

FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITOR'S REPORTS

June 30, 2016

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Huntington Union Free School District  
Huntington Station, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Huntington Union Free School District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Huntington Union Free School District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedules of funding progress – other postemployment benefits, the District's proportionate share of the net pension asset/liability, and District contributions on pages 3 through 14 and 50 through 54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Huntington Union Free School District's basic financial statements. The other supplementary information on pages 55 through 57 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016 on our consideration of the Huntington Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Huntington Union Free School District's internal control over financial reporting and compliance.

*Cullen & Danowski, LLP*

October 14, 2016

## HUNTINGTON UNION FREE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Huntington Union Free School District's discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016 in comparison with the year ended June 30, 2015, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

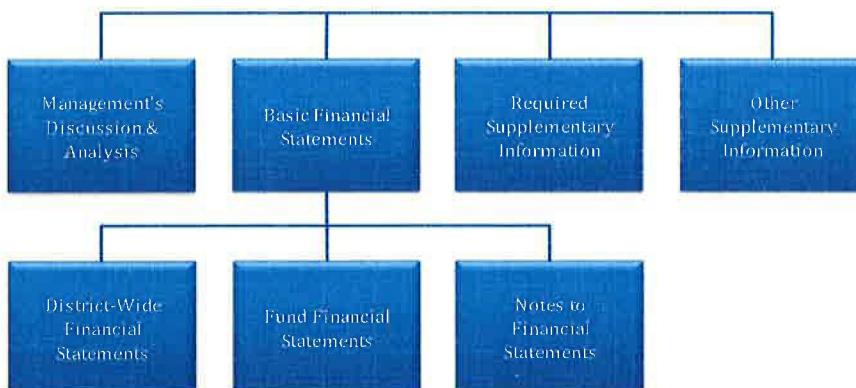
### **1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2016 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, increased by \$2,091,675. This was due to an excess of revenues over expenses based on the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$121,379,862. Of this amount, \$5,833,971 was offset by program charges for services and operating grants. General revenues of \$117,637,566 amounted to 95.28% of total revenues.
- The District received \$3,647,114 in operating grants to support instructional programs.
- The general fund's total fund balance, as reflected in the fund financial statements on the balance sheet, increased by \$2,339,001 to \$27,525,226. This was due to an excess of revenues over expenditures based on the modified accrual basis of accounting.
- On the balance sheet, the general fund's unassigned fund balance at year end was \$4,924,011. This represents an increase of \$109,693 over the prior year. The unassigned fund balance at year end is at the statutory 4% limit authorized by New York State Law.
- The District's 2016 property tax levy of \$101,990,551 was a 1.57% increase over the 2015 tax levy. The District's property tax cap was 2.12%.
- On May 17, 2016, the voters approved capital construction projects totaling \$2,436,000, which will be paid from the capital reserve.

### **2. OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts – Management's Discussion and Analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of district-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

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## **A. District-Wide Financial Statements**

The district-wide financial statements present the governmental activities of the District and are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two district-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

### The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

### The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

## **B. Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

### Governmental Funds

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period in which the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, compensated absences, pension costs, and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

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Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds: general fund, special aid fund, school lunch fund, debt service fund and capital projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

#### Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee and utilize the accrual basis of accounting. All of the District's fiduciary activities are reported in separate statements. The fiduciary activities have been excluded from the District's district-wide financial statements because the District cannot use these assets to finance its operations.

### **3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

#### **A. Net Position**

The District's total net position increased by \$2,091,675 between fiscal year 2015 and 2016. The increase is due to revenues in excess of expenses based on the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2016	2015	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 40,954,851	\$ 40,558,854	\$ 395,997	0.98 %
Capital Assets, Net	19,158,171	18,800,773	357,398	1.90 %
Net Pension Asset -				
Proportionate Share	28,951,470	31,076,115	(2,124,645)	(6.84)%
Total Assets	<u>89,064,492</u>	<u>90,435,742</u>	<u>(1,371,250)</u>	<u>(1.52)%</u>
Deferred Outflows of Resources	12,492,107	8,604,305	3,887,802	45.18 %
Current and Other Liabilities	8,626,214	10,758,800	(2,132,586)	(19.82)%
Long-Term Liabilities	10,426,731	12,454,232	(2,027,501)	(16.28)%
Net Other Postemployment Benefits Obligation	82,612,593	72,802,372	9,810,221	13.48 %
Net Pension Liability -				
Proportionate Share	6,771,270	1,430,343	5,340,927	373.40 %
Total Liabilities	<u>108,436,808</u>	<u>97,445,747</u>	<u>10,991,061</u>	<u>11.28 %</u>
Deferred Inflows of Resources	10,765,481	21,331,665	(10,566,184)	(49.53)%

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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	2016	2015	Increase (Decrease)	Percentage Change
Net Investment in Capital Assets	\$ 17,273,171	\$ 15,648,432	\$ 1,624,739	10.38 %
Restricted	23,742,355	21,930,885	1,811,470	8.26 %
Unrestricted (Deficit)	(58,661,216)	(57,316,682)	(1,344,534)	2.35 %
Total Net Position (Deficit)	<u>\$ (17,645,690)</u>	<u>\$ (19,737,365)</u>	<u>\$ 2,091,675</u>	<u>(10.60)%</u>

Current and other assets increased during the year by \$395,997. This increase is primarily due to an increase in the District's cash position as a result of current year operations, offset by a decrease in receivables.

Capital assets, net increased by \$357,398, as compared to the prior year. The increase was the result of improvements to facilities and capital asset acquisitions, net of depreciation. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

Net pension asset – proportionate share decreased by \$2,124,645, as compared to the prior year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at the measurement date of the respective year.

Deferred outflows of resources represents contributions to the state retirement plans subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years.

Current and other liabilities decreased by \$2,132,586, as compared to the prior year. The decrease was primarily attributable to a decrease in the District's liability to the teachers' retirement system and employees' retirement system resulting from a decrease in the current year's contribution rates.

Long-term liabilities decreased by \$2,027,501, as compared to the prior year. The decrease was primarily the result of the early payoff of the installment purchase debt and decreases to the estimate for workers' compensation liability.

Net other postemployment benefits (OPEB) obligation increased by \$9,810,221, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 15 "Postemployment Healthcare Benefits", provides additional information.

Net pension liability – proportionate share increased by \$5,340,927 in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year.

Deferred inflows of resources represents actuarial adjustments at the pension plan level that will be amortized in future years.

The net investment in capital assets is the investment in capital assets at cost such as – land; construction in progress; buildings and improvements; site improvements; and, furniture and equipment, net of depreciation and related outstanding debt. This number increased over the prior year as follows:

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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	<u>Increase (Decrease)</u>
Capital asset additions	\$ 2,519,080
Principal debt reduction of refunding bonds	155,000
Principal debt reduction of installment purchase debt	1,112,341
Depreciation expense	<u>(2,161,682)</u>
	<u>\$ 1,624,739</u>

The restricted amount of \$23,742,355 relates to the District's reserves for workers' compensation, unemployment insurance, retirement contribution, employee benefit accrued liability, capital, repairs and debt service. This number increased over the prior year by \$1,811,470 as a result of funds contributed to the reserves of \$5,162,180 and interest earnings of \$24,098, less amounts used to fund current year operations and capital construction of \$3,374,808.

The unrestricted deficit amount of \$(58,661,216) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit increased over the prior year by \$1,344,534.

The District's total net position deficit decreased by \$2,091,675; \$(17,645,690) at June 30, 2016, compared to \$(19,737,365) at June 30, 2015.

#### B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2016 and 2015 is as follows:

	2016	2015	<u>Increase (Decrease)</u>	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 889,508	\$ 998,579	\$ (109,071)	(10.92)%
Operating Grants	4,944,463	5,496,653	(552,190)	(10.05)%
General Revenues				
Real Property Taxes & STAR	101,990,813	100,414,273	1,576,540	1.57 %
State Sources	14,719,487	12,712,428	2,007,059	15.79 %
Other	927,266	755,537	171,729	22.73 %
Total Revenues	<u>123,471,537</u>	<u>120,377,470</u>	<u>3,094,067</u>	<u>2.57 %</u>
<b>Expenses</b>				
General Support	13,816,112	13,506,987	309,125	2.29 %
Instruction	95,364,689	93,714,433	1,650,256	1.76 %
Pupil Transportation	10,014,887	9,643,455	371,432	3.85 %
Debt Service - Interest	373,933	1,084	372,849	34395.66 %
Food Service Program	1,810,241	1,845,999	(35,758)	(1.94)%
Total Expenses	<u>121,379,862</u>	<u>118,711,958</u>	<u>2,667,904</u>	<u>2.25 %</u>
Change in Net Position	<u>\$ 2,091,675</u>	<u>\$ 1,665,512</u>	<u>\$ 426,163</u>	<u>25.59 %</u>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

