

HARRISVILLE CENTRAL
SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2023

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HARRISVILLE CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR’S REPORT

TO THE BOARD OF EDUCATION HARRISVILLE 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 Harrisville 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 Harrisville 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 Harrisville 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 Harrisville 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 Harrisville 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 Harrisville 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 Harrisville 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 5-18), Schedule of Changes in the District's Total OPEB Liability and Related Ratios (page 80), Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund (pages 81-82), Schedule of District's Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan (page 83), and Schedule of District's Contributions – NYSLRS Pension Plan (page 84) 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.

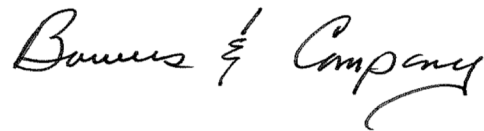
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harrisville 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 85-89) and Schedule of Expenditures of Federal Awards (pages 96-97), 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 85-89), and the Schedule of Expenditures of Federal Awards (pages 96-97) 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 16, 2023, on our consideration of the Harrisville 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 Harrisville 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 Harrisville Central School District’s internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Banner & Company". The signature is written in dark ink and is positioned to the right of the main text block.

Watertown, New York
October 16, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

INTRODUCTION

The following is a discussion and analysis of the Harrisville Central School District's (the District) financial performance for the fiscal year ended June 30, 2023. It is a summary of the District's financial activities based on currently known facts, decisions or conditions. It is based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year.

The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF FINANCIAL STATEMENTS

The District's annual report consists of three parts: management's discussion & analysis, the basic financial statements, and required supplementary information.

Management's Discussion and Analysis

This section presents Management's Discussion and Analysis (MD&A). It precedes the financial statements, and its purpose is to put current financial performance in perspective relative to past performance and future expectations.

Basic Financial Statements

The basic financial statements include two kinds of statements that present different views of the District, district-wide and fund financial statements.

Required Supplementary Information

The basic financial statements and notes are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

Table A-1 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.

HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

OVERVIEW OF FINANCIAL STATEMENTS - Continued

| Table A-1 | Major Features of the District-Wide and Fund Financial Statement | | |
|---|--|---|---|
| ➔ | District-Wide | Fund Financial Statements | |
| | | Governmental Funds | Fiduciary Funds |
| Scope | 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 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 |
| Required Financial Statements | 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 |
| Accounting Basis and Measurement Focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial focus | Accrual accounting and economic resources focus |
| Type of Asset / Liability Information | 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 |
| Type of Inflow / Outflow Information | 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 |

District-Wide Financial Statements

The first two financial statements that follow are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status. 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.

HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

OVERVIEW OF FINANCIAL STATEMENTS - Continued

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, deferred outflows, liabilities and deferred inflows - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial 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 formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

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. 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).

HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

FUND FINANCIAL STATEMENTS - Continued

The District has two kinds of funds:

Governmental Funds - include most of the District's basic services. They generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending.

- 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.
- 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 detailed in Note 2 of the financial statements explains the relationship (or differences) between them.

Fiduciary Funds - the District is the trustee, or fiduciary, for assets that belong to others, such as the custodial fund.

- The fiduciary funds statements provide information about financial relationships in which the District acts trustee, or fiduciary, for assets that belong to others, such as property taxes collected on behalf of other governments.
- The District is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.
- The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Condensed Statement of Net Position – Governmental Activities

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

| | 2023 | 2022 | Percent Change |
|---|-----------------------|-----------------------|-------------------|
| Assets | | | |
| Current and Other Assets | \$ 2,710,030 | \$ 3,097,494 | -12.5% |
| Capital Assets, Net | 17,627,914 | 17,471,515 | 0.9% |
| Net Pension Assets | - | 3,137,163 | -100.0% |
| Total Assets | <u>\$ 20,337,944</u> | <u>\$ 23,706,172</u> | -14.2% |
| Deferred Outflows of Resources | | | |
| Other Postemployment Benefits | \$ 7,564,665 | \$ 9,516,198 | -20.5% |
| Pensions | 2,413,591 | 2,295,803 | 5.1% |
| Total Deferred Outflows of Resources | <u>\$ 9,978,256</u> | <u>\$ 11,812,001</u> | -15.5% |
| Liabilities | | | |
| Current Liabilities | \$ 1,804,757 | \$ 1,282,332 | 40.7% |
| Long-Term Liabilities | 49,129,020 | 52,027,294 | -5.6% |
| Total Liabilities | <u>\$ 50,933,777</u> | <u>\$ 53,309,626</u> | -4.5% |
| Deferred Inflows of Resources | | | |
| Other Postemployment Benefits | \$ 7,560,106 | \$ 6,110,876 | 23.7% |
| Pensions | 291,952 | 4,138,285 | -92.9% |
| Total Deferred Inflows of Resources | <u>\$ 7,852,058</u> | <u>\$ 10,249,161</u> | -23.4% |
| Net Position | | | |
| Net Investment in Capital Assets | \$ 10,526,571 | \$ 9,828,673 | 7.1% |
| Restricted | 1,282,008 | 1,584,112 | -19.1% |
| Unrestricted | (40,278,214) | (39,453,399) | -2.1% |
| Total Net Position | <u>\$(28,469,635)</u> | <u>\$(28,040,614)</u> | -1.5% |

Total District net position deficit increased 1.5% in 2022-2023, or \$429,021 from the prior year balance. Long-term liabilities decreased 5.6% or \$2,898,274 in fiscal year ending 2023 due mainly to the changes in long-term liabilities for GASB 68 Pensions and GASB 75 OPEB. Other changes included capital assets increases 0.9%, or \$156,399 and restricted net position decreases 19.1% or \$302,104, since fiscal year ending 2023.

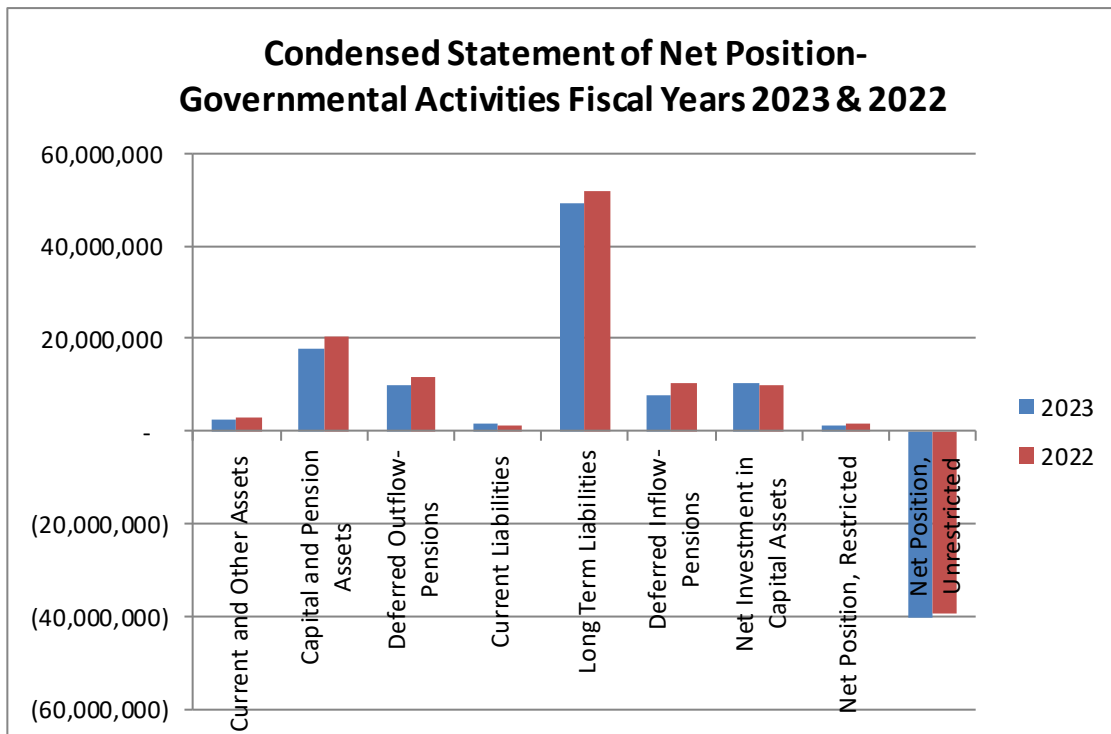
HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the School District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$28,469,635 at the close of the most recent fiscal year. This represents a \$429,021 deficit increase 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 \$41,170,200. See Note 11 for additional OPEB information.



HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

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

Changes in Net Position from Operating Results – District Wide

**Condensed Statement of Activities and Changes in Net Position
Comparison 2023 - 2022**

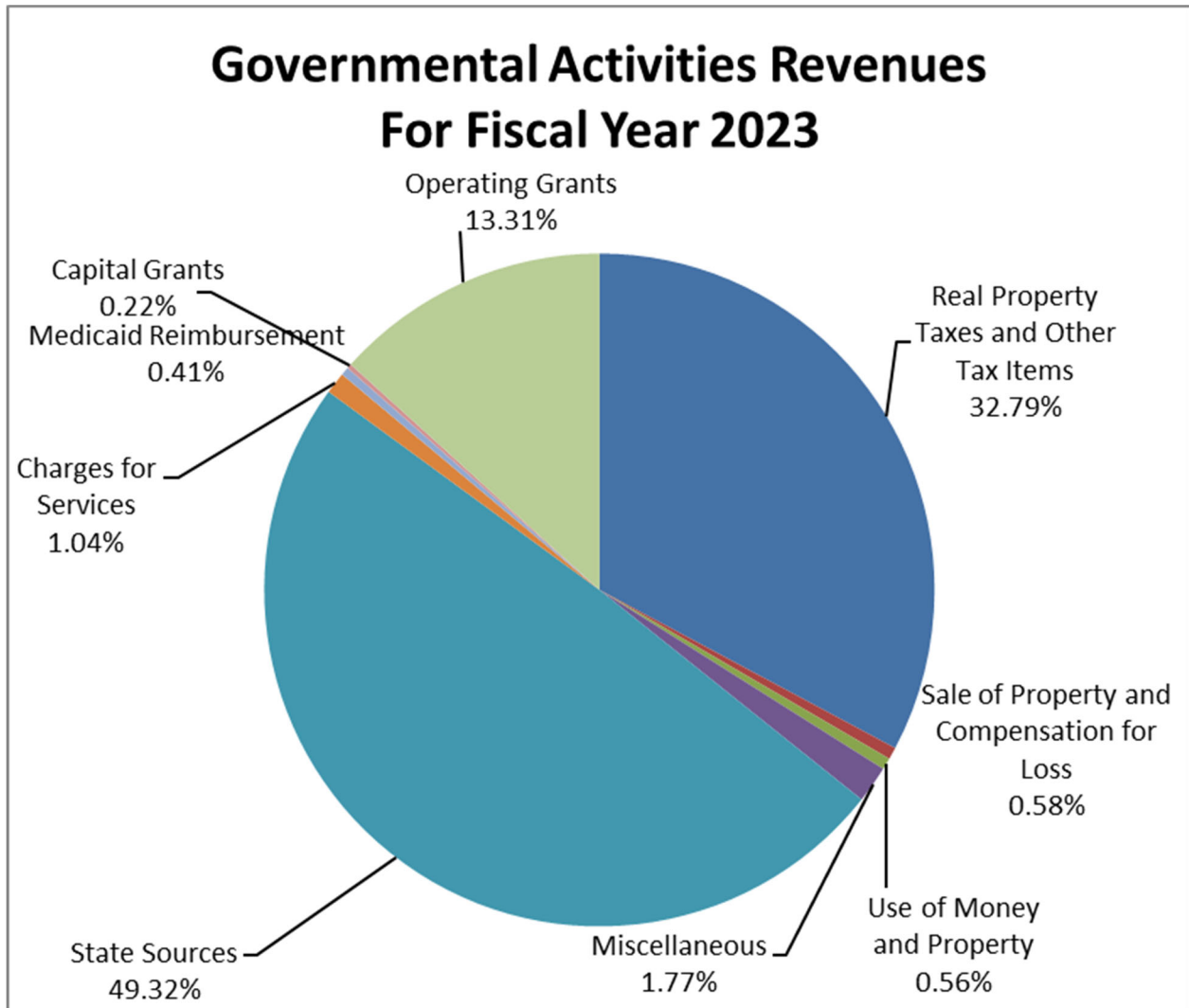
| | Fiscal Year 2023 | Fiscal Year 2022 | Percent Change |
|--|-----------------------------|-----------------------------|---------------------------|
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services | \$ 130,191 | \$ 15,696 | 729.5% |
| Operating Grants | 1,666,799 | 1,286,424 | 29.6% |
| Capital Grants | 27,865 | 229,030 | -87.8% |
| General Revenues | | | |
| Real Property Taxes and Other Tax Items | 4,107,133 | 4,033,991 | 1.8% |
| State Aid | 6,178,212 | 6,074,600 | 1.7% |
| Federal Aid | 50,878 | 24,019 | 111.8% |
| Use of Money and Property | 70,238 | 11,963 | 487.1% |
| Sale of Property and Compensation for Loss | 6,202 | 5,824 | 6.5% |
| Gain on Disposal of Property | 66,511 | 46,002 | 44.6% |
| Miscellaneous | 222,304 | 173,849 | 27.9% |
| Total Revenues | <u>12,526,333</u> | <u>11,901,398</u> | <u>5.3%</u> |
| Expenses | | | |
| General Support | 2,213,720 | 2,252,181 | -1.7% |
| Instruction | 8,917,712 | 8,329,440 | 7.1% |
| Transportation | 1,210,301 | 1,130,597 | 7.0% |
| Community Service | 1,230 | - | 100% |
| Debt Service | 271,536 | 235,974 | 15.1% |
| School Food Service Program | 340,855 | 312,829 | 9.0% |
| Total Expenses | <u>12,955,354</u> | <u>12,261,021</u> | <u>5.7%</u> |
| Change in Net Position | <u>\$ (429,021)</u> | <u>\$ (359,623)</u> | <u>-19.3%</u> |

HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued



The District's total revenues were \$12,526,333. A majority of the revenue comes from state aid for general programs of 49.32%, or \$6,178,212. Property taxes, including STAR and interest and penalties, accounted for another 32.79%, or \$4,107,133 of total revenues.

