

SHERMAN CENTRAL SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION,
SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2023



BAHGAT & LAURITO-BAHGAT

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

PROVIDING THE TOOLS FOR FINANCIAL SUCCESS

SHERMAN CENTRAL SCHOOL DISTRICT

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Independent Auditor's Report

The Board of Education of the
Sherman Central School District
Sherman, New York

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Sherman Central School District*, (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the 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 *Sherman Central School District*, as of June 30, 2023, and the respective changes in financial position thereof 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 ("GAAS") and the standards applicable to financial audits contained in Governmental 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 Sherman 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

District 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 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 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 GAAS and Governmental 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 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 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 and other Required Supplementary Information, as listed in the table of contents, 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 the District's basic financial statements. The Supplementary Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplemental material and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare 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, Supplementary Information, as listed in the table of contents and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to solely 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bahgat & Laurito-Bahgat,
Certified Public Accountants, P.C.
Fredonia, New York

October 12, 2023

**Sherman Central School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023**

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2023. The section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also 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. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Enrollment: Over the past year, the enrollment District-wide has increased to 426 students.

Significant capital projects:

Capital Outlay project

The District completed a \$100,000 capital outlay project. The project consisted of updating bathrooms with new wall and floor tile along with new partitions.

Capital Project

The District began a new capital improvement project which consists of various renovations and a 3000 sq. foot addition to the building. The project includes replacing all parking lots, replacing the folding gym partition, replacing 2nd floor steel windows along the gym, renovations in the cafeteria, health office, fitness center, technology lab, various classrooms and storage, replacement of carpet, masonry work, chiller unit to supply air conditioning to classrooms, heated sidewalk, new bus garage overhead doors, CO2 detectors, lighting and a generator for the bus garage.

Smart Schools Bond Act Project

During 2019 the District began implementing its Smart Schools Investment Plan (SSIP) by beginning to replace its camera system within the District. The District's SSIP can be found on the District website. To date the District has completed all of the installation of the new camera systems along with most of the door access controls. The District has also completed the wireless access and six cameras on the ball fields. The District is still working on a couple door access controls. The District has spent \$307,327 to date and has received Smart school funds of \$255,876.

Changes in Revenue: Property taxes and state aid accounted for most of the District's general revenues, together contributing 97% of total general revenues. The remaining 3% of general revenues came from Medicaid assistance, tuition, monies earned for use of district money and property and other miscellaneous revenues.

**Sherman Central School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements are *district-wide* financial statements that provide both *short-term* and *long-term* information about the School District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations in *more detail* than the district-wide statements. The fund financial statements concentrate on the School District's most significant funds with all other non-major funds listed in total in one column.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year.

Figure A-1 summarizes the major features of the School District's financial statements, including the portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

**Sherman Central School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-1

Major Features of the District-Wide and Fund Financial Statements

		Fund Financial Statements	
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • 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	Modified accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any) liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/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	All additions and deductions during the year, regardless of when cash is received or paid

**Sherman Central School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

District-Wide Statements

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

In the District-wide financial statements, the School District's activities are shown as *Governmental activities*. Most of the School 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 fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds – not the School District as a whole. Funds are accounting devices the School 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 School 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).

**Sherman Central School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

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

The following chart depicts the School District's statement of net position. This statement combines all funds of the District as required by GASB Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This is a change from reporting each fund individually in the financial statements.

**Sherman Central School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023**

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT
AS A WHOLE (Continued)**

Condensed Statement of Net Position (in thousands of dollars)

	Governmental Activities and Total School District			Percentage Change
	Ending 6/30/2023	Beginning 6/30/2022		
Current and Other Assets	\$ 3,546	\$ 7,756		-54.3%
Capital Assets	19,921	20,366		-2.2%
Total Assets	23,467	28,122		-16.6%
Deferred Outflows of Resources	3,235	3,197		1.2%
Total Assets and Deferred Outflows of Resources	26,702	31,319		-14.7%
Long-Term Debt Outstanding	8,432	7,894		6.8%
Other Liabilities	2,156	2,196		-1.8%
Total Liabilities	10,588	10,090		4.9%
Deferred Inflows of Resources	439	5,755		-92.4%
Total Liabilities and Deferred Inflows of Resources	11,027	15,845		-30.4%
Net Position				
Net Investment in Capital Assets	13,553	13,221		2.5%
Restricted	2,051	2,716		-24.5%
Unrestricted	71	(463)		115.3%
Total Net Position	\$ 15,675	\$ 15,474		1.3%

**Sherman Central School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023**

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT
AS A WHOLE (Continued)**

The following chart depicts the School District's changes in net position from operating results. This statement combines all funds of the District as required by GASB Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This is a change from reporting each fund individually in the financial statements. Additionally, revenues that are received as a direct result of expenses are stated separately.

As depicted in the following table,

Charges for services increased due to the district sharing of the curriculum coordinator position with a neighboring District.

Federal revenues increased 517% to an increase in Medicaid reimbursement claims.

Interest earnings increased 686% due to increased interest rate yield.

Sale of property increased 217% due to the sale of a Van.

Instruction increased 21% due to salary increases from settled employment contracts.

Pupil transportation increased 86% due to wage increases as the result of the CSEA settled contract, the increase in diesel costs and the increase in various supplies.

Cost of sales increased 82% due to the increased cost of wages, food purchases and materials and supplies.

**Sherman Central School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023**

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT
AS A WHOLE (Continued)**

Changes in Net Position from Operating Results (in thousands of dollars)

	Governmental Activities and Total School District		Percentage Change
	Fiscal Year Ended	Fiscal Year Ended,	
	6/30/2023	6/30/2022	
Revenues			
Program Revenues			
Charges for Services	\$ 124	\$ 6	1967%
Operating Grants	2,208	2,336	-5%
General Revenues			
Property Taxes	2,485	2,426	2%
Other Tax Items	379	384	-1%
State Formula Aid	7,229	6,864	5%
Federal Aid	37	6	517%
Interest Earnings	55	7	686%
Sales of Property	19	6	217%
Miscellaneous	122	102	20%
Total Revenues	12,658	12,137	4%
Expenses			
General Support	2,903	2,867	1%
Instruction	8,107	6,675	21%
Pupil Transportation	762	410	86%
Community Service	-	-	0%
Debt Service – Interest	144	182	-21%
Cost of Sales – Food	542	297	82%
Total Expenses	12,458	10,431	19%
Increase in Net Position	\$200	\$1,706	-88%

**Sherman Central School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023**

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT
AS A WHOLE (Continued)**

Governmental Activities

The following chart shows the difference between total cost of services and net cost of services. This difference results from revenues that relate to certain expenditures reducing the expense total as required by GASB Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." The difference between the total cost and net cost for general support consists of amounts charged for services, which include admission and other fees charged, and Federal grants received. The difference between the total cost and net cost for instruction consists of amounts charged for services which include tuition charged to other School Districts and fees charged for adult education, and Federal and State grants received. The difference between the total cost and net cost for the school lunch program includes amounts charged to the students for the purchase of lunches and snacks and Federal and State grants received.

Net Cost of Governmental Activities (in thousands of dollars)

	Total Cost of Services			Net Cost of Services		
	Fiscal Year Ended 6/30/23	Fiscal Year Ended 6/30/22	Percentage Change	Fiscal Year Ended 6/30/23	Fiscal Year Ended 6/30/22	Percentage Change
General Support	\$ 2,903	\$2,867	1%	\$ 2,903	\$2,867	1%
Instruction	8,107	6,675	21%	6,509	5,068	28%
Pupil Transportation	762	410	86%	365	2	18150%
Community Service	-	-	-	-	-	-
Debt Service – Interest	144	182	-	(118)	(144)	-
Cost of Sales – Food	542	297	82%	467	297	57%
Total	\$ 12,458	\$10,431	19%	\$ 10,126	\$ 8,090	25%

**Sherman Central School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

As of June 30, 2023, the District had an unassigned fund balance of \$958,198. This represents 7.91% of the next fiscal year's budget. The District set aside \$427,504 to reduce the tax levy for the 2023-2024 fiscal year. It continued a Reserve for Employee Benefit Accrued Liabilities in the amount of \$99,718. The Reserve for Workers' Compensation is currently at \$57,089. The Reserve for Unemployment is currently at \$137,355, Reserve for Retirement Contributions - ERS is currently at \$263,372, Reserve for Retirement Contributions - TRS is currently at \$56,126 and the Capital Reserve is currently at \$18,059. The debt service fund additionally includes a reserve for debt in the amount of \$153,794. Total reserves are currently at \$785,513.

General Fund Budgetary Highlights

During the 2022-2023 school year, significant changes between the original budget and the actual expenditures occurred in a few areas in the General Fund (Non-GAAP Basis):

- ✓ Central Services had final expenditures of \$719,750 compared to a final budget of \$803,528. The favorable variance of \$24,466 after encumbrances of \$59,312 resulted from spending less in utilities than expected.
- ✓ Teaching-Regular School had final expenditures of \$2,779,062 as compared to a final budget of \$3,036,292. The favorable variance of \$213,018 after \$44,212 of encumbrances resulted from paying some teacher salaries and materials and supplies out of the ESSER and/or CRRSA funds.
- ✓ Programs for Children with Handicapping Conditions had final expenditures of \$578,521 as compared to a final budget of \$716,036. The favorable variance of \$137,389 after \$126 of encumbrances resulted from paying some teacher salaries and materials and supplies out of the ESSER and/or CRRSA funds.
- ✓ Occupational Education had final expenditures of \$265,026 as compared to a final budget of \$386,420. The favorable variance of \$76,274 after encumbrances of \$45,120 resulted from paying a teacher out of the ESSER and/or CRRSA funds.
- ✓ Pupil Transportation had final expenditures of \$464,477, compared to a final budget of \$505,545. The favorable variance of \$22,931 after encumbrances of \$18,137 resulted from spending less in parts & accessories and supplies for the bus garage.

**Sherman Central School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023**

**FINANCIAL ANALYSIS OF THE
SCHOOL DISTRICT'S FUNDS (Continued)**

General Fund Budgetary Highlights -concluded

- ✓ Employee benefits had a final expenditure of \$2,346,156, compared to a final budget of \$2,454,812. The favorable variance of \$108,656 resulted from paying for Health Insurance and TRS out of the ESSER and/or CRRSA funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District purchased two busses, and conducted a capital outlay project for updating bathrooms with new wall and floor tile along with new partitions. Additionally, incurred legal and architectural costs related to the new capital project

Long-Term Debt

Constitutional debt limit: Per the last Official Statement issued by the Sherman Central School District, the limit was \$22,415,456. At October 11, 2023, the District's net indebtedness subject to the limit totaled \$5,525,000.

