



**FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES WITH
INDEPENDENT AUDITOR'S REPORTS**

June 30, 2012

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

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on the 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedule of funding progress – other postemployment benefits on pages 3 through 13 and 43 through 45, 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.

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 46 through 49 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required 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 express no opinion on it.

Cullen & Danowski, LLP

October 9, 2012

HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole. This should be read in conjunction with the financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

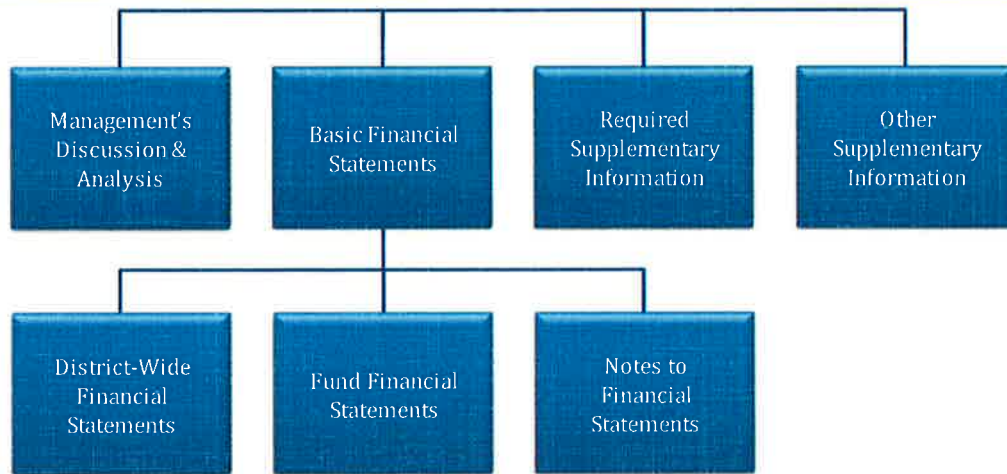
Key financial highlights for fiscal year 2012 are as follows:

- On the district-wide financial statements, the District's total net assets decreased by \$7,460,153. This was mainly due to the unfunded cost of other postemployment benefits.
- On the district-wide financial statements, the District's expenses for the year totaled \$118,975,528. Of this amount, \$5,159,725 was offset by program charges for services and operating grants. General revenues of \$106,355,650 amounted to 95.4% of total revenues, and were not adequate to cover the balance of program expenses.
- The District received \$3,222,756 in operating grants to support instructional programs. This is a decrease from the prior year of \$2,533,998. This decrease was primarily due to most grants under the federal American Recovery and Reinvestment Act (ARRA) ending in the 2010-11 year.
- The general fund's total fund balance, as reflected on the balance sheet in the fund financial statements, increased by \$2,501,861 to \$18,574,898.
- On the balance sheet, the general fund's unassigned fund balance at year end was \$4,459,740. This represents an increase of \$87,448 over the prior year. The unassigned fund balance at year end is at the statutory 4% limit authorized by New York State Law.
- On May 20, 2008 the voters approved the establishment of a new capital reserve (building improvement fund - 2008) to be capitalized in the ultimate amount of \$10,000,000 plus interest. The funding source shall be the annual transfer of surplus monies, if any, from the District's general fund not to exceed \$2,000,000 in any given year as may be available at the end of each year from June 20, 2008 through June 30, 2016. For the year ended June 30, 2012, \$2,000,000 of surplus was transferred to this capital reserve in the general fund. The total contributions to date are \$7,356,890 leaving \$2,643,110 to be raised in the future.

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)



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 Assets 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 Assets

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets 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 assets during the fiscal year. All changes in net assets are recorded at the time the underlying financial event occurs. 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.

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

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 that they become measurable, funded through available resources and payable within a current 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.

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 Balance 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 a separate Statement of Fiduciary Net Assets. 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 Assets

The District's total net assets decreased by \$7,460,153 between fiscal year 2012 and 2011. A summary of the District's Statement of Net Assets is as follows. The 2011 amounts for capital assets, net and net assets have been reduced by \$154,464 to reflect an adjustment resulting from an updated physical inventory.

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

	2012	Restated 2011	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 29,187,533	\$ 24,292,998	\$ 4,894,535	20.15 %
Capital Assets, Net	<u>20,064,737</u>	<u>21,839,148</u>	<u>(1,774,411)</u>	(8.12)%
Total Assets	<u>49,252,270</u>	<u>46,132,146</u>	<u>3,120,124</u>	6.76 %
Current and Other Liabilities	6,369,856	6,061,078	308,778	5.09 %
Long-Term Liabilities	15,153,114	15,691,834	(538,720)	(3.43)%
Net Other Postemployment Benefits Obligation	<u>47,205,068</u>	<u>36,394,849</u>	<u>10,810,219</u>	29.70 %
Total Liabilities	<u>68,728,038</u>	<u>58,147,761</u>	<u>10,580,277</u>	18.20 %
Net Assets				
Invested in Capital Assets, Net of Related Debt	14,963,574	15,605,326	(641,752)	(4.11)%
Restricted	15,634,318	10,878,071	4,756,247	43.72 %
Unrestricted (Deficit)	<u>(50,073,660)</u>	<u>(38,499,012)</u>	<u>(11,574,648)</u>	30.06 %
Total Net Assets (Deficit)	<u>\$ (19,475,768)</u>	<u>\$ (12,015,615)</u>	<u>\$ (7,460,153)</u>	62.09 %

Current and other assets increased by \$4,894,535, as compared to the prior year. The increase is predominantly the result of larger cash balances at year end.

Capital assets, net decreased by \$1,774,411, as compared to the prior year. The decrease was the result of depreciation net of improvements to facilities and capital asset acquisitions. The accompanying Notes to Financial Statements, Note 7 "Capital Assets/Prior Period Adjustment" provides additional information.

Current and other liabilities increased by \$308,778, as compared to the prior year. The increase was primarily attributable to a higher payable to the teachers' retirement system, as a result of a higher contribution rate.

Long-term liabilities decreased by \$538,720, as compared to the prior year. The decrease was primarily the result of repayment of bond and installment purchase debt, offset by increases in the compensated absences and workers' compensation liabilities.

Net other postemployment benefits obligation (OPEB) increased by \$10,810,219, as the current year OPEB cost exceeded contributions in accordance with GASB Statement No. 45. The accompanying Notes to Financial Statements, Note 13 "Postemployment Benefits" provides additional information.

The net assets invested in capital assets, net of related debt, relates to 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 debt. This number decreased from the prior year by \$641,752 as follows:

	Increase (Decrease)
Capital asset additions - total	\$ 316,737
Principal debt reduction of construction bonds	990,000
Principal debt reduction of installment purchase debt	142,659
Depreciation expense	<u>(2,091,148)</u>
	<u>\$ (641,752)</u>

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

The restricted net assets in the amount of \$15,634,318 relates to the District's reserves and other restricted amounts. This number increased over the prior year by \$4,756,247 principally due to a Board resolution to fund reserves.