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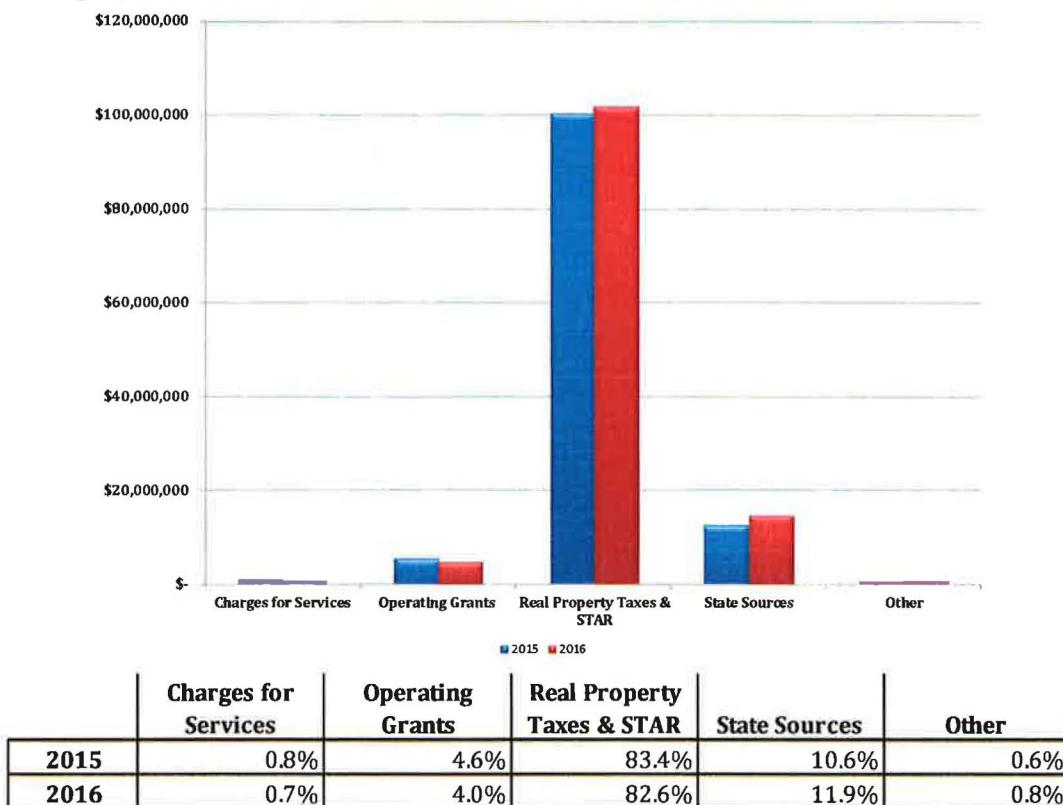
The change in net position was an increase of \$2,091,675 and \$1,665,512 for the years ended June 30, 2016 and 2015, respectively.

The District's revenues increased by \$3,094,067 or 2.57%. The major contributing factors were the District's increases in property taxes and STAR, and state sources.

The District's expenses increased \$2,667,904 or 2.25% over the prior year. The increase was primarily in instructional expenses.

As indicated on the graphs that follow, real property taxes and STAR comprise the largest component of revenues recognized, (i.e., 82.6% and 83.4% of the total for the years ended June 30, 2016 and 2015, respectively). Instruction expenses is the largest category of expenses incurred, comprising (i.e., 78.5% and 78.9% of the total for the years ended June 30, 2016 and 2015, respectively). The graphs demonstrate that the components of revenues and expenses are relatively consistent for both years.

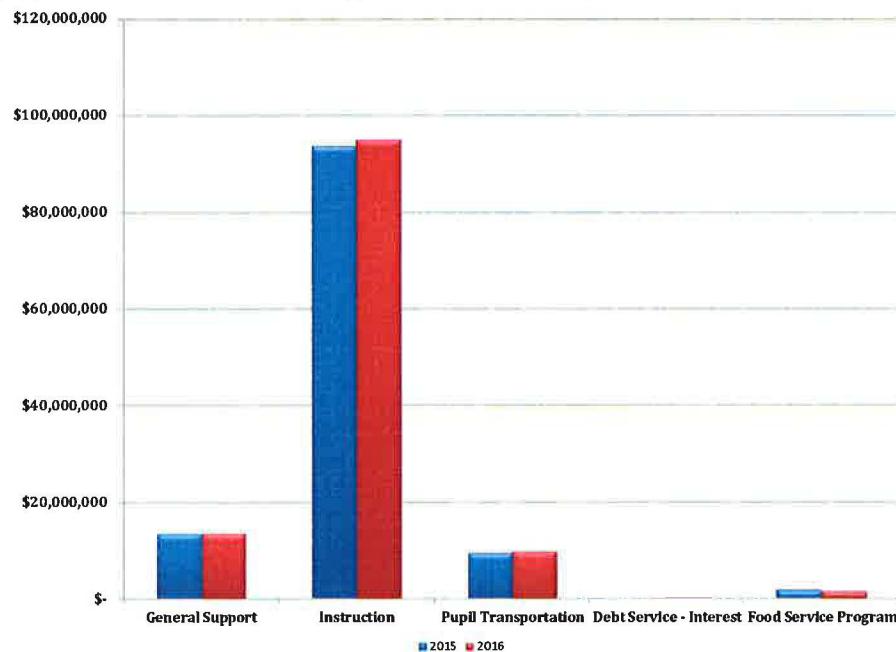
A graphic display of the distribution of revenues for the two years follows:



**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

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A graphic display of the distribution of expenses for the two years follows:



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2015	11.4%	78.9%	8.1%	0.0%	1.6%
2016	11.4%	78.5%	8.3%	0.3%	1.5%

#### **4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At June 30, 2016, the District's governmental funds reported a combined fund balance of \$31,582,162, which is an increase of \$2,479,226 over the prior year. This increase is due to an excess of revenues over expenditures based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2016	2015	Increase (Decrease)
<b>General Fund</b>			
Restricted:			
Workers' compensation	\$ 2,859,140	\$ 2,855,323	\$ 3,817
Unemployment insurance	275,268	299,867	(24,599)
Retirement contribution	4,959,971	3,817,687	1,142,284
Employee benefit accrued liability	3,496,043	2,570,803	925,240
Capital	7,798,248	8,199,408	(401,160)
Repairs	322,460	282,083	40,377
Assigned:			
Appropriated fund balance	1,708,214	1,829,014	(120,800)
Unappropriated fund balance	1,181,871	517,722	664,149
Unassigned: Fund balance	4,924,011	4,814,318	109,693
	<u>27,525,226</u>	<u>25,186,225</u>	<u>2,339,001</u>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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	2016	2015	Increase (Decrease)
<b>School Lunch Fund</b>			
Nonspendable: Inventory	\$ 6,961	\$ 9,575	\$ (2,614)
Assigned: Unappropriated fund balance	<u>18,750</u>	<u>1,422</u>	<u>17,328</u>
	<u>25,711</u>	<u>10,997</u>	<u>14,714</u>
<b>Debt Service Fund</b>			
Restricted: Debt service	212,522	246,365	(33,843)
<b>Capital Projects Fund</b>			
Restricted: Capital	<u>3,818,703</u>	<u>3,659,349</u>	<u>159,354</u>
Total Fund Balance	<u>\$ 31,582,162</u>	<u>\$ 29,102,936</u>	<u>\$ 2,479,226</u>

#### **A. General Fund**

The net change in the general fund - fund balance is an increase of \$2,339,001. General fund revenues and other sources of \$117,996,404 exceeded expenditures and other uses of \$115,657,403 and contributed to the increase in fund balance. Revenues increased over the prior year by \$3,560,915; a significant portion of this increase was additional state aid (\$1,973,189). Expenditures increased over the prior year by \$3,194,483, primarily in instructional salaries, debt service and transfers to capital, offset by a reduction in the required contribution to the state retirement systems as a result of lower contribution rates. The increase in debt service was for the payoff of the energy performance contract debt to save future interest costs.

The District has two capital reserve funds. The 2008 building improvement fund has been fully funded and the remaining balance after transfers to the capital projects fund for voter approved projects is \$3,232,324. The 2013 building improvement fund has a balance of \$4,565,924 including accumulated interest and can receive additional funding of up to \$2,000,000 through June 30, 2021.

#### **B. School Lunch Fund**

The net change in the school lunch fund - fund balance is an increase of \$14,714, which is the current year operating surplus.

#### **C. Debt Service Fund**

The debt service fund - fund balance decreased by \$33,843, as a result of a transfer of amounts related to the energy performance contract to the general fund for use in the retirement of that debt.

#### **D. Capital Projects Fund**

The capital projects fund - fund balance increased by \$159,354. This was the result of a transfer from the general fund capital reserve for voter authorized projects in the amount of \$2,436,000 along with excel aid in the amount of \$33,870, offset by capital expenditures in the amount of \$2,286,638. Additionally, \$23,878 of unspent money from completed projects was transferred back to the general fund capital reserve.

