



FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS

June 30, 2014

HUNTINGTON UNION FREE SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Huntington Union Free School District (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Huntington Union Free School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedule of funding progress – other postemployment benefits on pages 3 through 13 and 43 through 45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Huntington Union Free School District's basic financial statements. The other supplementary information on pages 46 through 48 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014 on our consideration of the Huntington Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Huntington Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

October 22, 2014

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, 2014 in comparison with the year ended June 30, 2013, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

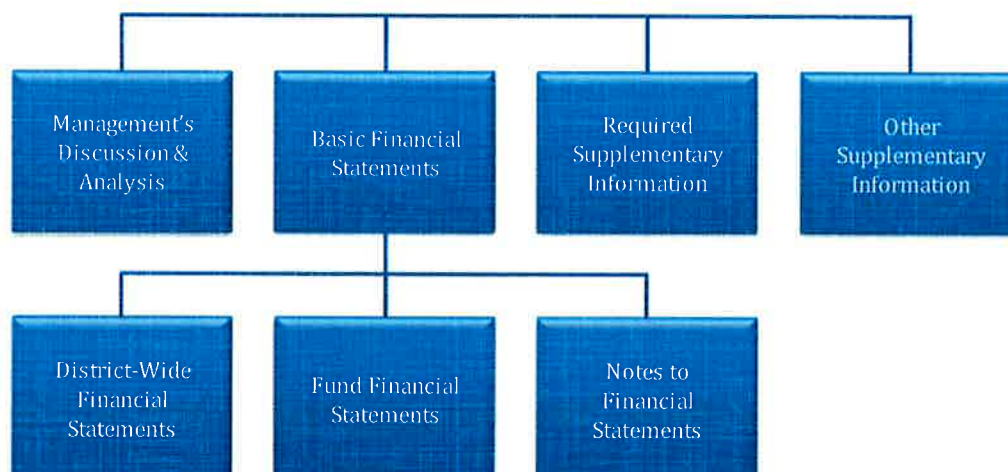
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2014 are as follows:

- On the district-wide financial statements, the District's total net position decreased by \$6,181,103. This was mainly due to the unfunded cost of other postemployment benefits.
- On the district-wide financial statements, the District's expenses for the year totaled \$123,536,927. Of this amount, \$5,836,582 was offset by program charges for services and operating grants. General revenues of \$111,519,242 amounted to 95% of total revenues, and were not adequate to cover the balance of program expenses.
- The District received \$3,719,856 in operating grants to support instructional programs. This is an increase over the prior year of \$352,384. This increase was primarily due to federal American Recovery and Reinvestment Act (ARRA) Race to the Top Grants received during 2013-14.
- The general fund's total fund balance, as reflected on the balance sheet in the fund financial statements, increased by \$550,974 to \$23,213,656.
- On the balance sheet, the general fund's unassigned fund balance at year end was \$4,704,574. This represents an increase of \$116,391 over the prior year. The unassigned fund balance at year end is at the statutory 4% limit authorized by New York State Law.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

A. District-Wide Financial Statements

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

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

The Statement of Net Position

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

The Statement of Activities

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

B. Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

Fiduciary Funds

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position decreased by \$6,181,103 between fiscal year 2014 and 2013. A summary of the District's Statements of Net Position is as follows:

	2014	2013	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 40,879,974	\$ 35,060,835	\$ 5,819,139	16.60 %
Capital Assets, Net	18,343,394	18,950,578	(607,184)	(3.20)%
Total Assets	<u>59,223,368</u>	<u>54,011,413</u>	<u>5,211,955</u>	9.65 %
Current and Other Liabilities	11,291,248	6,878,013	4,413,235	64.16 %
Long-Term Liabilities	13,821,560	13,942,867	(121,307)	(0.87)%
Net Other Postemployment Benefits Obligation	62,189,721	55,088,591	7,101,130	12.89 %
Total Liabilities	<u>87,302,529</u>	<u>75,909,471</u>	<u>11,393,058</u>	15.01 %
Net Position				
Net Investment in Capital Assets	14,735,229	15,042,888	(307,659)	(2.05)%
Restricted	21,830,863	20,581,111	1,249,752	6.07 %
Unrestricted (Deficit)	(64,645,253)	(57,522,057)	(7,123,196)	12.38 %
Total Net Position (Deficit)	<u>\$ (28,079,161)</u>	<u>\$ (21,898,058)</u>	<u>\$ (6,181,103)</u>	28.23 %

Current and other assets increased during the year by \$5,819,139. This increase is primarily due to an increase in the District's cash position as a result of current year operations.