The unrestricted net assets (deficit) in the amount of \$(50,073,660) relates to the balance of the District's net assets. The deficit increased from the prior year by \$11,574,648 mainly due to the unfunded costs of other postemployment benefits.

The Districts total net assets decreased by \$7,460,153; \$(19,475,768) at June 30, 2012, compared to \$(12,015,615) at June 30, 2011.

B. Changes in Net Assets

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. 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, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenues				
Program Revenues				
Charges for Services	\$ 993,815	\$ 984,228	\$ 9,587	0.97 %
Operating Grants	4,165,910	6,688,860	(2,522,950)	(37.72)%
General Revenues				
Real Property Taxes & STAR	94,008,615	91,866,277	2,142,338	2.33 %
State Sources	10,761,826	10,415,973	345,853	3.32 %
Other	1,585,209	1,546,842	38,367	2.48 %
Total Revenues	<u>111,515,375</u>	<u>111,502,180</u>	<u>13,195</u>	0.01 %
Expenses				
General Support	13,890,020	13,927,170	(37,150)	(0.27)%
Instruction	94,102,771	101,153,526	(7,050,755)	(6.97)%
Pupil Transportation	9,016,943	9,072,271	(55,328)	(0.61)%
Debt Service - Interest	283,811	359,283	(75,472)	(21.01)%
Food Service Program	1,681,983	1,659,952	22,031	1.33 %
Total Expenses	<u>118,975,528</u>	<u>126,172,202</u>	<u>(7,196,674)</u>	(5.70)%
Change in Net Assets	<u>\$ (7,460,153)</u>	<u>\$ (14,670,022)</u>	<u>\$ 7,209,869</u>	(49.15)%

The District's net assets decreased by \$7,460,153 and \$14,670,022 for the years ended June 30, 2012 and 2011, respectively.

The District's revenues increased by \$13,195 or 0.01%. The increases in property taxes and state aid were needed to offset the decrease in operating grants. This decrease was the result of ARRA funding coming to an end.

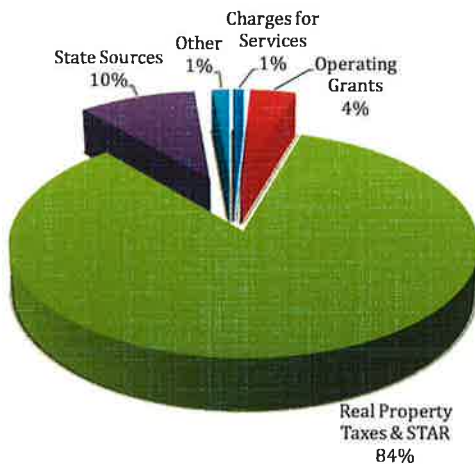
The District's expenses decreased by \$7,196,674 or 5.7%. This decrease is due to approximately \$4,000,000 in reduced instructional costs as a result of staffing decreases. Much of the remaining balance of the decrease is the result of other postemployment benefit costs as a result of the updated actuarial valuations.

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

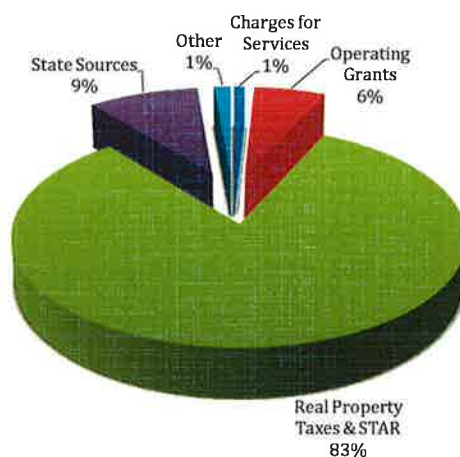
As indicated on the pie charts that follow, real property taxes and STAR comprise the largest component of revenues recognized, 84% and 83% of the total for the years ended June 30, 2012 and 2011, respectively. Instruction expenses is the largest category of expenses incurred, comprising 79% and 80% of the total for the years ended June 30, 2012 and 2011, respectively).

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

June 30, 2012

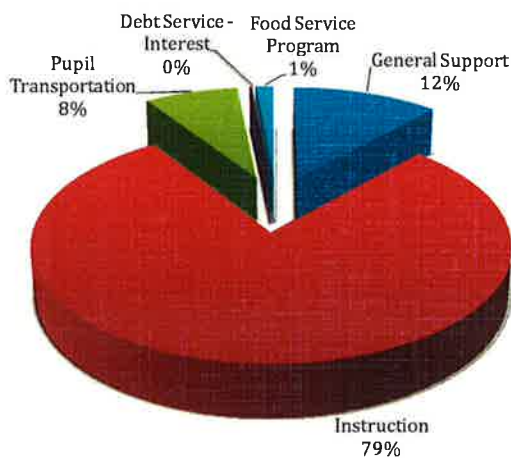


June 30, 2011

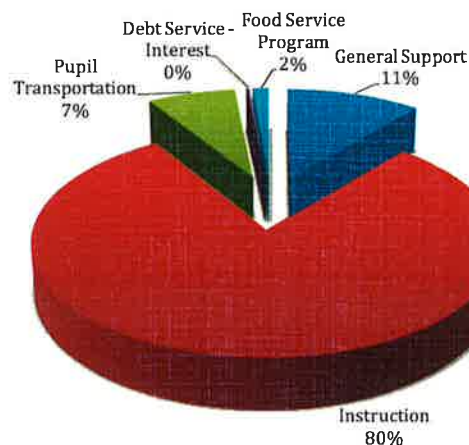


A graphic display of the distribution of expenses for the two years follows:

June 30, 2012



June 30, 2011



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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2012, the District's governmental funds reported a combined fund balance of \$22,324,192, which is an increase of \$4,609,401 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 presented in accordance with GASB 54 classifications is as follows:

	<u>2012</u>	<u>2011</u>	<u>Changes</u>
General Fund			
Restricted:			
Workers' compensation	\$ 3,342,605	\$ 2,839,765	\$ 502,840
Unemployment insurance	316,977	66,910	250,067
Retirement contributions	2,171,970		2,171,970
Employee benefit accrued liability	901,610	1,035,720	(134,110)
Capital	5,016,277	5,309,967	(293,690)
Repairs	201,808	161,647	40,161
Assigned:			
Appropriated fund balance	2,127,376	2,245,000	(117,624)
Unappropriated fund balance	36,535	41,736	(5,201)
Unassigned: Fund balance	<u>4,459,740</u>	<u>4,372,292</u>	<u>87,448</u>
	<u>18,574,898</u>	<u>16,073,037</u>	<u>2,501,861</u>
 School Lunch Fund			
Nonspendable: Inventory	1,459	2,260	(801)
Assigned: Unappropriated fund balance	<u>15,325</u>	<u>110,697</u>	<u>(95,372)</u>
	<u>16,784</u>	<u>112,957</u>	<u>(96,173)</u>
 Debt Service Fund			
Restricted: Debt service	<u>246,017</u>	<u>245,845</u>	<u>172</u>
 Capital Projects Fund			
Restricted: Capital	3,437,054	1,218,217	2,218,837
Assigned: Unappropriated fund balance	<u>49,439</u>	<u>64,735</u>	<u>(15,296)</u>
	<u>3,486,493</u>	<u>1,282,952</u>	<u>2,203,541</u>
 Total Fund Balance	<u>\$ 22,324,192</u>	<u>\$ 17,714,791</u>	<u>\$ 4,609,401</u>

A. General Fund

The general fund - fund balance increased by \$2,501,861, as a result of revenues in excess of expenditures.