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

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**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2015-16 Budget**

The District's general fund adopted budget for the year ended June 30, 2016, was \$120,394,737. This amount was increased by encumbrances carried forward from the prior year in the amount of \$517,722 and budget revisions of \$2,532,293, for a total final budget of \$123,444,752.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$101,990,551 in estimated property taxes and STAR receipts.

**B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)**

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves, appropriations to fund the subsequent year's budget and encumbrances. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening Unassigned Fund Balance	\$ 4,814,318
Revenues Over Budget	509,388
Expenditures and Encumbrances Under Budget	6,605,478
Net Change in Reserves	(5,296,959)
Appropriated to fund the June 30, 2017 Budget	<u>(1,708,214)</u>
Closing Unassigned Fund Balance	<u>\$ 4,924,011</u>

**Opening, Unassigned Fund Balance**

The \$4,814,318 shown in the table is the portion of the District's June 30, 2015 fund balance that was retained as unassigned. This was approximately 4% of the District's 2015-16 approved operating budget of \$120,394,737.

**Revenues Over Budget**

The 2015-16 final budget for revenues was \$117,487,016. Actual revenues received for the year were \$117,996,404. Actual revenues were more than estimated or budgeted revenue by \$509,388. This change contributes directly to the change to the general fund unassigned fund balance from June 30, 2015 to June 30, 2016.

**Expenditures and Encumbrances Under Budget**

The 2015-16 final budget for expenditures was \$123,444,752. Actual expenditures as of June 30, 2016 were \$115,657,403 and outstanding encumbrances were \$1,181,871. Combined, the expenditures plus encumbrances for 2015-16 were \$116,839,274. The final budget was under expended by \$6,605,478. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2015 to June 30, 2016.

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

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**Net Change in Reserves**

Monies transferred into authorized reserves do not affect the total fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers.

The net change in restricted fund balance is the result of the following:

Transfers to reserves:

Workers' Compensation	\$ 500,000
Retirement Contribution	1,412,180
Repairs	40,000
Capital - Building Improvement Fund - 2013	2,000,000
Employee Benefit Accrued Liability	<u>1,210,000</u>
	5,162,180
Transfer from capital projects fund for unspent money on completed projects	23,878
Return of unused appropriated reserves	86,803
Interest on reserve balances	<u>24,098</u>
	<u><u>\$ 5,296,959</u></u>

**Appropriated Fund Balance**

The District has chosen to use \$1,708,214 of the available June 30, 2016 fund balance to partially fund the 2016-17 approved operating budget. As such, the June 30, 2016 unassigned fund balance must be reduced by this amount.

**Closing, Unassigned Fund Balance**

Based upon the summary changes shown in the table, the unassigned fund balance at June 30, 2016 was \$4,924,011. The unassigned portion is at the permissible 4.0% statutory maximum.

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A. Capital Assets**

At June 30, 2016, the District had invested in a broad range of capital assets, as indicated in the following table. The net increase in capital assets is due to capital additions of \$2,519,080 in excess of depreciation of \$2,161,682 recorded for the year ended June 30, 2016. A summary of the District's capital assets, net of depreciation at June 30, 2016 and 2015 is as follows:

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

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	2016	2015	Increase (Decrease)
Land	\$ 1,545,142	\$ 1,545,142	\$ -
Construction in progress	12,689,608	11,432,273	(1,371,281)
Buildings and improvements	3,871,956	3,382,363	1,257,335
Site improvements	1,051,465	1,069,714	489,593
Furniture and equipment			(18,249)
 Capital assets, net	 <u>\$ 19,158,171</u>	 <u>\$ 18,800,773</u>	 <u>\$ 357,398</u>

## B. Debt Administration

At June 30, 2016, the District had total bonds payable of \$1,885,000. Bonds were initially issued in 2006 for school building improvements. A refunding transaction took place in April 2015. The decrease in outstanding debt represents principal payments made during the year of \$155,000. A summary of the outstanding debt at June 30, 2016 and 2015 is as follows:

Issue Date	Interest Rate	2016	2015	Increase (Decrease)
April 2015	2.0-4.0%	<u>\$ 1,885,000</u>	<u>\$ 2,040,000</u>	<u>\$ (155,000)</u>

The District prepaid installment purchase debt in the amount of \$1,112,341 and satisfied the outstanding balance in order to save future interest payments.

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa1. The District's outstanding serial bonds at June 30, 2016 are less than 1% of the District's debt limit.

## 7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

### A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 17, 2016, for the year ending June 30, 2017, is \$123,100,263. This is an increase of \$2,705,526 or 2.25% over the previous year's budget. The increase is principally in the instructional program (\$1,713,266) area of the budget.

The District budgeted revenues other than property taxes and STAR at a \$1,570,736 increase over the prior year's estimate. This increase is principally due to an estimated increase in state aid. The appropriated fund balance applied to the June 30, 2017 budget in the amount of \$1,708,214 is a \$120,800 decrease from the previous year. The District appropriated reserves of \$1,000,000, which is \$175,000 less than the prior year. A property tax increase of 1.40% was needed to meet the revenue shortfall and cover the increase in projected expenditures. The property tax increase of 1.40% is lower than estimated at the time of the budget vote because the Board increased the amount of appropriated fund balance by \$208,124.

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

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**B. Future Budgets**

Significant increases in costs of health insurance, the property tax cap, and uncertainty in state aid and federal funds will greatly impact the District's future budgets.

**C. Tax Cap**

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2016-17 is 1.68%. The District's 2016-17 property tax increase of 1.40% was less than the tax cap and did not require an override vote.

**D. Property Tax Freeze Credit and Property Tax Relief Credit**

New York State law provides a "Property Tax Freeze Credit" that effectively "freezes" property taxes for two years on the primary residences of homeowners with annual incomes at or below \$500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners receive a credit, which is distributed in the form of a check from New York State, up to the calculated amount of the tax cap. The program also requires the school districts and local governments, in the second year, to develop or participate in the development of a state approved government efficiency plan that will achieve savings for taxpayers. The program ended for school districts with the 2015-16 school year.

New York State enacted a new law that provides a "Property Tax Relief Credit" to eligible taxpayers for the 2016-17 through 2019-20 school years. To be eligible, a taxpayer, based on income tax return filings for the taxable two years prior, must be a New York State resident who owned and primarily resided in real property receiving the STAR exemption, and had adjusted gross income no greater than \$275,000. A taxpayer is ineligible for the tax credit if the real property is located in a school district that adopted a budget in excess of the tax levy limit. Eligible District taxpayers will receive a tax credit in the form of a check in the amount of \$130 in the first year. In subsequent years, the amount of the credit is a function of the basic STAR savings and the taxpayer's income.

These property tax credit programs provide an incentive for the District to be tax cap compliant.

**8. CONTACTING THE DISTRICT**

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Requests for additional information can be directed to:

Ms. Kathleen Acker  
Assistant Superintendent for Finance and Management Services  
Huntington Union Free School District  
50 Tower Street  
Huntington Station, New York 11746

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Statement of Net Position**  
June 30, 2016

**ASSETS**

Cash	
Unrestricted	\$ 13,492,376
Restricted	23,742,355
Receivables	
Accounts receivable	25,197
Due from fiduciary funds	6,869
Due from state and federal	2,790,879
Due from other governments	463,883
Other assets	426,331
Inventory	6,961
Capital assets not being depreciated	1,545,142
Capital assets being depreciated, net of accumulated depreciation	17,613,029
Net pension asset - proportionate share	<u>28,951,470</u>
Total Assets	<u>89,064,492</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Pensions	<u>12,492,107</u>
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**LIABILITIES**

Payables	
Accounts payable	1,316,722
Accrued liabilities	335,703
Due to other governments	390,567
Due to teachers' retirement system	5,954,730
Due to employees' retirement system	533,291
Compensated absences payable	93,817
Unearned credits	
Collections in advance	1,384
Long-term liabilities	
Due and payable within one year	
Bonds payable	160,000
Compensated absences payable	375,000
Workers' compensation liabilities	500,000
Due and payable after one year	
Bonds payable	1,725,000
Compensated absences payable	5,543,754
Workers' compensation liabilities	2,122,977
Net other postemployment benefits obligation	82,612,593
Net pension liability - proportionate share	<u>6,771,270</u>
Total Liabilities	<u>108,436,808</u>

**DEFERRED INFLOWS OF RESOURCES**

Pensions	<u>10,765,481</u>
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**NET POSITION**

Net investment in capital assets	<u>17,273,171</u>
Restricted	
Workers' compensation	2,859,140
Unemployment insurance	275,268
Retirement contribution	4,959,971
Employee benefit accrued liability	3,496,043
Capital	11,616,951
Repairs	322,460
Debt service	<u>212,522</u>
	<u>23,742,355</u>
Unrestricted (deficit)	<u>(58,661,216)</u>
Total Net Position (Deficit)	<u>\$ (17,645,690)</u>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Statement of Activities**  
For The Year Ended June 30, 2016