Bond Rating: The Sherman Central School District had an A+ rating from Standard & Poor's when it was last rated in December 2014.

Debt Retired: The District retired \$739,288 of debt in the fiscal year 2022-2023.

Other types of debt: Sherman Central School District has \$179,073 outstanding debt in an energy performance contract.

See Notes 7 and 8 for additional information on the debt of the District.

**Sherman Central School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023**

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- ❖ Proposed changes in educational standards that could materially affect programs provided by the District and the District's financial position.
- ❖ Retirement system contribution rates for the New York State Teachers' Retirement System (TRS) and the New York State Employees' Retirement System (ERS) have fluctuated dramatically over the last several years. In the coming year, the TRS average rate will be 9.76% and the ERS average rate will be 13.1% of the applicable payroll.
- ❖ The District anticipates increased costs in future years related to the Novel Coronavirus including increasing costs for technology, personal protective equipment, and additional sanitation requirements. Additionally, the current inflationary economy will impact future supplies and contractual purchases
- ❖ On June 24, 2011 Chapter 97 of the laws of 2011 was signed into law creating a limit on school District and local government tax levies. Chapter 97 took effect for fiscal years beginning in January 2012. Chapter 97 limits the *tax levy growth factor* to the lesser of 2% or CPI of the adjusted prior year tax levy. The calculation of the adjusted tax levy limit also includes a tax base growth factor, certain exclusions; for example, increases in retirement plan required contributions of 2 percentage points over the previous year's required contribution, and allows for a carryover of the amount under the tax levy limit in the previous fiscal year. The District complied with the Tax Cap since inception.

**Sherman Central School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023**

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Sherman Central School District, Sherman, New York.

FINANCIAL STATEMENTS

**Sherman Central School District
Statement of Net Position
June 30, 2023**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Cash	
Unrestricted	\$ 1,614,713
Restricted	785,513
Receivables	
State and Federal aid	771,535
Due from fiduciary funds	-
Other receivables	364,036
Inventories	10,030
Capital assets and right-to-use assets, net	19,920,706
Net pension asset-proportionate share	-
Total Assets	23,466,533
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	\$3,006,846
Refunding Bond	160,993
Other postemployment benefits	67,324
Total Deferred Outflows of Resources	3,235,163
Total Assets and Deferred Outflows of Resources	\$ 26,701,696
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
LIABILITIES	
Payables	
Accounts payable	\$ 15,049
Accrued liabilities	50,116
Due to other governments	270
Notes payable	
Bond anticipation	775,000
Long-term liabilities	
Due and payable within one year	
Bonds payable	762,741
Compensated absences payable	16,641
Lease liability	12,325
Due to Employees' Retirement System	41,836
Due to Teachers' Retirement System	482,155
Due and payable after one year	
Other postemployment benefits payable	775,862
Compensated absences payable	1,276,906
Lease liability	12,481
Net pension liability-proportionate share	1,407,461
Bonds payable	4,959,066
Total Liabilities	10,587,909
DEFERRED INFLOWS OF RESOURCES	
Pensions	\$333,492
Other postemployment benefits	105,400
Total Deferred Inflows of Resources	438,892
NET POSITION	
Net investment in capital assets	13,552,887
Restricted	2,051,406
Unrestricted (Deficit)	70,602
Total Net Position	15,674,895
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 26,701,696

See Accompanying Independent Auditors' Report and Notes to Financial Statements.

**Sherman Central School District
Statement of Activities
For the Year Ended June 30, 2023**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS				
General support	\$ 2,903,343	\$ -	\$ -	\$ (2,903,343)
Instruction	8,107,307	49,413	1,549,260	(6,508,634)
Pupil transportation	762,248	-	397,519	(364,729)
Community Service	-	-	-	-
Debt service	144,103	-	261,641	117,538
School lunch program	541,631	74,658	-	(466,973)
Total Functions and Programs	\$ 12,458,632	\$ 124,071	\$ 2,208,420	(10,126,141)
GENERAL REVENUES				
Real property taxes				2,484,854
Other tax items				378,910
Use of money and property				55,159
Sale of property and compensation for loss				19,475
Miscellaneous				122,281
State sources				7,229,015
Medicaid reimbursement				36,616
Total General Revenues				10,326,310
Change in Net Position				200,169
Total Net Position - Beginning of year				15,474,726
Total Net Position - End of year				\$ 15,674,895

Sherman Central School District
Balance Sheet - Governmental Funds
June 30, 2023

	Major				Non-Major	Total Governmental Funds
	General	Special Aid	School Lunch	Capital Project	Debt Service Fund	
ASSETS						
Cash						
Unrestricted	\$ 987,371	\$ 63,603	\$ 96,552	\$ 467,187	\$ -	\$ 1,614,713
Restricted	631,719	-	-	-	153,794	785,513
Receivables						
Due from other funds	964,399	20,752	-	197,201	-	1,182,352
State and Federal aid	117,055	592,837	1,129	60,514	-	771,535
Due from other governments	364,036	-	-	-	-	364,036
Inventories	-	-	10,030	-	-	10,030
Total Assets	\$ 3,064,580	\$ 677,192	\$ 107,711	\$ 724,902	\$ 153,794	\$ 4,728,179
LIABILITIES						
Payables						
Accounts payable		\$ -	\$ 15,049	\$ -	\$ -	\$ 15,049
Accrued liabilities	48,234	-	1,882	-	-	50,116
Due to other funds	246,565	677,192	-	258,595	-	1,182,352
Due to other governments	-	-	270	-	-	270
Due to Teachers' Retirement System	482,155	-	-	-	-	482,155
Due to Employees' Retirement System	41,836	-	-	-	-	41,836
Notes payable						
Bond Anticipation	-	-	-	775,000	-	775,000
Total Liabilities	818,790	677,192	17,201	1,033,595	-	2,546,778
FUND BALANCES						
Reserved:						
Nonspendable	-	-	10,030	-	-	10,030
Restricted	631,719	-	-	-	153,794	785,513
Assigned	655,873	-	80,480	-	-	736,353
Unassigned	958,198	-	-	(308,693)	-	649,505
Total Fund Balances	2,245,790	-	90,510	(308,693)	153,794	2,181,401
Total Liabilities and Fund Balances	\$ 3,064,580	\$ 677,192	\$ 107,711	\$ 724,902	\$ 153,794	\$ 4,728,179

Sherman Central School District
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2023

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Cash - unrestricted	\$ 1,614,713	\$ -	\$ -	\$ 1,614,713
Cash - restricted	785,513	-	-	785,513
Due from other funds	1,182,352	-	(1,182,352)	-
Due from fiduciary funds	-	-	-	-
State & Federal aid receivable	771,535	-	-	771,535
Other receivables	364,036	-	-	364,036
Inventories	10,030	-	-	10,030
Land, buildings and equipment (net)	-	19,920,706	-	19,920,706
Net pension asset-proportionate share	-	-	-	-
Total Assets	4,728,179	19,920,706	(1,182,352)	23,466,533
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	-	3,006,846	-	3,006,846
Bond refunding	-	160,993	-	160,993
OPEB (GASB 75)	-	67,324	-	67,324
Total Deferred Outflows of Resources	-	3,235,163	-	3,235,163
Total Assets and Deferred Outflows of Resources	\$ 4,728,179	\$ 23,155,869	\$ (1,182,352)	\$ 26,701,696
LIABILITIES				
Accounts payable	\$ 15,049	\$ -	\$ -	\$ 15,049
Accrued liabilities	50,116	-	-	50,116
Retainage Payable	-	-	-	-
Bond anticipation notes payable	775,000	-	-	775,000
Bonds payable	-	5,721,807	-	5,721,807
Compensated absences payable	-	1,293,547	-	1,293,547
Due to other funds	1,182,352	-	(1,182,352)	-
Due to fiduciary funds	-	-	-	-
Due to Teachers' Retirement System	482,155	-	-	482,155
Due to Employees' Retirement System	41,836	-	-	41,836
Due to other governments	270	-	-	270
Lease liabilities	-	24,806	-	24,806
Other postemployment benefits	-	775,862	-	775,862
Net pension liability-proportionate share	-	1,407,461	-	1,407,461
Total Liabilities	2,546,778	9,223,483	(1,182,352)	10,587,909
DEFERRED INFLOWS OF RESOURCES				
Pensions	-	\$333,492	-	333,492
OPEB (GASB 75)	-	105,400	-	105,400
Total Deferred Inflows of Resources	-	438,892	-	438,892
FUND BALANCE/NET POSITION				
Total Fund Balance/Net Position	2,181,401	13,493,494	-	15,674,895
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	\$ 4,728,179	\$ 23,155,869	\$ (1,182,352)	\$ 26,701,696

**Sherman Central School District
Reconciliation of the Balance Sheet
to the Statement of Net Position- Governmental Funds
For the Year Ended June 30, 2023**

Fund Balances - total governmental funds		\$ 2,181,401
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets and right-to-use assets	\$ 33,065,757	
Less accumulated depreciation	(13,145,051)	
		19,920,706
The School District's proportionate share of the Employee Retirement Systems' collective net pension asset or liability is not reported in the funds.		
TRS net pension liability - proportionate share	(442,820)	
ERS net pension liability - proportionate share	(964,641)	
		(1,407,461)
Deferred outflows of resources, including deferred charges on defeasance debt, OPEB, and pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds.		
Deferred inflows of resources, including OPEB, and pensions, represents an acquisition of net position that applies to future periods, and therefore, is not reported in the funds.		
ERS deferred outflows of resources - pension	\$636,131	
ERS deferred inflows of resources - pension	(89,350)	
TRS deferred outflows of resources - pension	2,370,715	
TRS deferred inflows of resources - pension	(244,142)	
Deferred outflows of resources - OPEB	67,324	
Deferred inflows of resources - OPEB	(105,400)	
Deferred inflows - defeasement of serial bonds	160,993	
		2,796,271
Long-term liabilities including bonds payable, compensated absences and post-employment benefits are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	(1,293,547)	
Other post employment benefits	(775,862)	
Lease liability	(24,806)	
Governmental bonds payable	(5,721,807)	
		(7,816,022)
Net position of governmental activities		\$ 15,674,895

