

HUNTINGTON UNION FREE SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES WITH
INDEPENDENT AUDITORS' REPORTS**

JUNE 30, 2007

**HUNTINGTON UNION FREE SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Huntington Union Free School District
Huntington, 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, 2007, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 above present fairly in all material respects, the respective financial position of the governmental activities, each major fund as well as the fiduciary funds of the Huntington Union Free School District as of June 30, 2007, 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 September 26, 2007, on our consideration of the Huntington Union Free School District's internal control over financial reporting and 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 read in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 11 and 36, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The other supplementary information on pages 37 through 40 is not a required part of the basic financial statements but is supplementary information required by the New York State Education Department. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the other supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the Huntington Union Free School District basic financial statements. The accompanying summary schedule of prior findings and corrective action plan are presented for purposes of additional analysis as required by *Government Auditing Standards* and are not a required part of the basic financial statements of Huntington Union Free School District. The summary schedule of prior findings and corrective action plan have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Coughlin Foundatos Cullen Demowski, LLP

September 26, 2007

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, 2007. 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.

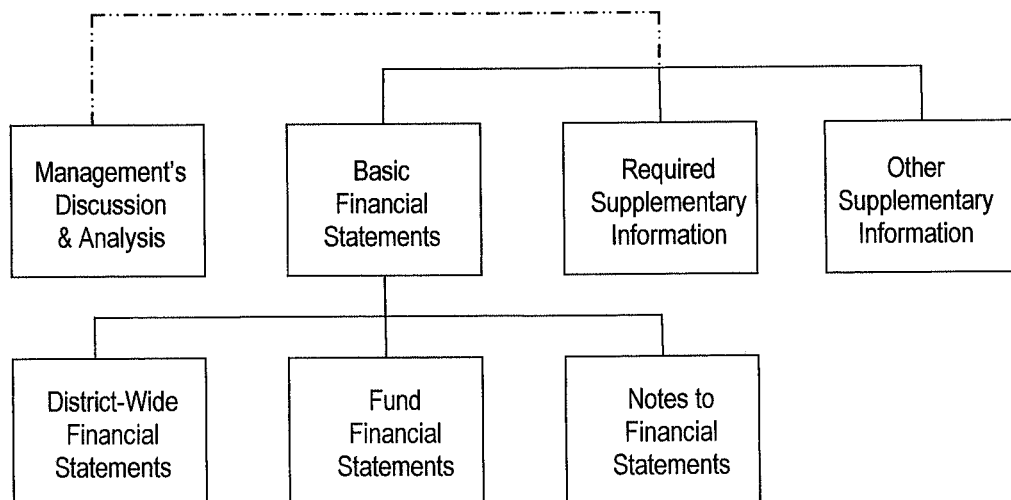
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2007 are as follows:

- On the district-wide financial statements, the District's total net assets increased by \$4,059,951 or 22.35%. This was due to an excess of revenues over expenses on the accrual basis of accounting in the amount of \$2,834,420 and a prior period adjustment of \$1,225,531 which is the result of an increase in capital assets, net based on a new fixed asset appraisal.
- On the district-wide financial statements, the District's expenses for the year totaled \$97,632,279. Of this amount, \$5,214,467 was offset by program charges for services and operating grants. General revenues of \$95,252,232 amounted to 94.8% of total revenues, and were adequate to cover the balance of program expenses.
- The general fund's total fund balance, as reflected on the balance sheet in the fund financial statements, increased by \$2,679,756 to \$9,833,437.
- On the balance sheet, the general fund's unreserved, undesignated fund balance at year end was \$2,975,057. This represents an increase of \$1,085,784 over the prior year. The unreserved, undesignated fund balance at year end was within the statutory limit authorized by New York State Law.
- The District funded \$1,648,000 into the capital reserve originally established in accordance with a proposition approved by the voters in June 2003. The District has now funded the reserve to the maximum funding allowed of \$8,000,000. The District continues to seek voter approval to spend these funds for district-wide improvements in the future.
- On December 6, 2005, voters approved the issuance of bonds in the amount of \$3,365,000 for District-wide improvements. The bonds were issued in September 2006. The District's favorable bond rating resulted in borrowing at interest rates of 4.125 - 4.25%.

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 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.

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

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.

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

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee. 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

A summary of the District's Statement of Net Assets for June 30, 2007 and 2006 is as follows:

	2007	2006	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 20,835,826	\$ 17,987,165	\$ 2,848,661	15.84 %
Capital Assets	24,311,025	20,822,337	3,488,688	16.75 %
Total Assets	45,146,851	38,809,502	6,337,349	16.33 %
Long-Term Liabilities	17,455,144	16,098,878	1,356,266	8.42 %
Other Liabilities	5,469,052	4,547,920	921,132	20.25 %
Total Liabilities	22,924,196	20,646,798	2,277,398	11.03 %
Net Assets				
Invested in Capital Assets, Net of Related Debt	12,877,766	10,420,375	2,457,391	23.58 %
Unrestricted	9,344,889	7,742,329	1,602,560	20.70 %
Total Net Assets	\$ 22,222,655	\$ 18,162,704	\$ 4,059,951	22.35 %

Current and other assets increased by \$2,848,661, as compared to the prior year. The increase is primarily related to larger bank deposits at year end.

Capital assets increased by \$3,488,688, as compared to the prior year. The increase was primarily the result of improvements to facilities. A portion of the increase, \$1,225,531, is a result of a prior period adjustment to reflect corrections to fixed assets based on a new fixed asset appraisal. The accompanying Notes to Financial Statements, Note 7 "Capital Assets" provides additional information.

Long-term liabilities increased by \$1,356,266, as compared to the prior year. The increase was primarily the result of bond proceeds of \$3,365,000 less the repayment of bond and installment debt.

Other liabilities increased by \$921,132, as compared to the prior year. The increase was primarily in connection with the District's liability to the teachers' retirement system for the current year's contribution at an increased contribution rate.

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 & improvements, site improvements, and, furniture & equipment, net of depreciation and related debt. This number increased over the prior year by \$2,457,391.

The unrestricted net assets in the amount of \$9,344,889 relates to the balance of the District's net assets. This number includes the District's other reserves and fund balances less unfunded liabilities such as compensated

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

absences. This number increased over the prior year by \$1,602,560 because the District expended less than budgeted and collected more revenues than anticipated.