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants			
<b>FUNCTIONS/PROGRAMS</b>						
<b>Governmental Activities:</b>						
General support	\$ 13,816,112	\$	\$	\$ (13,816,112)		
Instruction	95,364,689	370,279	3,647,114	(91,347,296)		
Pupil transportation	10,014,887			(10,014,887)		
Debt service - interest	373,933			(373,933)		
Food service program	1,810,241	519,229	1,297,349	6,337		
Total Governmental Activities	<u>\$ 121,379,862</u>	<u>\$ 889,508</u>	<u>\$ 4,944,463</u>	<u>(115,545,891)</u>		
<b>GENERAL REVENUES</b>						
Real property taxes				92,133,946		
Other tax items				9,866,437		
Use of money and property				140,086		
Sale of property and compensation for loss				3,107		
Miscellaneous				774,503		
State sources				<u>14,719,487</u>		
Total General Revenues				<u>117,637,566</u>		
Change in Net Position				2,091,675		
Total Net Position (Deficit) - Beginning of Year				<u>(19,737,365)</u>		
Total Net Position (Deficit) - End of Year				<u>\$ (17,645,690)</u>		

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2016

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Cash						
Unrestricted	\$ 11,006,161	\$ 1,910,275	\$ 542,097	\$ 33,843	\$ 605,682	\$ 13,492,376
Restricted	22,924,151			212,522		23,742,355
Receivables						
Accounts receivable	20,207		4,990			25,197
Due from other funds	361,909				3,213,021	3,574,930
Due from state and federal	1,532,665	1,160,901	97,313			2,790,879
Due from other governments	463,883					463,883
Other assets	426,331					426,331
Inventory			6,961			6,961
<b>Total Assets</b>	<b>\$ 36,735,307</b>	<b>\$ 3,071,176</b>	<b>\$ 651,361</b>	<b>\$ 246,365</b>	<b>\$ 3,818,703</b>	<b>\$ 44,522,912</b>
<b>LIABILITIES</b>						
Payables						
Accounts payable	\$ 1,175,173	\$ 3,658	\$ 137,891	\$	\$	\$ 1,316,722
Accrued liabilities	314,076	6,217	12,472			332,765
Due to other funds		3,059,917	474,301	33,843		3,568,061
Due to other governments	389,581		986			390,567
Due to teachers' retirement system	5,954,730					5,954,730
Due to employees' retirement system	533,291					533,291
Compensated absences payable	93,817					93,817
Unearned credits						
Collections in advance		1,384				1,384
<b>Total Liabilities</b>	<b>8,460,668</b>	<b>3,071,176</b>	<b>625,650</b>	<b>33,843</b>	<b>-</b>	<b>12,191,337</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues						
	<b>749,413</b>					<b>749,413</b>
<b>FUND BALANCES</b>						
Nonspendable: Inventory				6,961		6,961
Restricted:						
Workers' compensation	2,859,140					2,859,140
Unemployment insurance	275,268					275,268
Retirement contribution	4,959,971					4,959,971
Employee benefit accrued liability	3,496,043					3,496,043
Capital	7,798,248				3,818,703	11,616,951
Repairs	322,460					322,460
Debt service				212,522		212,522
Assigned:						
Appropriated fund balance	1,708,214					1,708,214
Unappropriated fund balance	1,181,871		18,750			1,200,621
Unassigned: Fund balance	4,924,011					4,924,011
<b>Total Fund Balances</b>	<b>27,525,226</b>	<b>-</b>	<b>25,711</b>	<b>212,522</b>	<b>3,818,703</b>	<b>31,582,162</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 36,735,307</b>	<b>\$ 3,071,176</b>	<b>\$ 651,361</b>	<b>\$ 246,365</b>	<b>\$ 3,818,703</b>	<b>\$ 44,522,912</b>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
June 30, 2016

Total Governmental Fund Balances	\$ 31,582,162
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Amounts reported for governmental activities in the Statement of Net Position are different because:

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 58,594,848
Accumulated depreciation	<u>(39,436,677)</u>
	19,158,171

Proportionate share of long-term asset and liability, and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.

Net pension asset - teachers' retirement system	28,951,470
Deferred outflows of resources	12,492,107
Net pension liability - employees' retirement system	(6,771,270)
Deferred inflows of resources	<u>(10,765,481)</u>
	23,906,826

Some of the District's revenues will be collected after year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.

749,413

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

Accrued interest on bonds payable	(2,938)
Bonds payable, net	(1,885,000)
Compensated absences	(5,918,754)
Workers' compensation liabilities	(2,622,977)
Net other postemployment benefits obligation	<u>(82,612,593)</u>
	<u>(93,042,262)</u>
Total Net Position (Deficit)	<u>\$ (17,645,690)</u>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For The Year Ended June 30, 2016

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 92,133,946	\$	\$	\$	\$	\$ 92,133,946
Other tax items	9,866,437					9,866,437
Charges for services	332,450					332,450
Use of money and property	139,863		223			140,086
Sale of property and compensation for loss	3,107					3,107
Miscellaneous	774,503		76,209			850,712
State sources	14,685,617	1,392,799	35,675		33,870	16,147,961
Federal sources		2,254,315	1,131,605			3,385,920
Surplus food			130,069			130,069
Sales - school lunch			443,020			443,020
<b>Total Revenues</b>	<b>117,935,923</b>	<b>3,647,114</b>	<b>1,816,801</b>	<b>-</b>	<b>33,870</b>	<b>123,433,708</b>
<b>EXPENDITURES</b>						
General support	10,247,671	1,177				10,248,848
Instruction	62,856,476	3,610,594				66,467,070
Pupil transportation	9,636,523	292,820				9,929,343
Employee benefits	28,567,693					28,567,693
Debt service						
Principal	1,112,341			155,000		1,267,341
Interest	310,312			75,150		385,462
Cost of sales			1,802,087			1,802,087
Capital outlay					2,286,638	2,286,638
<b>Total Expenditures</b>	<b>112,731,016</b>	<b>3,904,591</b>	<b>1,802,087</b>	<b>230,150</b>	<b>2,286,638</b>	<b>120,954,482</b>
Excess (Deficiency) of Revenues Over Expenditures	5,204,907	(257,477)	14,714	(230,150)	(2,252,768)	2,479,226
<b>OTHER FINANCING SOURCES AND (USES)</b>						
Operating transfers in	60,481	260,237		230,150	2,436,000	2,986,868
Operating transfers (out)	(2,926,387)	(2,760)		(33,843)	(23,878)	(2,986,868)
<b>Total Other Financing Sources and (Uses)</b>	<b>(2,865,906)</b>	<b>257,477</b>	<b>-</b>	<b>196,307</b>	<b>2,412,122</b>	<b>-</b>
Net Change in Fund Balances	2,339,001	-	14,714	(33,843)	159,354	2,479,226
Fund Balances - Beginning of year	25,186,225	-	10,997	246,365	3,659,349	29,102,936
<b>Fund Balances - End of year</b>	<b>\$ 27,525,226</b>	<b>\$ -</b>	<b>\$ 25,711</b>	<b>\$ 212,522</b>	<b>\$ 3,818,703</b>	<b>\$ 31,582,162</b>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
For The Year Ended June 30, 2016

Net Change in Fund Balances	\$ 2,479,226
Amounts reported for governmental activities in the Statement of Activities are different because:	
<b><u>Long-Term Revenue and Expense Differences</u></b>	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the net amount by which deferred revenues increased in the period.	\$ 37,829
Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position.	
Decrease in compensated absences liability	230,912
Decrease in workers' compensation liabilities	529,248
Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.	
Increase in net other postemployment benefit obligation	<u>(9,810,221)</u>
	(9,012,232)
<b><u>Capital Related Differences</u></b>	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceeded depreciation in the period.	
Capital outlays	2,519,080
Depreciation expense	<u>(2,161,682)</u>
	357,398
<b><u>Long-Term Debt Transaction Differences</u></b>	
Repayment of long-term debt is an expenditure in governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
Repayment of bonds payable	155,000
Repayment of installment purchase debt	1,112,341
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2015 to June 30, 2016.	<u>11,528</u>
	1,278,869
<b><u>Pension Differences</u></b>	
The decrease in the proportionate share of the collective pension expense of the state retirement plans reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.	
Teachers' retirement system	7,640,251
Employees' retirement system	<u>(651,837)</u>
	6,988,414
Change in Net Position of Governmental Activities	<u>\$ 2,091,675</u>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Funds**  
June 30, 2016