Sherman Central School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	Major				Non-Major	Total Governmental Funds
	General	Special Aid	School Lunch	Capital Project	Debt Service Fund	
REVENUES						
Real property taxes	\$ 2,484,854	\$ -	\$ -	\$ -	\$ -	\$ 2,484,854
Other tax items	378,910	-	-	-	-	378,910
Charges for services	49,413	-	-	-	-	49,413
Use of money and property	55,159	-	-	-	-	55,159
Sale of property and compensation for loss	19,475	-	-	-	-	19,475
Miscellaneous	120,009	-	2,272	-	-	122,281
State sources	7,698,313	224,824	6,897	-	-	7,930,034
Medicaid reimbursement	36,616	-	-	-	-	36,616
Federal sources	36,317	1,146,941	324,143	-	-	1,507,401
Sales - school lunch	-	-	14,144	60,514	-	74,658
Total Revenues	10,879,066	1,371,765	347,456	60,514	-	12,658,801
EXPENDITURES						
General support	1,629,262	-	-	-	-	1,629,262
Instruction	4,919,508	1,368,790	-	-	-	6,288,298
Pupil transportation	464,477	2,975	-	226,917	-	694,369
Community Service	-	-	-	-	-	-
Employee benefits	2,346,156	-	-	-	-	2,346,156
Debt service						
Principal	1,114,802	-	-	-	-	1,114,802
Interest	95,998	-	-	-	-	95,998
Cost of sales	-	-	493,142	-	-	493,142
Capital outlay	-	-	-	128,066	-	128,066
Total Expenditures	10,570,203	1,371,765	493,142	354,983	-	12,790,093
Excess/(Deficiency) of Revenues over Expenditures	308,863	-	(145,686)	(294,469)	-	(131,292)
Other Financing Sources and (Uses):						
Premium on obligation	-	-	-	-	-	-
Proceeds of debt	-	-	-	-	-	-
Payments to escrow agent	-	-	-	-	-	-
BANs redeemed from appropriations	-	-	-	223,000	-	223,000
Transfers to other funds	(500,000)	-	-	-	-	(500,000)
Transfers from other funds	-	-	-	500,000	-	500,000
Total Other Sources (Uses)	(500,000)	-	-	723,000	-	223,000
Excess/(Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	(191,137)	-	(145,686)	428,531	-	91,708
Fund Balances(deficit), Beginning of Year ,	2,436,927	-	236,196	(737,224)	153,794	2,089,693
Fund Balances (deficit), End of Year	\$ 2,245,790	\$ -	\$ 90,510	\$ (308,693)	\$ 153,794	\$ 2,181,401

Sherman Central School District
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in
Fund Balances to the Statement of Activities
For the Year Ended June 30, 2023

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Eliminations and Reclassifications	Statement of Activities Totals
REVENUES						
Real property taxes	\$ 2,484,854	\$ -	\$ -	\$ -	\$ -	\$ 2,484,854
Other tax items	378,910	-	-	-	-	378,910
Charges for services	49,413	-	-	-	-	49,413
Use of money and property	55,159	-	-	-	-	55,159
Sale of property and compensation for loss	19,475	-	-	-	-	19,475
Miscellaneous	122,281	-	-	-	-	122,281
State sources	7,930,034	-	-	-	-	7,930,034
Medicaid reimbursement	36,616	-	-	-	-	36,616
Federal sources	1,507,401	-	-	-	-	1,507,401
Sales - school lunch	74,658	-	-	-	-	74,658
Total Revenues	12,658,801	-	-	-	-	12,658,801
EXPENDITURES/EXPENSES						
General support	1,629,262	-	724,485	-	549,596	2,903,343
Instruction	6,288,298	-	(134,143)	-	1,953,152	8,107,307
Pupil transportation	694,369	-	(16,680)	-	84,559	762,248
Community Service	-	-	-	-	-	-
Employee benefits	2,346,156	289,640	-	-	(2,635,796)	-
Debt service	1,210,800	-	-	(843,697)	(223,000)	144,103
Capital outlay	128,066	-	(128,066)	-	-	-
Cost of sales	493,142	-	-	-	48,489	541,631
Total Expenditures	12,790,093	289,640	445,596	(843,697)	(223,000)	12,458,632
Excess (Deficiency) of Revenues Over Expenditures	(131,292)	(289,640)	(445,596)	843,697	223,000	200,169
OTHER SOURCES AND USES						
Proceeds of debt	-	-	-	-	-	-
Payments to escrow agent	-	-	-	-	-	-
Operating transfers in	500,000	-	-	-	(500,000)	-
Operating transfers (out)	(500,000)	-	-	-	500,000	-
Proceeds from debt	-	-	-	-	-	-
BANs redeemed from appropriations	223,000	-	-	-	(223,000)	-
Total Other Sources (Uses)	223,000	-	-	-	(223,000)	-
Net Change for the Year	\$ 91,708	\$ (289,640)	\$ (445,596)	\$ 843,697	\$ -	\$ 200,169

Sherman Central School District
Statement of Fiduciary Net Position
June 30, 2023

	Private Purpose Trusts	Custodial
ASSETS		
Unrestricted cash	\$ -	\$ -
Restricted cash	72,246	39,245
Due from other funds	-	-
Total Assets	<u>\$ 72,246</u>	<u>\$ 39,245</u>
LIABILITIES		
Due to governmental funds	\$ -	\$ -
Extraclassroom activity balances	-	39,245
Other liabilities	-	-
Total Liabilities	-	39,245
NET POSITION		
Reserved for scholarships	72,246	-
TOTAL LIABILITIES AND NET POSITION		
Total liabilities and net position	<u>\$ 72,246</u>	<u>\$ 39,245</u>

Sherman Central School District
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2023

	Private Purpose Trusts
ADDITIONS	
Gifts and contributions	\$ 1,584
Investment earnings	191
Total Additions	1,775
DEDUCTIONS	
Scholarships and awards	11,157
Change in Net position	(9,382)
Net Position, Beginning of Year	81,628
Net Position, End of Year	\$ 72,246

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Sherman 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:

A. Reporting Entity

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

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity, as amended by GASB Statement 39, Component Units, and GASB Statement 61, The Financial Reporting Entity. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

1. Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found on page 78 of this report. The District accounts for assets held as an agent for various student organizations in a custodial fund.

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1 - Summary of Certain Significant Accounting Policies (Continued)

B. Joint Venture

The Sherman Central School District is one of 27 component School Districts in the Erie 2 - Chautauqua/Cattaraugus Board of Cooperative Educational Services (BOCES). 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 Section 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 Section 1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation, Section 1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n (a) of the New York State General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, Section 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 \$1,256,930 for BOCES administrative and program costs.

Participating school districts issue debt on behalf of BOCES. During the year, the District issued no serial bonds on behalf of BOCES. As of year-end, the District had no outstanding BOCES debt.

The District's share of BOCES aid amounted to \$653,864.

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

C. Basis of Presentation

1. 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.

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1 - Summary of Certain Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and nonexchange 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 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.

2. Fund statements:

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

The District reports the following major 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.

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 and school store operations 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. The Special Revenue Funds classified as major are:

Special Aid Fund: Used to account for special operating projects or programs supported in whole, or in part, with federal Funds or State or Local Grants.

School Food Service Fund: Use to account for transactions of the lunch and breakfast programs.

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1 - Summary of Certain Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

2. Fund statements (Continued):

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

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

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.

The District has two classes of fiduciary funds:

Private purpose trust funds: These funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. A scholarship is an example of a Private-Purpose Trust Fund. Established criteria govern the use of funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

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

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1 - Summary of Certain Significant Accounting Policies (Continued)

D. 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, state aid, 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 state aid is recognized in the fiscal year it is appropriated by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental 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 collected within one year after the end of the fiscal year as it matches the liquidation of related obligations except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until available. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

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, pensions, and other post-employment benefits 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.

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1 - Summary of Certain Significant Accounting Policies (Continued)

E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 4, and became a lien on September 6, 2022. Taxes were collected during the period September 6, through November 9, 2022.

Uncollected real property taxes are subsequently enforced by Chautauqua County, in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1.

F. Restricted Resources

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

G. Interfund Transactions

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

In the district-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

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

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

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1 - Summary of Certain Significant Accounting Policies (Continued)

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses/expenditures 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.

I. Cash (and cash equivalents)/Investments

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.

Investments are stated at fair value.

J. Accounts Receivable

Receivables are shown net of an allowance for uncollectible accounts, when applicable. An allowance for uncollectible accounts represents the portion of accounts receivable that is not expected to be collected within 365 days.

K. Inventories and Prepaid Items

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items

<p>Sherman Central School District Notes to Financial Statements For the Fiscal Year Ended June 30, 2023</p>

Note 1 - Summary of Certain Significant Accounting Policies (Continued)

K. Inventories and Prepaid Items (Continued)

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 receipt and/or purchase and an expense/expenditure is reported in the year the goods or services are consumed.

L. Other Assets/Restricted Assets

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants.

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.

M. Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2003. For assets acquired prior to July 1, 2003, estimated historical costs, based on appraisals conducted by independent third party professionals, were used. Donated assets are reported at estimated fair market value at the time received.

Land and construction in process are not depreciated. 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 are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$50,000	Straight - line	15-40 years
Building improvements	\$50,000	Straight - line	15-40 years
Site improvements	\$ 5,000	Straight - line	15-40 years
Furniture and equipment	\$ 5,000	Straight - line	5-20 years

N. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, 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 government has four items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government – wide statement of net position. A deferred charge on refunding

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1 - Summary of Certain Significant Accounting Policies (Continued)

N. Deferred Outflows and Inflows of Resources (Continued)

results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The third item is the District contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The fourth 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.

In addition to liabilities, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two 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 (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

The second item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

O. Vested Employee Benefits

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.

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1 - Summary of Certain Significant Accounting Policies (Continued)

O. Vested Employee Benefits (Continued)

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.

P. Other Benefits

District employees participate in the New York State Teachers' Retirement System or the New York State and Local Employees' Retirement System.