In the prior year the surplus was \$428,240. The District's expenditures decreased \$2,658,938 primarily as a result of the reduction in staff. Revenue increased by \$1,741,501, primarily as a result of an increase in property tax of \$2,214,176 offset by a decrease in operating grants. Additionally, in the prior year net operating transfers to other funds were \$1,446,666 versus \$3,773,484 for the 2011-12 year.

B. School Lunch Fund

The school lunch fund - fund balance decreased by \$96,173. This was the amount of the net operating loss in the program.

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

C. Debt Service Fund

The debt service fund - fund balance increased by \$172, as a result of interest earnings on bond proceeds. These interest earnings will be used for debt service on the related debt.

D. Capital Projects Fund

The capital projects fund - fund balance increased by \$2,203,541. This was the result of a transfer of \$2,299,000 from the general fund for authorized capital reserve funded projects less capital expenditures of \$95,459.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2011-12 Budget

The District's general fund adopted budget for the year ended June 30, 2012, was \$109,037,301. This amount was increased by encumbrances carried forward from the prior year in the amount of \$41,736 and budget revisions of \$2,351,070, for a total final budget of \$111,430,107.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$94,008,187 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 and appropriations to fund the subsequent year's budget. It is this balance that is commonly referred to as the "fund balance". 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	\$ 4,372,292
Revenues Under Budget	(78,227)
Expenditures and Encumbrances Under Budget	7,129,289
Net Change in Reserves	(4,836,238)
Appropriated to fund the June 30, 2013 Budget	<u>(2,127,376)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 4,459,740</u></u>

Opening, Unassigned Fund Balance

The \$4,372,292 shown in the table is the portion of the District's June 30, 2011 fund balance that was retained as unassigned. This was 4% of the District's 2011-12 approved operating budget of \$109,037,301.

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

Revenues Under Budget

The 2011-12 final budget for revenues was \$106,844,371. Actual revenues received for the year were \$106,766,144. The total of actual revenue less than estimated or budgeted revenue was \$78,227. This change contributes directly to the change to the general fund unassigned fund balance from June 30, 2011 to June 30, 2012.

Expenditures and Encumbrances Under Budget

The 2011-12 final budget for expenditures, including prior year open encumbrances of \$41,736 as of June 30, 2011, and budget revisions of \$2,351,070, was \$111,430,107. Actual expenditures as of June 30, 2012 were \$104,264,283 and outstanding encumbrances were \$36,535. Combined, the expenditures plus encumbrances for 2011-12 were \$104,300,818. The final budget was under expended by \$7,129,289. The largest underspent item was employee benefits, which was the result of a lower than anticipated increase in health insurance premiums. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2011 to June 30, 2012.

Net Change in Reserves

Monies transferred from budget lines within the general fund operating budget into required reserves do not affect the combined reserved, assigned and unassigned 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 \$4,836,238 net change in restricted fund balance is the result of the following:

Transfers to reserves:

Workers' compensation	\$ 500,000
Unemployment	250,000
Retirement Contribution	2,171,970
Capital	2,000,000
Repairs	<u>40,000</u>
	4,961,970

Interest on reserve balances	9,413
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Use of employee benefit accrual liability reserve for termination payments	<u>(135,145)</u>
	<u><u>\$ 4,836,238</u></u>

Appropriated Fund Balance

The District has chosen to use \$2,127,376 of its available June 30, 2012 fund balance to partially fund its 2012-13 approved operating budget. As such, the June 30, 2012 unassigned fund balance must be reduced by this amount.

Closing Unassigned Fund Balance

Based upon the summary changes shown in the above table, the District will begin the 2012-13 fiscal year with an unassigned fund balance of \$4,459,740. This is an increase of \$87,448 over the unassigned fund

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

balance from the prior year as of June 30, 2012. This unassigned portion is 4% of the District's 2011-12 approved operating budget of \$111,858,780, the statutory maximum.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2012, the District had \$20,064,737 invested in a broad range of capital assets, as indicated in the table below. This amount represents a net decrease of \$1,774,411 from the prior year. See accompanying Notes to Financial Statements, Note 7 "Capital Assets/Prior Period Adjustment" for additional information. A summary of the District's capital assets, net of depreciation at June 30, 2012 and 2011, is as follows:

	2012	Restated 2011	Increase (Decrease)
Land	\$ 1,545,142	\$ 1,545,142	\$ -
Construction in progress	31,318	-	31,318
Buildings and improvements	13,716,745	15,232,994	(1,516,249)
Site improvements	3,708,899	3,942,772	(233,873)
Furniture and equipment	1,062,633	1,118,240	(55,607)
Capital assets, net	<u>\$ 20,064,737</u>	<u>\$ 21,839,148</u>	<u>\$ (1,774,411)</u>

Capital additions for the year ended June 30, 2012, were \$316,737. Depreciation expense for the year was \$2,091,148.

B. Debt Administration

At June 30, 2012, the District had total bonds payable of \$3,525,000. The bonds were issued for school building improvements. The decrease in outstanding bonds represents principal payments on all outstanding bonds of \$990,000. A summary of the outstanding bonds at June 30, 2012 and 2011 is as follows:

Issue Date	Interest Rate	2012	2011	Increase (Decrease)
May 1998	4.0 - 5.5%	\$ 905,000	\$ 1,765,000	\$ (860,000)
September 2006	4.125 - 4.25%	<u>2,620,000</u>	<u>2,750,000</u>	<u>(130,000)</u>
		<u>\$ 3,525,000</u>	<u>\$ 4,515,000</u>	<u>\$ (990,000)</u>

At June 30, 2012, the District had installment purchase debt outstanding of \$1,576,163. This is a decrease from the prior year of \$142,659. The final maturity on this installment debt is 2021.

Included in the District's long-term liabilities are the estimated amounts due for compensated absences and workers' compensation. The compensated absence liability of \$7,311,096 is based on employee sick and vacation time through June 30, 2012 and the applicable rates and limitations outlined in the various contracts. The workers' compensation liability of \$2,740,855 is based on an actuarial valuation of the District's claims prepared at June 30, 2012.

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

Moody's Investors Service, Inc. has assigned a credit rating of Aa2 to the District's debt. The District's total outstanding indebtedness did not exceed the District's debt limit, which is defined as 10% of the full valuation of the taxable real property within the District.

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

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 15, 2012, for the year ending June 30, 2013, is \$111,858,780. This is an increase of \$2,821,479 or 2.59% over the previous year's budget. The main areas of change are in increases in instruction and employee benefits.

