30, 2022	\$ 30,219,841
Changes for the Year	
Service Cost	1,297,038
Interest	667,217
Changes of Assumptions or Other Inputs	(2,642,352)
Benefit Payments	<u>(677,082)</u>
Net Changes	<u>(1,355,179)</u>
Balance at June 30, 2023	<u><u>\$ 28,864,662</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.14 percent on July 1, 2021 to 3.54 percent on July 1, 2022.

*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 (2.54 percent) or 1 percentage point higher (4.54 percent) than the current discount rate:

	1% Decrease <u>(2.54%)</u>	Discount Rate <u>(3.54%)</u>	1% Increase <u>(4.54%)</u>
Total OPEB Liability	<u>\$ 33,853,168</u>	<u>\$ 28,864,662</u>	<u>\$ 24,858,753</u>



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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE)****BENEFITS – Continued**

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**Changes in the Total OPEB Liability – Continued**

*Sensitivity of the Total OPEB 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 (2.94 percent) or 1 percentage point higher (4.94 percent) than the current healthcare cost trend rate:

	1% Decrease (Trend Less 1% Decreasing to 2.94%)	Healthcare Cost Trend Rates (Trend Decreasing to 3.94%)	1% Increase (Trend Plus 1% Decreasing to 4.94%)
Total OPEB Liability	<u>\$ 24,205,496</u>	<u>\$ 28,864,662</u>	<u>\$ 34,877,070</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2023, the District recognized OPEB expense of \$1,320,043. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 800,160	\$ -
Changes of Assumptions or Other Inputs	3,112,822	3,758,098
Benefit Payments Subsequent to the Measurement Date	<u>765,478</u>	<u>-</u>
	<u>\$ 4,678,460</u>	<u>\$ 3,758,098</u>

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE)****BENEFITS – Continued**

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**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – Continued**

District benefit payments subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,

2024	\$ 780,709
2025	671,977
2026	(64,992)
2027	(721,388)
2028	(426,186)
Thereafter	<u>(85,236)</u>
	<u>\$ 154,884</u>

**NOTE 12 - RISK MANAGEMENT**

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**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 two years.

**Pooled Non-Risk-Retained**

The District incurs costs related to an employee health insurance plan (Plan) sponsored by St. Lawrence-Lewis BOCES and its component districts. The Plan's objectives are to formulate, develop and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Districts joining the Plan must remain members for a minimum of one (1) year; a member may withdraw from the Plan after that time by advance written notification to the Plan's Board of Directors. Plan members include eighteen (18) districts and the BOCES with the Hermon-Dekalb Central School District bearing a 2.45% share of the Plan's assets and claims liabilities.

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 12 - RISK MANAGEMENT – Continued**

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**Pooled Non-Risk-Retained – Continued**

Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the plan's liabilities. The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured. The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claim costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained in writing: St. Lawrence-Lewis Counties School District Employee Medical Plan, Post Office Box 697, Canton, New York 13617.

The District participates in the St. Lawrence-Lewis Counties School District Employees Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law to finance liability and risks related to Workers' Compensation claims. The District share of the liability for unbilled and open claims is \$0.

**NOTE 13 - CONTINGENCIES AND COMMITMENTS**

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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 years' experience, the District's administration believes disallowances, if any, will be immaterial.

**NOTE 14 – DONOR RESTRICTED ENDOWMENTS**

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The District administers endowment funds, which are restricted by the donor for the purposes of Scholarships.

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 14 – DONOR RESTRICTED ENDOWMENTS –**

Continued

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Donor-restricted endowments are reported at fair value.