Capital assets, net decreased by \$607,184, as compared to the prior year. The decrease was the result of depreciation net of improvements to facilities and capital asset acquisitions. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

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

Current and other liabilities increased by \$4,413,235, as compared to the prior year. The increase was primarily attributable to an increase in accounts payable, as well as a higher payable to the teachers' retirement system, as a result of a higher contribution rate.

Long-term liabilities decreased by \$121,307, as compared to the prior year. The decrease was primarily the result of repayment of bond and installment purchase debt, as well as a decrease in workers' compensation liability, which was offset by an increase in the compensated absences.

Net other postemployment benefits (OPEB) obligation increased by \$7,101,130, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 14 "Postemployment Benefits", provides additional information.

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

	<u>Increase (Decrease)</u>
Capital asset additions - total	\$ 1,675,634
Principal debt reduction of construction bonds	145,000
Principal debt reduction of installment purchase debt	154,525
Depreciation expense	<u>(2,282,818)</u>
	<u>\$ (307,659)</u>

The restricted amount of \$21,830,863 relates to the District's reserves and other restricted amounts. This number increased over the prior year by \$1,249,752 as funds contributed to the reserves exceeded amount appropriated and used to fund current year operation and capital construction.

The unrestricted deficit amount of \$(64,645,253) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. The deficit increased over the prior year by \$7,123,196.

The Districts total net position decreased by \$6,181,103; \$(28,079,161) at June 30, 2014, compared to \$(21,898,058) at June 30, 2013.

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

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2014 and 2013 is as follows:

	2014	2013	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 1,039,965	\$ 1,197,022	\$ (157,057)	(13.12)%
Operating Grants	4,796,617	4,359,127	437,490	10.04 %
General Revenues				
Real Property Taxes & STAR	98,810,092	96,087,015	2,723,077	2.83 %
State Sources	11,875,068	11,499,019	376,049	3.27 %
Other	834,082	1,209,357	(375,275)	(31.03)%
Total Revenues	<u>117,355,824</u>	<u>114,351,540</u>	<u>3,004,284</u>	2.63 %
Expenses				
General Support	14,905,366	13,248,418	1,656,948	12.51 %
Instruction	96,866,868	91,988,995	4,877,873	5.30 %
Pupil Transportation	9,866,208	9,748,209	117,999	1.21 %
Debt Service - Interest	186,752	217,087	(30,335)	(13.97)%
Food Service Program	1,711,733	1,571,121	140,612	8.95 %
Total Expenses	<u>123,536,927</u>	<u>116,773,830</u>	<u>6,763,097</u>	5.79 %
Change in Net Position	<u>\$ (6,181,103)</u>	<u>\$ (2,422,290)</u>	<u>\$ (3,758,813)</u>	155.18 %

The change in net position represents the District's operating profit or loss on the accrual basis of accounting. The District's net position decreased by \$6,181,103 and \$2,422,290 for the years ended June 30, 2014 and 2013, respectively.

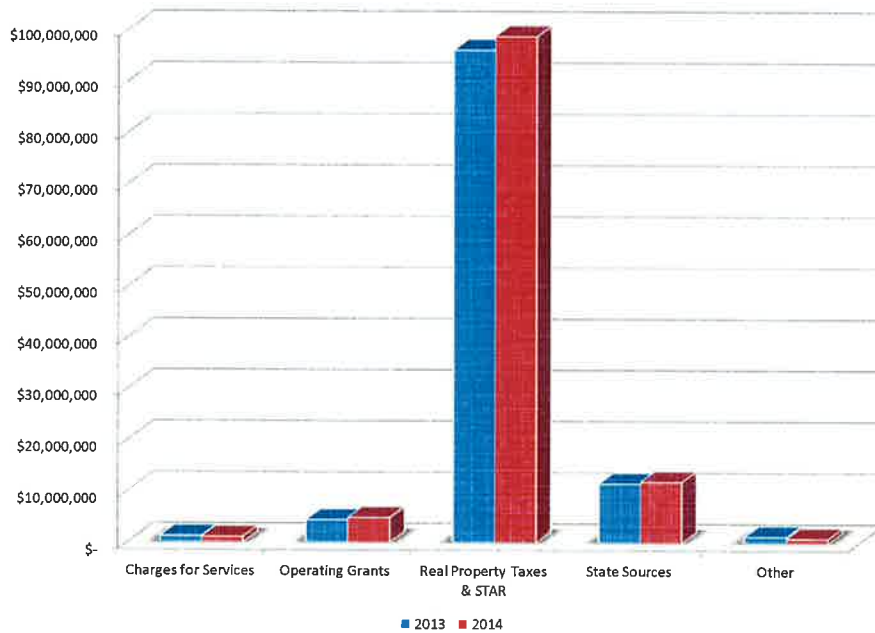
The District's revenues increased by \$3,004,284 or 2.63%. The increase in property taxes and STAR was the primary cause of this increase.