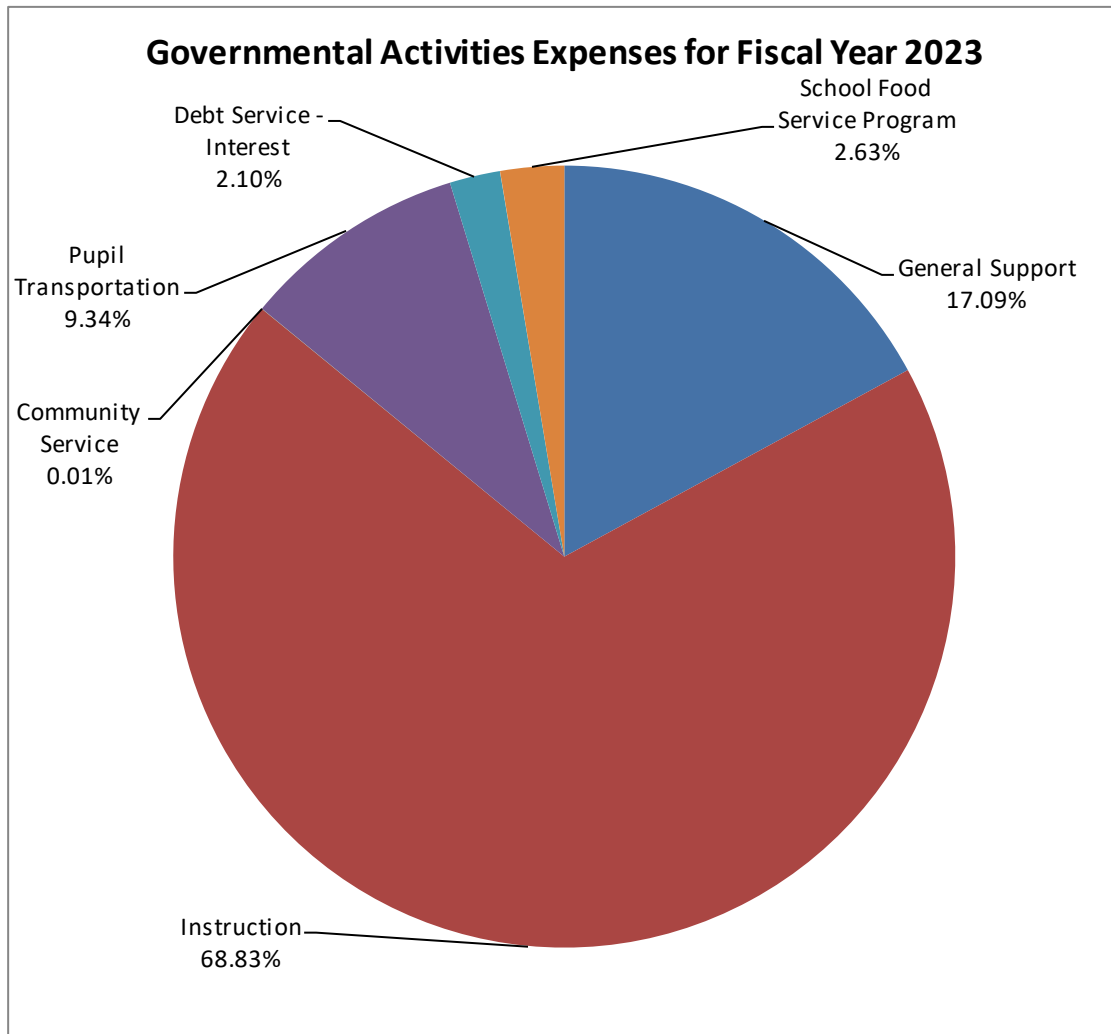
HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

The total cost of all programs and services was \$12,955,354. \$8,917,712, or 68.83%, of the District's expenses are predominately related to instruction.



HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Following is a discussion of significant percentage changes in revenues and expenditures for the 2022-2023 fiscal year.

Revenues:

- Charges for services- This revenue category accounted for a 729.5% increase in 2022-2023. The District had day school tuition of \$75,900 and sales from school lunches of \$50,591.
- State Aid - This revenue category accounted for a 1.7% increase in 2022-2023 compared to the prior year.
- Operating Grants- This revenue category accounted for a 29.6% increase in 2022-2023 aid and reimbursements. The District received over \$1,100,000 in aid through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and American Rescue Plan (ARP) during the current fiscal year.

Expenses:

- General Support - This category decreased 1.7%. General support expenditures are totaled from the general fund, special aid fund, as well as the school food service fund.
- Instruction - Instructional expenditures increased 7.1% in 2022-2023 compared to the prior year.
- Debt Service – Debt service expenditures increased 15.1% from the prior year, due to the payment amortization schedule on the long-term bond outstanding and increase in accrued interest payable.

The total change in expenditures from 2021-2022 to 2022-2023 amounted to an increase of 5.7%, causing an overall decrease in net position of \$429,021.

HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$913,680 as compared to last year's ending fund balance of \$1,590,431. The combined fund balance decreased \$676,751. The fund balance in the General Fund decreased 30.5% or \$567,914. The budgeted appropriated fund balance decreased from \$497,634 for 2022-2023 to \$305,000 for 2023-2024. However, due to the negative unassigned fund balance, the District was not able to appropriate the \$305,000 to the 2023-2024 budget.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its annual budget to reflect unexpected changes in revenues and expenditures. A schedule of the District's original and final budget amounts compared with actual revenues and expenses is provided in the supplemental section of the audited financial report. Following is a discussion comparing Revenue and Expenditure final budget variances with budgetary actual.

Revenues:

- Overall Revenues - The District received \$48,939 less in revenue and other financing sources compared to the final budget. The District budgeted \$10,824,097, however, received \$10,775,158.

Expenditures:

- General Support - The actual general support expenditures and encumbrances for 2022-2023 were \$1,745,964 and \$10,075, respectively. The final budgeted expenditures for general support totaled \$1,845,943. This is a 4.87%, or \$89,904 variance between budgeted and actual general support expenditures, including encumbrances.
- Instruction - The actual instructional expenditures and encumbrances for 2022-2023 were \$4,365,286 and \$9,537, respectively. This was a \$42,013, or 0.96%, variance from the final budgeted figure of \$4,416,836. Special Education instruction and program expenses have the potential to fluctuate significantly from year to year due to new and current students being classified for these services.
- Pupil Transportation - The actual pupil transportation expenditures and encumbrances for 2022-2023 totaled \$727,138 and \$31,052, respectively. This was a \$17,011, or a 2.34%, variance from final budgeted expenditures of \$775,201, including encumbrances.

HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

GENERAL FUND BUDGETARY HIGHLIGHTS - Continued

Fund Balance

The fund balance at June 30, 2022 totaled \$1,859,773. At June 30, 2023, the ending fund balance equaled \$1,291,859. Fund balance includes reserves of \$985,295 and assigned fund balance of \$50,664.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

| Category | 2023 | 2022 | Percent Change |
|---|----------------------|----------------------|---------------------------|
| Land | \$ 25,165 | \$ 25,165 | 0.0% |
| Construction in Progress | 253,119 | 229,207 | 10.4% |
| Buildings and Site Improvements (Net of Depreciation) | 16,291,134 | 16,548,857 | -1.6% |
| Vehicles (Net of Depreciation) | 482,255 | 222,774 | 116.5% |
| Furniture and Equipment (Net of Depreciation) | 527,396 | 442,006 | 19.3% |
| Intangible Lease Asset- Equipment (Net of Amortization) | 48,845 | 3,506 | 1293.2% |
| Total | \$ 17,627,914 | \$ 17,471,515 | |

The above statement of capital assets includes current year's depreciation and amortization of \$784,881. At June 30, 2023, the District had invested \$17,627,914 in a broad range of capital assets, including land, buildings and improvements, furniture and equipment, vehicles and intangible lease equipment assets. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Long-Term Debt

| Category | Fiscal Year 2023 | Fiscal Year 2022 | Percent Change |
|---|-----------------------------|-----------------------------|---------------------------|
| General Obligation Bonds (Net of Unamortized Premium) | \$ 6,628,619 | \$ 7,217,378 | -8.2% |
| Postemployment Benefits | 41,170,200 | 44,555,044 | -7.6% |
| Net Pension Liability | 1,047,812 | - | 100.0% |
| Lease Liability | 46,955 | - | 100.0% |
| Compensated Absences | 235,434 | 254,872 | -7.6% |
| Total | \$ 49,129,020 | \$ 52,027,294 | -5.6% |

HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION - Continued

Long-Term Debt - Continued

At year end, the District had \$49,129,020 in long-term debt, consisting of general obligation bonds, compensated absences, and postemployment benefits, as shown. Long-term debt highlights include:

- Debt Service: The District paid \$530,000 in bond principal.
- Copier Lease: The District obtained a new equipment lease in the amount of \$51,098 on January 1, 2023 with an interest rate of 2% and a final maturity date of January 1, 2028.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health:

- ❑ Current enrollment figures for 2023-2024 are 340 which increased from enrollment figures in 2022-2023; however, it is probable to see declining enrollment over the next five years.
- ❑ The District is continuing their UPK program holding 2 half-day sessions during the 2023-2024 fiscal year. The grant in aid covers about 50% of the costs. The program is currently serving 20 children.
- ❑ The contract for the Harrisville Service Association (HSEA) expires on 6/30/2024 and the District will start negotiations in February 2024. The contract for the Harrisville Teacher's Association (HTA) is in an agreement covering the period through June 30, 2025.
- ❑ As of June 30, 2024, all Coronavirus Response Relief Supplemental Appropriations (CRRSA), American Rescue Plan (ARP), and ARP State Reserves funds will be fully expended.

HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, 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 financial information, contact: Business Office, Harrisville Central School, Pirate Lane, Harrisville, NY 13648.

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HARRISVILLE CENTRAL SCHOOL DISTRICT

AUDITED BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES

June 30, 2023

| ASSETS | | |
|---|-----------|---------------------|
| Cash and Cash Equivalents | | |
| Unrestricted | \$ | 346,675 |
| Restricted | | 818,356 |
| Receivables | | |
| State and Federal Aid | | 1,141,790 |
| Due From Other Governments | | 352,572 |
| Other | | 27,321 |
| Inventories | | 16,958 |
| Prepaid Expenses | | 6,358 |
| Capital Assets, Net | | 17,627,914 |
| TOTAL ASSETS | \$ | 20,337,944 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pensions | \$ | 2,413,591 |
| Other Postemployment Benefits | | 7,564,665 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | \$ | 9,978,256 |
| LIABILITIES | | |
| Payables | | |
| Accounts Payable | \$ | 354,075 |
| Accrued Liabilities | | 96,930 |
| Due to Other Governments | | 1,354 |
| Accrued Interest Payable | | 32,495 |
| Due to Teachers' Retirement System | | 388,730 |
| Due to Employees' Retirement System | | 42,132 |
| Unearned Credits | | |
| Unearned Revenues | | 161,033 |
| Notes Payable | | |
| Bond Anticipation Notes | | 728,008 |
| Long-Term Liabilities | | |
| Due and Payable Within One Year | | |
| Bonds Payable, Net of Unamortized Premium | | 633,759 |
| Lease Liability | | 9,868 |
| Due and Payable After One Year | | |
| Bonds Payable, Net of Unamortized Premium | | 5,994,860 |
| Lease Liability, Net | | 37,087 |
| Compensated Absences Payable | | 235,434 |
| Net Pension Liability - Proportionate Share | | 1,047,812 |
| Other Postemployment Benefits Payable | | 41,170,200 |
| TOTAL LIABILITIES | \$ | 50,933,777 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pensions | \$ | 291,952 |
| Other Postemployment Benefits | | 7,560,106 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | \$ | 7,852,058 |
| NET POSITION | | |
| Net Investment in Capital Assets | \$ | 10,526,571 |
| Restricted | | 1,282,008 |
| Unrestricted (Deficit) | | (40,278,214) |
| TOTAL NET POSITION | \$ | (28,469,635) |

See notes to audited basic financial statements.

HARRISVILLE CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2023

| | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense)</u> |
|--|----------------------|-----------------------------|-------------------------|-----------------------|--|
| | | <u>Charges for Services</u> | <u>Operating Grants</u> | <u>Capital Grants</u> | <u>Revenue and Changes in Net Position</u> |
| FUNCTIONS/PROGRAMS | | | | | |
| General Support | \$ 2,213,720 | \$ - | \$ - | \$ 27,865 | \$ (2,185,855) |
| Instruction | 8,917,712 | 79,600 | 1,480,843 | - | (7,357,269) |
| Pupil Transportation | 1,210,301 | - | - | - | (1,210,301) |
| Community Service | 1,230 | - | - | - | (1,230) |
| Debt Service - Interest | 271,536 | - | - | - | (271,536) |
| School Food Service Program | 340,855 | 50,591 | 185,956 | - | (104,308) |
| Total Functions and Programs | <u>\$ 12,955,354</u> | <u>\$ 130,191</u> | <u>\$ 1,666,799</u> | <u>\$ 27,865</u> | <u>(11,130,499)</u> |
| GENERAL REVENUES | | | | | |
| Real Property Taxes | | | | | 3,753,846 |
| Other Tax Items | | | | | 353,287 |
| Use of Money and Property | | | | | 70,238 |
| Sale of Property and Compensation for Loss | | | | | 6,202 |
| Gain on Disposal of Capital Assets | | | | | 66,511 |
| State Sources | | | | | 6,178,212 |
| Medicaid Reimbursement | | | | | 50,878 |
| Miscellaneous | | | | | 222,304 |
| Total General Revenues | | | | | <u>10,701,478</u> |
| Change in Net Position | | | | | (429,021) |
| Net Position - Beginning of Year | | | | | <u>(28,040,614)</u> |
| Net Position - End of Year | | | | | <u>\$ (28,469,635)</u> |

See notes to audited basic financial statements.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023

| | <u>General Fund</u> | <u>Special Aid Fund</u> |
|--|----------------------------|-----------------------------|
| ASSETS | | |
| Cash and Cash Equivalents | | |
| Unrestricted | \$ 302,355 | \$ 39,424 |
| Restricted | 441,414 | - |
| Receivables | | |
| Due From Other Funds | 1,243,634 | 54,193 |
| State and Federal Aid | 123,518 | 983,061 |
| Due From Other Governments | 352,572 | - |
| Other | 26,661 | - |
| Inventories | - | - |
| Prepaid Expenditures | 6,358 | - |
| TOTAL ASSETS | <u><u>\$ 2,496,512</u></u> | <u><u>\$ 1,076,678</u></u> |
| LIABILITIES | | |
| Payables | | |
| Accounts Payable | \$ 354,075 | \$ - |
| Accrued Liabilities | 80,222 | 12,098 |
| Due to Other Funds | 339,494 | 975,623 |
| Due to Other Governments | - | - |
| Due to Teachers' Retirement System | 388,730 | - |
| Due to Employees' Retirement System | 42,132 | - |
| Unearned Credits | | |
| Unearned Revenues | - | 161,033 |
| Notes Payable | | |
| Bond Anticipation | - | - |
| Total Liabilities | <u>1,204,653</u> | <u>1,148,754</u> |
| DEFERRED INFLOW OF RESOURCES | | |
| Deferred State Aid | - | - |
| Total Deferred Inflow of Resources | <u>-</u> | <u>-</u> |
| FUND BALANCES (DEFICITS) | | |
| Nonspendable | 6,358 | - |
| Restricted | 985,295 | - |
| Assigned | 50,664 | - |
| Unassigned (Deficit) | 249,542 | (72,076) |
| Total Fund Balances (Deficits) | <u>1,291,859</u> | <u>(72,076)</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS) | <u><u>\$ 2,496,512</u></u> | <u><u>\$ 1,076,678</u></u> |

HARRISVILLE CENTRAL SCHOOL DISTRICT

| <u>Capital Projects Fund- Buses</u> | <u>Non-Major Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------------|---|
| \$ - | \$ 4,896 | \$ 346,675 |
| 18,124 | 358,818 | 818,356 |
| 285,136 | 22,072 | 1,605,035 |
| - | 35,211 | 1,141,790 |
| - | - | 352,572 |
| 575 | 85 | 27,321 |
| - | 16,958 | 16,958 |
| - | - | 6,358 |
| <u>\$ 303,835</u> | <u>\$ 438,040</u> | <u>\$ 4,315,065</u> |
| \$ - | \$ - | \$ 354,075 |
| - | 4,610 | 96,930 |
| 1,596 | 288,322 | 1,605,035 |
| - | 1,354 | 1,354 |
| - | - | 388,730 |
| - | - | 42,132 |
| - | - | 161,033 |
| <u>728,008</u> | <u>-</u> | <u>728,008</u> |
| <u>729,604</u> | <u>294,286</u> | <u>3,377,297</u> |
| - | 24,088 | 24,088 |
| <u>-</u> | <u>24,088</u> | <u>24,088</u> |
| - | - | 6,358 |
| - | 296,713 | 1,282,008 |
| - | - | 50,664 |
| (425,769) | (177,047) | (425,350) |
| <u>(425,769)</u> | <u>119,666</u> | <u>913,680</u> |
| <u>\$ 303,835</u> | <u>\$ 438,040</u> | <u>\$ 4,315,065</u> |

See notes to audited basic financial statements.