The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS**

**LAST SIX FISCAL YEARS**

Ended June 30, 2023

<b>Total OPEB Liability</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Service Cost	\$ 1,297,038	\$ 1,336,117	\$ 1,023,418	\$ 571,859	\$ 666,783	\$ 775,116
Interest	667,217	698,730	860,190	787,135	751,946	746,432
Changes in Benefit Terms	-	-	(461,176)	-	(128,168)	-
Difference between Expected and Actual Experience	-	397,087	-	1,857,503	-	(2,398,972)
Changes in Assumptions or Other Inputs	(2,642,352)	(2,168,314)	5,949,944	1,176,061	(1,167,380)	(4,297,622)
Benefit Payments	(677,082)	(648,852)	(641,476)	(571,841)	(580,678)	541,093
<b>Net Change in Total OPEB Liability</b>	<u>(1,355,179)</u>	<u>(385,232)</u>	<u>6,730,900</u>	<u>3,820,717</u>	<u>(457,497)</u>	<u>(4,633,953)</u>
<b>Total OPEB Liability - Beginning</b>	<u>30,219,841</u>	<u>30,605,073</u>	<u>23,874,173</u>	<u>20,053,456</u>	<u>20,510,953</u>	<u>25,144,906</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 28,864,662</u>	<u>\$ 30,219,841</u>	<u>\$ 30,605,073</u>	<u>\$ 23,874,173</u>	<u>\$ 20,053,456</u>	<u>\$ 20,510,953</u>
<b>Covered Payroll</b>	\$ 3,958,332	\$ 3,784,907	\$ 3,784,759	\$ 3,966,296	\$ 3,963,354	\$ 3,521,240
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	729.21%	798.43%	808.64%	601.93%	505.97%	582.49%

10 years of historical information was not available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

See paragraph on supplementary schedules included in independent auditor's report.

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**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**

Year Ended June 30, 2023

	<b>Original Budget</b>	<b>Final Budget</b>
<b>REVENUES</b>		
Local Sources		
Real Property Taxes	\$ 2,316,644	\$ 2,316,644
Other Tax Items	347,374	347,374
Charges for Services	-	-
Use of Money and Property	25,000	25,000
Sale of Property and Compensation for Loss	-	-
Miscellaneous	-	-
Total Local Sources	<u>2,689,018</u>	<u>2,689,018</u>
State Sources	9,437,411	9,437,411
Medicaid Reimbursement	10,000	10,000
Federal Sources	-	-
Total Revenues	<u>12,136,429</u>	<u>12,136,429</u>
<b>OTHER FINANCING SOURCES</b>		
Appropriated Reserves	20,000	20,000
Total Revenues and Other Financing Sources	<u>12,156,429</u>	<u>12,156,429</u>
 <b>EXPENDITURES</b>		
General Support		
Board of Education	11,110	12,219
Central Administration	161,626	172,343
Finance	246,040	254,487
Staff	78,538	71,652
Central Services	745,986	732,598
Special Items	435,067	435,067
Total General Support	<u>1,678,367</u>	<u>1,678,366</u>
Instruction		
Instruction, Administration and Improvement	260,057	248,322
Teaching - Regular School	2,656,980	2,578,920
Programs for Children with Handicapping Conditions	2,136,635	2,139,232
Occupational Education	417,700	423,572
Teaching - Special School	64,151	58,279
Instructional Media	461,539	520,006
Pupil Services	441,145	440,676
Total Instruction	<u>6,438,207</u>	<u>6,409,007</u>
Pupil Transportation	552,417	581,618
Community Service	2,750	2,750
Employee Benefits	3,031,421	3,031,421
Debt Service	1,860,591	1,860,591
Total Expenditures	<u>13,563,753</u>	<u>13,563,753</u>
<b>OTHER FINANCING USES</b>		
Operating Transfers to Other Funds	15,000	15,000
Total Expenditures and Other Financing Uses	<u>13,578,753</u>	<u>13,578,753</u>
Net Change in Fund Balance	(1,422,324)	(1,422,324)
Fund Balances - Beginning of Year	3,130,557	3,130,557
Fund Balances - End of Year	<u>\$ 1,708,233</u>	<u>\$ 1,708,233</u>

# HERMON-DEKALB CENTRAL SCHOOL DISTRICT

Actual		Final Budget Variance With Actual	
\$	2,316,644	\$	-
	355,964		8,590
	69,590		69,590
	102,842		77,842
	1,864		1,864
	304,479		304,479
	<u>3,151,383</u>		<u>462,365</u>
	9,555,279		117,868
	33,852		23,852
	11,945		11,945
	<u>12,752,459</u>		<u>616,030</u>
	-		(20,000)
	<u>12,752,459</u>		<u>\$ 596,030</u>
Year-End Encumbrances		Final Budget Variance With Actual And Encumbrances	
	\$ -	\$	1,116
	-		10,511
	-		2,490
	-		10,394
	5,800		165,541
	-		3,351
	<u>5,800</u>		<u>193,403</u>
	-		27,278
	172		152,846
	-		554,289
	-		3,474
	-		22,088
	2,826		6,923
	-		68,593
	<u>2,998</u>		<u>835,491</u>
	1,089		69,695
	-		2,750
	-		312,423
	-		351,250
	<u>9,887</u>		<u>1,765,012</u>
	-		8,062
	<u>\$ 9,887</u>		<u>\$ 1,773,074</u>
	956,667		
	3,130,557		
	<u>\$ 4,087,224</u>		

**Note to Required Supplementary Information Budget Basis of Accounting:** Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

See paragraph on supplementary schedules included in independent auditor's report.