The District's expenses increased by \$6,763,097 or 5.79%. The increases in the general support and instruction areas were primarily the result of increased costs in central services, programs for children with disabilities and employee benefits.

As indicated on the graphs that follow, real property taxes and STAR comprise the largest component of revenues recognized, (i.e., 84.2% and 84.0% of the total for the years ended June 30, 2014 and 2013, respectively). Instruction expenses is the largest category of expenses incurred, comprising (i.e., 78.3% and 78.9% of the total for the years ended June 30, 2014 and 2013, respectively). The graphs demonstrate that the components of revenues and expenses are relatively consistent for both years.

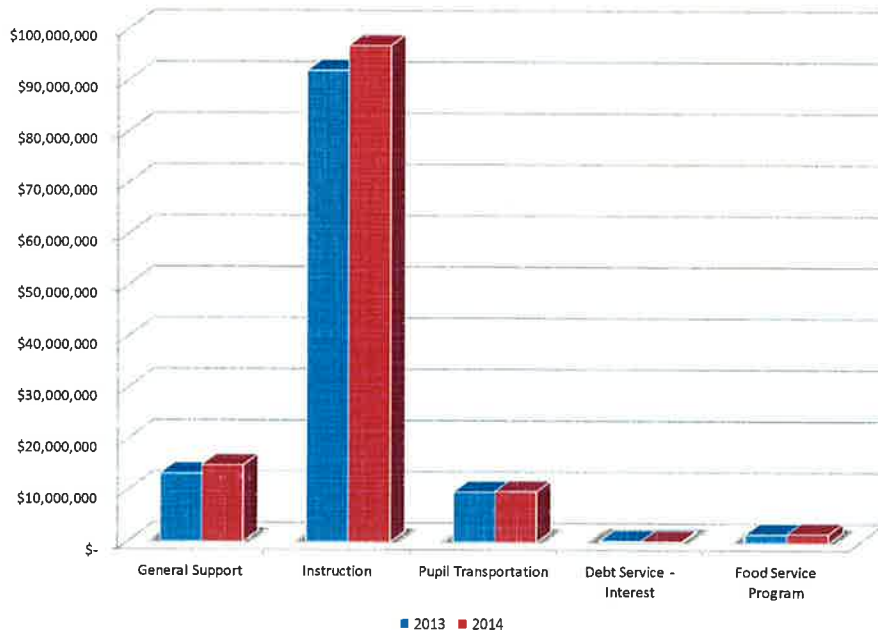
HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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



	Charges for Services	Operating Grants	Real Property Taxes & STAR	State Sources	Other
2013	1.0%	3.8%	84.0%	10.1%	1.1%
2014	0.9%	4.1%	84.2%	10.1%	0.7%

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2013	11.3%	78.9%	8.3%	0.2%	1.3%
2014	12.1%	78.3%	8.0%	0.2%	1.4%