HARRISVILLE CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION

June 30, 2023

Total Fund Balance (Deficits)- Governmental Funds \$ 913,680

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

Proportionate share of long-term liabilities 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 | \$ 347,226 | |
| Net Pension Liability - Proportionate Share - ERS | <u>700,586</u> | (1,047,812) |

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

| | | |
|-------------------------------|----------------|-------------|
| Other Postemployment Benefits | \$ 7,560,106 | |
| Pensions | <u>291,952</u> | (7,852,058) |

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

| | | |
|-------------------------------|------------------|-----------|
| Other Postemployment Benefits | \$ 7,564,665 | |
| Pensions | <u>2,413,591</u> | 9,978,256 |

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 | \$ 28,926,598 | |
| Accumulated Depreciation and Amortization is | <u>(11,298,684)</u> | 17,627,914 |

Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Long term revenue difference related to Capital Projects Fund - SSBA were reported as revenue in the Statement of Activities and Deferred Inflow in the government funds. When funds are collected in the subsequent year, they will be reported as revenue in the governmental funds.

24,088

HARRISVILLE CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION-CONTINUED

June 30, 2023

Long-term liabilities, including bonds payable, lease liabilities 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 | \$ 5,965,000 | |
| Premium on Bond Payable | 663,619 | |
| Accrued Interest Payable | 32,495 | |
| Lease Liability | 46,955 | |
| Compensated Absences Payable | 235,434 | |
| Other Postemployment Benefits Payable | 41,170,200 | (48,113,703) |
| Total Net Position - Governmental Activities | | <u><u>\$ (28,469,635)</u></u> |

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

Year Ended June 30, 2023

| | <u>General Fund</u> | <u>Special Aid Fund</u> |
|---|-------------------------|-----------------------------|
| REVENUES | | |
| Real Property Taxes | \$ 3,753,846 | \$ - |
| Other Tax Items | 353,287 | - |
| Charges for Services | 79,600 | - |
| Use of Money and Property | 51,811 | - |
| Sale of Property and Compensation for Loss | 6,202 | - |
| State Sources | 6,178,212 | 102,223 |
| Medicaid Reimbursement | 50,878 | - |
| Federal Sources | 2,456 | 1,391,808 |
| Surplus Food | - | - |
| Sales - School Food Service | - | - |
| Miscellaneous | 134,089 | - |
| Total Revenues | <u>10,610,381</u> | <u>1,494,031</u> |
| EXPENDITURES | | |
| General Support | 1,745,964 | - |
| Instruction | 4,365,286 | 1,324,414 |
| Pupil Transportation | 727,138 | 3,962 |
| Community Service | 1,230 | - |
| Employee Benefits | 3,287,760 | 189,663 |
| Debt Service | | |
| Principal | 743,943 | - |
| Interest | 317,743 | - |
| Cost of Sales - School Food Service | - | - |
| Other Expenditures | - | - |
| Capital Outlay | - | - |
| Total Expenditures | <u>11,189,064</u> | <u>1,518,039</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(578,683)</u> | <u>(24,008)</u> |
| OTHER FINANCING SOURCES AND (USES) | | |
| BAN Redeemed From Appropriations | - | - |
| Proceeds From Debt - Leases | - | - |
| Operating Transfers In | 164,777 | 24,008 |
| Operating Transfers (Out) | (154,008) | - |
| Total Other Financing Sources and (Uses) | <u>10,769</u> | <u>24,008</u> |
| Net Change in Fund Balances | (567,914) | - |
| Fund Balances (Deficit) - Beginning of Year | 1,859,773 | (72,076) |
| Fund Balances (Deficit) - End of Year | <u>\$ 1,291,859</u> | <u>\$ (72,076)</u> |

HARRISVILLE CENTRAL SCHOOL DISTRICT

| <u>Capital Projects Fund Buses</u> | <u>Non-Major Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------------|---|
| \$ - | \$ - | \$ 3,753,846 |
| - | - | 353,287 |
| - | - | 79,600 |
| - | 18,427 | 70,238 |
| - | - | 6,202 |
| - | 237,917 | 6,518,352 |
| - | - | 50,878 |
| - | 156,274 | 1,550,538 |
| - | 24,572 | 24,572 |
| - | 50,591 | 50,591 |
| - | 88,215 | 222,304 |
| <u>-</u> | <u>575,996</u> | <u>12,680,408</u> |
| - | 139,692 | 1,885,656 |
| - | - | 5,689,700 |
| - | - | 731,100 |
| - | - | 1,230 |
| - | 71,835 | 3,549,258 |
| - | - | 743,943 |
| - | - | 317,743 |
| - | 129,328 | 129,328 |
| - | 79,510 | 79,510 |
| <u>210,105</u> | <u>280,484</u> | <u>490,589</u> |
| <u>210,105</u> | <u>700,849</u> | <u>13,618,057</u> |
| <u>(210,105)</u> | <u>(124,853)</u> | <u>(937,649)</u> |
| 209,800 | - | 209,800 |
| - | 51,098 | 51,098 |
| - | 130,000 | 318,785 |
| - | (164,777) | (318,785) |
| <u>209,800</u> | <u>16,321</u> | <u>260,898</u> |
| (305) | (108,532) | (676,751) |
| <u>(425,464)</u> | <u>228,198</u> | <u>1,590,431</u> |
| <u>\$ (425,769)</u> | <u>\$ 119,666</u> | <u>\$ 913,680</u> |

See notes to audited basic financial statements.

HARRISVILLE CENTRAL SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES**
Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ (676,751)

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 capital outlays and gain on disposal exceeded depreciation and amortization in the current period.

| | | | |
|---------------------------------------|----|-----------|---------|
| Capital Outlays | \$ | 874,769 | |
| Gain on Disposal of Property | | 66,511 | |
| Depreciation and Amortization Expense | | (784,881) | 156,399 |

Repayment of debt 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. 534,143

Proceeds of long-term debt, including lease liabilities, are recorded as an other financing sources for governmental funds but are not recorded in the Statement of Activities. This is the amount of proceeds from long-term debt received in the current year. (51,098)

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 increased by the change in accrued interest on bonds and BANs decreased by the amortization of bond premiums. 46,207

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). 19,438

HARRISVILLE CENTRAL SCHOOL DISTRICT

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

Year Ended June 30, 2023

Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Long term revenue difference related to Special Aid Funding and Capital Projects Fund - SSBA were reported as revenue in the Statement of Activities and Deferred Inflow in the government funds in the prior year. When funds were collected in the current year, they were reported as revenue in the governmental funds. (220,586)

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. (15,919)

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 | \$ (83,486) | |
| Employees' Retirement System | <u>(137,368)</u> | <u>(220,854)</u> |
| Change in Net Position of Governmental Activities | | <u>\$ (429,021)</u> |

HARRISVILLE CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2023

| | <u>Custodial</u> |
|---------------------------|-------------------------|
| ASSETS | |
| Cash and Cash Equivalents | |
| Restricted | \$ - |
| Total Assets | \$ - |
| LIABILITIES | |
| Other Liabilities | \$ - |
| Total Liabilities | - |
| NET POSITION | |
| Restricted | \$ - |

See notes to audited basic financial statements.

HARRISVILLE CENTRAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2023

| | <u>Custodial</u> |
|--|------------------|
| ADDITIONS | |
| Taxes Collected for Other Governments (Library Levy) | \$ 65,000 |
| Total Additions | 65,000 |
| DEDUCTIONS | |
| Payment of Tax to Other Governments (Library Levy) | 65,000 |
| Total Deductions | 65,000 |
| Change in Net Position | - |
| Net Position - Beginning of Year | - |
| Net Position - End of Year | <u>\$ -</u> |

See notes to audited basic financial statements.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Harrisville 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 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 seven 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 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.

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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 \$1,584,274 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$845,301. This represents state aid distributions of \$758,146 and 2022 fund balance returned to schools of \$87,155.

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

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, including each type of fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. 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

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 nonmajor 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 nonmajor are reported in the supplemental schedules either separately or in the aggregate.

Debt Service Fund: This fund accounts for the accumulations 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.

The District reports the following fiduciary funds:

Fiduciary Funds: Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District and are not available to be used.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation - Continued

The District uses one class of fiduciary funds:

Custodial Funds: These funds are limited to assets that are being held for individuals, private organizations, or other governments that are not held in a trust. Assets are held by the District as agent for property taxes collected on behalf of other governments.

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. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund 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 capital leases are reported as other financing sources.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1st 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 the Counties of Lewis and St. Lawrence, in which the District is located. The Counties pay an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1.

Restricted Resources

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

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 (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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 outflow of resources, liabilities, and deferred inflow 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.

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.

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Inventories and Prepaid Items - Continued

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.

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

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

| | Capitalization Threshold | Depreciation Method | Estimated Useful Life |
|-------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Site Improvements | \$ 5,000 | SL | 5-20 Years |
| Buildings | 5,000 | SL | 20-50 Years |
| Furniture and Equipment | 5,000 | SL | 5-8 Years |
| Vehicles | 5,000 | SL | 5-10 Years |

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets and Intangible Lease Assets - Continued

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 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 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 second item relates to OPEB reporting in the district-wide *Statement of Net Position*. This represents the effect of the net change in the actual and expected experience and the changes of assumptions, and other inputs. 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.

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 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 period 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. The third item arises only under a modified accrual basis of accounting and is reported as deferred inflow of resources for Smart Schools Bond Act payments which have not yet been received within 60 days of year-end. They represent a deferred inflow only on the balance sheet in the governmental funds and revenue on the District-wide Statement of Activities.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Unearned Revenue

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenues arise 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 revenues 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, resignation, or death, 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.

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 Employees' Retirement System and the New York State Teachers' Retirement System.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Other Benefits - Continued

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The 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 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.

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 are 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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 full, 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, construction or improvement of those assets.

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 is deemed to be available for general use by the District.

Funds Statements

In the fund basis statements, 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 prepaid expenditures in the General Fund of \$6,358. The nonspendable portion in the School Food Service Fund is limited by available fund balances.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

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:

Repairs

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.

Retirement Contributions

According to General Municipal Law §6-r, 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 separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

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.

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. This reserve is accounted for in the Debt Service Fund.

Workers' Compensation

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

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. These monies are accounted for in the Extra Classroom Activity Funds.

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

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. These monies are accounted for in the Scholarships and Awards Fund.

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

| | |
|------------------------------------|---------------------|
| General Fund | |
| Employee Benefit Accrued Liability | \$ 193,174 |
| Repairs | 37,800 |
| Retirement Contributions | 415,611 |
| Unemployment Insurance | 144,359 |
| Workers' Compensation | 194,351 |
| Extra Classroom Fund | 38,999 |
| Scholarships and Awards | 11,039 |
| Debt Service Fund | 246,675 |
| Total Restricted Funds | <u>\$ 1,282,008</u> |

Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District’s highest level of decision-making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2023.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

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 non-spendable 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, non-spendable 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:

GASB Statement No. 91, *Conduit Debt Obligations*.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangement*.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*.

GASB Statement No. 99, *Omnibus 2022*.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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

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 Sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions and other postemployment benefits payable.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

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

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 and amortization expense on those items as recorded in the Statement of Activities.

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 contribution and OPEB expense.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

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

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.

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.

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

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

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 Project Fund-Buses had a deficit fund balance of \$425,769. This will be funded when the District obtains permanent financing. The Capital Project Fund-SSBA had a deficit fund balance of \$24,088. This will be funded with future proceeds from state aid. The Capital Project Fund-2021-2022 had a deficit fund balance of \$5,474. This will be funded with transfers from the General Fund.

The Special Aid fund has a deficit fund balance of \$72,076 at June 30, 2023. This will be funded with transfers from the General Fund and with State grants received in future years.

The School Food Service fund has a deficit fund balance of \$147,485 at June 30, 2023. This will be funded with transfers from the General Fund in future years.

The District had the following expenditures in excess of the approved budget line items in the General Fund:

| | | |
|--------------------------|-----------|----------|
| Instructional Media | | \$70,670 |
| Employee Benefits | | 63,147 |
| Debt Service | Operating | 15,133 |
| Transfers to Other Funds | | 24,008 |

HARRISVILLE CENTRAL SCHOOL DISTRICT

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

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>\$ -</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><u>\$ 447,291</u></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 \$441,414 restricted for various fund balance reserves in the General Fund, \$298,351 within the Debt Service Fund, \$22,309 in various Capital Projects Funds, \$38,904 restricted for extra classroom in the Extra Classroom Activity Funds, and \$17,378 restricted for scholarships and awards in the Scholarships and Awards Fund 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.

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 Manager 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.

HARRISVILLE CENTRAL SCHOOL DISTRICT

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**

Investment Pool

The District participates in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, §119-O, 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.

The amounts held 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. At June 30, 2023, the District held \$753,589 in the investment pool. Additional information concerning the cooperative is presented in the annual report of NYCLASS.