**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) - NYSLRS PENSION PLAN  
LAST NINE FISCAL YEARS**

Ended June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Teachers' Retirement System (TRS)</b>									
District's Proportion of the Net Pension Asset (Liability)	0.018876%	0.018670%	0.018080%	0.017497%	0.017718%	0.016825%	0.016648%	0.016316%	0.015740%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (362,202)	\$ 3,235,312	\$ (499,592)	\$ 454,561	\$ 320,383	\$ 127,888	\$ (178,307)	\$ 1,694,679	\$ 1,753,390
District's Covered Payroll	\$ 3,400,944	\$ 3,180,688	\$ 3,083,159	\$ 2,918,953	\$ 2,891,593	\$ 2,675,195	\$ 2,568,772	\$ 2,470,842	\$ 2,336,353
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	<u>10.65%</u>	<u>101.72%</u>	<u>16.20%</u>	<u>15.57%</u>	<u>11.08%</u>	<u>4.78%</u>	<u>6.94%</u>	<u>68.59%</u>	<u>75.05%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	98.57%	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
<b>Employees' Retirement System (ERS)</b>									
District's Proportion of the Net Pension Asset (Liability)	0.0029956%	0.0028124%	0.0024848%	0.0026169%	0.0026472%	0.0026226%	0.0028900%	0.0029169%	0.0031027%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (642,377)	\$ 229,902	\$ (2,474)	\$ (692,975)	\$ (187,564)	\$ (84,642)	\$ (271,550)	\$ (468,171)	\$ (104,816)
District's Covered Payroll	\$ 1,018,354	\$ 927,038	\$ 873,889	\$ 861,431	\$ 893,460	\$ 865,863	\$ 854,222	\$ 810,716	\$ 838,142
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	<u>63.08%</u>	<u>24.80%</u>	<u>0.28%</u>	<u>80.44%</u>	<u>20.99%</u>	<u>9.78%</u>	<u>31.79%</u>	<u>57.75%</u>	<u>12.51%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%

10 years of historical information was not available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

See paragraph on supplementary schedules included in independent auditor's report.



**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS – NYSLRS PENSION PLAN**

**LAST NINE FISCAL YEARS**

Ended June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Teachers' Retirement System (TRS)</b>									
Contractually Required Contribution	\$ 327,698	\$ 301,994	\$ 271,887	\$ 310,152	\$ 282,829	\$ 312,483	\$ 340,643	\$ 429,632	\$ 419,750
Contributions in Relation to the Contractually Required Contribution	<u>327,698</u>	<u>301,994</u>	<u>271,887</u>	<u>310,152</u>	<u>282,829</u>	<u>312,483</u>	<u>340,643</u>	<u>429,632</u>	<u>419,750</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 3,400,944	\$ 3,180,688	\$ 3,180,688	\$ 3,083,159	\$ 2,918,953	\$ 2,891,593	\$ 2,675,195	\$ 2,568,772	\$ 2,470,842
Contributions as a Percentage of Covered Payroll	9.64%	9.49%	8.55%	10.06%	9.69%	10.81%	12.73%	16.73%	16.99%
<b>Employees' Retirement System (ERS)</b>									
Contractually Required Contribution	\$ 110,593	\$ 140,809	\$ 119,288	\$ 116,322	\$ 125,534	\$ 127,807	\$ 127,871	\$ 136,237	\$ 167,627
Contributions in Relation to the Contractually Required Contribution	<u>110,593</u>	<u>140,809</u>	<u>119,288</u>	<u>116,322</u>	<u>125,534</u>	<u>127,807</u>	<u>127,871</u>	<u>136,237</u>	<u>167,627</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 1,018,354	\$ 927,038	\$ 873,889	\$ 861,431	\$ 893,460	\$ 865,863	\$ 854,222	\$ 810,716	\$ 838,142
Contributions as a Percentage of Covered Payroll	10.86%	15.19%	13.65%	13.50%	14.05%	14.76%	14.97%	16.80%	20.00%

10 years of historical information was not available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

See paragraph on supplementary schedules included in independent auditor's report.