The Districts total net assets increased by \$4,059,951 or 22.35%; \$22,222,655 at June 30, 2007, compared to \$18,162,704 at June 30, 2006.

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, 2007 and 2006 is as follows:

	2007	2006	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 1,381,592	\$ 1,149,673	\$ 231,919	20.17 %
Operating Grants	3,832,875	3,829,520	3,355	0.09 %
General Revenues				
Real Property Taxes and STAR	82,486,740	78,004,113	4,482,627	5.75 %
State Sources	9,504,353	8,779,348	725,005	8.26 %
Federal Sources	107,050	317,179	(210,129)	(66.25)%
Other	3,154,089	2,696,931	457,158	16.95 %
Total Revenues	<u>100,466,699</u>	<u>94,776,764</u>	<u>5,689,935</u>	6.00 %
Expenses				
General Support	11,563,638	10,414,607	1,149,031	11.03 %
Instruction	76,308,346	71,285,175	5,023,171	7.05 %
Transportation	7,134,841	6,782,193	352,648	5.20 %
Debt Service	1,206,446	1,067,410	139,036	13.03 %
Cost of Sales - Food	1,419,008	1,434,499	(15,491)	(1.08)%
Total Expenses	<u>97,632,279</u>	<u>90,983,884</u>	<u>6,648,395</u>	7.31 %
 Increase in Net Assets	 2,834,420	 3,792,880	 <u>\$ (958,460)</u>	 (25.27)%
 Prior Period Adjustment	 <u>1,225,531</u>	 <u></u>	 <u></u>	 <u></u>
 Change in Net Assets	 <u>\$ 4,059,951</u>	 <u>\$ 3,792,880</u>	 <u></u>	 <u></u>

The District's net assets increased by \$4,059,951 and \$3,792,880 for the years ended June 30, 2007 and 2006, respectively.

The District's revenues increased by \$5,689,935 or 6%. The main areas of increase were real property taxes and STAR and state aid.

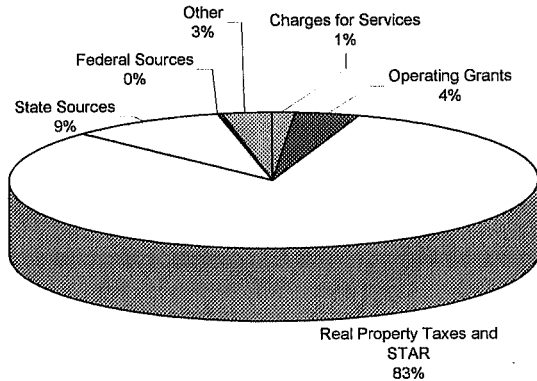
The District's expenses increased by \$6,648,395 or 7.31%. The major contributing factor to this increase was the additional costs required for instructional purposes.

As indicated on the pie charts that follow, real property taxes and STAR comprise the largest component of revenues recognized, 83% of the total for the two years. Instructional expenses are the largest category of expenses incurred comprising 79% of the total for the years ended June 30, 2007 and 2006.

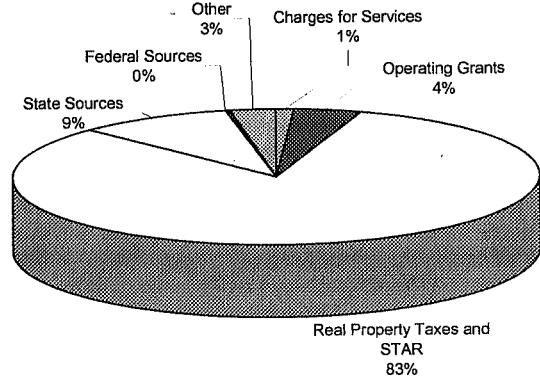
**HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

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

June 30, 2007

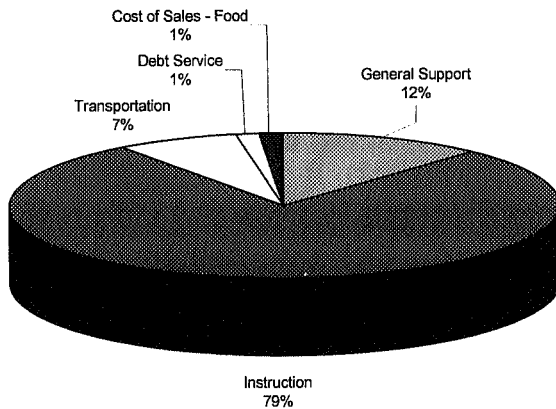


June 30, 2006

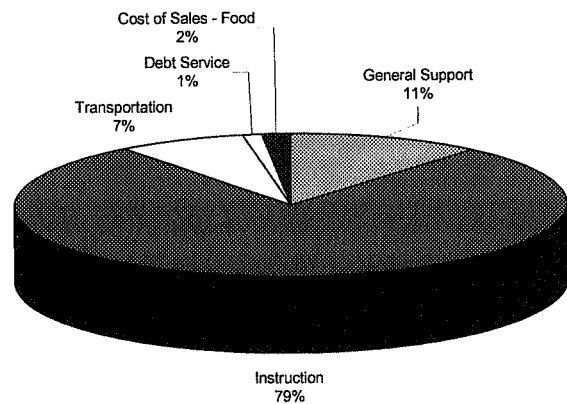


A graphic display of the distribution of expenses for the two years follows:

June 30, 2007



June 30, 2006



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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2007, the District's governmental funds reported a combined fund balance of \$14,638,291 which is an increase of \$2,128,393 over the prior year. This increase is due to an excess of revenues over expenditures. A summary of the change in fund balance by fund is as follows:

	2007	2006	Changes
General Fund			
Reserve for Encumbrances	\$ 378,233	\$ 819,478	\$ (441,245)
Reserved for:			
Workers' Compensation	2,202,900	1,876,600	326,300
Employee Benefit Accrued Liability	1,279,247	1,218,330	60,917
Capital	1,648,000		1,648,000
Unreserved - Designated for subsequent year's expenditures	1,350,000	1,350,000	-
Unreserved - Undesignated	2,975,057	1,889,273	1,085,784
	<u>9,833,437</u>	<u>7,153,681</u>	<u>2,679,756</u>
School Lunch Fund			
Reserve for Encumbrances		421	(421)
Reserve for Inventory	36,975	21,264	15,711
Unreserved - Undesignated	183,467	187,611	(4,144)
	<u>220,442</u>	<u>209,296</u>	<u>11,146</u>
Debt Service Fund			
Reserve for Debt	183,815	107,229	76,586
Capital Projects Fund			
Reserve for Encumbrances	1,051,210	1,560,972	(509,762)
Reserve for Capital	3,060,434	2,552,802	507,632
Unreserved - Undesignated	288,953	925,918	(636,965)
	<u>4,400,597</u>	<u>5,039,692</u>	<u>(639,095)</u>
Total Fund Balance	<u>\$ 14,638,291</u>	<u>\$ 12,509,898</u>	<u>\$ 2,128,393</u>

A. General Fund

The general fund - fund balance increased by \$2,679,756, as a result of an operating surplus. \$1,648,000 of this surplus was reserved for capital improvements and \$330,000 was reserved for workers' compensation.