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 5 - CAPITAL ASSETS AND INTANGIBLE LEASE ASSETS

Capital asset balances and activity for the year ended June 30, 2023 were as follows:

| Governmental Activities | Beginning Balance | Additions | Retirements / Reclassifications | Ending Balance |
|---|------------------------------|-------------------|--|---------------------------|
| Capital Assets That Are Not Depreciated: | | | | |
| Land | \$ 25,165 | \$ - | \$ - | \$ 25,165 |
| Construction in Progress | 229,207 | 229,386 | (205,474) | 253,119 |
| Total Nondepreciable Assets | <u>254,372</u> | <u>229,386</u> | <u>(205,474)</u> | <u>278,284</u> |
| Other Capital Assets: | | | | |
| Site Improvements | 540,309 | 73,435 | - | 613,744 |
| Buildings | 24,693,071 | - | 205,474 | 24,898,545 |
| Furniture and Equipment | 1,694,682 | 335,944 | (41,000) | 1,989,626 |
| Vehicles | 1,101,540 | 254,606 | (266,034) | 1,090,112 |
| Intangible Lease Assets-Equipment | 5,189 | 51,098 | - | 56,287 |
| Total Other Capital Assets | <u>28,034,791</u> | <u>715,083</u> | <u>(101,560)</u> | <u>28,648,314</u> |
| Less Accumulated Depreciation: | | | | |
| Site Improvements | 354,159 | 21,504 | - | 375,663 |
| Buildings | 8,330,366 | 515,126 | - | 8,845,492 |
| Furniture and Equipment | 1,471,906 | 73,276 | (37,811) | 1,507,371 |
| Vehicles | 659,534 | 169,216 | (266,034) | 562,716 |
| Less Accumulated Amortization: | | | | |
| Intangible Lease Assets-Equipment | 1,683 | 5,759 | - | 7,442 |
| Total Accumulated Depreciation and Amortization | <u>10,817,648</u> | <u>784,881</u> | <u>(303,845)</u> | <u>11,298,684</u> |
| Total Other Capital Assets, Net | <u>17,217,143</u> | <u>(69,798)</u> | <u>202,285</u> | <u>17,349,630</u> |
| Total Capital Assets, Net | <u>\$ 17,471,515</u> | <u>\$ 159,588</u> | <u>\$ (3,189)</u> | <u>\$ 17,627,914</u> |

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

| | |
|----------------------|-------------------|
| General Support | \$ 129,813 |
| Instruction | 485,852 |
| Pupil Transportation | <u>169,216</u> |
| | <u>\$ 784,881</u> |

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 6 - SHORT-TERM DEBT

Short-term debt may be authorized and issued to fund the following:

Capital project costs and other approved expenditures incurred to obtaining permanent financing through issuance of bond anticipation notes (BANs).

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

| | Maturity Dates | Stated Interest Rate | Beginning Balance | Issued | Redeemed | Ending Balance |
|-----|-----------------------|-----------------------------|--------------------------|-------------------|-------------------|-----------------------|
| BAN | 9/2/2022 | 1.25% | \$ 684,200 | \$ - | \$ 684,200 | \$ - |
| BAN | 9/1/2023 | 3.43% | - | 728,008 | - | 728,008 |
| | | | <u>\$ 684,200</u> | <u>\$ 728,008</u> | <u>\$ 684,200</u> | <u>\$ 728,008</u> |

Interest on short-term debt for the year composed of:

| | |
|--|------------------|
| Interest Paid | \$ 8,552 |
| Less: Interest Accrued in the Prior Year | (7,151) |
| Plus: Interest Accrued in the Current Year | <u>20,661</u> |
| Total Interest on Short-Term Debt | <u>\$ 22,062</u> |

The proceeds of the BANs were used as short-term financing for bus purchases.

NOTE 7 - LONG-TERM DEBT OBLIGATIONS

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.

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 7 - LONG-TERM DEBT OBLIGATIONS - Continued

Serial Bonds

The 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.

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:

| Governmental Activities | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|---|----------------------|---------------------|---------------------|----------------------|-----------------------------------|
| Long-Term Liabilities: | | | | | |
| General Obligation Debt | | | | | |
| Serial Bonds | \$ 6,495,000 | \$ - | 530,000 | \$ 5,965,000 | \$ 575,000 |
| Premium on Bonds | 722,378 | - | 58,759 | 663,619 | 58,759 |
| Total Long-Term Liabilities | <u>7,217,378</u> | <u>-</u> | <u>588,759</u> | <u>6,628,619</u> | <u>633,759</u> |
| Other Long-Term Liabilities | | | | | |
| Net Pension Liability - Proportionate Share | | | | | |
| | - | 1,047,812 | - | 1,047,812 | - |
| Compensated Absences Payable | 254,872 | - | 19,438 | 235,434 | - |
| Lease Payable | - | 51,098 | 4,143 | 46,955 | 9,868 |
| Other Postemployment Benefits | 44,555,044 | - | 3,384,844 | 41,170,200 | - |
| Total Other Long-Term Liabilities | <u>44,809,916</u> | <u>1,098,910</u> | <u>3,408,425</u> | <u>42,500,401</u> | <u>9,868</u> |
| Total Governmental Activities | <u>\$ 52,027,294</u> | <u>\$ 1,098,910</u> | <u>\$ 3,997,184</u> | <u>\$ 49,129,020</u> | <u>\$ 643,627</u> |

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

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 7 - LONG-TERM DEBT OBLIGATIONS - Continued

Bonds payable is comprised of the following:

| Description | Issue Date | Final Maturity | Interest Rate (%) | Balance |
|--------------------|-----------------------|---------------------------|------------------------------|---------------------|
| Serial Bond 2012 | 06/28/12 | 06/15/28 | 2.0-3.5 | \$ 515,000 |
| Serial Bond 2019 | 06/17/19 | 06/15/34 | 3.0-5.0 | 4,510,000 |
| Serial Bond 2022 | 06/15/22 | 06/15/27 | 5.00 | <u>940,000</u> |
| Total | | | | <u>\$ 5,965,000</u> |

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

| | Principal | Interest | Total |
|------------|---------------------|---------------------|---------------------|
| 2024 | \$ 575,000 | \$ 270,625 | \$ 845,625 |
| 2025 | 600,000 | 244,500 | 844,500 |
| 2026 | 550,000 | 217,200 | 767,200 |
| 2027 | 495,000 | 191,350 | 686,350 |
| 2028 | 500,000 | 167,050 | 667,050 |
| 2029-2033 | 2,680,000 | 474,200 | 3,154,200 |
| Thereafter | <u>565,000</u> | <u>48,250</u> | <u>613,250</u> |
| Total | <u>\$ 5,965,000</u> | <u>\$ 1,613,175</u> | <u>\$ 7,578,175</u> |

Existing lease obligations:

| Description | Issue Date | Final Maturity | Interest Rate (%) | Balance |
|--------------------|-----------------------|---------------------------|------------------------------|------------------|
| Copiers-Symquest | 1/1/2023 | 1/1/2028 | 2.082 | <u>\$ 46,955</u> |

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 7 - LONG-TERM DEBT OBLIGATIONS - Continued

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

| | Principal | Interest | Total |
|------|------------------|-----------------|------------------|
| 2024 | \$ 9,868 | \$ 877 | \$ 10,745 |
| 2025 | 10,076 | 670 | 10,746 |
| 2026 | 10,286 | 460 | 10,746 |
| 2027 | 10,500 | 246 | 10,746 |
| 2028 | 6,225 | 42 | 6,267 |
| | <u>\$ 46,955</u> | <u>\$ 2,295</u> | <u>\$ 49,250</u> |

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

| | |
|--|-------------------|
| Interest Paid | \$ 309,191 |
| Less: Interest Accrued in the Prior Year | (12,792) |
| Plus: Interest Accrued in the Current Year | 11,834 |
| Less: Amortization of Bond Premium | <u>(58,759)</u> |
| Total Interest on Long-Term Debt | <u>\$ 249,474</u> |

NOTE 8 - PENSION PLANS

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

Teachers' Retirement System (TRS) Plan Description

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

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 or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

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).

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

TRS Benefits Provided - Continued

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.

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 were to attain 10 years of credited service 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

TRS Benefits Provided – Continued

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 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.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

ERS Benefits Provided - Continued

Tier 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.

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 used 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 two years.

Tier 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

ERS Benefits Provided - Continued

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 calculated 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.

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 five 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

ERS Benefits Provided – Continued

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.

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, regard less 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 \$872.)

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

Funding Policies-Continued

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

| | NYSTRS | NYSERS |
|-----------|---------------|---------------|
| 2022-2023 | \$ 314,149 | \$ 121,111 |
| 2021-2022 | 268,761 | 148,190 |
| 2020-2021 | 270,876 | 126,238 |

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, 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.

| | ERS | TRS |
|---|----------------|---------------|
| Measurement Date | March 31, 2023 | June 30, 2022 |
| District's Proportionate Share of the Net Pension Asset (Liability) | \$ (700,586) | \$ (347,226) |
| District's Portion (%) of the Plan's Total Net Pension Asset (Liability) | 0.0032670% | 0.018095% |
| Change in Proportion Since the Prior Measurement Date | 0.3121930% | 0.001480% |

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

Pension Assets, 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 \$137,368 for ERS and \$83,486 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 | \$ 74,618 | \$ 363,849 | \$ 19,675 | \$ 6,958 |
| Changes of Assumptions | 340,250 | 673,561 | 3,760 | 139,873 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 448,649 | 4,116 | - |
| Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions | 55,890 | 68,863 | 1,220 | 116,350 |
| District's Contributions Subsequent to the Measurement Date | 42,132 | 345,779 | - | - |
| Total | \$ 512,890 | \$ 1,900,701 | \$ 28,771 | \$ 263,181 |

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

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

District contributions subsequent to the measurement date which 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:

| | ERS | TRS |
|------------|------------|------------|
| 2024 | \$ 112,137 | \$ 244,467 |
| 2025 | (16,883) | 123,006 |
| 2026 | 152,248 | (55,800) |
| 2027 | 194,485 | 877,767 |
| 2028 | - | 105,327 |
| Thereafter | - | (3,026) |

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 liability to the measurement date.

Significant actuarial assumptions used in the valuations were as follows:

| | ERS | TRS |
|--------------------------|--|--|
| 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% |

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

Actuarial Assumptions - Continued

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.

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 as follows:

| | ERS | TRS |
|--|----------------|---------------|
| 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 | 5.38% | |
| Credit | 5.43% | |
| Real Assets | 5.85% | |
| 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% |

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

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).

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:

| ERS | 1% Decrease (4.9%) | Current Assumption (5.9%) | 1% Increase (6.9%) |
|--|--------------------------------|---|--------------------------------|
| District's Proportionate Share of the Net Pension Asset (Liability) | \$ (1,693,016) | \$ (700,586) | \$ 128,705 |
| | | | |
| TRS | 1% Decrease (5.95%) | Current Assumption (6.95%) | 1% Increase (7.95%) |
| District's Proportionate Share of the Net Pension Asset (Liability) | \$ (3,201,590) | \$ (347,226) | \$ 2,053,275 |

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

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) | | |
|---|------------------------|-----------------------|------------------------|
| | <u>ERS</u> | <u>TRS</u> | <u>Total</u> |
| Measurement Date | March 31, 2023 | June 30, 2022 | |
| Employer's Total Pension Asset (Liability) | \$ (232,627,259) | \$ (133,883,474) | \$ (366,510,733) |
| Plan Fiduciary 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 Fiduciary Net Position to the Employer's Total Pension Asset (Liability) | 90.78% | 98.57% | |

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 \$42,132. Employee contributions are remitted monthly.

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 \$388,730.

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 9 - INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

Interfund balances at June 30, 2023 are as follows:

| | Interfund | | Interfund | |
|------------------------------|---------------------|---------------------|-------------------|---------------------|
| | Receivables | Payables | Revenues | Expenditures |
| General | \$ 1,243,634 | \$ 339,494 | \$ 164,777 | \$ 154,008 |
| Special Aid | 54,193 | 975,623 | 24,008 | - |
| School Food Service | - | 178,802 | 30,000 | - |
| Debt Service | 21,907 | 73,583 | - | 161,000 |
| Extra Classroom Activity | 165 | - | - | - |
| Scholarships & Awards | - | 6,375 | - | - |
| Capital Projects - Major | 285,136 | 1,596 | - | - |
| Capital Projects - Non-Major | - | 29,562 | 100,000 | 3,777 |
| Total | <u>\$ 1,605,035</u> | <u>\$ 1,605,035</u> | <u>\$ 318,785</u> | <u>\$ 318,785</u> |

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. The General Fund advances funds to the Special Aid Fund and the School Food Service Fund to provide temporary cash until New York State has reimbursed the grant programs. An interfund transfer was made from General Fund to Capital Projects Fund-Non-Major to cover the capital outlay project. An interfund transfer was made from General Fund to School Food Service Fund as budgeted to cover the deficit fund balance.

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 10 – FUND BALANCE EQUITY

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

| Fund Balances(Deficits) | General | Special Aid | Capital Projects Fund - Buses | Total Non- Major | Total Governmental Funds |
|--|---------------------|--------------------|--|-----------------------------|---|
| Non-Spendable | | | | | |
| Prepaid Expenditures | \$ 6,358 | \$ - | \$ - | \$ - | \$ 6,358 |
| Restricted | | | | | |
| Retirement Cont. | 415,611 | - | - | - | 415,611 |
| Workers' Comp. | 194,351 | - | - | - | 194,351 |
| Unemployment Ins. | 144,359 | - | - | - | 144,359 |
| Debt Service | - | - | - | 246,675 | 246,675 |
| Employee Benefit Accrued Liability | 193,174 | - | - | - | 193,174 |
| Repairs | 37,800 | - | - | - | 37,800 |
| Extra Classroom Activities | - | - | - | 38,999 | 38,999 |
| Scholarships and Awards | - | - | - | 11,039 | 11,039 |
| Assigned | | | | | |
| Designated for Next Fiscal Year | - | - | - | - | - |
| General Support | 10,075 | - | - | - | 10,075 |
| Instruction | 9,537 | - | - | - | 9,537 |
| Pupil Transportation | 31,052 | - | - | - | 31,052 |
| Unassigned (Deficit) | | | | | |
| General Fund | 249,542 | - | - | - | 249,542 |
| School Food Service Fund | - | - | - | (147,485) | (147,485) |
| Special Aid | - | (72,076) | - | - | (72,076) |
| Capital Projects | - | - | (425,769) | (29,562) | (455,331) |
| Total Governmental Fund Balance (Deficit) | <u>\$ 1,291,859</u> | <u>\$ (72,076)</u> | <u>\$ (425,769)</u> | <u>\$ 119,666</u> | <u>\$ 913,680</u> |

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS

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 July 1, 2022 (measurement date), the following employees were covered by the benefit terms:

| | |
|--|-------------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 65 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Active employees | <u>82</u> |
| Total Covered Employees | <u><u>147</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 \$1,088,022 for its share of premiums for currently enrolled retirees.