	<u>Agency</u>	<u>Private Purpose Trusts</u>
<b>ASSETS</b>		
Cash	\$ 1,334,466	\$
Due from other funds	<u>                </u>	<u>1,047,937</u>
Total Assets	<u>\$ 1,334,466</u>	<u>1,047,937</u>
<b>LIABILITIES</b>		
Extraclassroom activity balances	\$ 235,206	
Due to other funds	1,054,806	
Other liabilities	<u>44,454</u>	<u>                </u>
Total Liabilities	<u>\$ 1,334,466</u>	<u>                </u>
<b>NET POSITION</b>		
Restricted for scholarships		
Expendable trust funds	162,769	
Non-expendable trust funds	<u>885,168</u>	<u>                </u>
Total Net Position	<u>\$ 1,047,937</u>	

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position -**  
**Fiduciary Funds**  
For The Year Ended June 30, 2016

	Private Purpose Trusts
<b>ADDITIONS</b>	
Contributions	\$ 5,010
Investment earnings	<u>1,460</u>
Total Additions	<u>6,470</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	<u>12,046</u>
Change in Net Position	(5,576)
Net Position - Beginning of year	<u>1,053,513</u>
Net Position - End of Year	<u>\$ 1,047,937</u>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Huntington Union Free School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are as follows:

**A. Reporting Entity**

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

The financial reporting entity is based on criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

**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. The District reports these assets held by it as agent for the extraclassroom organizations in the Statement of Fiduciary Net Position - Fiduciary Fund. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

**B. Joint Venture**

The District is a component school district in the Board of Cooperative Educational Services of Western Suffolk (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under Section §1950 of the 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 Education Law. All BOCES property is held by the BOCES Board as a corporation under 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 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

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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cost is determined by resident public school district enrollment as defined in Education Law, Section §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

**C. Basis of Presentation**

**District-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund 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 capital grants reflect capital-specific grants, if applicable.

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

**Fund Financial Statements**

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The District's financial statements present the following fund types:

***Governmental Funds*** - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major governmental funds:

***General Fund*** - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

***Special Aid Fund*** - is used to account for the proceeds of specific revenue sources such as federal and state grants that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

***School Lunch Fund*** - is used to account for the activities of the food service program.

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

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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***Capital Projects Fund*** – is used to account for the financial resources used for acquisition, construction, renovation or major repair of capital facilities and other capital assets, such as equipment.

***Fiduciary Funds*** – are used to account for activities in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the district-wide financial statements, because their resources do not belong to the District, and are not available to be used. The following are the District's fiduciary funds:

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

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

#### **D. Measurement Focus and Basis of Accounting**

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

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, state aid, grants and donations. On an accrual basis, revenue from real 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 apportioned 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. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, pension costs, and other postemployment 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 are reported as other financing sources.

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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**E. Real Property Taxes**

Calendar

Real property taxes are levied annually by the Board no later than November 1<sup>st</sup> and become a lien on December 1<sup>st</sup>. Taxes are collected by the Town of Huntington and remitted to the District from December to June.

Enforcement

Uncollected real property taxes are subsequently enforced by Suffolk County in June.

**F. Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net resources 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 to Financial Statements.

**F. 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 transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

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 are 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.

A detailed disclosure by individual fund for interfund receivables, payables, transfers in and transfers out activity is provided subsequently in these Notes to Financial Statements.

**G. Use of 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. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of long-lived assets.

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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**H. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

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

**I. Receivables**

Receivables are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

**J. Inventory**

Inventory of food in the school lunch fund is recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Inventory is accounted for on the consumption method. Under the consumption method, a current asset for the inventory and/or prepaid item is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods are consumed.

Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

A portion of fund balance has been classified as nonspendable to indicate that inventory does not constitute available spendable resources.

**K. Other Assets**

The District has provided life insurance policies with split dollar provisions for certain former employees. The split dollar provisions provide for the payment of insurance proceeds to the District to the extent of premiums paid upon the demise of the insured or surrender of the policy.

**L. Capital Assets**

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at estimated fair market value at the date of donation.

All capital assets, except land and construction in progress, are depreciated on a straight line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the district-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings and improvements	\$ 50,000	50 years
Site improvements	25,000	20 years
Furniture and equipment	5,000	5-20 years

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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**M. Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions and 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 second item is the District's contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

**N. Collection in Advance**

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

**O. Deferred Inflows of Resources**

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period 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. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables from split dollar life insurance policies and amounts due from other governments for tuition charges. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. 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 liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, and the net difference between projected and actual earnings on pension plan investments.

**P. Employee Benefits – Compensated Absences**

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

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave or a credit towards their health insurance obligation. Certain collectively bargained agreements require these termination payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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The liability for compensated absences has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30<sup>th</sup>.

**Q. Other Benefits**

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

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

The District provides health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

**R. Short-Term Debt**

The District may issue 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 TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The District did not issue BANs during the year.

**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 acquisitions, construction and improvements of those assets.

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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*Restricted* – 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* – Reports the balance of net position that does not meet the definition of the above two classifications.

**Fund Statements**

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

*Nonspendable* – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventory.

*Restricted* – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

*Workers' Compensation Reserve*

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

*Unemployment Insurance Reserve*

Unemployment Insurance Reserve (GML §6-m) is 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. The reserve is accounted for in the general fund.

*Retirement Contribution Reserve*

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The reserve is accounted for in the general fund.

*Employee Benefit Accrued Liability Reserve*

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time 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. The reserve is accounted for in the general fund.

*Capital Reserve*

Capital Reserve (Education Law §3651) is 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. The reserve is accounted for in the general fund and the capital projects fund.

*Repairs Reserve*

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

*Restricted for Debt Service*

Unexpended balances of proceeds of borrowings for capital projects, interest and earnings from investing proceeds of obligations, and premiums and accrued interest on long-term borrowings are recorded in the debt service fund and held until appropriated for debt payments. These restricted amounts are accounted for in the debt service fund.

*Restricted for Scholarships*

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

*Assigned* – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment 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 includes an amount

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

*Unassigned* – Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned. NYS Real Property Tax Law §1318 restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year's budget.

**Fund Balance Classification**

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Education if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Education.

The Board of Education shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then from the unassigned fund balance.

**2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE DISTRICT-WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource measurement focus of the District-wide statements, compared with the current financial resource measurement focus of the governmental funds.

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

Total fund balances of the District's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities, including pensions.

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

**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

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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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, thereby affecting expenses such as compensated absences and other postemployment benefits.

**Capital Related Differences**

Capital related differences include the difference between proceeds from 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.

**Long-Term Debt Transaction Differences**

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

**Pension Differences**

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

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

The District administration prepares a proposed budget for approval by the Board of Education for the general fund, the only fund with a legally adopted budget.

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 authorized for the year are increased by the amount of encumbrances carried forward from the prior year. 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 can be funded by the planned use of specific reserves, and can be increased by 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) and appropriation of fund balances. 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. The following supplemental appropriations occurred during the year:

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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Transfer to capital projects fund funded by capital reserve as approved by the voters	\$ 2,436,000
Contingent expenditures funded by donations	81,293
Contingent expenditures funded by New York State grant	<u>15,000</u>
	<u><u>\$ 2,532,293</u></u>

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

**B. Encumbrances**

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned fund balance, unless classified as restricted, 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.

**4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. 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 New York State and its municipalities.

Custodial credit risk is the risk that in the event of a bank failure, the District may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the District's behalf at year end.

The District did not have any investments at year-end or during the year. Consequently, the District was not exposed to any material interest rate risk or foreign currency risk.

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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**5. PARTICIPATION IN BOCES**

During the year ended June 30, 2016, the District was billed \$10,309,189 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,247,318. Financial statements for the BOCES are available from the BOCES administrative offices at 507 Deer Park Road, P.O. Box 8007, Huntington Station, NY 11746-9007.

**6. DUE FROM STATE AND FEDERAL**

Due from state and federal at June 30, 2016 consisted of:

General Fund	
New York State aid	\$ 968,736
BOCES aid	<u>563,929</u>
	<u>1,532,665</u>
Special Aid Fund	
Federal and State grants	1,160,901
School Lunch Fund	
Federal and State food service program reimbursements	<u>97,313</u>
	<u>\$ 2,790,879</u>

**7. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2016 consisted of:

General Fund	
Other districts - tuition and health services	\$ 463,201
Town of Huntington - Parks & Recreation	<u>682</u>
	<u>\$ 463,883</u>

**8. OTHER ASSETS**

The District has provided life insurance policies with split dollar provisions for certain of its former employees. The split dollar provisions provide for the payment of insurance proceeds to the District upon the demise of the insured or cash surrender value if the policy is cashed in prior to death.

At June 30, 2016, total cash surrender value for these policies amounted to \$426,331, which has been recorded as other assets in the general fund. The corresponding revenue to this receivable is included in unavailable revenues and will be recognized in the year that the proceeds are received.