B. School Lunch Fund

The school lunch fund - fund balance increased by \$11,146, as a result of an operating surplus in the lunch program.

C. Debt Service Fund

The debt service fund - fund balance increased by \$76,586, 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 decreased by \$639,095. This was the result of expenditures for capital improvements in excess of revenues for the year.

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

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2006-07 Budget

The District's general fund adopted budget for the year ended June 30, 2007, was \$94,480,693. This amount was increased by encumbrances carried forward from the prior year in the amount of \$819,478 and budget revisions of \$105,512, for a total final budget of \$95,405,683.

The budget was funded through a combination of revenues and designated fund balance. The majority of this funding source was \$82,486,013 in property taxes and STAR receipts. The budget revisions were funded by a grant and donations.

B. Change in General Fund's Unreserved – Undesignated Fund Balance (Budget to Actual)

The general fund's unreserved – undesignated 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 designations 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, Unreserved - Undesignated Fund Balance	\$ 1,889,273
Revenues Over Budget	1,841,103
Expenditures and Encumbrances Under Budget	2,629,898
Net Change in Reserves	(2,035,217)
Appropriated for June 30, 2008 Budget	<u>(1,350,000)</u>
Closing, Unreserved - Undesignated Fund Balance	<u><u>\$ 2,975,057</u></u>

Opening, Unreserved - Undesignated Fund Balance

The \$1,889,273 shown in the table is the portion of the District's June 30, 2006 fund balance that was retained as undesignated. This was approximately 2% of the District's 2006-07 approved operating budget of \$94,480,693. It is the maximum undesignated fund balance permitted by law, and is generally regarded as a positive financial management indicator.

Revenues Over Budget

The 2006-07 final budget for revenues was \$93,236,205. Actual revenues received for the year were \$95,077,308. The excess of actual revenue over estimated or budgeted revenue was \$1,841,103. The District's recognized revenues in excess of that anticipated were primarily in the following areas: charges for services - tuition for services rendered; use of money and property - interest earnings on deposits with financial institutions; and miscellaneous income – reimbursement of Medicare D, donations and refunds of prior year's expenditures. Revenues over budget contribute directly to the change to the undesignated portion of the general fund - fund balance from June 30, 2006 to June 30, 2007.

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

Expenditures and Encumbrances Under Budget

The 2006-07 final budget for expenditures, including budget revisions and prior year open encumbrances as of June 30, 2006, was \$95,405,683. Actual expenditures as of June 30, 2007 were \$92,397,552 plus outstanding encumbrances of \$378,233. Combined, the expenditures plus encumbrances for 2006-07 was \$92,775,785. The final budget was under expended by \$2,629,898. The majority of this under expenditure was in the instruction and employee benefits areas. Expenditures and encumbrances under budget contribute directly to the change to the undesignated portion of the general fund - fund balance from June 30, 2006 to June 30, 2007.

Net Change in Reserves

Monies transferred from budget lines within the general fund operating budget into required reserves such as the workers' compensation reserve, the employee benefit accrued liability reserve or the capital reserve do not affect the combined reserved, designated and undesignated 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 undesignated portion of the fund balance by the amount of the transfers.

The above table reflects the net earnings in the workers' compensation and employee benefit accrued liability reserves of \$117,217 and two transfers to reserves: \$270,000 to the workers' compensation reserve and \$1,648,000 to the capital reserve.

Appropriated Fund Balance

The District has chosen to use \$1,350,000 of its available June 30, 2007 fund balance to partially fund its 2007-08 approved operating budget.

Closing, Unreserved - Undesignated Fund Balance

Based upon the summary changes shown in the above table, the District will begin the 2007-08 fiscal year with an undesignated fund balance of \$2,975,057. This is an increase of \$1,085,784 as compared to the prior year. This undesignated portion is within the permissible 3.0% statutory maximum and is an indicator of stability in the District's management of its undesignated general fund fund balance.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2007, the District had \$24,311,025 invested in a broad range of capital assets, including land, construction in progress, buildings and improvements, site improvements, and furniture and equipment. This amount represents a net increase of \$2,263,157 over the prior year. As a result of a fixed asset appraisal completed during the year ended June 30, 2007, the June 30, 2006 capital assets have been adjusted to reflect the changes made due to the appraisal. See accompanying Notes to Financial Statements, Note 7 "Capital Assets" for additional information. A summary of the District's capital assets, net of depreciation at June 30, 2007 and 2006 is as follows:

	2007	Restated 2006	Increase (Decrease)
Land	\$ 1,545,142	\$ 1,545,142	\$
Construction in progress	4,808,170	1,623,298	3,184,872
Buildings and improvements	15,261,009	15,825,030	(564,021)
Site improvements	1,477,352	1,377,543	99,809
Furniture and equipment	1,219,352	1,676,855	(457,503)
Capital assets, net	<u>\$ 24,311,025</u>	<u>\$ 22,047,868</u>	<u>\$ 2,263,157</u>

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

Capital additions for the year ended June 30, 2007, were \$4,260,029. Depreciation expense for the year was \$1,996,872.