The District provides postemployment (health insurance, etc.) 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.

The District provides a self-insured minimum premium traditional indemnity plan to eligible retirees and dependents through the St. Lawrence-Lewis health care consortium (the Plan). Currently 65 retired employees have elected to participate and contribute health insurance payments under the District’s plan. Participants must be eligible to retire under the New York State Retirement System (ERS or TRS) and meet the minimum requirements of age 55 with 5 years of service. The plan pays for 100% of the cost of premiums of employees who retired prior to July 1, 2008 and 98% of the cost of premiums of employees who retired after July 1, 2008 and before July 1, 2009 and 95% of the cost of premiums of employees who retired after July 1, 2009. The plan pays 95% of the cost of premiums of employees who were principals, superintendents, and term employees.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS – Continued

General Information about the OPEB Plan - Continued

Spousal benefits continue for the life of the retired employee spouse and surviving spouses are permitted to continue coverage after the death of the retiree but are responsible for paying 100% of the plan premium through COBRA. The plan pays for 95% of the cost of spousal premiums of employees who retired prior to July 1, 2008 and 93% of the cost of spousal premiums of employees who retired after July 1, 2008 and before July 1, 2009 and 90% of the cost of spousal premiums of employees who retired after July 1, 2009. The Plan issues a publicly available financial report.

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 \$41,170,200 which is reflected in the Statement of Net Position. The OPEB liability was measured as of July 1, 2022 and was determined by actuarial valuation as of July 1, 2021.

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% |

Assumed Medical/Prescription Drug Trend Rates at June 30

| | |
|--|-------|
| 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% |
| Fiscal Year that the Rate Reaches the Ultimate Trend Rate | 2093 |

Additional Information

| | |
|--|------------------|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage |
| Amortization Period (In Years) | 6.46 |
| Amortization Period Status | Open |
| Method Used to Determine Actuarial Value of Assets | N/A |

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS – Continued

Total OPEB Liability - Continued

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 Pub 2010 Mortality Tables for employees and healthy annuitants, 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.

Changes in the Total OPEB Liability

| | |
|--|----------------------|
| Balance at June 30, 2022 | \$ 44,555,044 |
| Changes for the Year | |
| Service Cost | 1,868,329 |
| Interest | 981,661 |
| Differences Between Expected and Actual Experience | - |
| Changes of Assumptions or Other Inputs | (5,132,079) |
| Benefit Payments | <u>(1,102,755)</u> |
| Net Changes | <u>(3,384,844)</u> |
| Balance at June 30, 2023 | <u>\$ 41,170,200</u> |

Changes of assumptions and other inputs reflect a change in the discount rate from 2.14 percent as of 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:

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS – Continued

Changes in the Total OPEB Liability - Continued

| | 1% Decrease 2.54% | Discount Rate 3.54% | 1% Increase 4.54% |
|----------------------|----------------------|------------------------|----------------------|
| Total OPEB Liability | <u>\$ 48,478,768</u> | <u>\$ 41,170,200</u> | <u>\$ 35,332,743</u> |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (trend decreasing to 2.94 percent) or 1 percentage point higher (trend increasing to 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% Increasing to 4.94%) |
|----------------------|--|---|--|
| Total OPEB Liability | <u>\$ 34,353,069</u> | <u>\$ 41,170,200</u> | <u>\$ 50,098,821</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 \$15,919. 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 | \$ 1,067,451 | \$ 12,841 |
| Changes of Assumptions or Other Inputs | 5,313,272 | 7,547,265 |
| Benefit Payments Subsequent to the Measurement Date | 1,183,942 | - |
| | <u>\$ 7,564,665</u> | <u>\$ 7,560,106</u> |

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS– Continued

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

District benefit payments subsequent to 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 | \$ (49,537) |
| 2025 | 626,890 |
| 2026 | 359,818 |
| 2027 | (828,232) |
| 2028 | (922,877) |
| 2029 and Thereafter | <u>(365,445)</u> |
| | <u>\$ (1,179,383)</u> |

NOTE 12 - RISK MANAGEMENT

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 participates in the St. Lawrence-Lewis Counties School District Employee Medical Plan, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 18 individual governmental units located within the pool's geographic area and is considered a self-sustaining risk pool that will provide coverage for its members up to \$2,000,000 annual maximum and the District has essentially transferred all related risk to the pool.

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 12 - RISK MANAGEMENT - Continued

Pooled Non-Risk-Retained – Continued

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's share of the liability for unbilled and open claims is \$-0-.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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. The District's administration believes disallowances, if any, will be immaterial.

During the year ended June 30, 2023, the District was served a Notice of Claim brought pursuant to the Child's Victims Act. If the matter proceeds to trial, there is a potential that the District may be required to provide a settlement for which they do not have insurance coverage. The District intends to defend itself vigorously against this suit, however, no predictions have been made by management as of the report date as to the outcome or potential liability. The likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position or results of operations at this time

NOTE 14 – DONOR-RESTRICTED ENDOWMENTS

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

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.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST SIX FISCAL YEARS**

Ended June 30, 2023

| Total OPEB Liability | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Service Cost | \$ 1,868,329 | \$ 1,895,312 | \$ 1,356,718 | \$ 1,022,079 | \$ 1,290,475 | \$ 1,342,680 |
| Interest | 981,661 | 1,025,543 | 1,233,637 | 1,200,374 | 1,212,095 | 1,200,653 |
| Difference between Expected and Actual Experience | - | 1,190,269 | - | 703,846 | - | (1,938,583) |
| Changes in Assumptions or Other Inputs | (5,132,079) | (3,585,237) | 8,943,066 | 1,865,758 | (3,979,682) | (8,131,813) |
| Benefit Payments | (1,102,755) | (960,415) | (867,786) | (926,893) | (885,904) | (873,309) |
| Net Change in Total OPEB Liability | <u>(3,384,844)</u> | <u>(434,528)</u> | <u>10,665,635</u> | <u>3,865,164</u> | <u>(2,363,016)</u> | <u>(8,400,372)</u> |
| Total OPEB Liability - Beginning | <u>44,555,044</u> | <u>44,989,572</u> | <u>34,323,937</u> | <u>30,458,773</u> | <u>32,821,789</u> | <u>41,222,161</u> |
| Total OPEB Liability - Ending | <u>\$ 41,170,200</u> | <u>\$ 44,555,044</u> | <u>\$ 44,989,572</u> | <u>\$ 34,323,937</u> | <u>\$ 30,458,773</u> | <u>\$ 32,821,789</u> |
| Covered Payroll | \$ 4,272,009 | \$ 3,825,852 | \$ 4,017,925 | \$ 3,815,552 | \$ 3,730,552 | \$ 3,595,586 |
| Total OPEB Liability as a Percentage of Covered Payroll | 963.72% | 1164.58% | 1119.72% | 899.58% | 816.47% | 912.84% |

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.

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**
Year Ended June 30, 2023

| | Original Budget | Final Budget |
|--|---------------------|---------------------|
| REVENUES | | |
| Local Sources | | |
| Real Property Taxes | \$ 4,099,729 | \$ 4,099,729 |
| Other Tax Items | 3,000 | 3,000 |
| Charges for Services | 51,000 | 51,000 |
| Use of Money and Property | 5,000 | 5,000 |
| Sale of Property and Compensation for Loss | - | - |
| Miscellaneous | 9,000 | 9,000 |
| Total Local Sources | <u>4,167,729</u> | <u>4,167,729</u> |
| State Sources | 6,252,929 | 6,252,929 |
| Medicaid Reimbursement | 40,000 | 40,000 |
| Federal Sources | - | - |
| Total Revenues | <u>10,460,658</u> | <u>10,460,658</u> |
| OTHER FINANCING SOURCES | | |
| Transfers From Other Funds | 100,000 | 100,000 |
| Appropriated Reserves | 263,439 | 263,439 |
| Total Revenues and Other Financing Sources | <u>10,824,097</u> | <u>10,824,097</u> |
| EXPENDITURES | | |
| General Support | | |
| Board of Education | 7,396 | 8,004 |
| Central Administration | 201,683 | 208,158 |
| Finance | 233,590 | 259,820 |
| Staff | 56,530 | 100,914 |
| Central Services | 810,457 | 904,939 |
| Special Items | 364,108 | 364,108 |
| Total General Support | <u>1,673,764</u> | <u>1,845,943</u> |
| Instruction | | |
| Instruction, Administration and Improvement | 205,409 | 202,709 |
| Teaching - Regular School | 2,155,544 | 2,232,530 |
| Programs for Children with Handicapping Conditions | 914,285 | 746,687 |
| Occupational Education | 353,100 | 353,100 |
| Teaching - Special School | 10,000 | 77,279 |
| Instructional Media | 258,385 | 249,355 |
| Pupil Services | 595,864 | 555,176 |
| Total Instruction | <u>4,492,587</u> | <u>4,416,836</u> |
| Pupil Transportation | 750,138 | 775,201 |
| Community Service | 1,500 | 1,500 |
| Employee Benefits | 3,346,104 | 3,224,613 |
| Debt Service | 1,046,553 | 1,046,553 |
| Total Expenditures | <u>11,310,646</u> | <u>11,310,646</u> |
| OTHER FINANCING USES | | |
| Operating Transfers to Other Funds | 130,000 | 130,000 |
| Total Expenditures and Other Financing Uses | <u>11,440,646</u> | <u>11,440,646</u> |
| Net Change in Fund Balance | (616,549) | (616,549) |
| Fund Balances - Beginning of Year | 1,859,773 | 1,859,773 |
| Fund Balances - End of Year | <u>\$ 1,243,224</u> | <u>\$ 1,243,224</u> |

Note to Required Supplementary Information Budget Basis of Accounting: Budgets are adopted on the modified accrual basis of accounting consistent

HARRISVILLE CENTRAL SCHOOL DISTRICT

| | Actual | | Final Budget Variance With Actual |
|----|-------------------|----------------------------------|---|
| \$ | 3,753,846 | | \$ (345,883) |
| | 353,287 | | 350,287 |
| | 79,600 | | 28,600 |
| | 51,811 | | 46,811 |
| | 6,202 | | 6,202 |
| | 134,089 | | 125,089 |
| | <u>4,378,835</u> | | <u>211,106</u> |
| | 6,178,212 | | (74,717) |
| | 50,878 | | 10,878 |
| | 2,456 | | 2,456 |
| | <u>10,610,381</u> | | <u>149,723</u> |
| | 164,777 | | 64,777 |
| | - | | (263,439) |
| | <u>10,775,158</u> | | <u>\$ (48,939)</u> |
| | | Year-End Encumbrances | Final Budget Variance With Actual and Encumbrances |
| | 5,580 | \$ - | \$ 2,424 |
| | 206,262 | - | 1,896 |
| | 258,453 | - | 1,367 |
| | 96,654 | - | 4,260 |
| | 826,515 | 7,246 | 71,178 |
| | 352,500 | 2,829 | 8,779 |
| | <u>1,745,964</u> | <u>10,075</u> | <u>89,904</u> |
| | 195,937 | - | 6,772 |
| | 2,186,890 | - | 45,640 |
| | 739,209 | - | 7,478 |
| | 353,100 | - | - |
| | 77,279 | - | - |
| | 320,025 | - | (70,670) |
| | 492,846 | 9,537 | 52,793 |
| | <u>4,365,286</u> | <u>9,537</u> | <u>42,013</u> |
| | 727,138 | 31,052 | 17,011 |
| | 1,230 | - | 270 |
| | 3,287,760 | - | (63,147) |
| | 1,061,686 | - | (15,133) |
| | <u>11,189,064</u> | <u>50,664</u> | <u>70,918</u> |
| | 154,008 | - | (24,008) |
| | <u>11,343,072</u> | <u>\$ 50,664</u> | <u>\$ 46,910</u> |
| | (567,914) | | |
| | 1,859,773 | | |
| \$ | <u>1,291,859</u> | | |

with accounting principles generally accepted in the United States of America.

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

HARRISVILLE 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 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Teachers' Retirement System (TRS) | | | | | | | | | |
| District's Proportion of the Net Pension Asset (Liability) | 0.018095% | 0.016615% | 0.018013% | 0.018066% | 0.018846% | 0.017329% | 0.016675% | 0.017049% | 0.018298% |
| District's Proportionate Share of the Net Pension Asset (Liability) | \$ (347,226) | \$ 2,879,285 | \$ (497,734) | \$ 469,362 | \$ 340,778 | \$ 131,715 | \$ (178,596) | \$ 1,770,891 | \$ 2,038,335 |
| District's Covered Payroll | \$ 3,528,607 | \$ 3,345,357 | \$ 2,830,130 | \$ 3,236,618 | \$ 3,219,102 | \$ 2,900,261 | \$ 2,707,184 | \$ 2,645,512 | \$ 2,760,308 |
| District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll | <u>9.84%</u> | <u>86.07%</u> | <u>17.59%</u> | <u>14.50%</u> | <u>10.59%</u> | <u>4.54%</u> | <u>6.60%</u> | <u>66.94%</u> | <u>73.84%</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% |
| Employees' Retirement System (ERS) | | | | | | | | | |
| District's Proportion of the Net Pension Asset (Liability) | 0.0032670% | 0.0031546% | 0.0029306% | 0.0024968% | 0.0025951% | 0.0028135% | 0.0024250% | 0.0024297% | 0.0026215% |
| District's Proportionate Share of the Net Pension Asset (Liability) | \$ (700,586) | \$ 257,878 | \$ (2,918) | \$ (661,171) | \$ (183,872) | \$ (90,804) | \$ (227,861) | \$ (389,967) | \$ (88,559) |
| District's Covered Payroll | \$ 1,095,870 | \$ 965,446 | \$ 906,332 | \$ 759,572 | \$ 752,961 | \$ 773,611 | \$ 682,206 | \$ 661,921 | \$ 705,614 |
| District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll | <u>63.93%</u> | <u>26.71%</u> | <u>0.32%</u> | <u>87.05%</u> | <u>24.42%</u> | <u>11.74%</u> | <u>33.40%</u> | <u>58.91%</u> | <u>12.55%</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.