# HERMON-DEKALB CENTRAL SCHOOL DISTRICT

## SUPPLEMENTARY INFORMATION

### SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT – GENERAL FUND

June 30, 2023

#### CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 13,557,125
Add: Prior Year's Encumbrances	<u>21,628</u>
Original Budget	13,578,753
Budget Revisions	<u>-</u>
Final Budget	<u><u>\$ 13,578,753</u></u>

#### SECTION 1318 OF REAL PROPERTY TAX LAW CALCULATION

2023-2024 Voter Approved Expenditure Budget	<u>\$ 14,262,451</u>
Maximum Allowed 4% of 2023-2024 Budget	<u><u>\$ 570,498</u></u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 1,286,317
Unassigned Fund Balance	<u>1,031,775</u>
Total Unrestricted Fund Balance	<u><u>2,318,092</u></u>
Less:	
Appropriated Fund Balance	1,276,430
Encumbrances Included in Assigned Fund Balance	<u>9,887</u>
Total Adjustments	<u><u>1,286,317</u></u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 1,031,775</u></u>
Actual Percentage	<u><u>7.23%</u></u>

See paragraph on supplementary schedules included in independent auditor's report.

**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF CAPITAL PROJECTS FUND - PROJECTS EXPENDITURES AND FINANCING RESOURCES**

Year Ended June 30, 2023

PROJECT	Expenditures					Methods of Financing						Transfer to Debt Service Fund	Fund Balance (Deficit) 6/30/2023
	Original Appropriation	Revised Appropriation	Prior Year	Current Year	Total	Unexpended Balance	BANS Redeemed From Appropriations	Proceeds Of Obligations	State Aid	Local Sources	Total		
Buses 6/30/23	\$ 285,000	\$ 285,000	\$ -	\$ 281,279	\$ 281,279	\$ 3,721	\$ -	\$ 285,000	\$ -	\$ -	\$ 285,000	\$ 3,721	\$ -
Smart Schools	220,137	220,137	147,288	-	147,288	72,849	-	-	145,706	-	145,706	-	(1,582)
Capital Project - Campus-Wide	15,000,000	15,000,000	14,069,662	104,899	14,174,561	825,439	1,145,000	-	-	852,743	1,997,743	-	(12,176,818)
Totals	\$ 15,505,137	\$ 15,505,137	\$ 14,216,950	\$ 386,178	\$ 14,603,128	\$ 902,009	\$ 1,145,000	\$ 285,000	\$ 145,706	\$ 852,743	\$ 2,428,449	\$ 3,721	\$ (12,178,400)

See paragraph on supplementary schedules included in independent auditor's report.

**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

**COMBINED BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS**

June 30, 2023

	<u>School Food Service</u>	<u>Extra Classroom Activity</u>	<u>Scholarships and Awards</u>	<u>Debt Service</u>	<u>Capital - Buses</u>	<u>Capital - Smart Schools</u>	<u>Permanent Fund - Scholarships</u>	<u>Total Non-Major Funds</u>
<b>ASSETS</b>								
Cash and Cash Equivalents								
Unrestricted	\$ 157,175	\$ -	\$ -	\$ -	\$ 3,721	\$ -	\$ -	\$ 160,896
Restricted	-	52,117	2,145	72,024	-	-	120,787	247,073
Receivables								
Due From Other Funds	-	-	4,243	91,202	-	-	-	95,445
State and Federal Aid	1,321	-	-	-	-	1,582	-	2,903
Inventories	13,993	-	-	-	-	-	-	13,993
<b>TOTAL ASSETS</b>	<u>\$ 172,489</u>	<u>\$ 52,117</u>	<u>\$ 6,388</u>	<u>\$ 163,226</u>	<u>\$ 3,721</u>	<u>\$ 1,582</u>	<u>\$ 120,787</u>	<u>\$ 520,310</u>
<b>LIABILITIES</b>								
Payables								
Accrued Liabilities	\$ 68	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ 69
Due to Other Funds	44,179	-	-	-	3,721	1,582	4,243	53,725
Due to Other Governments	311	-	-	-	-	-	-	311
Unearned Credits								
Unearned Revenues	169	-	-	-	-	-	-	169
Total Liabilities	<u>44,727</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>3,721</u>	<u>1,582</u>	<u>4,243</u>	<u>54,274</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Deferred State Aid	-	-	-	-	-	1,582	-	1,582
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,582</u>	<u>-</u>	<u>1,582</u>
<b>FUND BALANCES (DEFICITS)</b>								
Nonspendable	13,993	-	-	-	-	-	-	13,993
Restricted	-	52,117	6,388	163,225	-	-	116,544	338,274
Assigned	113,769	-	-	-	-	-	-	113,769
Unassigned (Deficit)	-	-	-	-	-	(1,582)	-	(1,582)
Total Fund Balances (Deficits)	<u>127,762</u>	<u>52,117</u>	<u>6,388</u>	<u>163,225</u>	<u>-</u>	<u>(1,582)</u>	<u>116,544</u>	<u>464,454</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>	<u>\$ 172,489</u>	<u>\$ 52,117</u>	<u>\$ 6,388</u>	<u>\$ 163,226</u>	<u>\$ 3,721</u>	<u>\$ 1,582</u>	<u>\$ 120,787</u>	<u>\$ 520,310</u>