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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2014, the District's governmental funds reported a combined fund balance of \$28,954,166, which is an increase of \$1,343,297 over the prior year. This increase is due to an excess of revenues over expenditures based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2014	2013	Increase (Decrease)
General Fund			
Restricted:			
Workers' compensation	\$ 3,354,316	\$ 3,352,305	\$ 2,011
Unemployment insurance	317,294	317,104	190
Retirement contribution	3,241,714	3,172,839	68,875
Employee benefit accrued liability	1,926,738	1,666,587	260,151
Capital	7,089,754	6,959,159	130,595
Repairs	242,010	201,889	40,121
Assigned:			
Appropriated fund balance	2,049,074	2,180,953	(131,879)
Unappropriated fund balance	288,182	223,663	64,519
Unassigned: Fund balance	4,704,574	4,588,183	116,391
	<u>23,213,656</u>	<u>22,662,682</u>	<u>550,974</u>
School Lunch Fund			
Nonspendable: Inventory	5,646	27,449	(21,803)
Assigned: Unappropriated fund balance	6,035	9,510	(3,475)
	<u>11,681</u>	<u>36,959</u>	<u>(25,278)</u>
Debt Service Fund			
Restricted: Debt service	<u>246,365</u>	<u>246,065</u>	<u>300</u>
Capital Projects Fund			
Restricted: Capital	5,412,672	4,665,163	747,509
Assigned: Unappropriated fund balance	69,792	69,792	69,792
	<u>5,482,464</u>	<u>4,665,163</u>	<u>817,301</u>
Total Fund Balance	<u>\$ 28,954,166</u>	<u>\$ 27,610,869</u>	<u>\$ 1,343,297</u>

A. General Fund

The general fund - fund balance increased by \$550,974 as compared to an increase of \$4,087,784 in the prior year. The 2014 revenue of \$112,196,928 was \$2,728,874 more than in the prior year. The increase was primarily in property tax and STAR. Expenditures of \$111,645,954 were \$6,265,684 higher than in the prior year, with the most significant increases in central services, programs for children with disabilities and employee benefits.

The District has two capital reserve funds. The building improvement fund - 2008 has been fully funded and the remaining balance after transfers to the capital projects fund for voter approved projects is \$3,088,554. The 2013 building improvement fund has a balance of \$4,001,200 including accumulated interest and can receive additional funding of up to \$6,000,000 through June 30, 2021.

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

B. School Lunch Fund

The school lunch fund - fund balance decreased by \$25,278 as compared to an increase of \$20,175 in the prior year. The District experienced additional costs in providing food service under the Healthy, Hunger-Free Kids Act.

C. Debt Service Fund

The debt service fund - fund balance increased by \$300, as a result of interest earnings.

D. Capital Projects Fund

The capital projects fund - fund balance increased by \$817,301. This was primarily the result of a transfer of \$2,230,184 from the general fund capital reserve for voter authorized funded projects less capital expenditures of \$1,136,342 and a transfer of \$356,603 to the general fund for unspent money on completed projects.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2013-14 Budget

The District's general fund adopted budget for the year ended June 30, 2014, was \$114,707,235. This amount was increased by encumbrances carried forward from the prior year in the amount of \$223,663 and budget revisions of \$2,601,341, for a total final budget of \$117,532,239.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$98,809,854 in estimated property taxes and STAR receipts.

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

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

Opening, Unassigned Fund Balance	\$ 4,588,183
Revenues Under Budget	(459,661)
Expenditures and Encumbrances Under Budget	5,598,103
Net Change in Reserves	(2,972,977)
Appropriated to fund the June 30, 2015 Budget	<u>(2,049,074)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 4,704,574</u></u>

Opening, Unassigned Fund Balance

The \$4,588,183 shown in the table is the portion of the District's June 30, 2013 fund balance that was retained as unassigned. This was 4% of the District's 2013-14 approved operating budget of \$114,707,235.

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

Revenues Under Budget

The 2013-14 final budget for revenues was \$112,656,589. Actual revenues received for the year were \$112,196,928. The total of actual revenue less than estimated or budgeted revenue was \$459,661. This change contributes directly to the change to the general fund unassigned fund balance from June 30, 2013 to June 30, 2014.

Expenditures and Encumbrances Under Budget

The 2013-14 final budget for expenditures, including prior year open encumbrances of \$223,663 as of June 30, 2013, and budget revisions of \$2,601,341, was \$117,532,239. Actual expenditures as of June 30, 2014 were \$111,645,954 and outstanding encumbrances were \$288,182. Combined, the expenditures plus encumbrances for 2013-14 were \$111,934,136. The final budget was under expended by \$5,598,103. The largest under spent item was employee benefits, which was the result of a lower than anticipated increase in health insurance premiums. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2013 to June 30, 2014.

Net Change in Reserves

Monies transferred from budget lines within the general fund operating budget into required reserves do not affect the combined restricted, assigned and unassigned fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers.