HARRISVILLE 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 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Teachers' Retirement System (TRS) | | | | | | | | | |
| Contractually Required Contribution | \$ 314,149 | \$ 268,761 | \$ 270,876 | \$ 320,251 | \$ 300,834 | \$ 321,833 | \$ 341,195 | \$ 448,953 | \$ 439,232 |
| Contributions in Relation to the Contractually Required Contribution | <u>314,149</u> | <u>268,761</u> | <u>270,876</u> | <u>320,251</u> | <u>300,834</u> | <u>321,833</u> | <u>341,195</u> | <u>448,953</u> | <u>439,232</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 | 3,528,607 | 3,345,357 | 2,830,130 | 3,236,618 | 3,219,102 | 2,900,261 | 2,707,184 | 2,645,512 | 2,760,308 |
| Contributions as a Percentage of Covered Payroll | 8.90% | 8.03% | 9.57% | 9.89% | 9.35% | 11.10% | 12.60% | 16.97% | 15.91% |
| Employees' Retirement System (ERS) | | | | | | | | | |
| Contractually Required Contribution | \$ 121,111 | \$ 148,190 | \$ 126,238 | \$ 104,160 | \$ 104,874 | \$ 113,128 | \$ 98,284 | \$ 135,284 | \$ 114,363 |
| Contributions in Relation to the Contractually Required Contribution | <u>121,111</u> | <u>148,190</u> | <u>126,238</u> | <u>104,160</u> | <u>104,874</u> | <u>113,128</u> | <u>98,284</u> | <u>135,284</u> | <u>114,363</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 | 1,095,870 | 965,446 | 906,332 | 759,572 | 752,961 | 773,611 | 682,206 | 661,921 | 705,614 |
| Contributions as a Percentage of Covered Payroll | 11.05% | 15.35% | 13.93% | 13.71% | 13.93% | 14.62% | 14.41% | 20.44% | 16.21% |

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.

HARRISVILLE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

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

Year Ended June 30, 2023

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

| | |
|--------------------------------|-----------------------------|
| Adopted Budget | \$ 11,321,461 |
| Add: Prior Year's Encumbrances | <u>119,185</u> |
| Original Budget | 11,440,646 |
| Budget Revision | <u>-</u> |
| Final Budget | <u><u>\$ 11,440,646</u></u> |

SECTION 1318 OF REAL PROPERTY TAX LAW CALCULATION

| | |
|---|-----------------------------|
| 2023-2024 Voter Approved Expenditure Budget | <u><u>\$ 11,564,651</u></u> |
| Maximum Allowed 4% of 2023-2024 Budget | <u><u>\$ 462,586</u></u> |
| General Fund Balance Subject to Section 1318 of Real Property Tax Law | |
| Unrestricted Fund Balance: | |
| Assigned Fund Balance | \$ 50,664 |
| Unassigned Fund Balance | <u>249,542</u> |
| Total Unrestricted Fund Balance | <u>300,206</u> |
| Less: | |
| Appropriated Fund Balance | - |
| Encumbrances Included in Assigned Fund Balance | <u>50,664</u> |
| Total Adjustments | <u>50,664</u> |
| General Fund Balance Subject to Section 1318 of Real Property Tax Law | <u><u>\$ 249,542</u></u> |
| Actual Percentage | <u><u>2.16%</u></u> |

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

HARRISVILLE CENTRAL SCHOOL DISTRICT

SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES
 Year Ended June 30, 2023

| PROJECT TITLE | Expenditures | | | | | Financing Resources | | | | | | Fund Balance (Deficit) 6/30/2023 | |
|-----------------------|------------------------|-----------------------|---------------------|-------------------|---------------------|---------------------|----------------------------------|-------------------------|-------------------|-------------------|---------------------|----------------------------------|-------------------------|
| | Original Appropriation | Revised Appropriation | Prior Years | Current Year | Total | Unexpended Balance | BAN Redeemed From Appropriations | Proceeds Of Obligations | State Aid | Local Sources | Total | | Transfer to Other Funds |
| Capital Outlay 22-23 | \$ 100,000 | \$ 100,000 | \$ - | \$ 100,000 | \$ 100,000 | \$ - | \$ - | \$ - | \$ - | \$ 100,000 | \$ 100,000 | \$ - | \$ - |
| Capital Outlay 21-22 | 100,000 | 100,000 | 176 | 105,298 | 105,474 | (5,474) | - | - | - | 100,000 | 100,000 | - | (5,474) |
| Smart School Bond Act | 300,494 | 300,494 | 229,030 | 24,088 | 253,118 | 47,376 | - | - | 232,807 | - | 232,807 | 3,777 | (24,088) |
| Buses | 1,678,000 | 1,678,000 | 1,419,264 | 210,105 | 1,629,369 | 48,631 | 1,203,600 | - | - | - | 1,203,600 | - | (425,769) |
| Totals | \$ 2,178,494 | \$ 2,178,494 | \$ 1,648,470 | \$ 439,491 | \$ 2,087,961 | \$ 90,533 | \$ 1,203,600 | \$ - | \$ 232,807 | \$ 200,000 | \$ 1,636,407 | \$ 3,777 | \$ (455,331) |

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

HARRISVILLE CENTRAL SCHOOL DISTRICT

COMBINED BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2023

| | School Food Service Fund | Extra Classroom Activities | Scholarships and Awards | Debt Service | Capital Project - 2021-22 | Capital Project - 2022-23 | Capital Projects Fund - Lease Liability | Capital Project - SSBA | Total Non-Major Funds |
|--|--------------------------------|----------------------------------|-------------------------------|-------------------|------------------------------|------------------------------|---|---------------------------|-----------------------------|
| ASSETS | | | | | | | | | |
| Cash and Cash Equivalents | | | | | | | | | |
| Unrestricted | \$ 4,896 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,896 |
| Restricted | - | 38,904 | 17,378 | 298,351 | - | 4,185 | - | - | 358,818 |
| Receivables | | | | | | | | | |
| Due From Other Funds | - | 165 | - | 21,907 | - | - | - | - | 22,072 |
| State and Federal Aid | 11,123 | - | - | - | - | - | 24,088 | - | 35,211 |
| Other | 49 | - | 36 | - | - | - | - | - | 85 |
| Inventories | 16,958 | - | - | - | - | - | - | - | 16,958 |
| TOTAL ASSETS | \$ 33,026 | \$ 39,069 | \$ 17,414 | \$ 320,258 | \$ - | \$ 4,185 | \$ - | \$ 24,088 | \$ 438,040 |
| LIABILITIES | | | | | | | | | |
| Payables | | | | | | | | | |
| Accrued Liabilities | \$ 425 | \$ - | \$ - | \$ - | \$ - | \$ 4,185 | \$ - | \$ - | \$ 4,610 |
| Due to Other Funds | 178,802 | - | 6,375 | 73,583 | 5,474 | - | - | 24,088 | 288,322 |
| Due to Other Governments | 1,284 | 70 | - | - | - | - | - | - | 1,354 |
| Total Liabilities | 180,511 | 70 | 6,375 | 73,583 | 5,474 | 4,185 | - | 24,088 | 294,286 |
| DEFERRED INFLOW OF RESOURCES | | | | | | | | | |
| Deferred State Aid | - | - | - | - | - | - | - | 24,088 | 24,088 |
| Total Deferred Inflow of Resources | - | - | - | - | - | - | - | 24,088 | 24,088 |
| FUND BALANCES (DEFICITS) | | | | | | | | | |
| Restricted | - | 38,999 | 11,039 | 246,675 | - | - | - | - | 296,713 |
| Assigned | - | - | - | - | - | - | - | - | - |
| Unassigned(Deficit) | (147,485) | - | - | - | (5,474) | - | - | (24,088) | (177,047) |
| Total Fund Balances(Deficits) | (147,485) | 38,999 | 11,039 | 246,675 | (5,474) | - | - | (24,088) | 119,666 |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES (DEFICITS) | \$ 33,026 | \$ 39,069 | \$ 17,414 | \$ 320,258 | \$ - | \$ 4,185 | \$ - | \$ 24,088 | \$ 438,040 |

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

HARRISVILLE CENTRAL SCHOOL DISTRICT

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

Year Ended June 30, 2023

| | School Food Service Fund | Extra Classroom Activities | Scholarships and Awards | Debt Service | Capital Project - 2021-22 | Capital Project - 2022-23 | Capital Projects Fund - Lease Liability | Capital Project - SSBA | Total Non-Major Funds |
|--|--------------------------------|----------------------------------|-------------------------------|-------------------|------------------------------|------------------------------|---|---------------------------|-----------------------------|
| REVENUES | | | | | | | | | |
| Use of Money and Property | \$ 15 | \$ - | \$ 226 | \$ 18,186 | \$ - | \$ - | \$ - | \$ - | \$ 18,427 |
| State Sources | 5,110 | - | - | - | - | - | - | 232,807 | 237,917 |
| Federal Sources | 156,274 | - | - | - | - | - | - | - | 156,274 |
| Surplus Food | 24,572 | - | - | - | - | - | - | - | 24,572 |
| Sales - School Food Service | 50,591 | - | - | - | - | - | - | - | 50,591 |
| Miscellaneous | - | 84,643 | 3,572 | - | - | - | - | - | 88,215 |
| Total Revenues | <u>236,562</u> | <u>84,643</u> | <u>3,798</u> | <u>18,186</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>232,807</u> | <u>575,996</u> |
| EXPENDITURES | | | | | | | | | |
| General Support | 139,692 | - | - | - | - | - | - | - | 139,692 |
| Employee Benefits | 71,835 | - | - | - | - | - | - | - | 71,835 |
| Cost of Sales - School Food Service | 129,328 | - | - | - | - | - | - | - | 129,328 |
| Other Expenditures | - | 77,260 | 2,250 | - | - | - | - | - | 79,510 |
| Capital Outlay | - | - | - | - | 105,298 | 100,000 | 51,098 | 24,088 | 280,484 |
| Total Expenditures | <u>340,855</u> | <u>77,260</u> | <u>2,250</u> | <u>-</u> | <u>105,298</u> | <u>100,000</u> | <u>51,098</u> | <u>24,088</u> | <u>700,849</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (104,293) | 7,383 | 1,548 | 18,186 | (105,298) | (100,000) | (51,098) | 208,719 | (124,853) |
| OTHER FINANCING SOURCES AND (USES) | | | | | | | | | |
| Proceeds from Debt - Lease | - | - | - | - | - | - | 51,098 | - | 51,098 |
| Operating Transfers In | 30,000 | - | - | - | - | 100,000 | - | - | 130,000 |
| Operating Transfers (Out) | - | - | - | (161,000) | - | - | - | (3,777) | (164,777) |
| Total Other Financing Sources and (Uses) | <u>30,000</u> | <u>-</u> | <u>-</u> | <u>(161,000)</u> | <u>-</u> | <u>100,000</u> | <u>51,098</u> | <u>(3,777)</u> | <u>16,321</u> |
| Net Change in Fund Balances | (74,293) | 7,383 | 1,548 | (142,814) | (105,298) | - | - | 204,942 | (108,532) |
| Fund Balances (Deficits)- Beginning of Year | (73,192) | 31,616 | 9,491 | 389,489 | 99,824 | - | - | (229,030) | 228,198 |
| Fund Balances (Deficits) - End of Year | <u>\$ (147,485)</u> | <u>\$ 38,999</u> | <u>\$ 11,039</u> | <u>\$ 246,675</u> | <u>\$ (5,474)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (24,088)</u> | <u>\$ 119,666</u> |

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

HARRISVILLE CENTRAL SCHOOL DISTRICT

NET INVESTMENT IN CAPITAL ASSETS

Year Ended June 30, 2023

| | | |
|---------------------------------------|------------|----------------------|
| Capital Assets, Net | | \$ 17,627,914 |
| Deduct: | | |
| Bond Anticipation Notes | \$ 728,008 | |
| Less: Unspent BAN Proceeds | (302,239) | |
| Premium on Bonds Payable | 663,619 | |
| Short-Term Portion of Bonds Payable | 575,000 | |
| Long-Term Portion of Bonds Payable | 5,390,000 | |
| Short-Term Portion of Lease Liability | 9,868 | |
| Long-Term Portion of Lease Liability | 37,087 | 7,101,343 |
| Net Investment in Capital Assets | | <u>\$ 10,526,571</u> |

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

**BOARD OF EDUCATION
HARRISVILLE 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 of Harrisville Central School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Harrisville Central School District’s basic financial statements, and have issued our report thereon dated October 16, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Harrisville 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 the Harrisville Central School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Harrisville 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified two deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Harrisville 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*.

Harrisville Central School District's Response to Findings

Governmental Auditing Standards requires the auditor to perform limited procedures on the Harrisville Central School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Harrisville Central School District's response was not subjected to the other 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 "Bowers & Company". The signature is written in dark ink and is positioned to the right of the main text block.

Watertown, New York
October 16, 2023

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

**BOARD OF EDUCATION
HARRISVILLE CENTRAL SCHOOL DISTRICT**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Harrisville 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 Harrisville Central School District’s major federal programs for the year ended June 30, 2023. Harrisville 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, Harrisville 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 Harrisville 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 Harrisville 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 Harrisville 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 Harrisville 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 Harrisville 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 Harrisville 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 Harrisville 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 Harrisville 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 cursive script that reads "Bowers & Company". The signature is written in black ink and is positioned to the right of the main text block.

Watertown, New York
October 16, 2023

HARRISVILLE CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE | Assistance Listing Number | Agency or Pass-Through Number | Total Federal Expenditures |
|---|--|--|---|
| <u>U.S. Department of Education</u> | | | |
| Passed-through NYS Education Department | | | |
| Title I Grants to Local Educational Agencies | 84.010A | 0021-23-1220 | \$ 100,192 |
| Special Education Cluster | | | |
| Special Education - Grants to States (IDEA, Part B) | 84.027A | 0032-23-0328 | 94,164 |
| Special Education - Preschool Grants (IDEA Preschool) | 84.173A | 0033-23-0328 | 3,470 |
| Total Special Education Cluster | | | <u>97,634</u> |
| Supporting Effective Instruction State Grants | 84.367A | 0147-22-1220 | <u>17,760</u> |
| Student Support and Academic Enrichment Program | 84.424A | 0204-22-1220 | <u>10,000</u> |
| Education Stabilization Fund | | | |
| COVID-19: Elementary and Secondary School Emergency Relief Fund (CRRSA-ESSER II) | 84.425D | 5891-21-1120 | 160,838 |
| COVID-19: American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP SLR) | 84.425U | 5882-21-1220 | 57,183 |
| COVID-19: American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) | 84.425U | 5880-21-1220 | 590,863 |
| COVID-19: American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP SLR) | 84.425U | 5884-21-1120 | 335,346 |
| COVID-19: American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP SLR) | 84.425U | 5883-21-1220 | 12,261 |
| Total Education Stabilization Fund | | | <u>1,156,491</u> |
| Total Passed-through NYS Education Department | | | <u>1,382,077</u> |
| Direct Program: | | | |
| Rural Education | 84.358A | | <u>9,731</u> |
| Total U.S. Department of Education | | | <u>1,391,808</u> |
| Subtotal to Next Page | | | <u>\$ 1,391,808</u> |

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

HARRISVILLE CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended June 30, 2023

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE | Assistance Listing Number | Agency or Pass-Through Number | Total Federal Expenditures |
|--|--|--|---|
| Subtotal from Previous Page | | | \$ 1,391,808 |
| <u>U.S. Department of Health and Human Services</u> | | | |
| Passed-through St. Lawrence County Public Health Department: | | | |
| COVID-19: Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 93.323 | | 2,456 |
| Total Passed-Through St. Lawrence County Public Health Department | | | 2,456 |
| Total U.S. Department of Health and Human Services | | | 2,456 |
| <u>U.S. Department of Agriculture</u> | | | |
| Passed-through NYS Education Department | | | |
| COVID-19: Pandemic EBT Administrative Costs | 10.649 | | 628 |
| Child Nutrition Cluster | | | |
| Non-Cash Assistance (Food Distribution): | | | |
| Fresh Fruit and Vegetable Program | 10.582 | | 8,671 |
| National School Lunch Program | 10.555 | | 15,901 |
| Non-Cash Assistance Subtotal | | | 24,572 |
| Cash Assistance: | | | |
| School Breakfast Program | 10.553 | | 39,256 |
| COVID-19: Supply Chain Assistance Grant | 10.555 | | 19,523 |
| National School Lunch Program | 10.555 | | 96,867 |
| Cash Assistance Subtotal | | | 155,646 |
| Total Child Nutrition Cluster | | | 180,218 |
| Total Passed-through NYS Education Department | | | 180,846 |
| Total U.S. Department of Agriculture | | | 180,846 |
| Total Federal Awards Expended | | | \$ 1,575,110 |

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

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2023

NOTE 1 – BASIS OF PRESENTATION

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 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

No amounts were provided to subrecipients.