B. Debt Administration

At June 30, 2007, the District had total bonds payable of \$9,635,000. The bonds were issued for school building improvements. The increase in outstanding debt represents the issuance of bonds in the amount of \$3,365,000 less principal payments on all outstanding debt of \$1,865,000. A summary of the outstanding debt at June 30, 2007 and 2006 is as follows:

Issue Date	Interest Rate	2007	2006	Increase (Decrease)
May 1998	4.0 - 5.5%	\$ 4,865,000	\$ 5,565,000	\$ (700,000)
February 1999	3.8 - 4.1%	1,550,000	2,275,000	(725,000)
September 2002	2.625 - 2.75%		295,000	(295,000)
September 2006	4.125 - 4.25%	3,220,000		3,220,000
		<u>\$ 9,635,000</u>	<u>\$ 8,135,000</u>	<u>\$ 1,500,000</u>

At June 30, 2007, the District had installment purchase debt outstanding of \$2,235,732. This is a decrease from the prior year of \$116,827. The final maturity on this installment debt is 2021.

During the year, Moody's Investors Service, Inc. upgraded the District's bond rating from A1 to Aa3. 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 for the year ending June 30, 2008 is \$99,199,355. This is an increase of \$4,718,662 or 4.99% over the previous year's budget. The increase is predominantly in the instructional component of the budget.

The District budgeted revenues at a \$4,718,662 increase over the prior year's estimate. The budget reflects an increase in property tax revenues of 4.99%. The budget also reflects an increase in state aid and use of money and property. The District chose to appropriate \$1,350,000 of unreserved – undesignated fund balance in the June 30, 2008 budget; the same amount as the previous year.

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. David H. Grackin
Assistant Superintendent, Finance & Management Services
Huntington Union Free School District
P.O. Box 1500
Huntington, New York 11743

HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Net Assets
June 30, 2007

ASSETS

Cash	\$ 18,187,870
Receivables	
Accounts receivable	294,302
Due from other governments	1,786,401
Other assets	530,278
Inventory	36,975
Capital assets, net	<u>24,311,025</u>
Total Assets	<u>\$ 45,146,851</u>

LIABILITIES

Payables	
Accounts payable	\$ 787,079
Accrued liabilities	248,782
Retained percentages	293,323
Due to other governments	1,095
Deferred revenues	24,700
Due to teachers' retirement system	3,848,930
Due to employees' retirement system	265,143
Long-term liabilities	
Due and payable within one year	
Bonds payable	1,600,000
Installment purchase debt	121,589
Compensated absences payable	118,806
Due and payable after one year	
Bonds payable	8,035,000
Installment purchase debt	2,114,143
Compensated absences payable	4,151,438
Other liabilities	<u>1,314,168</u>
Total Liabilities	<u>22,924,196</u>

NET ASSETS

Investment in capital assets, net of related debt	12,877,766
Unrestricted	<u>9,344,889</u>
Total Net Assets	<u>22,222,655</u>
Total Liabilities and Net Assets	<u>\$ 45,146,851</u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2007

		Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
	Expenses	Services	Grants	Changes in
				Net Assets
FUNCTIONS/PROGRAMS				
Governmental Activities:				
General support	\$ 11,563,638	\$	\$	\$ (11,563,638)
Instruction	76,308,346	660,654	3,144,579	(72,503,113)
Pupil transportation	7,134,841			(7,134,841)
Debt service-interest	1,206,446			(1,206,446)
School lunch program	1,419,008	720,938	688,296	(9,774)
Total Governmental Activities	<u>\$ 97,632,279</u>	<u>\$ 1,381,592</u>	<u>\$ 3,832,875</u>	<u>(92,417,812)</u>
GENERAL REVENUES				
Real property taxes				73,411,258
Other tax items				9,212,895
Use of money and property				1,384,134
Miscellaneous				824,614
Intergovernmental revenue				807,928
State sources				9,504,353
Medicaid reimbursement				107,050
Total General Revenues				<u>95,252,232</u>
Change in Net Assets				2,834,420
Total Net Assets - Beginning of year				18,162,704
Prior Period Adjustment				<u>1,225,531</u>
Total Net Assets - End of year				<u>\$ 22,222,655</u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2007

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash	\$ 15,775,381	\$ 708,970	\$ 102,837	\$ 98,439	\$ 1,502,243	\$ 18,187,870
Receivables						
Accounts receivable	287,938	6,364				294,302
Due from other funds	1,418,489			85,376	3,581,644	5,085,509
Due from other governments	1,044,728	651,599	90,074			1,786,401
Other assets	530,278					530,278
Inventory			36,975	-		36,975
Total Assets	\$ 19,056,814	\$ 1,366,933	\$ 229,886	\$ 183,815	\$ 5,083,887	\$ 25,921,335
LIABILITIES						
Payables						
Accounts payable	\$ 525,695	\$	\$ 8,349	\$	\$ 253,035	\$ 787,079
Accrued liabilities	78,394					78,394
Retained percentages					293,323	293,323
Due to other funds	3,581,644	1,366,933			136,932	5,085,509
Due to other governments			1,095			1,095
Due to teachers' retirement system	3,848,930					3,848,930
Due to employees' retirement system	265,143					265,143
Compensated absences payable	118,806					118,806
Deferred Credits						
Deferred revenues	804,765					804,765
Total Liabilities	9,223,377	1,366,933	9,444	-	683,290	11,283,044
FUND BALANCES						
Reserved for:						
Encumbrances	378,233				1,051,210	1,429,443
Workers' Compensation	2,202,900					2,202,900
Employee Benefit Accrued Liability	1,279,247					1,279,247
Capital	1,648,000				3,060,434	4,708,434
Debt Service				183,815		183,815
Inventory			36,975			36,975
Unreserved - Designated for subsequent year's expenditures	1,350,000					1,350,000
Unreserved - Undesignated	2,975,057		183,467		288,953	3,447,477
Total Fund Balances	9,833,437	-	220,442	183,815	4,400,597	14,638,291
Total Liabilities and Fund Balances	\$ 19,056,814	\$ 1,366,933	\$ 229,886	\$ 183,815	\$ 5,083,887	\$ 25,921,335

HUNTINGTON UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2007

Total Governmental Fund Balances	<u>\$ 14,638,291</u>
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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	50,589,874
Accumulated depreciation	<u>(26,278,849)</u>
	<u>24,311,025</u>

Other long-term assets that are not available to pay current-period expenditures and, therefore deferred in the governmental funds.	<u>780,065</u>
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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 funds. Long-term liabilities at year end consist of:

Bonds payable	(9,635,000)
Accrued interest on bonds payable	(170,388)
Installment purchase debt	(2,235,732)
Compensated absences	(4,151,438)
Workers' compensation liabilities	<u>(1,314,168)</u>
	<u>(17,506,726)</u>