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

Transfers to reserves:	
Repairs	\$ 40,000
Retirement Contribution	66,972
Capital - Building Improvement Fund - 2013	2,000,000
Employee Benefit Accrued Liability	500,000
	<u>2,606,972</u>
Capital reserve from capital projects fund for unspent money on completed projects	356,603
Interest on reserve balances	<u>9,402</u>
	<u>\$ 2,972,977</u>

Appropriated Fund Balance

The District has chosen to use \$2,049,074 of its available June 30, 2014 fund balance to partially fund its 2014-15 approved operating budget. As such, the June 30, 2014 unassigned fund balance must be reduced by this amount.

Closing Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2014 was \$4,704,574. The unassigned portion is at the permissible 4.0% statutory maximum.

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

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2014, the District had \$18,343,394 invested in a broad range of capital assets, as indicated in the table below. This amount represents a net decrease of \$607,184 from the prior year. See accompanying Notes to Financial Statements, Note 9 "Capital Assets" for additional information. A summary of the District's capital assets, net of depreciation at June 30, 2014 and 2013, is as follows:

	2014	2013	Increase (Decrease)
Land	\$ 1,545,142	\$ 1,545,142	\$ -
Construction in progress	92,615	92,615	
Buildings and improvements	11,688,075	12,143,672	(455,597)
Site improvements	3,577,637	3,859,661	(282,024)
Furniture and equipment	1,439,925	1,309,488	130,437
Capital assets, net	<u>\$ 18,343,394</u>	<u>\$ 18,950,578</u>	<u>\$ (607,184)</u>

Capital additions for the year ended June 30, 2014, were \$1,675,634. Depreciation expense for the year was \$2,282,818.

B. Debt Administration

At June 30, 2014, the District had total bonds payable of \$2,335,000. The bonds were issued for school building improvements. The decrease in outstanding bonds represents principal payments on all outstanding bonds of \$145,000. A summary of the outstanding bonds at June 30, 2014 and 2013 is as follows:

Issue Date	Interest Rate	2014	2013	Increase (Decrease)
September 2006	4.125 - 4.25%	<u>\$ 2,335,000</u>	<u>\$ 2,480,000</u>	<u>\$ (145,000)</u>

At June 30, 2014, the District had installment purchase debt outstanding of \$1,273,165. This is a decrease from the prior year of \$154,525. The final maturity on this installment debt is 2021.

Included in the District's long-term liabilities are the estimated amounts due for compensated absences and workers' compensation. The compensated absences liability of \$7,400,729 is based on earned employee sick and vacation time through June 30, 2014 and the applicable rates and limitations outlined in the various contracts. The workers' compensation liability of \$2,812,666 is based on an actuarial valuation of the District's claims prepared at June 30, 2014.

Moody's Investors Service, Inc. has assigned a credit rating of Aa2 to the District's debt. The District's total outstanding indebtedness did not exceed the District's debt limit of \$498,544,866, which is defined as 10% of the full valuation of the taxable real property within the District.

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

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

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 20, 2014, for the year ending June 30, 2015, is \$117,614,370. This is an increase of \$2,907,135 or 2.53% over the previous year's budget. The main areas of change are in increases in instruction and employee benefits.

The District budgeted revenues other than property taxes and STAR at a \$634,928 increase compared to the prior year's estimate. This increase is principally due to an estimated increase in state aid. Additionally, the assigned, appropriated fund balance applied to the June 30, 2015 budget in the amount of \$2,049,074 is a \$131,879 decrease from the previous year. Reserves of \$800,000 were also applied to the budget. A property tax increase of 1.62% was needed to meet the revenue shortfall and cover the increase in projected expenditures.

B. Future Budgets

Significant increases in costs of employee benefits, particularly teachers' retirement system contributions and health insurance, the property tax cap, and uncertainty in state aid and federal funds will greatly impact the District's future budgets.

C. Tax Cap

Chapter 97 of the 2011 Laws of New York limits, for a five year period, the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation starting with for the 2012-13 fiscal year. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. The 1.62% increase in the 2014-15 levy is compliant with the tax cap.