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2023

NOTE 4 – SCOPE OF AUDIT

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

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

The District is the recipient of federal award programs that do result in cash receipts or disbursements. The District was granted \$15,901 of commodities under the National School Lunch Program (Assistance Listing 10.555) and \$8,671 under the Fresh Fruit and Vegetable Program (Assistance Listing 10.582).

HARRISVILLE CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2023

NOTE A – SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an unmodified opinion on the basic financial statements of Harrisville Central School District.
2. Two items identified as significant deficiencies were disclosed during the audit of the basic financial statements of Harrisville Central School District noted in the accompanying schedule of findings and questioned costs 2023-001 and 2023-002.
3. No instances of noncompliance material to the financial statements of Harrisville Central School District, which would be required to be reported in accordance with *Government Auditing Standards*, were 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 Harrisville Central School District.
5. The auditor’s report on compliance for the major federal award programs for Harrisville 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 Harrisville Central School District.
7. The programs tested as major programs includes:

U.S. Department of Education

Passed-Through NYS Education Department:

Education Stabilization Fund:

| | |
|---|---------|
| COVID-19 Elementary and Secondary School Emergency Relief Fund (CRRSA-ESSER II) | 84.425D |
| COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund | 84.425U |

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

HARRISVILLE CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2023

NOTE B – FINDINGS – FINANCIAL STATEMENT AUDIT

Finding Control Number: 2023-001

Significant Deficiency

Fund Balance Maintenance

Criteria

Management needs to exercise control over the contribution, use and tracking of operational fund balances including reserved, assigned and unassigned fund balances. To exercise control, management must develop a plan which ensures that balances are reasonable based on the needs of the District, verify balances are available for contribution or assignment, and safeguard restricted cash balances to ensure they are available for their intended use.

Condition

The District did not maintain sufficient assets at fiscal year end June 30, 2023 to fund the assigned and reserved balances restricted within the General Fund. The District disbursed cash balances previously restricted from various reserves without seeking appropriate authorization for the use or transfer of reserve funds during the year. This resulted in insufficient cash balances being maintained within several reserve cash accounts which are necessary to ensure the availability of restricted reserve funds as required. Additionally, the District did not have enough unassigned fund balance as of June 30, 2023 to meet assignments made through the 2023-2024 budget vote to finance the subsequent years' budgeted appropriations.

Context

The General Fund's total fund balances as of June 30, 2023 totaled \$1,291,859 including \$985,295 in restricted reserve balances and assigned encumbrances of \$50,644. There was a shortfall of available funds in the amount of \$25,266 in unassigned fund balance needed for the assignment of 2023-2024 budgetary appropriations at year-end. Management reallocated the budgetary assigned 2023-2024 appropriations \$305,000 to ensure a deficit within the General Fund unassigned fund balance did not occur.

HARRISVILLE CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2023

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

Finding Control Number: 2023-001 – Continued

Effect

The District did not have enough fund balance available within the General Fund to ensure that restricted and assigned balances were available for their designed usage as of June 30, 2023. Furthermore, we noted four budget expenditures line items that were over appropriated during the year ended June 30, 2023.

Cause

Restricted cash balances were expended to ensure the District’s cashflow for operational purposes. Fund balances were not reviewed and monitored throughout the year to reconcile the restricted and assigned balances with cash and other available resources. Additionally, the District does not have a recently updated reserve plan to ensure that balances are appropriately restricted and utilized to meet the needs of the District.

Recommendation

We recommend that management implement the following:

- Management should update the reserve plan on an annual basis which ensures that reserve balances remain available and are appropriate to meet the needs of the District.
- Management should develop procedures to ensure that restricted and assigned fund balances remain available for their designated purposes.
- Management should review budget to actual expenditures in the General Fund and transfer appropriations between budget line items as deemed necessary.

Views of Responsible Officials and Planned Corrective Actions

Management will update Reserve Plan by the November 2023 Board Meeting. Management will monitor restricted and assigned fund balances monthly along with expenditures in the General Fund.

HARRISVILLE CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2023

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

Finding Control Number: 2023-002

Fund Balance Deficits

Criteria

Management needs to exercise control over the operational fund balances in the School Food Service, Special Aid and Capital Projects funds. To exercise control, management must develop a plan which ensures that balances are reasonable based on the needs of the District, verify balances are available and plan transfers from the General Fund to eliminate deficit balances.

Condition

The District has a deficit fund balance in the School Food Service Fund due to escalating costs of operating the food service program. The deficit fund balance in the Special Aid Fund was attributed to the write-off of uncollectible grant receivables in a prior year. The Capital Projects 2021-2022 Fund deficit was the result of an unanticipated capital outlay project expenditure.

Context

As of June 30, 2023, the District reported deficit fund balances of \$72,076 in the Special Aid Fund, \$147,485 in the School Food Service Fund, and \$5,474 in the Capital Projects Fund 2021-2022.

Effect

The District has deficit balances in three funds that require a budgeted transfer from the General Fund in a future year to eliminate the deficits.

Cause

The District has not been monitoring the above-mentioned funds to ensure there are enough assets in place and revenues generated to ensure that funds are operating with a breakeven or positive fund balance.

HARRISVILLE CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2023

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

Finding Control Number: 2023-002 – Continued

Recommendation

The Board of Education should be aware that this condition is a significant deficiency. The District should plan to eliminate the negative fund balances with an interfund transfer from the General Fund in the 2024-2025 budget. Additionally, management should update monitoring procedures to identify and resolve negative operational results prior to their occurrence.

Views of Responsible Officials and Planned Corrective Actions

The District will monitor all funds monthly to ensure that funds are operating at a breakeven or positive fund balance. The District will have monthly meetings to ensure all responsible officials are monitoring each fund closely.

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

There were no findings to report.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2023

NOTE A – FINDINGS – FINANCIAL STATEMENT AUDIT

Finding Control Number: 2022-001

Significant Deficiency

Maintenance of Reserve Balances

Criteria

Management needs to exercise control over the contribution, use and tracking of reserve fund balances. To exercise control, management must develop a plan which ensures that balances are reasonable based on the needs of the District and safeguard restricted cash balances to ensure they are available for their intended use.

Condition

The District disbursed cash balances previously restricted from various reserves without seeking appropriate authorization for the use or transfer of reserve funds during the year. As a result, there are insufficient cash balances maintained within several funds to ensure the availability of restricted reserve funds as required.

Views of Responsible Officials and Planned Corrective Actions

The District plans to update the reserve plan on an annual basis as well as quarterly filing for a Requests of Funds for Federal or State Project (FS-25) for the American Rescue Plan Act of 2021 (ARP) and the ARP State Reserves. Also, in 2021-2022 the STAR reimbursement application was never submitted. We will be receiving the 2021-2022 STAR with the 2022-2023 funds. With these funds we are able to replenish the restricted cash balance for the Debt Service Fund and the General Fund Reserve.

Status

Similar instance was noted in the 2023 audit.

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

There were no prior year audit findings.

EXTRA CLASSROOM ACTIVITY FUND

INDEPENDENT AUDITOR’S REPORT ON EXTRA CLASSROOM ACTIVITY FUNDS

BOARD OF EDUCATION HARRISVILLE CENTRAL SCHOOL DISTRICT

Opinion

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

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 Harrisville 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 Harrisville 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.

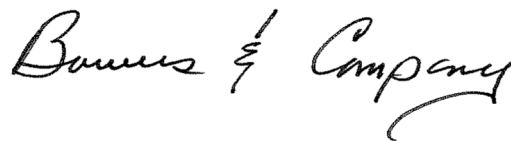
Auditor's Responsibilities for the Audit of the Financial Statement

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 Harrisville 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 Harrisville 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 16, 2023

HARRISVILLE CENTRAL SCHOOL DISTRICT

EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2023

| Account Name | Cash Balance 06/30/22 | Cash Receipts | Cash Disbursements | Cash Balance 6/30/23 |
|-------------------------|--------------------------------------|--------------------------|-------------------------------|-------------------------------------|
| Class of: | | | | |
| 2021 | \$ 2,100 | \$ - | \$ 2,100 | \$ - |
| 2022 | 648 | - | 648 | - |
| 2023 | 4,907 | 26,464 | 31,371 | - |
| 2024 | 1,569 | 13,159 | 8,683 | 6,045 |
| 2025 | - | 1,123 | - | 1,123 |
| 2026 | - | 6,092 | 3,534 | 2,558 |
| NHS | 613 | - | - | 613 |
| Yearbook | 863 | 6,913 | 5,640 | 2,136 |
| Athletics | 172 | 4,290 | 3,197 | 1,265 |
| SRA | 101 | 4,042 | 3,007 | 1,136 |
| Music Club | 9,521 | 7,887 | 8,561 | 8,847 |
| Library | 2,155 | 2,405 | 1,977 | 2,583 |
| NJHS | 14 | - | - | 14 |
| JRSRA | 1,001 | 321 | 395 | 927 |
| YAC | 1,350 | 1,650 | 1,604 | 1,396 |
| Backpack | 1,385 | 400 | 702 | 1,083 |
| Art Club | 2,789 | 487 | 602 | 2,674 |
| Green Team | 156 | 88 | 50 | 194 |
| Steam | 32 | - | 32 | - |
| FFA | - | 5,560 | 1,540 | 4,020 |
| Due to Other Fund | - | 165 | - | 165 |
| Sales Tax | 2,145 | 3,597 | 3,617 | 2,125 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total | \$ 31,521 | \$ 84,643 | \$ 77,260 | \$ 38,904 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

See note to the financial statement.

HARRISVILLE CENTRAL SCHOOL DISTRICT

EXTRA CLASSROOM ACTIVITY FUNDS – NOTE TO FINANCIAL STATEMENT
Year Ended June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The Extra Classroom Activity Funds of the Harrisville 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 Harrisville 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.

To the Board of Education
Harrisville Central School District

In planning and performing our audit of the financial statements of Harrisville Central School District for the year ended June 30, 2023, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters.

Condition: Extra Classroom Activities

The following items were noted during our audit of Extra Classroom Activity Fund:

- We tested five profit and loss statements and noted one lacked a signature from the activity treasurer and advisor, sales tax collection, and anticipated activity amounts.
- We tested five profit and loss statements and noted three were not updated to include activity results once completed.
- We tested ten receipts and noted that all ten deposit vouchers were not pre-numbered.
- We noted one club was inactive during the year.

Recommendation

We suggest the treasurer and advisors review the NYS SED Publication, *The Safeguarding, Accounting and Auditing of Extra Classroom Activity Funds*, which outlines the procedures that should be followed regarding receipts, disbursements and record keeping within the Extra Classroom Activity Fund.

Management's Response

The CBO will work with the Central Treasurer, advisors and student treasurers to follow the procedures outlined in the NYSED pamphlet. The CBO placed an order for numbered treasurer receipts for the Central Treasurer for deposits for the 2023-2024 fiscal year and will ensure that the number is transferred to the deposit vouchers. All clubs had been assigned advisors for the 2022-2023 fiscal year, but the inactive club had no fiscal activity.

Condition: Classification of Capital Outlay and Equipment Purchases

During our procedures, it was noted the District classified certain facility improvements and equipment purchases as contractual (.4) or materials and supplies instead of equipment and capital outlay (.2).

Recommendation

We recommend the District update procedures to ensure that items which meet the capitalization policy thresholds set by the District policy are reported as equipment and capital outlay (.2) to ensure they are properly reported within grant agreements and identified to be included within the Districts capital asset ledger.

Management's Response

The District will view policies and update to be sure we meet the capitalization policy thresholds set by the District.

Condition: Reporting of Expenditures

During our procedures, it was noted the District misclassified certain accounts payable items as encumbrances during the fiscal year ended June 2023.

Recommendation

We recommend the District update procedures so that monthly reports are reviewed to properly identify accounts as accounts payable or encumbrances.

Management's Response

The District will review the Office of State Comptroller Publication, *School Districts, Accounting and Reporting Manual*, to properly identify accounts as accounts payable or encumbrances and update procedures as needed.

Board of Education
Harrisville Central School District
October 16, 2023
Page 3

We will review the status of these comments during our next audit engagement. We have already discussed the comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of the matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Board of Education, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Bowrus & Company

Watertown, New York
October 16, 2023

October 16, 2023

To the President and Members
of the Board of Education of the
Harrisville Central School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harrisville Central School District for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Harrisville Central School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by Harrisville Central School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's estimate of the depreciation is based on economic useful lives of capital asset classes.

Management's estimate of present value of right to use leased assets, lease receivables, and lease liability is based on the discount rate or implicit interest rate within the agreements in accordance with GASB Statement No. 87, *Leases*.

Management estimates actuarial assumptions that are used to determine pension asset (liabilities) and annual pension cost for the year in accordance with GASB Statement No. 68.

Management estimates actuarial assumptions that are used to determine annual postretirement cost for the year in accordance with GASB Statement No. 75.

We evaluated the methods, and assumptions, and data used to develop the estimated useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached material misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 16, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Harrisville Central School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Harrisville Central School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The District did not have enough fund balance available within the General Fund to ensure that restricted and assigned balances were available for their designed usage as of June 30, 2023. This was mostly the result of the District's disbursement of restricted cash balances from various reserves without appropriate authorization and the lack of a recently updated reserve plan to ensure that balances are appropriately restricted and utilized to meet the needs of the District. Furthermore, we noted four budget expenditures line items that were over appropriated during the year ended June 30, 2023.