Total Net Assets	<u><u>\$ 22,222,655</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, 2007

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 73,411,258	\$	\$	\$	\$	\$ 73,411,258
Other tax items	9,212,895					9,212,895
Charges for services	591,014					591,014
Use of money and property	1,296,451		2,597	85,086		1,384,134
Miscellaneous	950,328		23,306			973,634
Intergovernmental revenue				807,928		807,928
State sources	9,504,353	946,522	37,181			10,488,056
Medicaid reimbursement	107,050					107,050
Federal sources		2,198,057	581,712			2,779,769
Surplus food			69,403			69,403
Sales - school lunch			697,632			697,632
Total Revenues	95,073,349	3,144,579	1,411,831	893,014	-	100,522,773
EXPENDITURES						
General support	9,237,253					9,237,253
Instruction	53,244,244	3,109,970				56,354,214
Pupil transportation	6,907,140	181,011				7,088,151
Employee benefits	20,461,194					20,461,194
Debt service						
Principal	116,827			1,865,000		1,981,827
Interest	765,450			466,511		1,231,961
Cost of sales			1,400,685			1,400,685
Capital outlay					4,004,095	4,004,095
Total Expenditures	90,732,108	3,290,981	1,400,685	2,331,511	4,004,095	101,759,380
Excess (Deficiency) of Revenues Over Expenditures	4,341,241	(146,402)	11,146	(1,438,497)	(4,004,095)	(1,236,607)
OTHER FINANCING SOURCES AND (USES)						
Proceeds of bonds					3,365,000	3,365,000
Operating transfers in	3,959	150,361		1,515,083		1,669,403
Operating transfers (out)	(1,665,444)	(3,959)				(1,669,403)
Total Other Financing Sources and (Uses)	(1,661,485)	146,402	-	1,515,083	3,365,000	3,365,000
Net Change in Fund Balances	2,679,756	-	11,146	76,586	(639,095)	2,128,393
Fund Balances - Beginning of year	7,153,681		209,296	107,229	5,039,692	12,509,898
Fund Balances - End of year	\$ 9,833,437	\$ -	\$ 220,442	\$ 183,815	\$ 4,400,597	\$ 14,638,291

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, 2007

Net Change in Fund Balances \$ 2,128,393

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

Long-Term Revenue and Expense Differences

Other items reported in the Statement of Activities which do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in unfunded compensated absences liability	\$ (106,638)	
Increase in workers' compensation claims liability	<u>(38,852)</u>	
		(145,490)

Potential revenues that do not meet both the measurable and available criteria for recognition in the current year are reported as deferred revenues in the governmental funds, but they are recognized as current revenues in the Statement of Activities. This is the amount by which deferred revenues decreased from June 30, 2006 to June 30, 2007.		(53,982)
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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 capital outlays exceed depreciation in the period.

Capital outlays	4,260,029	
Depreciation expense	<u>(1,996,872)</u>	
		2,263,157

Long-Term Debt Transactions Differences

Proceeds from the issuance of bonds is an other funding source in the governmental funds, but it increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.		(3,365,000)
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Repayment of bonds payable 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.		1,865,000
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Repayment of installment purchase 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.		116,827
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is 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, 2006 to June 30, 2007.		<u>25,515</u>
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(1,357,658)

Change in Net Assets of Governmental Activities		<u>\$ 2,834,420</u>
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HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Assets -
Fiduciary Funds
June 30, 2007

	<u>Agency</u>	<u>Private Purpose Trust</u>	<u>Permanent Trust</u>
ASSETS			
Cash	\$ 308,650	\$ 86,218	\$ 756,367
Total Assets	<u>\$ 308,650</u>	<u>\$ 86,218</u>	<u>\$ 756,367</u>
LIABILITIES			
Extraclassroom activity balances	\$ 145,840	\$	\$
Other liabilities	<u>162,810</u>		
Total Liabilities	<u>\$ 308,650</u>	-	-
NET ASSETS			
Reserved for scholarships		<u>86,218</u>	<u>756,367</u>
Total Liabilities and Net Assets		<u>\$ 86,218</u>	<u>\$ 756,367</u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets -
Fiduciary Funds
For The Year Ended June 30, 2007

	Private Purpose Trust	Permanent Trust
ADDITIONS		
Miscellaneous	\$ 1,665	\$ 715,713
Investment earnings	26,785	
	<u>28,450</u>	<u>715,713</u>
Total Additions		
DEDUCTIONS		
Scholarships and awards	<u>6,950</u>	
Change in Net Assets	21,500	715,713
Net Assets - Beginning of year	<u>64,718</u>	<u>40,654</u>
Net Assets - End of Year	<u><u>\$ 86,218</u></u>	<u><u>\$ 756,367</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.

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 one of 18 component school districts in the Board of Cooperative Educational Services of Western Suffolk, (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under Section §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under Section §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital 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.

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

C. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities present information about the overall 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. Indirect expenses, principally 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.

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 three classes of fiduciary funds:

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.

Permanent Trust Funds - These funds are used to account for trust arrangements in which the principals are held in perpetuity and income generated is used for annual third party awards and scholarships for students.

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

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.

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, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

Enforcement

Uncollected real property taxes are subsequently enforced by Suffolk County. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the District no later than the forthcoming April 1st.

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 the transfer of expenditure and revenues to provide financing or other services.

In the district-wide statements, the amounts reported on the Statement of Net 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.

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

A detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues 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 computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

H. Cash and Cash Equivalents/Investments

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.

Investments are reported at fair value, based on quoted market prices.

I. Accounts Receivable

Accounts receivable are shown gross. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

J. Inventories and Prepaid Items

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis or in the case of surplus food 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.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the Statement of Net Assets or Balance Sheet using the purchases method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

K. 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:

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

	<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	1,000	5-20 years

L. Deferred Revenue

Deferred revenue arises 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.

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

M. 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 be eligible to receive a portion of the value of unused accumulated sick leave.

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.

N. 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 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.

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

O. Short-Term Debt

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

The District may issue 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.

P. 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 that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

Q. Equity Classifications

District-Wide Statements

In the district-wide statements there are two 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.

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

Unreserved fund balance consists of two classifications. A designation of unreserved fund balance indicates the planned use of these resources in the subsequent year's budget. The undesignated portion reports remaining fund balance that has not been designated or reserved. NYS Real Property Tax Law 1318, as recently amended with an effective date of July 1, 2007, restricts the unreserved, undesignated fund balance of the general fund to an amount not greater than 3% of the 2007-08 budget and 4% of the 2008-09 budget for June 30, 2007 and June 30, 2008, respectively.