8. CONTACTING THE DISTRICT

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

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

HUNTINGTON UNION FREE SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

ASSETS

Cash	
Unrestricted	\$ 14,927,820
Restricted	21,830,863
Receivables	
Accounts receivable	36,184
Due from state and federal	3,305,625
Due from other governments	347,506
Other assets	426,330
Inventory	5,646
Capital assets not being depreciated	1,637,757
Capital assets being depreciated, net of accumulated depreciation	16,705,637
	<hr/>
Total Assets	59,223,368

LIABILITIES

Payables	
Accounts payable	2,956,114
Accrued liabilities	435,473
Retainage payable	
Due to fiduciary funds	6,499
Due to other governments	579
Due to teachers' retirement system	6,921,205
Due to employees' retirement system	721,346
Compensated absences payable	250,032
Long-term liabilities	
Due and payable within one year	
Bonds payable	150,000
Installment purchase debt	160,824
Compensated absences payable	124,194
Workers' compensation liabilities	140,633
Due and payable after one year	
Bonds payable	2,185,000
Installment purchase debt	1,112,341
Compensated absences payable	7,276,535
Workers' compensation liabilities	2,672,033
Net other postemployment benefits obligation	62,189,721
	<hr/>
Total Liabilities	87,302,529

NET POSITION

Net investment in capital assets	14,735,229
	<hr/>
Restricted	
Workers' compensation	3,354,316
Unemployment insurance	317,294
Retirement contribution	3,241,714
Employee benefit accrued liability	1,926,738
Capital	12,502,426
Repairs	242,010
Debt service	246,365
	<hr/>
	21,830,863
	<hr/>
Unrestricted (deficit)	(64,645,253)
	<hr/>
Total Net Position (Deficit)	\$ (28,079,161)

HUNTINGTON UNION FREE SCHOOL DISTRICT

Statement of Activities

For The Year Ended June 30, 2014

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants	Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
Governmental Activities:				
General support	\$ 14,905,366	\$	\$	\$ (14,905,366)
Instruction	96,866,868	439,000	3,719,856	(92,708,012)
Pupil transportation	9,866,208			(9,866,208)
Debt service - interest	186,752			(186,752)
Food service program	1,711,733	600,965	1,076,761	(34,007)
Total Governmental Activities	<u>\$ 123,536,927</u>	<u>\$ 1,039,965</u>	<u>\$ 4,796,617</u>	<u>(117,700,345)</u>
GENERAL REVENUES				
Real property taxes				88,304,711
Other tax items				10,665,902
Use of money and property				130,387
Sale of property and compensation for loss				92,697
Miscellaneous				450,477
State sources				11,875,068
Total General Revenues				<u>111,519,242</u>
Change in Net Position				(6,181,103)
Total Net Position (Deficit) - Beginning of Year				<u>(21,898,058)</u>
Total Net Position (Deficit) - End of Year				<u>\$ (28,079,161)</u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2014

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 12,948,652	\$ 1,754,721	\$ 224,447	\$	\$	\$ 14,927,820
Restricted	21,360,391			246,365	224,107	21,830,863
Receivables						
Accounts receivable	13,892		22,292			36,184
Due from other funds	3,386,309				5,282,051	8,668,360
Due from state and federal	1,634,177	1,574,357	97,091			3,305,625
Due from other governments	347,506					347,506
Other assets	426,330					426,330
Inventory			5,646			5,646
Total Assets	<u>\$ 40,117,257</u>	<u>\$ 3,329,078</u>	<u>\$ 349,476</u>	<u>\$ 246,365</u>	<u>\$ 5,506,158</u>	<u>\$ 49,548,334</u>
LIABILITIES						
Payables						
Accounts payable	\$ 2,704,162	\$ 169,788	\$ 58,470	\$	\$ 23,694	\$ 2,956,114
Accrued liabilities	366,711	49,235	2,492			418,438
Retainage payable						-
Due to other funds	5,288,550	3,110,055	276,254			8,674,859
Due to other governments			579			579
Due to teachers' retirement system	6,921,205					6,921,205
Due to employees' retirement system	721,346					721,346
Compensated absences payable	250,032					250,032
Total Liabilities	<u>16,252,006</u>	<u>3,329,078</u>	<u>337,795</u>	<u>-</u>	<u>23,694</u>	<u>19,942,573</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred revenues	651,595					651,595
Total Deferred Inflows of Resources	<u>651,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>651,595</u>
FUND BALANCES						
Nonspendable: Inventory			5,646			5,646
Restricted:						
Workers' compensation	3,354,316					3,354,316
Unemployment insurance	317,294					317,294
Retirement contribution	3,241,714					3,241,714
Employee benefit accrued liability	1,926,738					1,926,738
Capital	7,089,754				5,412,672	12,502,426
Repairs	242,010					242,010
Debt service				246,365		246,365
Assigned:						
Appropriated fund balance	2,049,074					2,049,074
Unappropriated fund balance	288,182		6,035		69,792	364,009
Unassigned: Fund balance	4,704,574					4,704,574
Total Fund Balances	<u>23,213,656</u>	<u>-</u>	<u>11,681</u>	<u>246,365</u>	<u>5,482,464</u>	<u>28,954,166</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 40,117,257</u>	<u>\$ 3,329,078</u>	<u>\$ 349,476</u>	<u>\$ 246,365</u>	<u>\$ 5,506,158</u>	<u>\$ 49,548,334</u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2014