In addition to providing pension benefits, the District provides post-employment 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 District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure. District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457. Upon retirement, eligible employees may use accumulated sick leave to pay for retiree health insurance. The District does not share in the cost of retiree health insurance.

Q. Short-term Debt

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

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient 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 be converted to long-term financing within five years after the original issue date.

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1 - Summary of Certain Significant Accounting Policies (Continued)

R. Accrued Liabilities and Long-term Obligations

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in 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 funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

S. Equity Classifications

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) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements 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 are deemed to be available for general use by the District.

Funds statements:

In the fund basis statements there are five classifications of fund balance:

Non-spendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Food Service Fund of \$10,030.

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1 - Summary of Certain Significant Accounting Policies (Continued)

S. Equity Classifications (Continued)

Funds statements (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. The District has established the following restricted fund balances:

Debt Service Reserve Fund

According to General Municipal Law §6-I, 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 District property or capital improvement. This reserve is accounted for in the Debt Service Fund.

Employee Benefit Accrued Liability Reserve Fund

According to General Municipal Law §6-p, expenditures made from the employee benefit accrued liability reserve fund 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.

Retirement Contributions Reserve Fund

According to General Municipal Law §6-r, all expenditures made from the retirement contributions reserve fund must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve must be accounted for 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.

State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the subfund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r.

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1 - Summary of Certain Significant Accounting Policies (Continued)

Q. Equity Classifications (Continued)

Funds statements (Continued):

Restricted (Continued):

Unemployment Insurance Payment Reserve Fund

According to General Municipal Law §6-m, all expenditures made from the unemployment insurance payment reserve fund 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.

Workers' Compensation Reserve Fund

According to General Municipal Law §6-j, all expenditures made from the workers' compensation reserve 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.

Capital Reserve Fund

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

<p>Sherman Central School District Notes to Financial Statements For the Fiscal Year Ended June 30, 2023</p>

Note 1 - Summary of Certain Significant Accounting Policies (Continued)

S. Equity Classifications (Continued)

Funds statements (Continued):

Restricted (Continued):

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Restricted fund balance includes the following:

General Fund:	
Workers' Compensation	\$ 57,089
Unemployment Insurance	137,354
Retirement Contribution – NYSERS	263,372
Retirement Contribution – NYSTRS	56,126
Employee Benefit Accrued Liability	99,718
Capital	18,060
Debt Service Fund	153,794
Total Restricted Funds	\$ 785,513

<p>Sherman Central School District Notes to Financial Statements For the Fiscal Year Ended June 30, 2023</p>

Note 1 - Summary of Certain Significant Accounting Policies (Continued)

S. Equity Classifications (Continued)

Funds statements (Continued):

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

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. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$183,369. Appropriated fund balance in the General Fund amounted to \$472,504. Any remaining fund balance in other funds is considered assigned. The school lunch fund also reports assigned fund balance of \$80,480. As of June 30, 2023, the District’s General Fund encumbrances were classified as follows:

General support:	\$	63,004
Instruction		102,228
Pupil Transportation		18,137
Total	\$	183,369

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. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from financing bus purchases with bond anticipation notes.

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.

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1 - Summary of Certain Significant Accounting Policies (Continued)

S. Equity Classifications (Continued)

Funds statements (Continued):

Net Position/Fund Balance

Net Position Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the district wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund Balance Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

Order of Use of Fund Balance:

The Board of Education will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classification will be charged.

T. Future Changes in Accounting Standards

The following standards will be implemented when and if applicable in the future:

GASB Statement No. 101, *Compensated Absences* – Effective for the year ending June 30, 2025.

The school district will evaluate the impact of new pronouncements and the affect they may have on its financial statements and will implement them as applicable and when material. The District did not implement any new pronouncements in for the year ending June 30, 2023.

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 2 – Explanation of Certain Differences Between Governmental Fund Statements and District-Wide Statements

Due to the differences in the measurement focus and basis of accounting used in the funds 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.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:

Total fund balances of the District's governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional 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 post-employment benefits.

B. Statement of Revenues, Expenditures and Changes in Fund Balance 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 four 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 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 fund statements and depreciation expense on those items as recorded in the Statement of Activities.

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 2 – Explanation of Certain Differences Between Governmental Fund Statements and District-Wide Statements (Continued)

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities (Continued):

3. Long-term debt transaction differences:

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

4. Pension differences:

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

5. OPEB differences:

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

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 funds for which legal (appropriated) budgets are adopted:

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) 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.

<p>Sherman Central School District Notes to Financial Statements For the Fiscal Year Ended June 30, 2023</p>

Note 3 – Stewardship, Compliance and Accountability (Continued)

Budgets (Continued)

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.

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2023.

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

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.

The portion of the District's fund balance subject to the New York State Real Property Tax Law §1318 limit exceeded the amount allowable, which is 4% of the District's budget for the upcoming school year. Actions the District plans to pursue to address this issue include continuing to monitor long term spending and the impact of State aid reductions.

The Capital Projects Fund had a deficit fund balance of \$308,693. This will be funded when the District pays for bus bond anticipation notes.

Note 4 – Cash (and cash equivalents) - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks

Cash and Investments

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	\$ -
Collateralized with securities held by the pledging financial institution or its trust department or agent, but not in the District’s name	\$ 1,526,068

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 4 – Cash (and cash equivalents) - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks (Continued)

Cash and Investments (Continued)

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 \$631,719 restricted for various fund balance reserves in the general fund, \$153,794 restricted for debt service in the debt service fund, \$39,245 restricted for extraclassroom in the fiduciary fund and \$72,246 restricted for scholarships in the fiduciary funds.

Deposits

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 in the District's name.

Investment and Deposit Policy

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

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 4 – Cash (and cash equivalents) - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits.

The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

Investments

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

The District participates in Cooperative Liquid Assets Security System – New York (NYCLASS), a multi-municipal 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. At June 30, 2023, the District held \$642,505 in these investments consisting of various investments in securities issued by the United States and its agencies. The following valuation inputs are included as investments: The investments are highly liquid and are considered to be cash equivalents. All NYCLASS investments and collateral policies are in accordance with New York State General Municipal Law, Sections 10 and 11.

Total investments of the cooperative as of year-end are \$8,463,692,945 which consists of \$2,530,081,947 in repurchase agreements, \$4,872,964,128 in U.S. Government Guaranteed Securities, and \$1,060,646,870 in collateralized bank deposits with various interest rate and due dates.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instructions could result in a different fair value measurement at the reporting date.

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 4 – Cash (and cash equivalents) - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks (Continued)

Investments (Continued)

The following amounts on deposit at NYCLASS are included as cash and cash equivalents:

<u>Fund</u>	<u>Carrying Amount</u>
General Fund	\$642,505

The above amounts represent the fair value of the investment pool shares the District invested in. For the year ended June 30, 2023, the portfolio did not have significant unobservable inputs (Level 3) used in determining fair value. Thus a reconciliation of assets in which significant unobservable inputs (Level 3) which were used in determining fair value is not applicable.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the period. The portfolio recognizes transfers between the levels as of the beginning of the fiscal year.

The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning NYCLASS, including the annual report can be found on its website at www.newyorkclass.org.

Note 5 – Receivables

Receivables at year-end for individual major funds and non-major funds are as follows:

<u>Governmental Activities</u>			School Food Service	Capital Project	
Description:	General	Special Aid			Total
State and Federal Aid	\$ 117,055	\$ 592,837	\$ 1,129	\$ 60,514	\$ 771,535

District management has deemed the amounts to be fully collectible.

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 6 – Capital Assets

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

	Beginning Balance (As Restated)	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 48,120	\$ -	\$ -	\$ 48,120
Construction in progress	-	54,310	-	54,310
Total non-depreciable assets	48,120	54,310	-	102,430
Capital assets that are depreciated:				
Buildings	29,023,074	187,250	-	29,210,324
Land improvements	503,226	-	-	503,226
Vehicles	1,141,280	226,817	(220,874)	1,147,223
Furniture and equipment	1,332,587	169,658	(24,318)	1,477,927
Total depreciable historical cost	32,000,167	583,725	(245,192)	32,338,700
Less accumulated depreciation:				
Buildings	9,981,902	885,406	-	10,867,308
Land improvements	357,882	14,865	-	372,747
Vehicles	436,167	129,227	(139,964)	425,430
Furniture and equipment	1,158,490	35,515	(24,318)	1,169,687
Total accumulated depreciation	11,934,441	1,065,013	(164,282)	12,835,172
Total depreciable assets, net				
	\$ 20,113,846	\$ (426,978)	\$ (80,910)	\$ 19,605,958
Right-to- use assets:				
Equipment	\$ 500,422	\$ 124,205	\$ -	\$ 624,627
Less Accumulated Amortization	247,966	61,913	-	309,879
Total Right to use Asset, net	\$ 252,456	\$ 62,292	\$ -	\$ 314,748
	\$ 20,366,302	\$ (364,686)	\$ (80,910)	\$ 19,920,706

Sherman Central School District Notes to Financial Statements For the Fiscal Year Ended June 30, 2023
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Note 6 – Capital Assets- Continued

Right-to-use lease assets result from the acquisition of equipment through BOCES and are considered to be a lease arrangement even though the District pays 100% for the asset. The Asset is owned by BOCES as BOCES receives BOCES Aid on the cost of the assets. In some instances the District has an installment purchase agreement which results in a lease liability. See note 8 for details on the lease liability. The District amortizes the right-to-use assets over a five year period, with no amortization in the year of acquisition.

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

General Support	\$ 900,271
Instruction	35,515
Pupil Transportation	129,227
	\$ 1,065,013

Note 7 – Short-term Debt

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	06/2024	0.27%	\$ 698,000	\$ 300,000	\$ 223,000	\$ 775,000

Interest on short-term debt for the year was composed of interest paid of \$1,879.