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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**9. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2016, were as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,545,142	\$	\$	\$ 1,545,142
Construction in progress	<u>1,371,281</u>	_____	<u>(1,371,281)</u>	_____ -
Total capital assets not being depreciated	<u>2,916,423</u>	_____ -	<u>(1,371,281)</u>	1,545,142
Capital assets being depreciated				
Buildings and improvements	43,355,993	2,897,217		46,253,210
Site improvements	<u>5,902,276</u>	775,837		6,678,113
Furniture and equipment	<u>3,911,976</u>	217,307	<u>(10,900)</u>	4,118,383
Total capital assets being depreciated	<u>53,170,245</u>	<u>3,890,361</u>	<u>(10,900)</u>	57,049,706
Less accumulated depreciation for:				
Buildings and improvements	31,923,720	1,639,882		33,563,602
Site improvements	<u>2,519,913</u>	286,244		2,806,157
Furniture and equipment	<u>2,842,262</u>	235,556	<u>(10,900)</u>	3,066,918
Total accumulated depreciation	<u>37,285,895</u>	<u>2,161,682</u>	<u>(10,900)</u>	39,436,677
Total capital assets, being depreciated, net	<u>15,884,350</u>	<u>1,728,679</u>	_____ -	17,613,029
Capital assets, net	<u>\$ 18,800,773</u>	<u>\$ 1,728,679</u>	<u>\$ (1,371,281)</u>	<u>\$ 19,158,171</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 55,155
Instruction	2,098,373
Food service program	<u>8,154</u>
Total depreciation expense	<u>\$ 2,161,682</u>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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**10. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2016, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 361,909	\$ 60,481	\$ 2,926,387	
Special Aid Fund		3,059,917	260,237	2,760
School Lunch Fund		474,301		
Debt Service Fund		33,843	230,150	33,843
Capital Projects Fund	3,213,021	2,436,000		23,878
Total Governmental Funds	<u>3,574,930</u>	<u>3,568,061</u>	<u>2,986,868</u>	<u>2,986,868</u>
Agency Fund		1,054,806		
Private Purpose Trust Fund	1,047,937			
Total Fiduciary Funds	<u>1,047,937</u>	<u>1,054,806</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,622,867</u>	<u>\$ 4,622,867</u>	<u>\$ 2,986,868</u>	<u>\$ 2,986,868</u>

The District typically transfers from the general fund to the special aid fund and the debt service fund in accordance with the general fund budget. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities and the state supported Section 4201 Schools. The transfer to the debt service fund was for repayment of principal and interest on outstanding bond indebtedness. The transfer to the capital projects fund was for the May 17, 2016 voter approved capital projects in the amount of \$2,436,000 and was from the capital reserve.

The transfer from the special aid fund to the general fund was for the indirect cost chargeback allowable under the grants awarded. The transfer from the debt service fund to the general fund was to provide funding for the retirement of the outstanding balance of the energy performance contract. The transfer from the capital fund to the general fund was the unspent funds from prior years' completed projects.

**11. SHORT-TERM DEBT**

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

Maturity	Stated Interest Rate	Balance			Balance June 30, 2016
		June 30, 2015	Issued	Redeemed	
TAN	6/26/15	1.50%	\$ _____	\$ 20,000,000	\$ (20,000,000) \$ _____

Interest expense on short-term debt for the year was \$203,332. The TAN carried a stated rate of 1.50% and the District received a premium of \$169,800 for an effective net interest rate of 0.247%.

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**12. LONG-TERM LIABILITIES**

**A. Changes**

Long-term liability balances and activity, excluding pension and other postemployment benefits obligations, for the year are summarized below:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
<b>Long-term debt:</b>					
Bonds payable	\$ 2,040,000	\$	\$ (155,000)	\$ 1,885,000	\$ 160,000
Installment purchase debt	1,112,341		(1,112,341)		-
<b>Other long-term liabilities:</b>					
Compensated absences	6,149,666		(230,912)	5,918,754	375,000
Workers' compensation	3,152,225	20,797	(550,045)	2,622,977	500,000
	<b>\$ 12,454,232</b>	<b>\$ 20,797</b>	<b>\$ (2,048,298)</b>	<b>\$ 10,426,731</b>	<b>\$ 1,035,000</b>

The general fund has typically been used to liquidate other long-term liabilities.

**B. Bonds Payable**

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2016
Refunding debt	4/2015	6/2026	2.0-4.0%	<b><u>\$ 1,885,000</u></b>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 160,000	\$ 70,500	\$ 230,500
2018	160,000	65,700	225,700
2019	170,000	60,900	230,900
2020	175,000	55,800	230,800
2021	180,000	48,800	228,800
2022-2026	<b><u>1,040,000</u></b>	<b><u>128,200</u></b>	<b><u>1,168,200</u></b>
Total	<b><u>\$ 1,885,000</u></b>	<b><u>\$ 429,900</u></b>	<b><u>\$ 2,314,900</u></b>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**C. Interest Expense**

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

Interest paid	\$ 182,129
Less interest accrued in the prior year	(14,466)
Plus interest accrued in the current year	<u>2,938</u>
Total interest expense on long-term debt	<u>\$ 170,601</u>

**13. PENSION PLANS – NEW YORK STATE**

**A. General Information**

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer, public employee retirement systems. The systems provide retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

**B. Provisions and Administration**

**Teachers' Retirement System**

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). 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 the TRS. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the TRS may be found on the TRS website at [www.nystrs.org](http://www.nystrs.org) or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

**Employees' Retirement System**

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS 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 ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the Fund and is the administrative head of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of its funds. Once a public employer elects to participate in the ERS, 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 ERS 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 on the NYS Comptrollers website at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

**C. Funding Policies**

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30<sup>th</sup>, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years.

The District's share of the required contributions, based on covered payroll paid for the District's year ended June 30th, for the current year and two preceding years was:

Year	TRS	ERS
2016	\$ 5,724,976	\$ 2,043,486
2015	7,319,763	2,414,526
2014	6,686,748	2,428,021

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

At June 30, 2016, 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, 2015, for TRS and March 31, 2016 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 TRS and ERS Systems in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2015	March 31, 2016
District's proportionate share of the net pension asset/(liability)	\$ 28,951,470	\$ (6,771,270)
District's portion of the Plan's total net pension asset/(liability)	0.2787330%	0.0421879%
Change in proportion since the prior measurement date	(0.0002420)	(0.0001519)

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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For the year ended June 30, 2016, the District recognized pension expense (credit) of \$(1,915,046) for TRS and \$2,533,985 for ERS. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$ 34,217	\$ 802,369		
Changes of assumptions		1,805,694		
Net difference between projected and actual earnings on pension plan investments	4,017,089		9,151,710	802,621
Changes in proportion and differences between the District's contributions and proportionate share of contributions	7,571	389,224	5,519	3,262
District's contributions subsequent to the measurement date	<u>5,705,021</u>	<u>533,291</u>		
Total	<u>\$ 5,712,592</u>	<u>\$ 6,779,515</u>	<u>\$ 9,959,598</u>	<u>\$ 805,883</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. 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	ERS
2017	\$ (3,691,604)	\$ 1,396,889
2018	(3,691,604)	1,396,889
2019	(3,691,604)	1,396,889
2020	1,521,610	1,249,674
2021	(100,373)	
Thereafter	<u>(298,452)</u>	
	<u>\$ (9,952,027)</u>	<u>\$ 5,440,341</u>

Actuarial Assumptions

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

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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	TRS	ERS
Measurement date	June 30, 2015	March 31, 2016
Actuarial valuation date	June 30, 2014	April 1, 2015
Interest rate	8.0%	7.0%
Salary scale	4.01-10.91%	3.8%
Decrement tables	July 1, 2005 - June 30, 2010 System's Experience	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	3.0%	2.5%

For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale AA. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

For TRS, the actuarial assumptions used in the June 30, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010. For ERS, the actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date	June 30, 2015		March 31, 2016	
<b>Asset type</b>				
Domestic equity	37.0%	6.50%	38.0%	7.30%
International equity	18.0%	7.70%	13.0%	8.55%
Real estate	10.0%	4.60%	8.0%	8.25%
Alternative investments	7.0%	9.90%	19.0%	6.75-11.00%
Domestic fixed income securities	17.0%	2.10%		
Global fixed income securities	2.0%	1.90%		
Bonds and mortgages	8.0%	3.40%	18.0%	4.00%
Short-term	1.0%	1.20%		
Cash			2.0%	2.25%
Inflation indexed bonds			2.0%	4.00%
	100.0%		100.0%	

**Discount Rate**

The discount rate used to calculate the total pension liability was 8.0% for TRS and 7.0% for ERS the discount rate used by the ERS at the prior year's measurement date of March 31, 2015, was 7.5%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 8.0% for TRS and 7.0% for ERS, 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 (7.0% for TRS and 6.0% for ERS) or 1 percentage point higher (9.0% for TRS and 8.0% for ERS) than the current rate:

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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	TRS	1% Decrease (7.00)%	Current Assumption (8.00)%	1% Increase (9.00)%
District's proportionate share of the net pension asset	\$ 1,974,864	<u>\$ 28,951,470</u>	<u>\$ 55,325,139</u>	
	ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	<u>\$ (15,268,722)</u>	<u>\$ (6,771,270)</u>	<u>\$ 408,714</u>	

**Pension Plan Fiduciary Net Position**

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

	TRS <i>(Dollars in Thousands)</i>	ERS
Measurement date	June 30, 2015	March 31, 2016
Employers' total pension liability	\$ (99,332,104)	\$ (172,303,544)
Plan fiduciary net position	<u>109,718,917</u>	<u>156,253,265</u>
Employers' net pension asset/(liability)	<u>\$ 10,386,813</u>	<u>\$ (16,050,279)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	110.46%	90.68%

**Payables to the Pension Plan**

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016, are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016, represent employer and employee contributions for the fiscal year ended June 30, 2016, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$5,705,021 of employer contributions and \$249,709 of employee contributions.