Fund balance reserves 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 currently in use by the District include the following:

Reserve for Encumbrances

Reserve for encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year. The reserve is accounted for in the general fund and capital projects fund.

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.

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.

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.

Reserve for Debt Service

Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. Unexpended balances of proceeds of borrowings for capital projects; interest and earnings from investing proceeds of obligations, and premium and accrued interest are recorded in the Reserve for Debt and held until appropriated for debt payments. The reserve is accounted for in the debt service fund.

Reserve for Capital

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. This reserve is accounted for in the general fund until the voters approve the spending, at which time it is transferred to the capital projects fund.

Reserve for Scholarships

Reserve for scholarships is used to account for monies donated for scholarship purposes, net of earnings and awards. The reserve is accounted for in the private purpose and permanent trust funds.

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 Sheets.

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 both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net 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.

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

Appropriations are adopted at the program line item level.

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

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:

Contingent expenditures funded by grant	\$ 50,000
Contingent expenditures funded by donations	<u>55,512</u>
	<u>\$ 105,512</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 reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

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 either:

- 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.

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

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

Investment pool

The District participates in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, §119-O, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents.

Total investments of the cooperative as of year-end are \$1,218,851,440, which consisted of \$618,180,177 in repurchase agreements, \$189,309,972 in U. S. Treasury Securities, \$11,361,291 in U.S. Government Guaranteed Securities and \$400,000,000 in collateralized bank deposits, with various interest rate and due dates.

The following amounts are included as cash:

<u>Fund</u>	<u>Carrying Amount</u>
Capital Fund	\$ 300,000
Fiduciary Funds	<u>841,678</u>
	<u><u>\$ 1,141,678</u></u>

The above amounts represent the cost of the investment pool shares, and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of New York CLASS – Board of Cooperative Educational Services of Putnam/Northern Westchester, 200 BOCES Drive, Yorktown Heights, New York 10596-4399.

5. PARTICIPATION IN BOCES

During the year ended June 30, 2007, the District was billed \$6,801,129 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$881,229. 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 OTHER GOVERNMENTS

Due from other governments at June 30, 2007 consisted of:

General Fund	
New York State aid	\$ 616,577
Medicaid reimbursements	4,867
BOCES aid	<u>423,284</u>
	1,044,728
Special Aid Fund	
Federal and State grants	651,599
School Lunch Fund	
Federal and State food service program reimbursements	<u>90,074</u>
	<u><u>\$ 1,786,401</u></u>

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

7. CAPITAL ASSETS

During the year June 30, 2007, the District had a fixed asset management company perform a physical inventory of the District's capital assets. As a result of the physical inventory, it was necessary for the District to adjust the June 30, 2006 capital assets and accumulated depreciation balances. These adjustments are presented in the second column below.

Capital asset balances and activity for the year ended June 30, 2007, were as follows:

	Balance June 30, 2006	Adjustment for Appraisal	Restated Balance June 30, 2006	Additions	Balance June 30, 2007
Governmental activities					
Capital assets not being depreciated					
Land	\$ 1,545,142	\$	\$ 1,545,142	\$	\$ 1,545,142
Construction in progress	3,168,018	(1,544,720)	1,623,298	3,184,872	4,808,170
Total capital assets not being depreciated	4,713,160	(1,544,720)	3,168,440	3,184,872	6,353,312
Capital assets being depreciated					
Buildings & improvements	29,930,344	5,005,747	34,936,091	819,223	35,755,314
Site improvements	1,293,409	640,941	1,934,350	201,455	2,135,805
Furniture and equipment	6,437,588	(146,624)	6,290,964	54,479	6,345,443
Total capital assets being depreciated	37,661,341	5,500,064	43,161,405	1,075,157	44,236,562
Less accumulated depreciation for:					
Buildings & improvements	16,022,217	3,088,844	19,111,061	1,383,244	20,494,305
Site improvements	614,214	(57,407)	556,807	101,646	658,453
Furniture and equipment	4,915,733	(301,624)	4,614,109	511,982	5,126,091
Total accumulated depreciation	21,552,164	2,729,813	24,281,977	1,996,872	26,278,849
Capital assets, net	<u>\$ 20,822,337</u>	<u>\$ 1,225,531</u>	<u>\$ 22,047,868</u>	<u>\$ 2,263,157</u>	<u>\$ 24,311,025</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 51,606
Instruction	1,926,943
School lunch program	18,323
Total depreciation expense	<u>\$ 1,996,872</u>

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

8. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2007, are as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 1,418,489	\$ 3,581,644	\$ 3,959	\$ 1,665,444
Special Aid Fund		1,366,933	150,361	3,959
Debt Service Fund	85,376		1,515,083	
Capital Projects Fund	3,581,644	136,932		
Total	<u>\$ 5,085,509</u>	<u>\$ 5,085,509</u>	<u>\$ 1,669,403</u>	<u>\$ 1,669,403</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.

9. SHORT-TERM DEBT

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

	Maturity	Interest Rate	Balance June 30, 2006	Issued	Redeemed	Balance June 30, 2007
TAN	6/28/07	3.492-3.56%	<u>\$</u>	<u>\$ 24,000,000</u>	<u>\$ (24,000,000)</u>	<u>\$</u>

Interest expense on short-term debt for the year was \$669,560.