See paragraph on supplementary schedules included in independent auditor's report.

**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

**COMBINED REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2023

	School Food Service	Extra Classroom Activity	Scholarships and Awards	Debt Service	Capital- Buses	Capital- Smart Schools	Permanent Fund - Scholarships	Total Non-Major Funds
<b>REVENUES</b>								
Charges for Services	\$ 22,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,500
Use of Money and Property	12	-	4,244	30,996	-	-	-	35,252
State Sources	6,587	-	-	-	-	-	-	6,587
Federal Sources	267,286	-	-	-	-	-	-	267,286
Miscellaneous	3,833	66,772	5,244	-	-	-	-	75,849
Total Revenues	300,218	66,772	9,488	30,996	-	-	-	407,474
<b>EXPENDITURES</b>								
General Support	41,724	-	-	-	-	-	-	41,724
Employee Benefits	47,322	-	-	-	-	-	-	47,322
Debt Service:								
Principal	-	-	-	200,000	-	-	-	200,000
Food Service Program:								
Cost of Sales	200,217	-	-	-	-	-	-	200,217
Other Expenditures	-	65,492	7,369	-	-	-	-	72,861
Capital Outlay	-	-	-	-	281,279	-	-	281,279
Total Expenditures	289,263	65,492	7,369	200,000	281,279	-	-	843,403
Excess (Deficiency) of Revenues								
Over Expenditures	10,955	1,280	2,119	(169,004)	(281,279)	-	-	(435,929)
<b>OTHER FINANCING SOURCES AND (USES)</b>								
Premium on Debt Issuance	-	-	-	82,919	-	-	-	82,919
Proceeds From Debt	-	-	-	-	285,000	-	-	285,000
Operating Transfers In	-	-	-	3,721	-	-	-	3,721
Operating Transfers (Out)	-	-	-	-	(3,721)	-	-	(3,721)
Total Other Financing Sources and (Uses)	-	-	-	86,640	281,279	-	-	367,919
Net Change in Fund Balance	10,955	1,280	2,119	(82,364)	-	-	-	(68,010)
Fund Balances (Deficit) - Beginning of Year	116,807	50,837	4,269	245,589	-	(1,582)	116,544	532,464
Fund Balances (Deficit) - End of Year	\$ 127,762	\$ 52,117	\$ 6,388	\$ 163,225	\$ -	\$ (1,582)	\$ 116,544	\$ 464,454

See paragraph on supplementary schedules included in independent auditor's report.

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**NET INVESTMENT IN CAPITAL ASSETS**

Year Ended June 30, 2023

Capital Assets, Net		\$ 19,293,042
Add:		
Deferred Charge on Bond Refunding		28,417
Deduct:		
Bond Anticipation Note	\$ 12,855,000	
Less: Unspent BAN Proceeds	(678,182)	
Premium on Bonds Payable	44,605	
Short-Term Portion of Bonds Payable	520,000	
Long-Term Portion of Bonds Payable	<u>530,000</u>	<u>13,271,423</u>
Net Investment in Capital Assets		<u>\$ 6,050,036</u>

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See paragraph on supplementary schedules included in independent auditor's report.

## **FEDERAL AWARD PROGRAM INFORMATION**

**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**

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**BOARD OF EDUCATION  
HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information Hermon-DeKalb Central School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Hermon-DeKalb Central School District's basic financial statements, and have issued our report thereon dated October 12, 2023.