Note 8 – Long-term Debt Obligations

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

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 as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

Serial Bonds

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

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 8 – Long-term Debt Obligations (Continued)

Noncurrent liability balances and activity are as follows:

	Beginning Balance	Additions	Refunding/ Reductions	Ending Balance	Amounts Due Within One Year
Government activities:					
Bonds and notes payable:					
General obligation debt:					
Building serial bonds	\$5,625,000	-	655,000	4,970,000	675,000
Energy performance contract	263,361	-	84,288	179,073	87,741
Total bonds & notes payable	5,888,361	-	739,288	5,149,073	761,741
Other liabilities					
Lease liability	36,976		12,170	24,806	12,325
Compensated absences & health care	1,444,464	49,083	-	1,293,547	16,641
Total long-term liabilities	\$7,169,801	\$ 49,083	\$ 751,458	\$6,467,426	\$ 791,707

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

Bonds payable is comprised of the following:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding June 30, 2023
Serial Bonds	6/2022	6/2036	4.00-5.00%	\$ 2,305,000
Refunding Serial Bond	11/9/2017	6/30/2039	2.00-3.375%	1,830,000
Qualified School Construction Bonds	4/1/2013	6/15/2028	0.90-4.55%	750,000
Serial Bonds	11/24/2013	6/15/2028	3.75-4.375%	85,000
Energy Performance Contract	10/10/2014	6/15/2025	4.043%	179,073
Total Serial Bonds				5,149,073
Premium on bond payable				572,734
Total Bonds Payable				\$ 5,712,807

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 8 – Long-term Debt Obligations (Continued)

Bond premiums received upon the issuance of debt are included as other financing sources in the governmental fund statements when issued. In the government-wide statements, premiums are recognized with the related debt issue and amortized on the effective interest method as a component of interest expense over the life of the related obligation.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 762,741	\$ 220,649	\$ 983,390
2025	636,332	189,906	826,238
2026	405,000	162,795	567,795
2027	420,000	143,613	563,613
2028	425,000	123,513	548,513
2029-2033	1,305,000	391,015	1,696,015
2034-2038	1,085,000	116,145	1,201,145
2039	110,000	3,713	113,713
Total	\$ 5,149,073	\$ 1,351,349	\$ 6,500,422

Defeased debt – Years subsequent to Defeasance:

In prior years, the District defeased certain obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$2,455,000 of bonds outstanding are considered defeased. At the time of refunding, the District had a loss of \$220,487 on the defeased bond. This loss is being amortized on a straight line basis. The annual amount of amortization is \$10,499 and is recognized as an expense in the government wide financial statements. The remaining amount of the gain to be amortized is considered a deferred outflow and has a balance of \$160,992 at June 30, 2023.

Lease Liability from right-to-use assets resulting from installment purchase agreement with Erie 1 Boces:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 12,325	\$ 242	\$ 12,567
2025	12,481	85	12,566
Total	\$ 24,806	\$ 327	\$ 25,133

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 9 – Pension Obligations

General information:

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.

Provisions and administration:

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 Statute. The New York State TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report and additional information 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 Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System (ERS)

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 (NYSRSSL). 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.

Sherman Central School District Notes to Financial Statements For the Fiscal Year Ended June 30, 2023
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Note 9 – Pension Obligations (Continued)

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 percent 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 ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

Contributions	TRS	ERS
2023	\$453,496	\$131,136
2022	\$400,637	\$143,926
2021	\$362,515	\$153,543

The District contributions made to the Systems were equal to 100 percent of the contributions required for each year. ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57, and 105.

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 June 30, 2022 for TRS and March 31, 2023 for ERS. 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.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2022	March 31, 2023
District's proportionate share of the net pension (asset)/liability	\$ 442,820	\$ 964,641
District's portion of the Plan's total net pension (asset)/ liability	.023077%	.0044984%
Change in proportion since the prior measurement date	\$ 4,326,503	\$ 1,318,059

Sherman Central School District Notes to Financial Statements For the Fiscal Year Ended June 30, 2023
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Note 9 – Pension Obligations (Continued)

At June 30, 2023, the District’s reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$ 464,019	\$ 102,742	\$ 8,873	\$ 27,091
Changes of assumptions	858,996	468,492	178,380	5,178
Net difference between projected and actual earnings on pension plan investments	572,165	-	-	5,667
Changes in proportion and differences between the District’s contributions and proportionate share of contributions	22,039	23,061	56,889	51,414
District’s contributions subsequent to the measurement date	453,496	41,836	-	-
Total	<u>\$2,370,715</u>	<u>\$636,131</u>	<u>\$244,142</u>	<u>\$89,350</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	TRS	Year Ended	ERS
2023	\$ 313,916		
2024	\$ 166,910	2024	\$ 117,904
2025	\$ (75,184)	2025	\$ (59,590)
2026	\$ 1,124,788	2026	\$ 185,639
2027	\$ 139,638	2027	\$ 260,993
Thereafter	\$ 3,009	Thereafter	\$ -

Sherman Central School District Notes to Financial Statements For the Fiscal Year Ended June 30, 2023
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Note 9 – Pension Obligations (Continued)

Actuarial Assumptions

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

	TRS	ERS										
Measurement date	June 30, 2022	March 31, 2023										
Actuarial valuation date	June 30, 2021	April 1, 2022										
Interest Rate	6.95%	5.9%										
Salary Scale	Rates of increase Differ based on service	4.4%										
	<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Service</th> <th style="text-align: left;">Rate</th> </tr> </thead> <tbody> <tr> <td>5</td> <td>5.18%</td> </tr> <tr> <td>15</td> <td>3.64%</td> </tr> <tr> <td>25</td> <td>2.50%</td> </tr> <tr> <td>35</td> <td>1.95%</td> </tr> </tbody> </table>	Service	Rate	5	5.18%	15	3.64%	25	2.50%	35	1.95%	
Service	Rate											
5	5.18%											
15	3.64%											
25	2.50%											
35	1.95%											
Decrement tables	July 1, 2015-June 30, 2020 System's Experience	April 1, 2015-March 31, 2020 System's Experience										
Inflation Rate	2.4%	2.9%										

For ERS, annuitant mortality rates are based on April 1, 2015 - March 31, 2020, the ERS System's experience with adjustments for mortality improvements based on MP-2020. For TRS, annuitant mortality rates are based on July 1, 2015 – June 30, 2020 the TRS 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, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020.

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 9 – Pension Obligations (Continued)

Actuarial Assumptions (Continued)

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

The long term expected 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 the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below:

	Target Allocation	Long-term expected Real rate of return*
ERS	2023	2023
Asset Class:		
Domestic equities	32%	4.3%
International equities	15	6.85
Private equities	10	7.5
Real estate	9	4.6
Opportunistic/ARS Portfolio	3	5.38
Credit	4	5.43
Real assets	3	5.84
Domestic Fixed Income Securities	23	1.5
Cash	1	-
Total	<u>100%</u>	

*Real rates of returns are net of the long-term inflation assumption of 2.5% for 2023.

(1)Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equities and international equities, respectively.

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 9 – Pension Obligations (Continued)

Actuarial Assumptions (Continued)

	Target Allocation	Long-term expected Real rate of return*
TRS	2022	2022
Asset Class:		
Domestic equities	33%	6.5%
International equities	16	7.5
Real Estate	11	6.2
Private equities	8	9.9
Domestic Fixed Income Securities	16	1.1
Global Bonds	2	0.6
High Yield Bonds	1	3.3
Global equities	4	6.9
Private Debt	2	5.3
Real Estate Debt	6	2.4
Cash	1	(0.3)
Total	100%	
*Real rates of returns are net of the long-term inflation assumption of 2.4% for 2022.		

Discount Rate

The discount rate used to calculate the total pension asset/(liability) was 5.90% 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 System's 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 Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension asset/(liability) as of June 30, 2022 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 (4.90% for ERS and 5.95% for TRS) or 1-percentage point higher (6.90% for ERS and 7.95% for TRS) than the current rate:

Sherman Central School District Notes to Financial Statements For the Fiscal Year Ended June 30, 2023
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Note 9 – Pension Obligations (Continued)

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

TRS	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
District’s proportionate Share of the net pension (asset) liability	\$ 4,083,007	\$ 442,820	\$ (2,618,554)

ERS	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
District’s proportionate Share of the net pension (Asset) liability	\$2,331,124	\$ 964,641	\$ (177,214)

Changes of Assumptions

Changes of assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits.

Collective Pension Income/Expense

Collective pension Income/expense includes certain current period changes in the collective net pension asset/(liability), projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. For the year ended June 30, 2023, the District recognized net pension expense of \$273,315 of this amount \$186,383 was for ERS and \$86,932 was for TRS.

Sherman Central School District Notes to Financial Statements For the Fiscal Year Ended June 30, 2023
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Note 9 – Pension Obligations (Continued)

Pension Plan Fiduciary Net Position

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

Valuation date	(Dollars in Thousands)	
	TRS	ERS
	June 30, 2022	March 31, 2023
Employers' total pension liability	\$ 133,883,474	\$ 232,627,259
Plan fiduciary net position	131,964,582	211,183,223
Employer's net pension (asset) liability	\$ 1,918,892	\$ 21,444,036
System fiduciary net position as a percentage of total pension liability	98.6%	90.78%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2023 represent the projected employer contribution for the period of April 1, 2022 through March 31, 2022 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2023 amounted to \$41,837.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2023 are paid to the System in September, October and November 2022 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 \$453,496.

Note 10 – Unrestricted Fund Balance:

Unrestricted net position in the general fund consist of the following at June 30, 2023:

Designated for subsequent year's expenditures	\$ 472,504
Reserve for encumbrances	183,369
Unreserved	958,198
Total unrestricted net position general fund	\$ 1,614,071

Sherman Central School District Notes to Financial Statements For the Fiscal Year Ended June 30, 2023
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Note 11 – Interfund Transactions – Governmental Funds

Interfund transactions and balances are as follows:

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 964,399	\$ 246,565	\$ -	\$ 500,000
Special Aid Funds	20,752	677,192	-	
School Food Service	-	-	-	-
Capital Fund	197,201	258,595	500,000	-
Debt Service	-	-	-	-
Total Government Activities	1,182,352	1,182,352	500,000	500,000
Fiduciary	-	-	-	-
Totals	\$ 1,182,352	\$ 1,182,352	\$ 500,000	\$ 500,000

During 2022-23, the General Fund transferred \$500,000 to the Capital Projects Fund for the capital outlay project and anticipated 2023 capital improvement project.

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.

Self-insured Plans

The District participates in Chautauqua County School Districts Medical Health 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 19 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 \$300,000 coverage per insured event. The pool obtains independent coverage for insured events in excess of the \$300,000 limit, and the District has essentially transferred all related risk to the pool.