The District budgeted revenues other than property taxes and STAR at an \$860,900 increase compared to the prior year's estimate. This increase is principally due to estimated increases in state aid and miscellaneous revenues. Additionally, the assigned, appropriated fund balance applied to the June 30, 2013 budget in the amount of \$2,127,376 is a \$117,624 decrease from the previous year. A property tax increase of 2.21% was needed to meet the revenue shortfall and cover the increase in projected expenditures.

Chapter 97 of the 2011 Laws of New York will limit the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation effective for the 2012-13 fiscal year. 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. The District's tax levy increase was within the calculated limitation so it was not necessary to have a super majority.

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:

Mr. Sam Gergis
Assistant Superintendent for Business
Huntington Union Free School District
50 Tower Street
Huntington Station, New York 11746

HUNTINGTON UNION FREE SCHOOL DISTRICT**Statement of Net Assets**

June 30, 2012

ASSETS

Cash	\$ 24,102,038
Receivables	
Accounts receivable	401,941
Due from fiduciary funds	690,049
Due from state and federal	3,455,135
Other assets	536,911
Inventory	1,459
Capital assets not being depreciated	1,576,460
Capital assets being depreciated, net of accumulated depreciation	<u>18,488,277</u>
Total Assets	<u>\$ 49,252,270</u>

LIABILITIES

Payables	
Accounts payable	\$ 396,278
Accrued liabilities	345,673
Due to other governments	36,953
Due to teachers' retirement system	4,806,069
Due to employees' retirement system	549,290
Compensated absences payable	235,593
Long-term liabilities	
Due and payable within one year	
Bonds payable	1,045,000
Installment purchase debt	148,473
Compensated absences payable	92,481
Workers' compensation liabilities	386,716
Due and payable after one year	
Bonds payable	2,480,000
Installment purchase debt	1,427,690
Compensated absences payable	7,218,615
Workers' compensation liabilities	2,354,139
Net other postemployment benefits obligation	<u>47,205,068</u>
Total Liabilities	<u>68,728,038</u>

NET ASSETS

Investment in capital assets, net of related debt	14,963,574
Restricted	15,634,318
Unrestricted (deficit)	<u>(50,073,660)</u>
Total Net Assets (Deficit)	<u>(19,475,768)</u>
Total Liabilities and Net Assets	<u>\$ 49,252,270</u>

HUNTINGTON UNION FREE SCHOOL DISTRICT

Statement of Activities

For The Year Ended June 30, 2012

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants	Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS				
Governmental Activities:				
General support	\$ 13,890,020	\$	\$	\$ (13,890,020)
Instruction	94,102,771	363,861	3,222,756	(90,516,154)
Pupil transportation	9,016,943			(9,016,943)
Debt service - interest	283,811			(283,811)
Food service program	1,681,983	629,954	943,154	(108,875)
Total Governmental Activities	<u>\$ 118,975,528</u>	<u>\$ 993,815</u>	<u>\$ 4,165,910</u>	<u>(113,815,803)</u>
GENERAL REVENUES				
Real property taxes				83,799,008
Other tax items				10,350,722
Use of money and property				184,415
Sale of property and compensation for loss				217
Miscellaneous				1,259,462
State sources				<u>10,761,826</u>
Total General Revenues				<u>106,355,650</u>
Change in Net Assets				(7,460,153)
Total Net Assets (Deficit) - Beginning of year, as restated				<u>(12,015,615)</u>
Total Net Assets (Deficit) - End of year				<u>\$ (19,475,768)</u>

HUNTINGTON UNION FREE SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2012

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash	\$ 22,668,889	\$ 338,052	\$ 103,543	\$ 246,017	\$ 745,537	\$ 24,102,038
Receivables						
Accounts receivable	390,077	11,314	550			401,941
Due from other funds	4,790,627	192,393			3,360,257	8,343,277
Due from state and federal	995,978	2,387,254	71,903			3,455,135
Other assets	536,911					536,911
Inventory			1,459			1,459
Total Assets	<u>\$ 29,382,482</u>	<u>\$ 2,929,013</u>	<u>\$ 177,455</u>	<u>\$ 246,017</u>	<u>\$ 4,105,794</u>	<u>\$ 36,840,761</u>
LIABILITIES						
Payables						
Accounts payable	\$ 392,841	\$	\$ 3,437	\$	\$	\$ 396,278
Accrued liabilities	297,719	3,436	1,092			302,247
Due to other funds	3,956,458	2,925,577	151,892		619,301	7,653,228
Due to other governments	32,703		4,250			36,953
Due to teachers' retirement system	4,806,069					4,806,069
Due to employees' retirement system	549,290					549,290
Compensated absences payable	235,593					235,593
Deferred Credits						
Deferred revenues	536,911					536,911
Total Liabilities	<u>10,807,584</u>	<u>2,929,013</u>	<u>160,671</u>	<u>-</u>	<u>619,301</u>	<u>14,516,569</u>
FUND BALANCES						
Nonspendable: Inventory			1,459			1,459
Restricted:						
Workers' compensation	3,342,605					3,342,605
Unemployment insurance	316,977					316,977
Retirement contributions	2,171,970					2,171,970
Employee benefit accrued liability	901,610					901,610
Capital	5,016,277				3,437,054	8,453,331
Repairs	201,808					201,808
Debt service				246,017		246,017
Assigned:						
Appropriated fund balance	2,127,376					2,127,376
Unappropriated fund balance	36,535		15,325		49,439	101,299
Unassigned: Fund balance	<u>4,459,740</u>					<u>4,459,740</u>
Total Fund Balances	<u>18,574,898</u>	<u>-</u>	<u>16,784</u>	<u>246,017</u>	<u>3,486,493</u>	<u>22,324,192</u>
Total Liabilities and Fund Balances	<u>\$ 29,382,482</u>	<u>\$ 2,929,013</u>	<u>\$ 177,455</u>	<u>\$ 246,017</u>	<u>\$ 4,105,794</u>	<u>\$ 36,840,761</u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2012

Total Governmental Fund Balances	\$ 22,324,192
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Amounts reported for governmental activities in the statement of net assets 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 assets 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	\$ 54,434,719	
Accumulated depreciation	<u>(34,369,982)</u>	
		20,064,737

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.	536,911
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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	(43,426)	
Bonds payable	(3,525,000)	
Installment purchase debt	(1,576,163)	
Compensated absences	(7,311,096)	
Workers' compensation liabilities	(2,740,855)	
Net other postemployment benefits obligation	<u>(47,205,068)</u>	
		<u>(62,401,608)</u>

Total Net Assets (Deficit)	<u><u>\$ (19,475,768)</u></u>
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HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2012