The District has not been monitoring the individual funds to ensure there are enough assets in place and revenues generated to ensure that funds are operating with a breakeven or positive fund balance. It was noted the District has deficit balances in three funds that require a budgeted transfer in a future year to eliminate the deficits.

These findings were disclosed as significant deficiencies on the 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*.

Other Matters

We applied certain limited procedures to *Management's Discussion and Analysis, the Schedule of Changes in the District's Total OPEB Liability and Related Ratios, the Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund, the Schedule of the District's Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan, and Schedule of District's Contributions – NYSLRS Pension Plan*, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

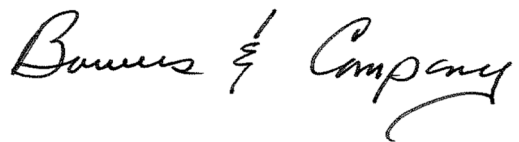
Other Matters - Continued

We were engaged to report on the *Schedule of Change from Adopted Budget to Final Budget and 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 the Net Investment in Capital Assets*, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of Board of Education and management of Harrisville Central School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Banner & Company". The signature is written in dark ink and is positioned below the "Very truly yours," text.

Schedule 1: Material Misstatements Corrected by Management

Government-Wide

Non-Current Governmental Assets:

| | | | |
|---|--------------------------------|----------------------------|----------------------------|
| Adjusting Journal Entries JE # 1 | | | |
| To adjust CY OPEB balances to actual | | | |
| K00159 | Total Non-Current Governmental | 1,951,533.00 | |
| K00497 | OPEB | | 1,951,533.00 |
| Total | | <u>1,951,533.00</u> | <u>1,951,533.00</u> |

| | | | |
|---|--------------------------------|----------------------------|----------------------------|
| Adjusting Journal Entries JE # 2 | | | |
| Adjustments from the K-2 wp. | | | |
| K00102 | Buildings | 205,474.00 | |
| K00103 | Improve.Oth.Than Bldg.(Option) | 73,435.00 | |
| K00104 | Equipment | 335,944.00 | |
| K00105 | Construction Work in Prog.(Opt | 229,386.00 | |
| K00107 | Other Capital Assets | 254,606.00 | |
| K00114 | Accumulated Depr-Equipment | 37,811.00 | |
| K00117 | Accum Depr.-Other Cap. Assets | 266,034.00 | |
| K00104 | Equipment | | 41,000.00 |
| K00105 | Construction Work in Prog.(Opt | | 205,474.00 |
| K00107 | Other Capital Assets | | 266,034.00 |
| K00112 | Accumulated Depr-Bldgs | | 515,125.00 |
| K00113 | Accumulated Depr-Improvements | | 21,504.00 |
| K00114 | Accumulated Depr-Equipment | | 73,276.00 |
| K00117 | Accum Depr.-Other Cap. Assets | | 169,216.00 |
| K00159 | Total Non-Current Governmental | | 111,061.00 |
| Total | | <u>1,402,690.00</u> | <u>1,402,690.00</u> |

| | | | |
|---|---------------------------------------|----------------------------|----------------------------|
| Adjusting Journal Entries JE # 4 | | | |
| To report ERS and TRS Pension activity | | | |
| K00108 | Total Non-Current Governmental Assets | 3,019,375.00 | |
| K00496 | Deferred Outflows, Pensions | 117,788.00 | |
| K00109 | Net Pension Asset | | 3,137,163.00 |
| Total | | <u>3,137,163.00</u> | <u>3,137,163.00</u> |

Non-Current Governmental Liabilities:

| | | |
|---|----------------------------|----------------------------|
| Adjusting Journal Entries JE # 1 | | |
| To adjust CY debt to actual | | |
| W623 Term Bonds Payable | 530,000.00 | |
| W125 Provision in Future Budgets | | 530,000.00 |
| Total | <u>530,000.00</u> | <u>530,000.00</u> |
| Adjusting Journal Entries JE # 3 | | |
| To Adjust OPEB balances to actual | | |
| W683 OPEB | 3,384,844.00 | |
| W125 Provision in Future Budgets | | 1,935,614.00 |
| W698 Deferred Inflow of Resources - OPEB | | 1,449,230.00 |
| Total | <u>3,384,844.00</u> | <u>3,384,844.00</u> |
| Adjusting Journal Entries JE # 4 | | |
| To report TRS Balances | | |
| W697 Deferred Inflows of Resources- ERS & TRS | 2,993,249.00 | |
| W125 Provision in Future Budgets | | 2,646,023.00 |
| W638 Net Pension Liability- Proportionate Share | | 347,226.00 |
| Total | <u>2,993,249.00</u> | <u>2,993,249.00</u> |
| Adjusting Journal Entries JE # 5 | | |
| To report ERS balances | | |
| W697 Deferred Inflows of Resources- ERS & TRS | 853,084.00 | |
| W125 Provision in Future Budgets | | 152,498.00 |
| W638 Net Pension Liability- Proportionate Share | | 700,586.00 |
| Total | <u>853,084.00</u> | <u>853,084.00</u> |

Fund Financial Statements

General Fund:

| Adjusting Journal Entries JE # 1 | | | |
|---|----------------------------|-------------------|-------------------|
| To pick up due from state/fed for Excess Cost Aid | | | |
| A00410.00 | Due From State and Federal | 123,518.00 | |
| A03101.001 | Excess Cost Aid | | 123,518.00 |
| Total | | 123,518.00 | 123,518.00 |

| Adjusting Journal Entries JE # 2 | | | |
|---|--------------------------------|-------------------|-------------------|
| To adjust revenue/accrued liability account for TRS payments received in CY | | | |
| A00632.00 | Due to State Teachers' Ret.Sys | 352,669.00 | |
| A03101.000 | Basic Formula Aid-Gen Aid | | 352,669.00 |
| Total | | 352,669.00 | 352,669.00 |

| Adjusting Journal Entries JE # 3 | | | |
|--|---------------------------|-------------------|-------------------|
| To adjust for BOCES payable recorded as an encumbrance | | | |
| A00821.00 | Reserve for Encumbrances | 147,282.00 | |
| A1240-490-00-00 | BOCES ADM | 38.00 | |
| A1345-490-00-00 | BOCES COOP PURCHASING | 196.00 | |
| A1430-490-00-00 | BOCES - PERSONNEL SERVICE | 2,177.00 | |
| A1480-490-00-00 | PUBLIC INFO - BOCES SERVI | 5,771.00 | |
| A1620-490-00-00 | BOCES Services Phone | 1,823.00 | |
| A1621-490-00-00 | BOCES SAFETY/RISK MANAGEM | 978.00 | |
| A1670-490-00-00 | BOCES Print Shop | 2,558.00 | |
| A1981-490-00-00 | BOCES - ADMIN & OTHER | 20,693.00 | |
| A1983-490-00-00 | BOCES - CAPITAL CONSTRUCT | 10,268.00 | |
| A2070-490-00-00 | INSERVICE - BOCES | 1,457.00 | |
| A2110-490-00-00 | REGULAR SCHOOL - BOCES SE | 23,073.00 | |
| A2250-490-00-00 | BOCES - SPECIAL ED | 14,064.00 | |
| A2270-490-00-00 | TITLE 1 COORDINATOR | 2,875.00 | |
| A2280-490-00-00 | SECONDARY OCCUPATION ED-B | 35,310.00 | |
| A2610-490-00-00 | INSTRUCTIONAL MEDIA - BOC | 3,980.00 | |
| A2630-490-00-00 | BOCES COMPUTER CHARGES | 13,549.00 | |
| A2820-490-00-00 | PSYCHOLOGICAL SERVICES | 6,559.00 | |
| A2855-490-00-00 | INTRSCOL ATHETICS - BOCES | 1,570.00 | |
| A5510-160-00-00 | TRANSPORTATION-SALARIES | 343.00 | |
| A00600.00 | Accounts Payable | | 147,282.00 |
| A00917.00 | Unassigned Fund Balance | | 147,282.00 |
| Total | | 294,564.00 | 294,564.00 |

General Fund-Continued:

| Adjusting Journal Entries JE # 5 | | | |
|---|----------------------------|--------------------------|--------------------------|
| to record BOCES aid receivable | | | |
| A00440.00 | Due From Other Governments | 352,572.00 | |
| A03103.000 | BOCES Aid (Sect 3609a Ed | | 352,572.00 |
| Total | | <u>352,572.00</u> | <u>352,572.00</u> |

| Adjusting Journal Entries JE # 6 | | | |
|--|--------------------------|--------------------------|--------------------------|
| To reclassify encumbrance for June health insurance bill to accounts payable | | | |
| A00821.00 | Reserve for Encumbrances | 210,245.00 | |
| A9060-800-00-00 | HEALTH INS - RETIREES | 90,091.00 | |
| A9060-800-10-00 | HEALTH INS - ACTIVES | 120,154.00 | |
| A00600.00 | Accounts Payable | | 210,245.00 |
| A00917.00 | Unassigned Fund Balance | | 210,245.00 |
| Total | | <u>420,490.00</u> | <u>420,490.00</u> |

| Adjusting Journal Entries JE # 10 | | | |
|--|--------------------------------|--------------------------|--------------------------|
| to adjust appropriated reserve to approved 2024 budget | | | |
| A00914.00 | Assigned Appropriated Fund Bal | 192,364.00 | |
| A00917.00 | Unassigned Fund Balance | | 192,364.00 |
| Total | | <u>192,364.00</u> | <u>192,364.00</u> |

| Adjusting Journal Entries JE # 11 | | | |
|---|--------------------------------|--------------------------|--------------------------|
| To report adjusted fund balance and additional transfer | | | |
| A00391.05 | Due From Debt Service | 61,000.00 | |
| A00914.00 | Assigned Appropriated Fund Bal | 305,000.00 | |
| A00917 | Unassigned Fund Balance | | 305,000.00 |
| A05031.000 | Interfund Transfers(Not D | | 61,000.00 |
| Total | | <u>366,000.00</u> | <u>366,000.00</u> |

Special Aid Fund:

| Adjusting Journal Entries JE # 1 | | | |
|---|---------------------------------|------------------|------------------|
| To report Health Worker Bonus Balances for 2022-23 activity | | | |
| F410.00 | Due From State and Federal | 9,688.00 | |
| HWB23X-2815-160-00 | Health Service-Noninstructional | 9,000.00 | |
| HWB23X-9030-800-00 | FICA | 688.00 | |
| F601.00 | Accrued Liabilities | | 9,688.00 |
| HWB23X-3289.000 | Health worker Bonus | | 9,688.00 |
| Total | | 19,376.00 | 19,376.00 |

| Adjusting Journal Entries JE # 3 | | | |
|---|-----------------------------|-------------------|-------------------|
| To correct ARP grants. | | | |
| 1ARP22-4289.000 | Other Federal Aid (Specify) | 20,130.00 | |
| 2ARP22-4289.000 | Other Federal Aid (Specify) | 19,450.00 | |
| CRRS21-4289.000 | Other Federal Aid (Specify) | 77,790.00 | |
| F410.00 | Due From State and Federal | 194,412.00 | |
| SARP22-4289.000 | Other Federal Aid (Specify) | 50,611.00 | |
| ARP22X-4289.000 | Other Federal Aid (Specify) | | 194,412.00 |
| F410.00 | Due From State and Federal | | 77,790.00 |
| F691.00 | Deferred Revenue | | 20,130.00 |
| F691.00 | Deferred Revenue | | 19,450.00 |
| F691.00 | Deferred Revenue | | 50,611.00 |
| Total | | 362,393.00 | 362,393.00 |

| Adjusting Journal Entries JE # 9 | | | |
|--|--------------------------|------------------|------------------|
| to correct interfund transfer and bad debt expense | | | |
| F391.04 | Due from General | 30,192.00 | |
| SMHD22-5031.000 | Interfund Transfers-4408 | 30,192.00 | |
| F391.04 | Due from General | | 30,192.00 |
| SMHD22-1989-400-00 | Bad Debt Expense | | 30,192.00 |
| Total | | 60,384.00 | 60,384.00 |

Capital Fund:

| | | | |
|--|-----------|---------------------------------------|-------------------------|
| Adjusting Journal Entries JE # 2 | | | |
| To report SSBA balance for current year activity | | | |
| | H410 | Due from state or federal governments | 24,088.00 |
| | H691 | Deferred Inflows of Resources | |
| | | | <u>24,088.00</u> |
| Total | | | <u><u>24,088.00</u></u> |
| | | | <u><u>24,088.00</u></u> |
| Adjusting Journal Entries JE # 3 | | | |
| To report 2023 operating lease | | | |
| | H2110-200 | Instructional Equip | 51,098.00 |
| | H5788 | Leases | |
| | | | <u>51,098.00</u> |
| Total | | | <u><u>51,098.00</u></u> |
| | | | <u><u>51,098.00</u></u> |
| Adjusting Journal Entries JE # 4 | | | |
| To report capital fund project adjustments | | | |
| | H391 | Due From General Funds | 5,474.00 |
| | H9901 | Transfer to General Fund | 3,777.00 |
| | H630 | Due to General Fund | |
| | | | <u>9,251.00</u> |
| Total | | | <u><u>9,251.00</u></u> |
| | | | <u><u>9,251.00</u></u> |

Miscellaneous Fund:

| Adjusting Journal Entries JE # 1 | | | |
|---|--------------------------|-------------------------|-------------------------|
| Adjusting for ECA | | | |
| CM200 | Cash extraclassroom | 7,383.00 | |
| CM2110.450-00-00 | XClassroom Expenses | 77,260.00 | |
| CM631 | Due to Other Gov't | 118.00 | |
| CM02770 | Xclassroom Revenues | | 84,643.00 |
| CM630.01 | Due to GF Extraclassroom | | 118.00 |
| Total | | <u>84,761.00</u> | <u>84,761.00</u> |

Debt Service Fund:

| Adjusting Journal Entries JE # 1 | | | |
|--|---------------------|-------------------------|-------------------------|
| To report remaining Board approved transfer. | | | |
| V9901 | Interfund Transfers | 61,000.00 | |
| V630.01 | Due to General | | 61,000.00 |
| Total | | <u>61,000.00</u> | <u>61,000.00</u> |

School Food Service Fund:

| Adjusting Journal Entries JE # 1 | | | |
|---|----------------|-------------------------|-------------------------|
| To record surplus food received in CY | | | |
| C2860.455 | Food Purchases | 24,572.00 | |
| C4190.2 | Surplus Food | | 24,572.00 |
| Total | | <u>24,572.00</u> | <u>24,572.00</u> |

Custodial Fund:

| Adjusting Journal Entries JE # 1 | | | |
|--|------------------|-------------------------|-------------------------|
| To report Library tax collection and payment | | | |
| TC 1989.400 | Public Libraries | 65,000.00 | |
| TC01001 | Library Tax | | 65,000.00 |
| Total | | <u>65,000.00</u> | <u>65,000.00</u> |