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2016, represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$533,291 of employer contributions. Employee contributions are remitted monthly.

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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**14. PENSION PLANS - OTHER**

**A. Tax Sheltered Annuities**

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2016, totaled \$404,746, and \$2,478,951, respectively.

**B. Deferred Compensation Plan**

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for administrators, central office staff, teachers and chairs. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2016 totaled \$367,734.

**15. POSTEMPLOYMENT HEALTHCARE BENEFITS**

**A. Plan Description**

The District provides post-retirement medical, Medicare part B reimbursement, major medical, dental, vision, and term life insurance coverage (the healthcare plan) to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through the New York State Health Insurance Program – Empire Plan. The plan does not issue a stand-alone financial report.

**B. Funding Policy**

The District assumes between 60% and 100% of the premiums in accordance with employment contracts and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). For the year ended June 30, 2016, the District recognized a general fund expenditure of \$6,581,033 for insurance premiums for 608 currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the "pay as you go" method.

**C. Annual OPEB Cost and Net OPEB Obligation**

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Annual required contribution (ARC)	\$ 17,518,651
Interest on net OPEB obligation	2,912,484
Adjustment to ARC	<u>(4,039,881)</u>
Annual OPEB cost (expense)	16,391,254
Contributions made	<u>(6,581,033)</u>
Increase in net OPEB obligation	9,810,221
Net OPEB obligation - beginning of year	<u>72,802,372</u>
Net OPEB obligation - end of year	<u><u>\$ 82,612,593</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 and preceding two years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 16,391,254	40.1%	\$ 82,612,593
June 30, 2015	16,825,271	36.9%	72,802,372
June 30, 2014	12,808,434	44.6%	62,189,721

#### **D. Funded Status and Funding Progress**

As of July 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$200,671,809 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$200,671,809. The covered payroll (annual payroll of active employees covered by the plan) was \$53,055,071, and the ratio of the UAAL to the covered payroll was 378%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### **E. Actuarial Methods and Assumptions**

The valuation of July 1, 2015, is an update derived from estimates from the previous valuation dated July 1, 2014, based on the fact that there were no material changes to any of the benefit packages, the cost sharing structures or the census.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate and an annual healthcare cost trend rate of 9% in 2015 and then is reduced by 0.5% decrements to an ultimate rate of 5% in 2022. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

## **16. RISK MANAGEMENT**

### **A. General Information**

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

### **B. Risk Retention**

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unreported claims which were incurred on or before year end but not reported (IBNR). The liability is calculated using a 2.0% discount rate (the discount rate used in the June 30, 2015 valuation was 3.0%). Claims activity is summarized below:

	<u>2015</u>	<u>2016</u>
Unpaid claims at beginning of year	\$ 2,812,666	\$ 3,152,225
Incurred claims and claim adjustment expenses	901,870	20,797
Claim payments	<u>(562,311)</u>	<u>(550,045)</u>
Unpaid claims at year end	<u>\$ 3,152,225</u>	<u>\$ 2,622,977</u>

## **17. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES**

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2016 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2017:

Workers' Compensation	\$ 500,000
Unemployment Insurance	25,000
Retirement Contributions	100,000
Employee Benefit Accrued Liability	<u>375,000</u>
	<u><u>\$ 1,000,000</u></u>

## **18. ASSIGNED APPROPRIATED FUND BALANCE**

The amount of \$1,708,214 has been appropriated to reduce taxes for the year ending June 30, 2017.

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**19. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2016, the District encumbered the following amounts:

Restricted Fund Balance	
Capital Projects Fund	
Capital projects	<u>\$ 80,492</u>

Assigned: Unappropriated Fund Balance:

General Fund	296,179
General Support	885,692
Instruction	<u>1,181,871</u>
	<u>\$ 1,262,363</u>

**B. Grants**

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

**C. Litigation**

The District is involved in lawsuits arising from the normal conduct of its affairs. Management believes that the outcome of any matters will not have a material effect on these financial statements.

**D. Operating Leases**

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was approximately \$330,165. The minimum remaining operating lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 297,561
2018	108,146
2019	95,718
2020	66,748
2021	<u>23,139</u>
	<u>\$ 591,312</u>

**20. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through October 14, 2016 which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Issuance of TANs**

On October 13, 2016, the District sold tax anticipation notes with an issue date of October 25, 2016 in the amount of \$18,000,000, which are due June 23, 2017 and bear interest at a stated rate of 2.0%. The District received premiums of \$128,520 with the borrowing to yield an effective interest of 0.92%.

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For The Year Ended June 30, 2016**

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 101,990,551	\$ 92,133,684	\$ 92,133,946	\$ 262
Other tax items	102,884	9,959,751	9,866,437	(93,314)
Charges for services	430,700	430,700	332,450	(98,250)
Use of money and property	190,000	190,000	139,863	(50,137)
Sale of property and compensation for loss			3,107	3,107
Miscellaneous	325,000	406,293	774,503	368,210
Total Local Sources	103,039,135	103,120,428	103,250,306	129,878
State Sources	14,061,588	14,076,588	14,685,617	609,029
Total Revenues	117,100,723	117,197,016	117,935,923	738,907
<b>OTHER SOURCES</b>				
Operating transfers in	290,000	290,000	60,481	(229,519)
Total Revenues and Other Sources	117,390,723	117,487,016	117,996,404	\$ 509,388
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	1,829,014	1,829,014		
Prior Year's Encumbrances	517,722	517,722		
Appropriated Reserves	1,175,000	3,611,000		
Total Appropriated Fund Balance	3,521,736	5,957,736		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 120,912,459	\$ 123,444,752		

**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.

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
For The Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 71,095	\$ 60,445	\$ 41,897	\$ 168	\$ 18,380
Central administration	295,889	302,289	301,310		979
Finance	1,092,740	1,166,020	1,102,577	60,795	2,648
Staff	808,195	802,570	725,546	1,046	75,978
Central services	7,818,561	7,732,155	7,127,205	234,170	370,780
Special items	944,725	959,275	949,136		10,139
Total General Support	<u>11,031,205</u>	<u>11,022,754</u>	<u>10,247,671</u>	<u>296,179</u>	<u>478,904</u>
Instruction					
Administration & improvement	4,717,682	4,590,554	4,459,613	52,130	78,811
Teaching - regular school	32,999,057	32,218,817	31,502,816	716,001	-
Programs for students with disabilities	19,956,867	20,927,052	20,347,007	57,380	522,665
Occupational education	912,477	901,527	901,337		190
Teaching - special schools	220,040	419,940	302,622		117,318
Instructional media	1,580,922	1,769,607	1,604,921	58,217	106,469
Pupil services	3,849,972	3,846,817	3,738,160	1,964	106,693
Total Instruction	<u>64,237,017</u>	<u>64,674,314</u>	<u>62,856,476</u>	<u>885,692</u>	<u>932,146</u>
Pupil Transportation	<u>10,109,881</u>	<u>10,116,113</u>	<u>9,636,523</u>		<u>479,590</u>
Employee Benefits	<u>33,986,417</u>	<u>33,206,417</u>	<u>28,567,693</u>		<u>4,638,724</u>
Debt Service					
Principal	167,379	1,135,465	1,112,341		23,124
Interest	345,340	310,312	310,312		-
Total Debt Service	<u>512,719</u>	<u>1,445,777</u>	<u>1,422,653</u>	<u>-</u>	<u>23,124</u>
Total Expenditures	<u>119,877,239</u>	<u>120,465,375</u>	<u>112,731,016</u>	<u>1,181,871</u>	<u>6,552,488</u>
<b>OTHER USES</b>					
Operating transfers out	<u>1,035,220</u>	<u>2,979,377</u>	<u>2,926,387</u>		<u>52,990</u>
Total Expenditures and Other Uses	<u>\$ 120,912,459</u>	<u>\$ 123,444,752</u>	<u>\$ 115,657,403</u>	<u>\$ 1,181,871</u>	<u>\$ 6,605,478</u>
Net Change in Fund Balance				2,339,001	
Fund Balance - Beginning of Year				<u>25,186,225</u>	
Fund Balance - End of Year				<u>\$ 27,525,226</u>	

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Schedule of Funding Progress for Other Postemployment Benefits (OPEB)**  
June 30, 2016

Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
July 1, 2015 (Update)	\$ -	\$ 200,671,809	\$ 200,671,809	0%	\$ 53,055,071	378.2%
July 1, 2014	-	179,748,007	179,748,007	0%	47,417,913	379.1%
July 1, 2012	-	165,292,163	165,292,163	0%	51,662,248	319.9%
July 1, 2010	-	187,917,500	187,917,500	0%	49,661,523	378.4%

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Asset/Liability**  
June 30, 2016

***Teachers' Retirement System***

	2016	2015
District's proportion of the net pension asset	0.2787330%	0.2789750%
District's proportionate share of the net pension asset	\$ 28,951,470	\$ 31,076,115
District's covered payroll	\$ 43,439,992	\$ 42,678,795
District's proportionate share of the net pension asset as a percentage of its covered payroll	66.65 %	72.81 %
Plan fiduciary net position as a percentage of the total pension liability	110.46%	111.48%

***Employees' Retirement System***

	2016	2015
District's proportion of the net pension liability	0.0421879%	0.0423398%
District's proportionate share of the net pension liability	\$ 6,771,270	\$ 1,430,343
District's covered payroll	\$ 12,592,594	\$ 11,965,445
District's proportionate share of the net pension liability as a percentage of its covered payroll	53.77 %	11.95 %
Plan fiduciary net position as a percentage of the total pension liability	90.68%	97.95%

HUNTINGTON UNION FREE SCHOOL DISTRICT

Schedule of District Contributions

June 30, 2016

*Teachers' Retirement System*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 5,724,976	\$ 7,319,763	\$ 6,686,748	\$ 4,855,866	\$ 4,429,859	\$ 3,885,693	\$ 2,702,020	\$ 3,289,991	\$ 3,568,278	\$ 3,303,484
Contributions in relation to the contractually required contribution	<u>5,724,976</u>	<u>7,319,763</u>	<u>6,686,748</u>	<u>4,855,866</u>	<u>4,429,859</u>	<u>3,885,693</u>	<u>2,702,020</u>	<u>3,289,991</u>	<u>3,568,278</u>	<u>3,303,484</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 44,582,849	\$ 43,439,992	\$ 42,678,795	\$ 42,023,298	\$ 42,093,995	\$ 45,291,162	\$ 45,034,992	\$ 44,236,509	\$ 42,195,362	\$ 39,448,566
Contributions as a percentage of covered payroll	13%	17%	16%	12%	11%	9%	6%	7%	8%	8%

*Employees' Retirement System*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 2,043,486	\$ 2,414,526	\$ 2,428,021	\$ 1,802,225	\$ 1,570,365	\$ 1,665,284	\$ 1,022,023	\$ 897,066	\$ 929,085	\$ 1,216,548
Contributions in relation to the contractually required contribution	<u>2,043,486</u>	<u>2,414,526</u>	<u>2,428,021</u>	<u>1,802,225</u>	<u>1,570,365</u>	<u>1,665,284</u>	<u>1,022,023</u>	<u>897,066</u>	<u>929,085</u>	<u>1,216,548</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 13,055,250	\$ 12,744,116	\$ 12,680,942	\$ 11,555,751	\$ 11,948,912	\$ 12,931,389	\$ 12,446,254	\$ 12,356,876	\$ 11,933,746	\$ 11,304,530
Contributions as a percentage of covered payroll	16%	19%	19%	16%	13%	13%	8%	7%	8%	11%

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Schedules of Change from Adopted Budget to Final Budget**  
**and the Real Property Tax Limit - General Fund**  
**For The Year Ended June 30, 2016**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 120,394,737
<b>Additions:</b>	
Prior year's encumbrances	<u>517,722</u>
<b>Original Budget</b>	
Budget revisions	<u>2,532,293</u>
Transfer to capital projects fund funded by capital reserve as approved by the voters	\$ 2,436,000
Contingent expenditures funded by donations	81,293
Contingent expenditures funded by New York State grant	<u>15,000</u>
Final Budget	<u>\$ 123,444,752</u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2016-17 voter-approved expenditure budget	<u>\$ 123,100,263</u>
Maximum allowed (4% of 2016-17 budget)	<u>\$ 4,924,011</u>

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

Unrestricted fund balance:	
Assigned fund balance	\$ 2,890,085
Unassigned fund balance	<u>4,924,011</u>
	\$ 7,814,096
<b>Less:</b>	
Appropriated fund balance	1,708,214
Encumbrances	<u>1,181,871</u>
Total adjustments	<u>2,890,085</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u>\$ 4,924,011</u>
Actual Percentage	4.00%

**HUNTINGTON UNION FREE SCHOOL DISTRICT**

**Schedule of Project Expenditures -**

**Capital Projects Fund**

For The Year Ended June 30, 2016

<b>PROJECT TITLE</b>	<b>Expenditures</b>						<b>Methods of Financing</b>			<b>Fund Balance</b>	
	Budget June 30, 2015	Budget June 30, 2016	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	Total	June 30, 2016
2013 MS Locker Rooms #014-023	\$ 560,000	\$ 560,000	\$ 23,734	\$ 487,679	\$ 511,413	\$ 48,587	\$	\$	\$ 560,000	560,000	\$ 48,587
2013 HS Locker Rooms, Hallway Electrical Upgrades, Wall Repairs & Roof Replacement #001-042	445,000	671,000	19,723	650,645	670,368	632			671,000	671,000	632
2013 JA Fuel Oil Tank #017-016	192,500	192,500	14,525	177,975	192,500	-			192,500	192,500	-
2013 JE Clock System & Stage Wiring #013-015	66,000	66,000	3,750	54,815	58,565	7,435			66,000	66,000	7,435
2013 WH Public Address System #004-017	120,000	120,000	5,558	97,949	103,507	16,493			120,000	120,000	16,493
2014 HS Parking Lot Renovations #001-043	1,300,000	1,074,000	62,573	723,315	785,888	288,112			1,074,000	1,074,000	288,112
2014 WH Door Replacements #004-019	100,000	100,000	5,927	84,704	90,631	9,369	33,870		66,130	100,000	9,369 *
2014 DW Technology & Network Upgrades #7999-001	1,250,000	1,250,000	1,235,491		1,235,491	14,509			1,250,000	1,250,000	14,509 *
2015 HS HVAC, Auditorium Lights and Doors #0001-044	525,000	525,000		18	18	524,982			525,000	525,000	524,982
2015 JA Public Address System, Clock and Parking #0017-0017	506,000	506,000		9,538	9,538	496,462			506,000	506,000	496,462
2016 HS ADA Compliant Locker Room Restrooms, Wheelchair Lift, Ramps and Foundation Repairs #001-045		495,000			-	495,000			495,000	495,000	495,000
2016 JTJFMS ADA Compliant Rest Rooms and Ramps and Door Upgrades Panel and Foundation #014-024		531,000			-	531,000			531,000	531,000	531,000
2016 WHIS ADA Compliant Restrooms, Office Counters and Ramps #004-020		100,000			-	100,000			100,000	100,000	100,000
2016 JA STEM School ADA Compliant Restrooms and Ramps and Fire Rated Doors #017-018		800,000			-	800,000			800,000	800,000	800,000
2016 FHPS ADA Compliant Restrooms and Door Replacement #002-020		90,000			-	90,000			90,000	90,000	90,000
2016 JPS ADA Compliant Restrooms, Ramps and Entry Way Vestibule #013-016		325,000			-	325,000			325,000	325,000	325,000
SDPS ADA Compliant Restrooms #003-019		50,000			-	50,000			50,000	50,000	50,000
WPS ADA Compliant Rest Room and Doorway #009-019		45,000			-	45,000			45,000	45,000	45,000
	\$ 5,064,500	\$ 7,500,500	\$ 1,371,281	\$ 2,286,638	\$ 3,657,919	\$ 3,842,581	\$ -	\$ 33,870	\$ 7,466,630	\$ 7,500,500	3,842,581
							\$ -			Less: Transfer to general fund	(23,878) *
											\$ 3,818,703

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Net Investment in Capital Assets**  
June 30, 2016

Capital assets, net	<u>\$ 19,158,171</u>
Deduct:	
Short-term portion of bonds payable	(160,000)
Long-term portion of bonds payable	<u>(1,725,000)</u>
	<u>(1,885,000)</u>
Net investment in capital assets	<u>\$ 17,273,171</u>

**CULLEN & DANOWSKI, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA  
(1950 - 2013)

JAMES E. DANOWSKI, CPA  
PETER F. RODRIGUEZ, CPA  
JILL S. SANDERS, CPA  
DONALD J. HOFFMANN, CPA  
CHRISTOPHER V. REINO, CPA  
ALAN YU, CPA

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

To the Board of Education  
Huntington Union Free School District  
Huntington Station, New York

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 fiduciary funds of the Huntington Union Free School District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 14, 2016.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Huntington Union Free School District in a separate letter dated October 14, 2016

## **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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cullen & Danowski, LLP*

October 14, 2016