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 83,799,008	\$	\$	\$	\$	\$ 83,799,008
Other tax items	10,350,722					10,350,722
Charges for services	363,861					363,861
Use of money and property	184,048		195	172		184,415
Sale of property and compensation for loss	217					217
Miscellaneous	1,306,462		71,387			1,377,849
State sources	10,761,826	1,386,066	34,886			12,182,778
Federal sources		1,836,690	801,962			2,638,652
Surplus food			106,306			106,306
Sales - school lunch			558,567			558,567
Total Revenues	106,766,144	3,222,756	1,573,303	172	-	111,562,375
EXPENDITURES						
General support	9,820,690					9,820,690
Instruction	57,357,693	3,244,811				60,602,504
Pupil transportation	8,654,881	274,416				8,929,297
Employee benefits	24,395,722					24,395,722
Debt service						
Principal	142,659			990,000		1,132,659
Interest	119,154			188,013		307,167
Cost of sales			1,669,476			1,669,476
Capital outlay					95,459	95,459
Total Expenditures	100,490,799	3,519,227	1,669,476	1,178,013	95,459	106,952,974
Excess (Deficiency) of Revenues Over Expenditures	6,275,345	(296,471)	(96,173)	(1,177,841)	(95,459)	4,609,401
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in		296,471		1,178,013	2,299,000	3,773,484
Operating transfers (out)	(3,773,484)					(3,773,484)
Total Other Financing Sources and (Uses)	(3,773,484)	296,471	-	1,178,013	2,299,000	-
Net Change in Fund Balances	2,501,861	-	(96,173)	172	2,203,541	4,609,401
Fund Balances - Beginning of year	16,073,037	-	112,957	245,845	1,282,952	17,714,791
Fund Balances - End of year	\$ 18,574,898	\$ -	\$ 16,784	\$ 246,017	\$ 3,486,493	\$ 22,324,192

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, 2012

Net Change in Fund Balances \$ 4,609,401

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

Long-Term Revenue and Expense Differences

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 decreased in the period. \$ (47,000)

In the Statement of Activities, certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Increase in compensated absences liability	(188,012)	
Increase in workers' compensation liabilities	(405,927)	
Increase in net other postemployment benefit obligation	<u>(10,810,219)</u>	
		(11,451,158)

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Assets and allocated over their useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays in the period.

Capital outlays	316,737	
Depreciation expense	<u>(2,091,148)</u>	
		(1,774,411)

Long-Term Debt Transaction Differences

Repayment of long-term debt is an expenditure in governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.

Repayment of bonds payable	990,000	
Repayment of installment purchase debt	142,659	

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, 2011 to June 30, 2012.

	<u>23,356</u>	
		<u>1,156,015</u>

Change in Net Assets of Governmental Activities		<u><u>\$ (7,460,153)</u></u>
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HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Assets -
Fiduciary Funds
June 30, 2012

	<u>Agency</u>	<u>Private Purpose Trusts</u>
ASSETS		
Cash	\$ 1,884,292	\$
Due from other funds		914,197
	<u>\$ 1,884,292</u>	<u>\$ 914,197</u>
LIABILITIES		
Extraclassroom activity balances	\$ 229,766	\$
Due to other funds	1,604,246	
Other liabilities	50,280	
	<u>\$ 1,884,292</u>	-
NET ASSETS		
Reserved for scholarships		
Expendable trust funds		154,019
Non-expendable trust funds		760,178
		<u>\$ 914,197</u>
Total Liabilities and Net Assets		

HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets -
Fiduciary Funds
For The Year Ended June 30, 2012

	Private Purpose Trusts
	<u> </u>
ADDITIONS	
Miscellaneous	\$ 7,745
Investment earnings	<u>1,264</u>
Total Additions	<u>9,009</u>
 DEDUCTIONS	
Scholarships and awards	<u>16,360</u>
Change in Net Assets	(7,351)
Net Assets - Beginning of year	<u>921,548</u>
Net Assets - End of Year	<u><u>\$ 914,197</u></u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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 Statement No. 14, *The Financial Reporting Entity* and No. 39, *Determining Whether Certain Organizations are Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities which would be included in the District's reporting entity and a component unit. However, the following 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 Assets - 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

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

budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in 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 Assets 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.

The Statement of Net Assets 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 a program or function and, therefore, 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, contributions, and other revenues 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 category, governmental and fiduciary, are presented. The emphasis of fund financial statements is on major governmental funds as defined by GASB, each displayed in a separate column. The District's financial statements reflect the following major fund categories:

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 school lunch operations.

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.

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

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

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. There are two classes of 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. Basis of Accounting and Measurement Focus

The district-wide and fiduciary fund financial statements are reported on the accrual basis of accounting using the economic resources measurement focus. 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, 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 grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the related expenditures are incurred.

The fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. 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, 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 and acquisitions under capital leases are reported as other financing sources.

E. Real Property Taxes

Calendar

Real property taxes are levied annually by the Board no later than November 1st and become a lien on December 1st. 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.

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

F. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets 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 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 Assets 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses 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, potential contingent liabilities and useful lives of long-lived assets.

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.

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.

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

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. These inventories are accounted for on the purchases method. A reserve for inventory has been recognized to indicate that this does not constitute available spendable resources.

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

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:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 50,000	50 years
Site improvements	25,000	20 years
Furniture and equipment	500	5-20 years

M. Deferred Revenues

Deferred revenues in the governmental funds arise when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also 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. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recognized.

N. Vested 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.

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

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.

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability 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 only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources.

O. Other Benefits

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements 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 accounts for these postemployment benefits in accordance with GASB Statement No. 45 (GASB 45) *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the general fund, in the year paid. In the District-wide statements, postemployment costs are measured and disclosed using the accrual basis of accounting.

P. 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.

Q. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent they have matured. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due and payable within one year or due and payable after one year in the Statement of Net Assets.

R. Equity Classifications

District-Wide Statements

In the district-wide statements there are three classes of net assets:

Invested in capital assets, net of related debt – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

Restricted net assets – reports net assets when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The District reports three restricted, net assets categories: restricted for capital, restricted for repairs, and restricted for debt service.

Unrestricted net assets – reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

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, including prepaid items, inventories, long-term portions of loans, receivables, financial assets held for resale and principal of an endowment. The District utilizes the following nonspendable fund balance:

Reserve for Inventory

Reserve for Inventory is used to restrict that portion of fund balance, which is not available for appropriation. The reserve is accounted for in the school lunch fund.

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. Restricted fund balances, generally referred to as reserves in accordance with New York State law, are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. These reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. Fund balance reserves and restricted amounts currently in use by the District include the following:

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

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. This 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. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. The reserve is accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. 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.

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

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

The unexpended balances of proceeds of borrowings for capital projects, interest and earnings from investing proceeds of borrowings, and borrowing premiums can be recorded as amounts restricted for debt service. These restricted funds are accounted for in the debt service 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 appropriated to partially fund the subsequent year's budget. Assigned fund balance also includes 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 should be used only 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.

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

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 Statement of Activities, compared with the current financial resource measurement focus of the governmental funds.

A. Total Fund Balances of Governmental Funds vs. Net Assets of Governmental Activities

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

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three 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 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.

Capital Related Differences

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

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 Assets. 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 Assets.

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.

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

The voters of the District approved the proposed appropriation budget for the general fund.

Appropriations are adopted at the program line item level.

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

Transfer to capital projects fund funded by capital reserve as approved by the voters	\$ 2,299,000
Contingent expenditures funded by donations	<u>52,070</u>
	<u>\$ 2,351,070</u>

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

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

B. Encumbrances

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

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

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

- 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.

None of the District's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year-end.