10. LONG-TERM LIABILITIES

The following table summarizes the changes in long-term liabilities for the year:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 8,135,000	\$ 3,365,000	\$ (1,865,000)	\$ 9,635,000	\$ 1,600,000
Installment purchase debt	2,352,559		(116,827)	2,235,732	121,589
Other long-term liabilities:					
Compensated absences	4,336,003		(65,759)	4,270,244	118,806
Other liabilities - workers' compensation	1,275,316	38,852		1,314,168	
	<u>\$ 16,098,878</u>	<u>\$ 3,403,852</u>	<u>\$ (2,047,586)</u>	<u>\$ 17,455,144</u>	<u>\$ 1,840,395</u>

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

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

Bonds payable are comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2007
Serial Bonds	5/1998	7/2012	4.0 - 5.5%	\$ 4,865,000
Serial Bonds	2/1999	2/2009	3.8 - 4.1%	1,550,000
Serial Bonds	9/2006	6/2026	4.125 - 4.25%	3,220,000
				<u>\$ 9,635,000</u>

The following is a summary of debt service requirements:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 1,600,000	\$ 424,844	\$ 2,024,844
2009	1,665,000	356,001	2,021,001
2010	905,000	283,234	1,188,234
2011	950,000	238,475	1,188,475
2012	990,000	188,013	1,178,013
2013-2017	1,665,000	510,994	2,175,994
2018-2022	940,000	315,331	1,255,331
2023-2026	920,000	99,875	1,019,875
Total	<u>\$ 9,635,000</u>	<u>\$ 2,416,767</u>	<u>\$ 12,051,767</u>

The following is a summary of installment purchase debt requirements:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 121,589	\$ 91,129	\$ 212,718
2009	126,545	86,173	212,718
2010	131,703	81,015	212,718
2011	137,072	75,646	212,718
2012	142,659	70,059	212,718
2013-2017	805,402	258,187	1,063,589
2018-2021	770,762	80,109	850,871
Total	<u>\$ 2,235,732</u>	<u>\$ 742,318</u>	<u>\$ 2,978,050</u>

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

Interest paid	\$ 562,401
Less interest accrued in the prior year	(195,903)
Plus interest accrued in the current year	<u>170,388</u>
Total interest expense on long-term debt	<u>\$ 536,886</u>

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

11. 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.

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, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

C. Funding Policies

The Systems are noncontributory for the employee except for those who joined the Systems after July 27, 1976 with less than ten years of credited service, who contribute 3% of their salary. 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>
2007	\$ 3,303,484	\$ 1,216,548
2006	2,871,097	1,170,235
2005	1,985,060	1,103,296

12. POST-EMPLOYMENT BENEFITS

The District provides post-employment health insurance coverage to retired employees in accordance with the provisions of various employment contracts.

The District covers between 50% and 100% of the premium cost for the retirees' health insurance in accordance with the contract terms in place at the time of the employee's retirement.

The District recognizes the cost of providing health insurance for retirees annually as expenditures in the general fund at the time the expenditure is incurred. For the year ended June 30, 2007, the District recorded approximately \$4,740,000 as its share of insurance premiums for 642 currently enrolled retirees.

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

13. 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 two 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). Claims activity exclusive of IBNRs is summarized below:

	<u>2006</u>	<u>2007</u>
Unpaid claims at beginning of year	\$ 1,383,575	\$ 1,275,316
Incurred claims and claim adjustment expenses	516,099	452,234
Claim payments	<u>(624,358)</u>	<u>(413,382)</u>
Unpaid claims at year end	<u>\$ 1,275,316</u>	<u>\$ 1,314,168</u>

14. FUND BALANCES – UNRESERVED: DESIGNATED FOR SUBSEQUENT YEAR'S EXPENDITURES

The amount of \$1,350,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2008.

15. COMMITMENTS AND CONTINGENCIES

A. 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.

B. Litigation

The District is involved in lawsuits arising from the normal conduct of its affairs. Some of these lawsuits seek damages which may be in excess of the District's insurance coverage. However, it is not possible to determine the District's potential exposure, if any, at this time.

C. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$130,410. The minimum remaining operating lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 147,557
2009	146,187
2010	120,613
2011	24,012
2012	<u>10,269</u>
	<u>\$ 448,638</u>

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

16. SUBSEQUENT EVENTS

On September 11, 2007, the District issued tax anticipation notes in the amount of \$28,000,000, which are due June 27, 2008, and bear interest at a rate of 3.9 - 4.0%.

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, 2007

	Original Budget	Final Budget	Actual		Final Budget Variance with Actual
REVENUES					
Local Sources					
Real property taxes	\$ 73,410,531	\$ 73,410,531	\$ 73,411,258		\$ 727
Other tax items	9,203,482	9,203,482	9,212,895		9,413
Charges for services	401,000	401,000	591,014		190,014
Use of money and property	428,500	428,500	1,296,451		867,951
Miscellaneous	165,000	220,512	950,328		729,816
Total Local Sources	83,608,513	83,664,025	85,461,946		1,797,921
State Sources	9,287,180	9,337,180	9,504,353		167,173
Medicaid Reimbursement	225,000	225,000	107,050		(117,950)
Total Revenues	93,120,693	93,226,205	95,073,349		1,847,144
OTHER SOURCES					
Operating transfers in	10,000	10,000	3,959		(6,041)
Total Revenues and Other Sources	93,130,693	93,236,205	95,077,308		\$ 1,841,103
EXPENDITURES					
General Support					
Board of education	34,542	34,542	22,457	\$ 405	\$ 11,680
Central administration	343,746	355,007	312,592	47	42,368
Finance	961,479	1,005,244	963,375	33,340	8,529
Staff	892,663	1,048,507	990,740	16,234	41,533
Central services	6,330,056	6,630,509	6,110,692	146,547	373,270
Special items	824,105	838,831	837,397		1,434
Total General Support	9,386,591	9,912,640	9,237,253	196,573	478,814
Instruction					
Instruction, administration & improvement	3,835,779	4,044,682	3,986,465	12,308	45,909
Teaching - regular school	28,346,813	28,297,605	27,629,799	40,815	626,991
Programs for children with handicapping conditions	15,399,979	15,565,934	14,961,871	100,477	503,586
Occupational education	865,110	882,638	882,591		47
Teaching - special school	204,990	198,862	190,681	200	7,981
Instructional media	1,956,221	2,077,176	2,008,133	10,304	58,739
Pupil services	3,667,973	3,753,201	3,584,704	16,733	151,764
Total Instruction	54,276,865	54,820,098	53,244,244	180,837	1,395,017
Pupil Transportation	6,951,336	6,995,447	6,907,140	523	87,784
Employee Benefits	21,682,544	20,996,073	20,461,194	300	534,579
Debt Service					
Principal	116,828	116,828	116,827		1
Interest	1,195,890	874,480	765,450		109,030
Total Debt Service	1,312,718	991,308	882,277	-	109,031
Total Expenditures	93,610,054	93,715,566	90,732,108	378,233	2,605,225
OTHER USES					
Operating transfers out	1,690,117	1,690,117	1,665,444		24,673
Total Expenditures and Other Uses	95,300,171	95,405,683	92,397,552	\$ 378,233	\$ 2,629,898
Net Change in Fund Balances	(2,169,478)	(2,169,478)	2,679,756		
Fund Balances - Beginning of Year	2,169,478	2,169,478	7,153,681		
Fund Balances - End of Year	\$ -	\$ -	\$ 9,833,437		