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 12 – Risk Management (Continued)

Self-insured Plans (Continued)

The District participates in Erie #2 Area Schools Self Funded 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 Erie#2 Area Schools Self Funded Workers' Compensation Plan is considered a self-sustaining risk pool that will provide coverage for its members up to \$450,000 per insured event. The Plan obtains independent coverage for insured events in excess of the \$450,000 limit and the District has essentially transferred all related risk to the Plan. The District has no liability for unbilled and open claims in excess of their reserves.

Note 13 – Commitments and contingencies

Federal and State Grants

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

Note 14 – Post-employment (Health Insurance) Benefits

A. General Information about the OPEB Plan

Plan Description – The District's defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety 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.

Funding Policy

The obligations of the Plan members and employers are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute 100% of the premiums, depending on when retired and their applicable agreement. Employees are required to reach age 55 and have 5 to 10 years of services to qualify for other post-employment benefits. The District currently funds the Plan to satisfy current obligations on a pay-as-you-go basis.

<p>Sherman Central School District Notes to Financial Statements For the Fiscal Year Ended June 30, 2023</p>

Note 14 – Post-employment (Health Insurance) Benefits (Continued)

A. General Information about the OPEB Plan (Continued)

Employees Covered by Benefit Terms – At June 30, 2023, the following employees were covered by the benefit terms:

	Participant Count
Inactive plan members or beneficiaries currently receiving benefit payments	16
Inactive plan members entitled to but not yet receiving benefit payments	0
Active plan members	94
Total plan members	110

B. Total OPEB Liability

The District’s last full actuarial valuation was measured as of June 30, 2022; the total OPEB update used to calculate the net OPEB liability was determined by an interim actuarial valuation as of June 30, 2023.

Actuarial Assumptions and Other inputs – The total OPEB liability at June 30, 2023 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Long-term bond rate	3.78% (Based on Fidelity Municipal Go AA 20 year bond rate)
Salary Scale	3.53% (Rate of expected payroll increases)
Single Discount Rate	3.78% (Blending of investment rate of return and long-term bond rate)
Healthcare Cost Trend Rates	5.5% for 2023 decrease to an ultimate rate of 4.0% by 2075
Retirees’ Share of Benefit-Related Costs	100 percent of projected health insurance premiums for retirees

Mortality rates were based on Pub – 2010 Public Retirement Plan’s mortality tables, headcount – weighted, distinct for teachers, general, and safety, without separate contingent survivor mortality. If retiree classifications are not available, retiree mortality is weighted at a rate of 60% teachers, 40% general, 0% safety.

Sherman Central School District Notes to Financial Statements For the Fiscal Year Ended June 30, 2023
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Note 14 – Post-employment (Health Insurance) Benefits (Continued)

Total OPEB Liability (Continued)

Participation rate is assumed that 100% of all active employees currently enrolled in the OPEB plan will continue coverage into retirement. 10% of retirees are assumed to continue medical coverage after age 65. Employees who have currently waived coverage are assumed not to re-enter the plan prior to retirement.

Termination rates are based on tables used by the New York State Teachers' Retirement System and the New York State and Local Retirement System for female employees. Rates are tiered based on the percentage of employees who will terminate employment at any given age each year, for reasons other than death or retirement.

The discount rate was based on a blending of investment rate of return and the long term bond rate using expected plan benefit payments.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2017 – June 30, 2023.

B. Changes in the Total OPEB Liability

Balance at June 30, 2022	\$	815,355
Changes for the Year		
Service Cost		46,392
Interest		23,666
Changes of benefit terms		-
Differences between expected and actual experience in the measurement of the total OPEB liability		(41,659)
Changes in assumptions or other inputs		(42,413)
Benefit payments		(25,479)
Net Change in total OPEB liability		(39,493)
Total OPEB liability ending	\$	775,862

Changes of benefit terms reflect:

Changes of assumptions and other inputs reflect a change in the discount rate from 2.83 percent in 2022 to 3.78 percent in 2023.

Sherman Central School District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 14 – Post-employment (Health Insurance) Benefits (Continued)

C. Changes in the Total OPEB Liability (Continued)

Sensitivity of the total OPEB liability to changes in the Discount Rate – The following presents the District’s 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 (2.78 percent) or 1 percentage point higher (4.78 percent) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
	(2.78%)	(3.78%)	4.78%)
Total OPEB Liability	\$843,667	\$775,862	\$713,811

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 than the current health care cost trend rate:

	Health Care Cost Trend Rates		
	1% Decrease	Discount Rate	1% Increase
	4.5% decrease to 3.0%	5.5% decrease to 4.0%	6.5% decrease to 5.0%
Total OPEB Liability	\$683,862	\$775,862	\$884,550

D. 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 revenue of \$12,280. 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	\$ 64,860	\$ 49,667
Changes of assumptions or other inputs	2,464	55,733
Contributions subsequent to the measurement period	-	-
TOTAL	\$ 67,324	\$ 105,400

Sherman Central School District Notes to Financial Statements For the Fiscal Year Ended June 30, 2023
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Note 14 – Post-employment (Health Insurance) Benefits (Continued)

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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,	Amount
2024	\$ 10,284
2025	11,460
2026	(8,084)
2027	(8,084)
2028	(8,084)
Thereafter	(35,568)

The District provides retiree health insurance up to the amount of accrued sick leave with a set maximum number of days multiplied by the retiree’s per diem rate. The total accrued amount is recorded as expenditure in the year of retirement and held in the trust and agency fund until exhausted.

Note 15 -Tax Abatements

The District negotiates property tax abatement agreements on an individual basis. The District has no tax abatement agreements as of June 30, 2023.

Note 16 – Subsequent Events

The District has reviewed events and transactions that occurred between June 30, 2023 and October 12, 2023 which is the date the financial statements were available to be issued. No events or transactions were noted.

REQUIRED SUPPLEMENTARY SCHEDULES

Sherman Central School District
Schedules of Changes in the District's Total OPEB Liability and Related Ratios
For the Years Ended June 30, 2023, 2022, 2021, 2020, 2019 and 2018

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Total OPEB Liability	\$ 775,862	\$ 815,355	\$ 679,770	\$ 721,852	\$ 986,322	928,286
Service Cost	46,392	38,153	46,409	76,771	63,456	58,683
Interest	23,666	15,805	18,414	46,141	36,787	36,381
Changes in benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(41,659)	141,166	(102,107)	(47,307)	236,734	(25,948)
Changes of assumptions or other inputs	(42,413)	(37,868)	20,956	(618,296)	7,409	18,488
Benefit payments	<u>(25,479)</u>	<u>(21,671)</u>	<u>(25,754)</u>	<u>(35,422)</u>	<u>(30,743)</u>	<u>(29,568)</u>
Net change in total OPEB liability	(39,493)	135,585	(42,082)	(578,113)	313,643	58,036
Total OPEB liability-beginning	815,355	679,770	721,852	1,299,965	986,322	928,286
Total OPEB liability - ending	775,862	815,355	679,770	721,852	1,299,965	986,322
Covered Payroll	5,332,493	5,155,156	4,925,828	4,713,610	4,560,381	4,560,381
Total OPEB liability as a percentage of covered payroll	14.55%	15.82%	13.80%	15.31%	28.51%	21.63%

Notes to schedule:

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of the discount rate each period. The following are the discount rates used in each period.

6/30/2023	3.78%
6/30/2022	2.83%
6/30/2021	2.27%
6/30/2020	2.48%
6/30/2019	3.44%
6/30/2018	3.61%

Sherman Central School District
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance-
Budget (Non-GAAP Basis) and Actual - General Fund
For the Year Ended June 30, 2023

REVENUES	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance With Budgetary Actual
Local Sources				
Real property taxes	\$ 2,854,476	\$ 2,854,476	\$ 2,484,854	\$ (369,622)
Other tax items	7,500	7,500	378,910	371,410
Charges for services	6,700	6,700	49,413	42,713
Use of money and property	7,500	7,500	55,159	47,659
Sale of property and compensation for loss	2,250	2,250	19,475	17,225
Miscellaneous	92,000	92,000	120,009	28,009
Total Local Sources	2,970,426	2,970,426	3,107,820	137,394
State sources	7,764,948	7,764,948	7,698,313	(66,635)
Medicaid reimbursements	7,000	7,000	36,616	29,616
Federal sources	36,317	36,317	36,317	-
Total Revenues	10,778,691	10,778,691	10,879,066	100,375
OTHER FINANCING SOURCES				
Transfers from other funds	-	-		
Encumbrances	-	140,170		
Appropriated reserves	397,809	1,031,510		
Total Revenues and Other Financing Sources	\$ 11,176,500	\$ 11,950,371	\$ 10,879,066	

**Sherman Central School District
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance-
Budget (Non-GAAP Basis) and Actual - General Fund
For the Year Ended June 30, 2023**

EXPENDITURES	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-end Encumbrances	Final Budget Variance With Budgetary Actual and Encumbrances
General Support					
Board of Education	\$ 20,388	\$ 20,857	\$ 11,459	\$ 989	\$ 8,409
Central Administration	211,350	213,235	205,243	-	7,992
Finance	224,681	238,836	234,767	1,203	2,866
Staff	16,000	19,445	13,590	1,500	4,355
Central Services	689,768	803,528	719,750	59,312	24,466
Special Items	417,185	448,404	444,453	-	3,951
Total General Support	1,579,372	1,744,305	1,629,262	63,004	52,039
Instruction					
Instruction, Administration & Improvement	277,388	370,412	364,629	40	5,743
Teaching - Regular School	2,988,424	3,036,292	2,779,062	44,212	213,018
Programs for Children with Handicapping Conditions	750,054	716,036	578,521	126	137,389
Occupational Education	343,057	386,420	265,026	45,120	76,274
Teaching - Special School	2,000	3,617	3,617	-	-
Instructional Media	488,569	506,745	484,931	1,823	19,991
Pupil Services	477,218	506,368	443,722	10,907	51,739
Total Instruction	5,326,710	5,525,890	4,919,508	102,228	504,154
Pupil Transportation	447,777	505,545	464,477	18,137	22,931
Community Services	5,500	5,500	-	-	5,500
Employee Benefits	2,502,822	2,454,812	2,346,156	-	108,656
Debt Service	1,214,319	1,214,319	1,210,800	-	3,519
Total Expenditures	11,076,500	11,450,371	10,570,203	183,369	696,799
OTHER FINANCING USES					
Transfers to Other Funds	100,000	500,000	500,000	-	-
Total Expenditures & Other Uses	11,176,500	11,950,371	11,070,203	183,369	\$ 696,799
Net Change in Fund Balance	-	-	(191,137)		
Fund Balance - Beginning			2,436,927		
Fund Balance - Ending	\$ -	\$ -	\$ 2,245,790		