5. PARTICIPATION IN BOCES

During the year ended June 30, 2012, the District was billed \$8,164,085 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$888,394. 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, 2012 consisted of:

General Fund	
New York State aid	\$ 591,162
BOCES aid	404,816
	<u>995,978</u>
Special Aid Fund	
Federal and State grants	2,387,254
School Lunch Fund	
Federal and State food service program reimbursements	<u>71,903</u>
	<u>\$ 3,455,135</u>

7. CAPITAL ASSETS / PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2012, the District had a third-party vendor perform a physical inventory of the District's capital assets. As a result of the inventory, it was necessary for the District to adjust the June 30, 2011 capital assets and accumulated depreciation balances as follows:

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

	As Reported June 30, 2011	As Restated June 30, 2011	Increase (Decrease)
Governmental activities			
Capital assets not being depreciated			
Land	\$ 1,545,142	\$ 1,545,142	\$
Construction in progress	22,326		(22,326)
Total capital assets not being depreciated	1,567,468	1,545,142	(22,326)
Capital assets being depreciated			
Buildings and improvements	42,778,886	40,778,034	(2,000,852)
Site improvements	4,730,039	5,422,253	692,214
Furniture and equipment	6,406,085	6,416,139	10,054
Total capital assets being depreciated	53,915,010	52,616,426	(1,298,584)
Less accumulated depreciation for:			
Buildings and improvements	26,667,063	25,545,040	(1,122,023)
Site improvements	1,526,083	1,479,481	(46,602)
Furniture and equipment	5,295,720	5,297,899	2,179
Total accumulated depreciation	33,488,866	32,322,420	(1,166,446)
Total capital assets, being depreciated, net	20,426,144	20,294,006	(132,138)
Capital assets, net	\$ 21,993,612	\$ 21,839,148	\$ (154,464)

Capital asset balances and activity for the year ended June 30, 2012, were as follows:

	As Restated Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,545,142	\$	\$	\$ 1,545,142
Construction in progress		31,318		31,318
Total capital assets not being depreciated	1,545,142	31,318	-	1,576,460
Capital assets being depreciated				
Buildings and improvements	40,778,034	68,487		40,846,521
Site improvements	5,422,253	10,532		5,432,785
Furniture and equipment	6,416,139	206,400	(43,586)	6,578,953
Total capital assets being depreciated	52,616,426	285,419	(43,586)	52,858,259
Less accumulated depreciation for:				
Buildings and improvements	25,545,040	1,584,736		27,129,776
Site improvements	1,479,481	244,405		1,723,886
Furniture and equipment	5,297,899	262,007	(43,586)	5,516,320
Total accumulated depreciation	32,322,420	2,091,148	(43,586)	34,369,982
Total capital assets, being depreciated, net	20,294,006	(1,805,729)	-	18,488,277
Capital assets, net	\$ 21,839,148	\$ (1,774,411)	\$ -	\$ 20,064,737

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

Depreciation expense was charged to governmental functions as follows:

General support	\$ 42,238
Instruction	2,036,403
Food service program	<u>12,507</u>
Total depreciation expense	<u>\$ 2,091,148</u>

8. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2012, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 4,790,627	\$ 3,956,458	\$	\$ 3,773,484
Special Aid Fund	192,393	2,925,577	296,471	
School Lunch Fund		151,892		
Debt Service Fund			1,178,013	
Capital Projects Fund	3,360,257	619,301	2,299,000	
Agency Fund		1,604,246		
Private Purpose Trust Fund	<u>914,197</u>			
Total	<u>\$ 9,257,474</u>	<u>\$ 9,257,474</u>	<u>\$ 3,773,484</u>	<u>\$ 3,773,484</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 handicapped program. 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 voter-approved capital projects.

9. OTHER ASSETS

At June 30, 2012, total split dollar life insurance premiums subject to reimbursement amounted to \$536,911, which was recorded as other assets in the general fund. The corresponding revenue to this receivable is included in deferred revenues and will be recognized in the year that the proceeds are received.

10. SHORT-TERM DEBT

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

	Maturity	Interest Rate	Balance June 30, 2011	Issued	Redeemed	Balance June 30, 2012
TAN	6/27/12	0.24%	<u>\$</u>	<u>\$ 27,000,000</u>	<u>\$ (27,000,000)</u>	<u>\$</u>

Interest expense on short-term debt for the year was \$49,095.

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

11. LONG-TERM LIABILITIES

The following table summarizes the changes in governmental activities in long-term liabilities, excluding other postemployment benefits, for the year ended June 30, 2012:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 4,515,000	\$	\$ (990,000)	\$ 3,525,000	\$ 1,045,000
Installment purchase debt	1,718,822		(142,659)	1,576,163	148,473
Other long-term liabilities:					
Compensated absences	7,123,084	188,012		7,311,096	92,481
Workers' compensation	2,334,928	941,675	(535,748)	2,740,855	386,716
	<u>\$ 15,691,834</u>	<u>\$ 1,129,687</u>	<u>\$ (1,668,407)</u>	<u>\$ 15,153,114</u>	<u>\$ 1,672,670</u>

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

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2012
Construction	5/1998	7/2012	4.0 - 5.5%	\$ 905,000
Construction	9/2006	6/2026	4.125 - 4.25%	<u>2,620,000</u>
				<u>\$ 3,525,000</u>

The following is a summary of bond debt service requirements:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 1,045,000	\$ 134,113	\$ 1,179,113
2014	145,000	103,450	248,450
2015	150,000	97,469	247,469
2016	160,000	91,281	251,281
2017	165,000	84,681	249,681
2018-2022	940,000	315,331	1,255,331
2023-2026	<u>920,000</u>	<u>99,875</u>	<u>1,019,875</u>
Total	<u>\$ 3,525,000</u>	<u>\$ 926,200</u>	<u>\$ 4,451,200</u>

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

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2012
Energy Performance Contract	3/2005	6/2021	4.076%	<u>\$ 1,576,163</u>

The following is a summary of installment purchase debt requirements:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 148,473	\$ 64,245	\$ 212,718
2014	154,525	58,193	212,718
2015	160,823	51,894	212,717
2016	167,379	45,339	212,718
2017	174,201	38,517	212,718
2018-2021	<u>770,762</u>	<u>80,108</u>	<u>850,870</u>
Total	<u>\$ 1,576,163</u>	<u>\$ 338,296</u>	<u>\$ 1,914,459</u>

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

Interest paid	\$ 258,072
Less interest accrued in the prior year	(66,782)
Plus interest accrued in the current year	<u>43,426</u>
Total interest expense on long-term debt	<u>\$ 234,716</u>

12. PENSION PLANS

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

The NYSTRS is administered by the New York State Teachers' Retirement Board. The System provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the state of New York. The NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

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

Employees' Retirement System

The NYSERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement System, Office of the State Comptroller, 110 State Street, Albany, NY 12244.