**Report on Internal Control over Financial Reporting**

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

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



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

### **Report on Compliance and Other Matters**

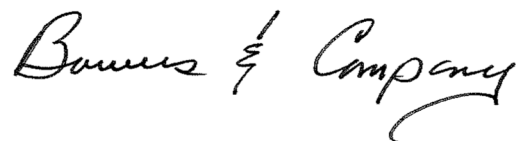
As part of obtaining reasonable assurance about whether Hermon-DeKalb Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-001.

### **Hermon-Dekalb Central School District's Response to Findings**

*Governmental Auditing Standards* requires the auditor to perform limited procedures on the Hermon-DeKalb Central School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Hermon-DeKalb Central School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

A handwritten signature in cursive script that reads "Banner & Company". The signature is written in dark ink and is positioned in the lower right area of the page.

Watertown, New York  
October 12, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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**BOARD OF EDUCATION  
HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Hermon-DeKalb Central School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hermon-DeKalb Central School District's major federal programs for the year ended June 30, 2023. Hermon-DeKalb Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Hermon-DeKalb Central School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Hermon-DeKalb Central School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Hermon-DeKalb Central School District's compliance with the compliance requirements referred to above.

## **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Hermon-DeKalb Central School District's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Hermon-DeKalb Central School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Hermon-DeKalb Central School District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Hermon-DeKalb Central School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hermon-DeKalb Central School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Hermon-DeKalb Central School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Banner & Company". The signature is written in a cursive, flowing style.

Watertown, New York  
October 12, 2023

**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2023

<b>FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE</b>	<b>Assistance Listing Number</b>	<b>Agency or Pass-Through Number</b>	<b>Federal Expenditures</b>
<b><u>U. S. Department of Education</u></b>			
<b>Passed-Through NYS Education Department:</b>			
Title I Grants to Local Educational Agencies:			
Title I Grants to Local Educational Agencies	84.010A	0011-23-2096	\$ 30,438
Title I Grants to Local Educational Agencies	84.010A	0011-22-2096	11,370
Title I Grants to Local Educational Agencies	84.010A	0021-23-2615	172,195
Total Title I Grants to Local Educational Agencies			<u>214,003</u>
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)	84.027A	0032-23-0792	118,079
COVID-19: Special Education - Grants to States (IDEA, Part B)	84.027X	5532-22-0792	22,818
Special Education - Preschool Grants (IDEA Preschool)	84.173A	0033-23-0792	3,567
Total Special Education Cluster			<u>144,464</u>
Education Stabilization Fund:			
COVID-19: Elementary and Secondary School Emergency Relief Fund (CRRSA - ESSER II)	84.425D	5891-21-2615	382,391
COVID-19: Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-2615	7,058
COVID-19: Governor's Emergency Education Relief Fund	84.425C	5895-21-2615	4,887
COVID-19: American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER III)	84.425U	5880-21-2615	565,588
COVID-19: American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP SLR Summer Enrichment)	84.425U	5882-21-2615	10,645
COVID-19: American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP SLR Learning Loss)	84.425U	5884-21-2615	38,154
COVID-19: American Rescue Plan Elementary and Secondary School Emergency Relief Fund - Homeless Children and Youth	84.425W	5218-21-2615	3,750
Total Education Stabilization Fund			<u>1,012,473</u>
Rural Education	84.358B	0006-22-2615	7,275
Rural Education	84.358B	0006-21-2615	2,082
Total Rural Education			<u>9,357</u>
Supporting Effective Instruction State Grants	84.367A	0147-23-2615	16,993
Student Support and Academic Enrichment Program	84.424A	0204-23-2615	<u>13,461</u>
Total Passed Through NYS Education Department			<u>1,410,751</u>
Subtotal to Next Page			<u>\$ 1,410,751</u>

See paragraph on supplementary schedules included in independent auditor's report and accompanying notes to schedule of expenditures of federal awards.