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
Schedules of Change from Adopted Budget to Final Budget
And Use of Unreserved Fund Balance - General Fund
For The Year Ended June 30, 2007

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Original Budget	\$ 94,480,693
Additions:	
Prior year's encumbrances	<u>819,478</u>
Original Budget	95,300,171
Budget revision	<u>105,512</u>
Final Budget	<u><u>\$ 95,405,683</u></u>

Next year's budget is a voter-approved budget of	<u><u>\$ 99,199,355</u></u>
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USE OF UNRESERVED FUND BALANCE

Unreserved Fund Balance -	
As of the beginning of the year	\$ 3,239,273
Less:	
Designated fund balance used for	
the levy of taxes - Adopted budget	<u>1,350,000</u>
Undesignated Fund Balance -	
As of the beginning of the year	<u><u>\$ 1,889,273</u></u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures -
Capital Projects Fund
For The Year Ended June 30, 2007

PROJECT TITLE	Budget		Expenditures		Methods of Financing				Fund Balance June 30, 2007		
	June 30, 2006	Budget June 30, 2007	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Aid		Local Sources	Total
Capital Reserve:											
High School - Chemistry Labs	\$ 135,000	\$ 135,000	\$ 94,548	\$ 94,548	\$ 94,548	\$ 40,452	\$ 40,452	\$	\$ 135,000	\$ 135,000	\$ 40,452
Jefferson - Doors	125,000	125,000	87,584	87,584	87,584	37,416	37,416		125,000	125,000	37,416
Finley, South Down, Flower Hill	221,000	221,000	201,454		201,454	19,546	19,546		221,000	221,000	19,546
Sidewalk and Parking Lot	99,644	99,644			-	99,644	99,644		99,644	99,644	99,644
Unallocated											
Total Capital Reserve	580,644	580,644	383,586		383,586	197,058	197,058		580,644	580,644	197,058
Capital Reserves:											
Building Improvement Fund	6,352,000	6,352,000	1,865,582	939,374	2,804,956	3,547,044	3,547,044		6,352,000	6,352,000	3,547,044
Interfund Transfers:											
Southdown - Cesspools	40,000	40,000	5,143		5,143	34,857	34,857		40,000	40,000	34,857
Unallocated	54,274	54,274			-	54,274	54,274		54,274	54,274	54,274
2003-04 transfers	626,000	626,000	482,273	45,640	527,913	98,087	98,087		626,000	626,000	98,087
2004-05 transfers	626,000	626,000	374,866	220,644	595,510	30,490	30,490		626,000	626,000	30,490
2004-05 transfers	26,000	26,000	24,686		24,686	1,314	1,314		26,000	26,000	1,314
Total Interfund Transfers	1,372,274	1,372,274	886,968	266,284	1,153,252	219,022	219,022		1,372,274	1,372,274	219,022
Library District Bond Issue											
	6,600,000	6,600,000	6,514,403		6,514,403	85,597	85,597	6,600,000		6,600,000	85,597
2006 Bond Issue											
		3,365,000	214,687	2,788,437	3,013,124	351,876	351,876			3,365,000	351,876
Totals	\$ 14,904,918	\$ 18,269,918	\$ 9,865,226	\$ 4,004,095	\$ 13,869,321	\$ 4,400,597	\$ 4,400,597	\$ -	\$ 8,304,918	\$ 18,269,918	\$ 4,400,597

HUNTINGTON UNION FREE SCHOOL DISTRICT
Schedule of Certain Revenues and Expenditures
Compared to ST-3 Data
For The Year Ended June 30, 2007

	Audited Code	ST-3 Amount	Audited Amount
REVENUES			
Real Property Taxes	A -1001	\$ 73,411,258	\$ 73,411,258
Non-Property Taxes	AT-1199	-	-
State Aid	AT-3999	9,504,353	9,504,353
Federal Aid - Medicaid Reimbursements	AT-4999	107,050	107,050
Total Revenues	AT-5999	95,077,308	95,077,308
EXPENDITURES			
General Support	AT-1999	9,237,253	9,237,253
Pupil Transportation	AT-5599	6,907,140	6,907,140
Debt Service - Principal	AT-9798.6	116,827	116,827
Debt Service - Interest	AT-9798.7	765,450	765,450
Total Expenditures	AT-9999	92,397,552	92,397,552

HUNTINGTON UNION FREE SCHOOL DISTRICT
Investment in Capital Assets, Net of Related Debt
For The Year Ended June 30, 2007

Capital assets, net	<u>\$ 24,311,025</u>
Deduct:	
Short-term portion of bonds payable	(1,600,000)
Long-term portion of bonds payable	(8,035,000)
Short-term portion of installment purchase debt	(121,589)
Long-term portion of installment purchase debt	(2,114,143)
Less:	
Unspent bond proceeds	<u>437,473</u>
	<u>(11,433,259)</u>
Investment in capital assets, net of related debt	<u><u>\$ 12,877,766</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, 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, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 26, 2007. 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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying Schedule of Findings as items 07-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

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 September 26, 2007.

This report is intended solely for the use and information of the Board of Education, Audit Committee and management of the Huntington Union Free School District, and is not intended to be and should not be used by anyone other than these specified parties.

Coughlin-Fundatos-Cullen-Pomowski, LLP

September 26, 2007

HUNTINGTON UNION FREE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR FINDINGS
For the Year Ended June 30, 2007

There were no prior findings.

HUNTINGTON UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2007

FINANCIAL STATEMENTS FINDINGS

07-1. Preparation of Financial Statements

Condition: The District's business office currently does not have the expertise to either prepare or exercise adequate control over the preparation of all of the components of its annual financial statements.

Criteria: In order to exercise control over its financial statements preparation, the District should have the expertise to prepare all of the components of its financial statements.

Effect: Because of the lack of expertise, the District was unable to either prepare or exercise adequate control over the preparation of all of the components of its annual financial statements.

Recommendation: The District should obtain the necessary expertise, either in-house or through outsourcing, to ensure control over its financial statements preparation.

HUNTINGTON UNION FREE SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2007

The District's corrective action plan for the year ended June 30, 2007, is under separate cover.