C. Funding Policies

The Systems are noncontributory for the employee except for those who either joined the Systems after July 27, 1976 with less than ten years of credited service, who contribute 3% of their salary, or joined the Systems on or after January 1, 2011, and before April 1, 2012 who contribute 3% of their salary to NYSERS or 3.5% of their salary to NYSTRS throughout active membership. For employees hired on or after April 1, 2012, employee contribution rates are dependent upon salaries and range from 3% to 6% of salary throughout active membership. For the NYSERS, the Comptroller shall certify annually the rates expressed as proportions of members' payroll annually, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, rates are established annually for NYSTRS by the New York State Teachers' Retirement Board.

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

<u>Year</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2012	\$ 4,429,859	\$ 1,570,365
2011	3,885,693	1,665,284
2010	2,702,020	1,022,023

13. POSTEMPLOYMENT BENEFITS

A. Plan Description

The District provides medical, Medicare part B, 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.

B. Funding Policy

The District assumes between 60% and 100% of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as payments are made. For the year ended June 30, 2012, the District recognized a general fund expenditure of \$5,980,912 for insurance premiums for 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.

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

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.

Annual required contribution (ARC)	\$ 17,399,183
Interest on net OPEB obligation	1,455,794
Adjustment to ARC	<u>(2,063,846)</u>
Annual OPEB cost (expense)	16,791,131
Contributions made	<u>(5,980,912)</u>
 Increase in net OPEB obligation	 10,810,219
Net OPEB obligation - beginning of year	<u>36,394,849</u>
 Net OPEB obligation - end of year	 <u><u>\$ 47,205,068</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, 2012 and preceding two years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 16,791,131	35.6%	\$ 47,205,068
June 30, 2011	17,911,299	30.1%	36,394,849
June 30, 2010	16,511,912	30.8%	23,876,221

D. Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, which is an updated valuation the plan was 0% funded. The actuarial accrued liability for benefits was \$182,802,338 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$182,802,338. The covered payroll (annual payroll of active employees covered by the plan) was \$52,915,000, and the ratio of the UAAL to the covered payroll was 345.5%.

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.

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

E. Actuarial Methods and Assumptions

The valuation as of July 1, 2011, is an update derived from estimates from the previous valuation based on the fact that there were no material changes to any of the benefit packages, and of 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 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, 2011, 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 3.3% initially. The second year trend is 9% and then it is reduced by decrements to an ultimate rate of 5% after 4 years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

14. RISK MANAGEMENT

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.

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 should include an amount for reported and unreported claims which were incurred on or before year end but not reported (IBNR). The liability at June 30, 2012 is based on an actuarial valuation using an annual interest rate discount of 3%. Claims activity is summarized below:

	<u>2011</u>	<u>2012</u>
Unpaid claims at beginning of year	\$ 2,789,560	\$ 2,334,928
Incurred claims and claim adjustment expenses	98,110	941,675
Claim payments	<u>(552,742)</u>	<u>(535,748)</u>
Unpaid claims at year end	<u>\$ 2,334,928</u>	<u>\$ 2,740,855</u>

15. ASSIGNED APPROPRIATED FUND BALANCE

The amount of \$2,127,376 has been appropriated to reduce taxes for the year ending June 30, 2013.

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

16. NET ASSETS - BEGINNING OF YEAR, RESTATED

Net assets at the beginning of the year have been restated as follows:

Overstated capital assets, net resulting from an updated physical inventory (See Note 7)	\$ (154,464)
Net Assets - Beginning of Year, as originally stated	<u>(11,861,151)</u>
Net Assets - Beginning of Year, as restated	<u>\$ (12,015,615)</u>

17. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2012, the District encumbered the following amounts:

Restricted Fund Balance	
Capital Projects Fund	
Capital projects	<u>\$ 460,185</u>
Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	17,212
Instruction	19,004
Pupil transportation	<u>319</u>
	<u>36,535</u>
Capital Projects Fund	
Capital projects	<u>3,263</u>
	<u>\$ 499,983</u>

B. Grants

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

C. Litigation

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 \$318,426. The minimum remaining operating lease payments are as follows:

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 403,520
2014	324,222
2015	256,085
2016	236,537
2017	<u>164,391</u>
	<u>\$ 1,384,755</u>

18. SUBSEQUENT EVENTS

On October 4, 2012 the District issued tax anticipation notes in the amount of \$27,000,000, which are due June 21, 2013, and bear effective interest rates of 0.22%.

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, 2012

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 94,008,187	\$ 83,798,580	\$ 83,799,008	\$ 428
Other tax items	160,000	10,369,607	10,350,722	(18,885)
Charges for services	441,000	441,000	363,861	(77,139)
Use of money and property	270,000	270,000	184,048	(85,952)
Sale of property				
and compensation for loss			217	217
Miscellaneous	985,100	1,037,170	1,306,462	269,292
Total Local Sources	95,864,287	95,916,357	96,004,318	87,961
State Sources	10,918,014	10,918,014	10,761,826	(156,188)
Total Revenues	106,782,301	106,834,371	106,766,144	(68,227)
OTHER SOURCES				
Operating transfers in	10,000	10,000		(10,000)
Total Revenues and Other Sources	106,792,301	106,844,371	106,766,144	\$ (78,227)

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, 2012

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 38,900	\$ 38,900	\$ 28,914	\$	\$ 9,986
Central administration	283,922	293,122	284,803		8,319
Finance	1,024,993	1,138,468	1,132,663	5,805	-
Staff	860,638	833,948	818,637		15,311
Central services	6,789,306	6,873,306	6,619,735	11,407	242,164
Special items	1,052,434	1,052,434	935,938		116,496
Total General Support	10,050,193	10,230,178	9,820,690	17,212	392,276
Instruction					
Instruction, administration & improvement	4,231,424	4,155,996	4,023,609	7,414	124,973
Teaching - regular school Programs for children with handicapping conditions	30,177,572	30,253,416	29,640,081	10,766	602,569
Occupational education	17,695,557	17,591,708	17,275,911	541	315,256
Teaching - special school	972,153	993,723	993,723		-
Instructional media	180,035	180,035	178,570		1,465
Pupil services	1,411,476	1,524,351	1,474,272	23	50,056
	3,824,287	3,868,975	3,771,527	260	97,188
Total Instruction	58,492,504	58,568,204	57,357,693	19,004	1,191,507
Pupil Transportation	8,980,168	8,980,168	8,654,881	319	324,968
Employee Benefits	28,765,440	28,765,440	24,395,722		4,369,718
Debt Service					
Principal	142,659	142,659	142,659		-
Interest	670,060	466,445	119,154		347,291
Total Debt Service	812,719	609,104	261,813	-	347,291
Total Expenditures	107,101,024	107,153,094	100,490,799	36,535	6,625,760
Other Uses					
Operating transfers out	1,978,013	4,277,013	3,773,484		503,529
Total Expenditures and Other Uses	109,079,037	111,430,107	104,264,283	\$ 36,535	\$ 7,129,289
Net Change in Fund Balances	(2,286,736)	(4,585,736)	2,501,861		
Fund Balances - Beginning of Year	2,286,736	4,585,736	16,073,037		
Fund Balances - End of Year	\$ -	\$ -	\$ 18,574,898		