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED**

Year Ended June 30, 2023

<b>FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE</b>	<b>Assistance Listing Number</b>	<b>Agency or Pass-Through Number</b>	<b>Federal Expenditures</b>
Subtotal from Previous Page			<u>\$ 1,410,751</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
<b>Passed-Through St. Lawrence County</b>			
COVID-19: Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323		<u>16,996</u>
Total Passed Through St. Lawrence County			<u>16,996</u>
Total U.S. Department of Health and Human Services			<u>16,996</u>
<b><u>U. S. Department of Agriculture</u></b>			
<b>Passed-Through NYS Education Department:</b>			
Child Nutrition Discretionary Grants Limited Availability	10.579		11,994
COVID-19: Pandemic EBT Administrative Costs	10.649		<u>628</u>
Child Nutrition Cluster			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555		<u>20,435</u>
Non-Cash Assistance Subtotal			<u>20,435</u>
Cash Assistance			
School Breakfast Program	10.553		69,831
National School Lunch Program	10.555		137,745
COVID-19: Supply Chain Assistance Grant	10.555		33,721
Summer Food Service Program	10.559		<u>4,926</u>
Cash Assistance Subtotal			<u>246,223</u>
Total Child Nutrition Cluster			<u>279,280</u>
Total Passed Through NYS Education Department			<u>279,280</u>
Total U.S. Department of Agriculture			<u>279,280</u>
Total Federal Assistance			<u>\$ 1,707,027</u>

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See paragraph on supplementary schedules included in independent auditor's report and accompanying notes to schedule of expenditures of federal awards.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2023

**NOTE 1 – BASIS OF PRESENTATION**

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The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of federal award programs administered by the District, which is described in Note 1 to the District’s accompanying financial statements, using the modified accrual basis of accounting. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the District’s financial statements. Federal awards that are included in the Schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies.

The information presented in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance).

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District’s financial reporting system.

The federal expenditures are recognized under the Uniform Guidance.

The District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source of the data presented.

Matching costs (the District’s share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

**NOTE 3 – SUBRECIPIENTS**

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No amounts were provided to subrecipients.

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2023

**NOTE 4 – SCOPE OF AUDIT**

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The District is an independent municipal corporation. All federal grant operations of the District are included in the scope of the single audit.

**NOTE 5 – OTHER DISCLOSURES**

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No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds is covered by the District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year-end.

**NOTE 6 – NON-MONETARY FEDERAL PROGRAM**

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The District is the recipient of a federal award program that does not result in cash receipts or disbursements. The District was granted \$20,435 of commodities under the Summer Food Service Program (Assistance Listing 10.555).



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2023

**NOTE A – SUMMARY OF AUDITOR’S RESULTS**

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1. The auditor’s report expresses an unmodified opinion on the basic financial statements of Hermon-DeKalb Central School District.
2. No significant deficiencies were disclosed during the audit of the basic financial statements of Hermon-DeKalb Central School District.
3. One instance of noncompliance material to the financial statements of Hermon-DeKalb Central School District, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major programs were disclosed during the audit of the major federal award programs of Hermon-DeKalb Central School District.
5. The auditor’s report on compliance for the major federal award programs for Hermon-DeKalb Central School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with 2 CFR Section 200.516(a) related to the major federal award programs for Hermon-DeKalb Central School District.
7. The programs tested as major programs includes:

U.S. Department of Education

Passed-Through NYS Education Department

COVID-19: American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U
COVID-19: Governor’s Emergency Education Relief Fund	84.425C
COVID-19: Elementary and Secondary School Emergency Relief Fund	84.425D
COVID-19: American Rescue Plan Elementary and Secondary School Emergency Relief Fund - Homeless Children and Youth	84.425W

8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. Hermon-DeKalb Central School District was determined not to be a low-risk auditee.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2023

**NOTE B – FINDINGS – FINANCIAL STATEMENT AUDIT**

---

**Finding Control Number: 2023-001**

*Instances of Noncompliance with Laws or Regulations*

Surplus Unexpended Funds in Excess of 4% Limitation

**Criteria**

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds, excluding the reserves for tax reduction and insurance recoveries, the District can retain to no more than 4% of the subsequent year's budgeted appropriations. Amounts appropriated for the subsequent year, encumbrances, nonspendable and restricted balances are also excluded for the 4% limitation.

**Condition**

The District exceeded the 4% limitation of unexpended surplus funds within the General Fund by \$461,277 during the fiscal year.

**Context**

During our audit test of compliance - §1318 Real Property Tax, it was noted that the unassigned fund balances of \$1,031,775 had exceeded maximum allowed unexpended balance of \$570,498 for the fiscal year ended.

**Effect**

As a result, the District was not in compliance with the unexpended surplus funds limitation requirements of the Real Property Tax Law §1318 for the fiscal year ended June 30, 2023.