Note to required Supplementary Information

Budget Basis of Accounting

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

**Sherman Central School District
Schedule of Contributions
For the Year Ended June 30, 2023**

<u>TRS</u>	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 453,496	\$ 400,637	\$ 362,515	\$ 340,718	\$ 409,893	\$ 365,287	\$ 425,021	\$ 445,139	\$ 545,740	\$ 511,367
Contributions in relation to the contractually required contribution	453,496	400,637	362,515	340,718	409,893	365,287	425,021	445,139	545,740	511,367
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	4,407,153	4,088,133	3,819,279	3,887,582	4,182,582	3,727,418	3,626,459	3,357,014	3,415,215	3,307,438
Contributions as a percentage of covered-employee payroll	10%	10%	9%	9%	10%	10%	12%	13%	16%	15%
 <u>ERS</u>	 2023	 2022	 2021	 2020	 2019	 2018	 2017	 2016	 2015	 2014
Contractually required contribution	167,347	174,400	165,590	164,507	157,960	171,084	173,312	197,482	199,542	196,740
Contributions in relation to the contractually required contribution	167,347	174,400	165,590	164,507	157,960	171,084	173,312	197,482	199,542	196,740
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	1,377,586	1,224,689	1,195,584	1,183,330	1,214,856	1,167,080	1,182,632	1,157,087	1,159,460	1,142,147
Contributions as a percentage of covered-employee payroll	12%	14%	14%	14%	13%	15%	15%	17%	17%	17%

Sherman Central School District
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2023

NYSLRS Pension Plan
 Last 10 Fiscal Years

TRS	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Measurement Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
Proportion of the Net Position (Asset) liability	.023077%	.022411%	.022657%	.023123%	.022883%	.022885%	.0121758%	0.021672%	0.021311%	0.021855%
Proportionate Share of the Net Position (Asset) liability	442,820	(3,883,683)	626,069	(600,742)	(413,789)	(173,946)	233,041	(2,250,983)	(2,373,936)	(14,361)
Covered-employee Payroll	4,407,153	4,088,133	3,819,279	3,887,582	4,182,582	3,727,418	3,626,459	3,357,014	3,415,215	3,307,438
Proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	10.05%	-95.00%	16.39%	-15.45%	-9.89%	-4.67%	6.43%	-67.05%	-69.51%	-0.43%
Plan fiduciary net position as a percentage of the total pension asset or liability	98.60%	113.20%	97.80%	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%	N/A
ERS	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Measurement Date	3/31/2023	3/31/2022	3/31/2021	3/31/2020	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014
Proportion of the Net Position Liability	.0044984%	.0043234%	.0046162%	.0042843%	.0042374%	.0042699%	.0048250%	.0047557%	.004584%	N/A
Proportionate Share of the Net Position (Asset) Liability	964,641	(353,418)	4,597	1,134,520	300,235	137,810	453,371	1,407,461	154,860	207,147
Covered-employee Payroll	1,377,586	1,224,689	1,195,584	1,183,330	1,214,856	1,167,080	1,182,632	1,157,087	1,159,460	1,142,147
Proportionate share of the net pension liability/asset as a percentage of its covered-employee payroll	70.02%	-28.86%	0.38%	95.88%	24.71%	11.81%	38.34%	121.64%	13.36%	18.14%
Plan fiduciary net position as a percentage of the total pension liability	90.78	103.65%	99.95%	86.39%	96.27%	98.24%	94.7%	90.7%	97.9%	N/A

SUPPLEMENTARY SCHEDULES

**Sherman Central School District
Schedule of Change from Adopted Budget to Final Budget
And the Real Property Tax Limit - General Fund
For the Year Ended June 30, 2023**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 11,176,500
Add: Prior year's encumbrances	140,170
Original Budget	11,316,670
Budget Revisions:	
Transfer to Capital Fund	400,000
Workers compensation reserve	42,279
NYS Retirement reserve	131,136
NYS Teacher Retirement Reserve	50,000
Employee Benefit Reserve	8,528
Unemployment Reserve	1,758
Total Budget Revisions	633,701
Final Budget	\$ 11,950,371

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2023-24 voter approved expenditure budget	\$ 12,115,391
Maximum allowed 4% of 2023-2024 budget	\$ 484,616

General Fund Balance Subject to Section 1318 of Real Property Tax Law*:

Unrestricted fund balance:	
Assigned fund balance	\$ 655,873
Unassigned fund balance	958,198
Total Unrestricted fund balance	<u>1,614,071</u>
Less:	
Appropriated fund balance	472,504
Encumbrances included in assigned fund balance	183,369
Total adjustments	<u>\$ 655,873</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 958,198</u>

Actual percentage **7.91%**

* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of General Fund fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

Sherman Central School District
Schedule of Capital Projects Fund - Project Expenditures and Financing Resources
For the Year Ended June 30, 2023

PROJECT TITLE	Expenditures					Unexpended Balance	Methods of Financing			Fund Balance June 30, 2023	
	Original Appropriation	Revised Appropriation	Prior Years'	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		
Capital Outlay project	100,000	100,000	-	100,000	100,000	-	-	-	100,000	100,000	-
Reconstruction of school facilities	3,628,583	3,628,583	3,487,691	-	3,487,691	140,892	3,133,063	101,195	268,272	3,502,530	14,839
Smart Schools Bond Act	384,322	384,322	307,327	-	307,327	76,995	-	313,778	-	313,778	6,451
2023 Capital Improvement project	11,950,000	11,950,000	-	28,065	28,065	11,921,935	-	-	400,000	400,000	371,935
Buses & Suburban	892,944	1,363,646	1,136,729	226,917	1,363,646	-	-	-	661,728	661,728	(701,918)
Totals	\$ 16,955,849	\$ 17,426,551	\$ 4,931,747	\$ 354,982	\$ 5,286,729	\$ 12,139,822	\$ 3,133,063	\$ 414,973	\$ 1,430,000	\$ 4,978,036	\$ (308,693)

Supplemental Schedule #3

**Sherman Central School District
Net Investment in Capital Assets
For the Year Ended June 30, 2023**

Capital Assets, net		\$ 19,920,706
Deduct:		
Bond anticipation notes payable	(775,000)	
Short-term portion lease liability	(12,325)	
Long-term portion of Lease liability	(12,481)	
Short-term portion of bonds payable	(762,741)	
Long-term portion of bonds payable	(4,959,066)	
Less unspent proceeds:		
Reserve for debt	153,794	
		(6,367,819)
Net Investment in Capital Assets		\$ 13,552,887

SHERMAN CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2023



Independent Auditor's Report

The Board of Education of the
Sherman Central School District

Qualified Opinion

We have audited the accompanying statement of cash receipts and disbursements of the Extraclassroom Activity Fund of the Sherman Central School District for the year ended June 30, 2023, and the related notes to the financial statement. In our opinion, except for the effects of any adjustments that might have been determined to be necessary had we been able to perform adequate auditing procedures in regard to the receipts referred to in the basis for qualified opinion paragraph, the financial statement referred to above present fairly, in all material respects, the cash transactions of the Extraclassroom Activity Fund of Sherman Central School District, for the year ended June 30, 2023 on the basis of accounting described in Note 1.

Basis for Qualified Opinion

The records of the Extraclassroom funds of the Sherman Central School District were not adequate to permit the application of adequate auditing procedures to indicate whether all receipts were recorded.

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 Sherman 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 qualified audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The 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 this matter.

Responsibilities of Management for the Financial Statements

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; and for 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 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 Extraclassroom Activity Fund of Sherman 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 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 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 statement.

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 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 Extraclassroom Activity Fund of Sherman 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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Extraclassroom Activity Fund of Sherman 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 12, 2023, on our consideration of the Sherman 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 Sherman 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 Sherman Central School District's internal control over financial reporting and compliance.



Bahgat & Laurito-Bahgat,
Certified Public Accountants, P.C.
Fredonia, New York

October 12, 2023

**Sherman Central School District
 Extraclassroom Activity Funds
 Statement of Receipts and Disbursements
 For the Year Ended June 30, 2023**

	Balance 6/30/2022	Receipts	Disbursements	Balance 6/30/2023
Class of 2023	3,342	11,396	14,334	404
Class of 2024	2,804	11,038	4,680	9,162
Class of 2025	2,064	3,434	2,015	3,483
Class of 2026	-	5,297	2,359	2,938
Band	6	-	-	6
Battle of the Books	235	-	148	87
Battle of the Books RHJ	181	-	96	85
Choir	853	8,253	8,135	971
National Honor Society	306	85	-	391
Post Prom (SADD)	1,468	1,309	167	2,610
Volleyball - Girls	141	-	-	141
5-8 Art Club	2,253	744	401	2,596
5k Fund Run	205	-	205	-
Drama Club	1,884	1,961	1,070	2,775
Future Farmers of America	2,152	14,102	12,537	3,717
Musical Productions	2,561	6,891	7,460	1,992
Softball - Girls	50	219	-	269
Spanish Club	-	-	-	-
SSIM	1,409	-	188	1,221
Student Council	5,119	2,322	2,882	4,559
Wildcat Nation	790	-	481	309
Yearbook	821	4,026	3,611	1,236
P.E.	293	-	-	293
Totals	\$ 28,937	\$ 71,077	\$ 60,769	\$ 39,245

**Sherman Central School District
Extraclassroom Activity Funds
Notes To Financial Statements
For the Year Ended June 30, 2023**

Note 1 - Summary of Certain Significant Accounting Policies

The extraclassroom activity funds of the Sherman Central School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The transactions of the Extraclassroom Activity Funds are independent with respect to its financial transactions, and the designation of student management and the cash and investment balances are reported in the agency fund of the District.

The books and records of the School District's Extraclassroom Activity funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received, and expenditures are recognized when cash is disbursed.

A. Reporting Entity

The Extraclassroom Activity Funds is a component unit of the Sherman Central School District.