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, 2012

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2011 - Update	\$ -	\$ 182,802,338	\$ 182,802,338	0%	\$ 52,915,000	345.5%
July 1, 2010	-	187,917,500	187,917,500	0%	56,630,230	331.8%
July 1, 2009 - Update	-	156,159,018	156,159,018	0%	52,338,096	298.4%
July 1, 2008	-	164,463,546	164,463,546	0%	55,488,404	296.4%

HUNTINGTON UNION FREE SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and Use of Assigned: Appropriated and Unassigned Fund Balance - General Fund
For The Year Ended June 30, 2012

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 109,037,301
Additions:	
Prior year's encumbrances	<u>41,736</u>
Original Budget	109,079,037
Budget revision	<u>2,351,070</u>
Final Budget	<u><u>\$ 111,430,107</u></u>
Next year's budget is a voter-approved budget of	<u><u>\$ 111,858,780</u></u>

USE OF ASSIGNED: APPROPRIATED AND UNASSIGNED FUND BALANCE

Assigned: Appropriated and Unassigned Fund Balance -	
As of the beginning of the year	\$ 6,617,292
Less:	
Appropriated fund balance used for	
the levy of taxes - Adopted budget	<u>2,245,000</u>
Unassigned Fund Balance -	
As of the beginning of the year	<u><u>\$ 4,372,292</u></u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures -
Capital Projects Fund
For The Year Ended June 30, 2012

PROJECT TITLE	Budget		Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2012
	June 30, 2011	June 30, 2012	Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Capital Reserves:											
High School - Chemistry Labs	\$ 135,000	\$ 135,000	\$ 94,548	\$	\$ 94,548	\$ 40,452	\$	\$	\$ 135,000	135,000	\$ 40,452
Jefferson - Doors	125,000	125,000	87,584		87,584	37,416			125,000	125,000	37,416
Finley, South Down, Flower Hill											
Sidewalk and Parking Lot	221,000	221,000	201,454		201,454	19,546			221,000	221,000	19,546
Unallocated	99,644	99,644			-	99,644			99,644	99,644	99,644
	<u>580,644</u>	<u>580,644</u>	<u>383,586</u>		<u>383,586</u>	<u>197,058</u>			<u>580,644</u>	<u>580,644</u>	<u>197,058</u>
Capital Reserves - 2003:											
Building Improvement Fund	<u>7,013,261</u>	<u>7,013,261</u>	<u>6,828,595</u>	<u>(4,222)</u>	<u>6,824,373</u>	<u>188,888</u>			<u>7,013,261</u>	<u>7,013,261</u>	<u>188,888</u>
Capital Reserves - 2008:											
Building Improvement Fund	<u>1,013,000</u>	<u>3,312,000</u>	<u>176,507</u>	<u>84,385</u>	<u>260,892</u>	<u>3,051,108</u>			<u>3,312,000</u>	<u>3,312,000</u>	<u>3,051,108</u>
Interfund Transfers:											
2003-04 transfers	626,000	626,000	539,259		539,259	86,741			626,000	626,000	86,741
2010-11 transfers	360,000	360,000	349,467	10,533	360,000	-			360,000	360,000	-
	<u>986,000</u>	<u>986,000</u>	<u>888,726</u>	<u>10,533</u>	<u>899,259</u>	<u>86,741</u>			<u>986,000</u>	<u>986,000</u>	<u>86,741</u>
EXCEL Funding	<u>1,361,943</u>	<u>1,361,943</u>	<u>1,357,180</u>	<u>4,763</u>	<u>1,361,943</u>	<u>-</u>		<u>1,322,943</u>	<u>39,000</u>	<u>1,361,943</u>	<u>-</u>
Totals	<u>\$ 10,954,848</u>	<u>\$ 13,253,848</u>	<u>\$ 9,634,594</u>	<u>\$ 95,459</u>	<u>\$ 9,730,053</u>	<u>\$ 3,523,795</u>	<u>\$ -</u>	<u>\$ 1,322,943</u>	<u>\$ 11,930,905</u>	<u>\$ 13,253,848</u>	<u>3,523,795</u>
									Less: State Aid funding not realized		<u>(37,302)</u>
											<u>\$ 3,486,493</u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
Schedule of Certain Revenues and Expenditures
Compared to ST-3 Data
For The Year Ended June 30, 2012

	<u>Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
REVENUES			
Real Property Taxes	A -1001	\$ 83,799,008	\$ 83,799,008
Non-Property Taxes	AT-1199	-	-
State Aid	AT-3999	10,761,826	10,761,826
Federal Aid	AT-4999	-	-
Total Revenues	AT-5999	106,766,144	106,766,144
EXPENDITURES			
General Support	AT-1999	9,820,690	9,820,690
Pupil Transportation	AT-5599	8,654,881	8,654,881
Debt Service - Principal	AT-9798.6	142,659	142,659
Debt Service - Interest	AT-9798.7	119,154	119,154
Total Expenditures	AT-9999	104,264,283	104,264,283

HUNTINGTON UNION FREE SCHOOL DISTRICT
Investment in Capital Assets, Net of Related Debt
For The Year Ended June 30, 2012

Capital assets, net	<u>\$ 20,064,737</u>
Deduct:	
Short-term portion of bonds payable	(1,045,000)
Long-term portion of bonds payable	(2,480,000)
Short-term portion of installment purchase debt	(148,473)
Long-term portion of installment purchase debt	<u>(1,427,690)</u>
	<u>(5,101,163)</u>
Investment in capital assets, net of related debt	<u><u>\$ 14,963,574</u></u>

**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 the financial statements of the governmental activities, each major fund and the fiduciary funds of the Huntington Union Free School District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 9, 2012. 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.

Internal Control Over Financial Reporting

Management of the Huntington Union Free School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Huntington Union Free School District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Huntington Union Free School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified a certain deficiency in internal control over financial reporting described in the accompanying Schedule of Findings and Responses as item 07-1 that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Huntington Union Free School District's financial statements are free of 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 9, 2012.

Huntington Union Free School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Huntington Union Free School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the use and information of the Board of Education, Audit Committee, management, others you deem appropriate within the District, and any governmental authorities you need to share this information with and is not intended to be and should not be used by anyone other than these specified parties.

Cullen & Danowski, LLP

October 9, 2012

HUNTINGTON UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2012

FINANCIAL STATEMENTS FINDINGS

07-1. Preparation of Financial Statements

Condition: The District's Business Office does not either prepare or exercise adequate control over the preparation of its annual financial statements, which would prevent or detect a misstatement in the financial statements. However, the District does demonstrate an understanding of the financial statements.

Criteria: Internal controls should be in place that provide reasonable assurance that an individual from the District exercises responsibility over the preparation of the annual financial statements, which would prevent or detect a misstatement in the financial statements.

Effect: Because of the District's internal control design deficiency regarding the preparation of financial statements, there is more than a remote likelihood that a more than inconsequential but less than material misstatement will not be prevented or detected.

Recommendation: The District should review this issue and determine if an individual could exercise control over the preparation of its annual financial statements.

Management Response: The District is determining whether staff can be trained to exercise control over the preparation of the financial statements, or if the funds are available for outside support to complete this process.