**Cause**

The District understands the requirements relating to §1318 Real Property Tax law and due to the uncertainty of primary revenue sources maintains fund balance levels deemed appropriate in accordance with their long range fund balance plan.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2023

**NOTE B – FINDINGS – FINANCIAL STATEMENT AUDIT –**

Continued

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**Finding Control Number: 2023-001 – Continued**

Surplus Unexpended Funds in Excess of 4% Limitation - Continued

**Recommendation**

We recognize the District has developed and implemented a long range written reserve plan. The District also monitors the fund balance on a regular basis. We recommend school officials continue to review fund balance throughout the year to address compliance with the Real Property Tax Law §1318.

**Views of Responsible Officials and Planned Corrective Actions**

The District will continue to monitor our Fund Balance to be in compliance with the Real Property Tax Law §1318 limitation of Unassigned Fund Balance at 4% with the ending of the Federal stimulus money we will look to use the excess Fund Balance to cover shortfalls.

**NOTE C – FINDINGS AND QUESTIONED COSTS – MAJOR  
FEDERAL AWARD PROGRAMS AUDIT**

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There were no findings to report.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Year Ended June 30, 2023

**NOTE A – FINDINGS – FINANCIAL STATEMENT AUDIT**

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There were no prior year audit findings.

**NOTE B – FINDINGS AND QUESTIONED COSTS – MAJOR  
FEDERAL AWARD PROGRAMS AUDIT**

---

There were no prior year audit findings.

**EXTRA CLASSROOM ACTIVITY FUNDS**

## **INDEPENDENT AUDITOR'S REPORT ON EXTRA CLASSROOM ACTIVITY FUNDS**

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### **BOARD OF EDUCATION HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

#### **Opinion**

We have audited the accompanying statement of cash receipts and disbursements of the Extra Classroom Activity Funds of Hermon-DeKalb Central School District for the year ended June 30, 2023 and the related note to the financial statement.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the statement of cash receipts and disbursements of the Extra Classroom Activity Funds of Hermon-DeKalb Central School District for the year then ended June 30, 2023, in accordance with cash basis of accounting described in Note 1.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hermon-DeKalb Central School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of Matter – Basis of Accounting**

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

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

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error.

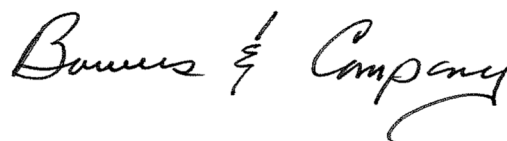
## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance auditing standards generally accepted in the United States of America and Appendix E of the Minimum Program for Audit of Financial Records of New York State School Districts, we:

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

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



Watertown, New York  
October 12, 2023

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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**

Year Ended June 30, 2023

	<b>Cash Balance 07/01/2022</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>	<b>Cash Balance 06/30/2023</b>
<b>Class of:</b>				
2021	\$ 430	\$ -	\$ -	\$ 430
2022	2,673	-	1,161	1,512
2023	9,526	17,907	27,199	234
2024	7,248	6,656	3,452	10,452
2025	2,740	5,742	3,760	4,722
2026	-	18,179	11,384	6,795
Athletic Account	435	476	407	504
Drama Club	2,718	-	-	2,718
Fine Arts Club	1,633	7	-	1,640
Interest Account	90	5	-	95
National Honor Society	1,164	420	191	1,393
NYS Sales Tax	492	575	599	468
Outing Club	7,048	11,494	12,187	6,355
Student Council	7,125	2,016	1,221	7,920
Yearbook	7,515	3,295	3,931	6,879
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 50,837</u>	<u>\$ 66,772</u>	<u>\$ 65,492</u>	<u>\$ 52,117</u>

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See note to the financial statement.



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**HERMON-DEKALB CENTRAL SCHOOL DISTRICT**

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**EXTRA CLASSROOM ACTIVITY FUNDS - NOTE TO FINANCIAL STATEMENT**

June 30, 2023

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

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The Extra Classroom Activity Funds of the Hermon-DeKalb Central School District represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extra Classroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management.

The accounts of the Extra Classroom Activity Funds of the Hermon-DeKalb Central School District are maintained on a cash basis and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets and accrued income and expenses, which would be recognized under generally accepted accounting principles and, which may be material in amount, are not recognized in the accompanying financial statement.