SHERMAN CENTRAL SCHOOL DISTRICT

FINANCIAL REPORTS
FEDERAL FUNDS

YEAR ENDED JUNE 30, 2023

SHERMAN CENTRAL SCHOOL DISTRICT

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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

The Board of Education of the
Sherman 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 Sherman Central School District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Sherman Central School District's basic financial statements and have issued our report thereon dated October 12, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sherman Central School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sherman Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Sherman 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 have not been identified. Given those limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2023-001.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sherman 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed a significant deficiency in compliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs, as item 2023-002.

Sherman Central School District's Response to Findings

Sherman Central School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Sherman Central School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Bahgat & Laurito-Bahgat,
Certified Public Accountants, P.C.
Fredonia, New York

October 12, 2023



Independent Auditor's Report on Compliance For Each Major Program and Internal Control Over Compliance Required By Uniform Guidance

The Board of Education of the
Sherman Central School District

Report on Compliance For Each Major Federal Program

Opinion on Each Major Program

We have audited *Sherman Central School District's* compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of *Sherman Central School District's* major federal programs for the year ended June 30, 2023. *Sherman 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, *Sherman 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).¹ 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 the Sherman 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 Sherman 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 the Sherman 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 Sherman 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 Sherman 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 Sherman 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 Sherman 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 Sherman 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 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.



Bahgat & Laurito-Bahgat,
Certified Public Accountants, P.C.
Fredonia, New York

October 12, 2023

Sherman Central School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Project Number	Federal Expenditures
U.S. Department of Agriculture				
Passed through NYS Education Department:				
Child Nutrition Cluster				
Non-Cash Assistance (food distribution):				
Commodity Foods	10.555	062601-04-0000		\$ 14,053
<i>Non-Cash Assistance Subtotal</i>				14,053
Cash Assistance:				
School Breakfast	10.553	062601-04-0000		75,458
School Lunch	10.555	062601-04-0000		234,632
<i>Cash Assistance Subtotal</i>				310,090
Total U. S. Department of Agriculture				324,143
U.S. Department of Education				
Rural Education Achievement Program	84.358A			7,281
Passed through NYS Education Department:				
Education Stabilization Fund				
American Rescue Plan - SLR Learning loss	84.425U	062601-04-0000	5884-21-0400	157,272
American Rescue Plan -ESSER 2	84.425D	062601-04-0000	5891-21-0401	342,254
American Rescue Plan -ESSER 3	84.425U	062601-04-0000	5880-21-0401	199,371
American Rescue Plan Summer Enrichment	84.425U	062601-04-0000	5882-21-0401	25,956
Total Education Stabilization Fund				724,853
Special Education Cluster:				
IDEA Part B, Section 611	84.027A	062601-04-0000	0032-23-0116	150,242
IDEA Part B, Section 611, ARP	84.027X	062601-04-0000	5532-22-0116	15,947
IDEA Part B, Section 619, ARP	84.173X	062601-04-0000	5533-22-0116	2,829
IDEA Part B, Section 619	84.173A	062601-04-0000	0033-23-0116	5,376
Total Special Education Cluster				174,394
Title I	84.010A	062601-04-0000	0021-23-0400	195,122
Title IIA	84.367A	062601-04-0000	0147-23-0400	11,809
Title IIA	84.367A	062601-04-0000	0147-22-0400	13,439
Title IV	84.424A	062601-04-0000	0204-23-0400	15,393
Title IV	84.424A	062601-04-0000	0204-22-0400	4,650
Total U.S. Department of Education				1,146,941
Total Federal Awards Expended				\$ 1,471,084

Sherman Central School District
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards 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. 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 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 – Summary of Certain Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Sherman Central School District has not 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 for 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.

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.

Note 2 – Subrecipients

No amounts were provided to subrecipients.

Note 3 – Other Disclosures

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the District's casualty insurance policies.

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

Sherman Central School District Schedule of Findings and Questioned Costs Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's opinion(s) issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiencies identified that are not considered to be material weakness(es)?	<u>X</u> yes	___ none reported
Noncompliance material to financial statements noted?	<u>X</u> yes	___ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiencies identified that are not considered to be material weakness(es)?	___ yes	<u>X</u> none reported

Type of auditor's opinion(s) issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR-200.516(a) ___ yes X no

Identification of major programs:

Name of federal program	CFDA Number
<i>American Rescue Plan – SLR Learning Loss</i>	<i>84.425U</i>
<i>American Rescue Plan – ESSER 2</i>	<i>84.425D</i>
<i>American Rescue Plan -ESSER 3</i>	<i>84.425U</i>
<i>American Rescue Plan Summer Enrichment</i>	<i>84.425U</i>

Dollar threshold used to distinguish between Type A and Type B Programs *\$750,000*

Auditee qualified as low risk? X yes ___ no

**Sherman Central School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

Section II – Findings – Financial Statement Audit

Significant Deficiencies considered Material Weaknesses:

2023-001 – Preparation of District Financial Statements, Note Disclosures and Adjusting Journal Entries

Condition: The external auditors prepared a draft of the financial statements, proposed adjusting journal entries and note disclosures, which were accepted by the District for the fiscal year ended June 30, 2023. Some of the adjustments and note disclosures are related to converting to the full accrual method of accounting for GASB 34 reporting purposes.

Criteria: The District should review and accept all proposed adjusting journal entries, note disclosures and draft of the financial statements.

Effect: AU-C Section 265 entitled *Communicating Internal Control Related Matters Identified in an Audit*, issue by the American Institute of Certified Public Accountants considers the need for significant adjusting entries and assistance when preparing the financial statements to be indicative of an internal control deficiency. Without assistance, the potential risk exists of the District's financial statements not conforming to GAAP.

Recommendation: We recommend that while the external auditors may continue providing assistance with the preparation of the financial statements, the District should continue to review and accept all proposed adjusting journal entries, financial statements and note disclosures.

***District Response:* The District will continue to review and accept all proposed adjusting journal entries, note disclosures and draft of the financial statements. The District believes it has a thorough understanding of these financial statements and has the ability to make informed judgements based on these financial statements.**

Sherman Central School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Compliance and other matters:

2023-002 – Unassigned Fund Balance

Condition: The District's unassigned fund balance as of June 30, 2023 amounted to \$958,198. This amount constitutes approximately 7.91% of the 2023-2024 school budget.

Criteria: Section 1318 of the New York State Real Property Tax Law limits the amount of unexpended surplus funds a school district can retain to no more than 4 percent of the next year's budgetary appropriations. Funds properly retained under other sections of law (i.e., reserve funds established pursuant to Education Law or GML) are excluded from the 4 percent limitation. Under GASB fund balance classifications, the 4 percent limitation is interpreted to be applied to unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recover, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

Cause: The District's unrestricted General Fund fund balance minus appropriated fund balance and amounts assigned for encumbrances is in excess of the 4 percent limitation.

Effect: The District's unassigned fund balance was not in compliance with New York State Real Property Tax Law, which limits school districts from retaining an unassigned fund balance not greater than 4% of the subsequent year's budget.

Recommendation: The District should continue to monitor fund balance throughout the year and continue to review its options with regards to reservation and designation of fund balance.

***District Response:* The District realizes that its unassigned fund balance as of June 30, 2023 was in excess of the New York State mandated 4% level. The District has and will continue to closely monitor fund balance in the future and will review all options with regards to reservation and designation of fund balance.**

**Sherman Central School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

Section III - Findings and Questioned Costs – Major Federal Award Programs Audit

None

**Sherman Central School District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023**

Section IV – Summary Schedule of Prior Audit Findings

2022-001 – Preparation of District Financial Statements, Note Disclosures and Adjusting Journal Entries

Condition: The external auditors prepared a draft of the financial statements, proposed adjusting journal entries and note disclosures, which were accepted by the District for the fiscal year ended June 30, 2022. Some of the adjustments and note disclosures are related to converting to the full accrual method of accounting for GASB 34 reporting purposes.

Recommendation: We recommend that while the external auditors may continue providing assistance with the preparation of the financial statements, the District should continue to review and accept all proposed adjusting journal entries, financial statements and note disclosures.

Current Status: The finding was repeated. The District will continue to review and accept all proposed adjusting journal entries, note disclosures and draft of the financial statements.

2022-002 – Unassigned Fund Balance

Condition: The District's unassigned fund balance as of June 30, 2022 amounted to \$958,196. This amount constitutes approximately 7.88% of the 2021-2022 school budget.

Recommendation: The District should continue to monitor fund balance throughout the year and continue to review its options with regards to reservation and designation of fund balance.

Current Status: The finding was repeated. The District realizes that its unassigned fund balance as of June 30, 2022 was in excess of the New York State mandated 4% level. The District has and will continue to closely monitor fund balance in the future and will review all options with regards to reservation and designation of fund balance.

Prior year - Findings and Questioned Costs – Major Federal Award Programs Audit

None



BAHGAT & LAURITO-BAHGAT

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS
PROVIDING THE TOOLS FOR FINANCIAL SUCCESS

Directors
Sham Dean Bahgat, CPA
Louann Laurito-Bahgat, CPA, CFE
Laura L. Napoli, CPA

October 12, 2023

Mrs. Carrie Yohe
Superintendent of Schools
Sherman Central School District

Dear Mrs. Yohe:

During the course of our audit of the School District's financial statements for the year ended June 30, 2023, we observed the School District's significant accounting policies and procedures and certain business, financial and administrative practices. The purpose of our engagement was to express an opinion on the basic financial statements, not to provide assurance on internal control.

As part of our examination, we also reviewed the School District's internal accounting controls for the limited purpose of determining the scope of our audit. Therefore, it would not necessarily disclose all weaknesses in the system.

As a result of our observations, we suggest you consider the following:

Extraclassroom Refunds

Through the course of testing the Extraclassroom disbursements, we found an instance where students were given refunds for a cancelled trip from cash proceeds from a fundraiser. This practice does not provide an audit trail and is strongly discouraged. Instead a check should be written to each student eligible for a refund.

District Response: During the 23-24 school year the District will inform all advisors that all cash must be deposited and that all disbursements must be in the form of a check.

We would be happy to further discuss these recommendations with management, perform any follow-up studies, or to assist in the implementation of any of these recommendations.

We truly appreciate the outstanding cooperation we received from your staff during the audit of the School District's financial statements.

Very truly yours,

Bahgat & Laurito-Bahgat
Certified Public Accountants, P.C.
Fredonia, New York