Total Governmental Fund Balances	\$ 28,954,166
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Amounts reported for governmental activities in the
Statement of Net Position are different because:

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

Original cost of capital assets	\$ 56,767,929	
Accumulated depreciation	<u>(38,424,535)</u>	
		18,343,394

Some of the District's revenues will be collected after year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds.	651,595
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Accrued interest on bonds payable	(17,035)	
Bonds payable	(2,335,000)	
Installment purchase debt	(1,273,165)	
Compensated absences	(7,400,729)	
Workers' compensation liabilities	(2,812,666)	
Net other postemployment benefits obligation	<u>(62,189,721)</u>	
		<u>(76,028,316)</u>

Total Net Position (Deficit)	<u><u>\$ (28,079,161)</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, 2014

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 88,304,711	\$	\$	\$	\$	\$ 88,304,711
Other tax items	10,665,902					10,665,902
Charges for services	378,580					378,580
Use of money and property	129,846		241	300		130,387
Sale of property and compensation for loss	34,353				58,344	92,697
Miscellaneous	450,114		103,515			553,629
State sources	11,875,068	1,504,145	34,035			13,413,248
Federal sources		2,215,711	929,127			3,144,838
Surplus food			113,599			113,599
Sales - school lunch			497,450			497,450
Total Revenues	111,838,574	3,719,856	1,677,967	300	58,344	117,295,041
EXPENDITURES						
General support	10,690,729					10,690,729
Instruction	59,848,441	3,607,558				63,455,999
Pupil transportation	9,482,027	291,901				9,773,928
Employee benefits	28,703,400					28,703,400
Debt service						
Principal	154,525			145,000		299,525
Interest	85,126			103,450		188,576
Cost of sales			1,703,245			1,703,245
Capital outlay					1,136,342	1,136,342
Total Expenditures	108,964,248	3,899,459	1,703,245	248,450	1,136,342	115,951,744
Excess (Deficiency) of Revenues Over Expenditures	2,874,326	(179,603)	(25,278)	(248,150)	(1,077,998)	1,343,297
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in	358,354	181,354		248,450	2,251,902	3,040,060
Operating transfers (out)	(2,681,706)	(1,751)			(356,603)	(3,040,060)
Total Other Financing Sources and (Uses)	(2,323,352)	179,603	-	248,450	1,895,299	-
Net Change in Fund Balances	550,974	-	(25,278)	300	817,301	1,343,297
Fund Balances - Beginning of year	22,662,682	-	36,959	246,065	4,665,163	27,610,869
Fund Balances - End of year	\$ 23,213,656	\$ -	\$ 11,681	\$ 246,365	\$ 5,482,464	\$ 28,954,166

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, 2014

Net Change in Fund Balances \$ 1,343,297

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

Long-Term Revenue and Expense Differences

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the net amount by which deferred revenues increased in the period. \$ 60,783

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position.

Decrease in workers' compensation liabilities 227,501

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

Increase in compensated absences liability	(405,719)	
Increase in net other postemployment benefit obligation	(7,101,130)	
	(7,101,130)	(7,218,565)

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 Position and allocated over their useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays in the period.

Capital outlays	1,675,634	
Depreciation expense	(2,282,818)	
	(607,184)	(607,184)

Long-Term Debt Transaction Differences

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

Repayment of bonds payable	145,000	
Repayment of installment purchase debt	154,525	

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, 2013 to June 30, 2014.

	1,824	
		301,349

Change in Net Position of Governmental Activities		\$ (6,181,103)
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HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2014

	<u>Agency</u>	<u>Private Purpose Trusts</u>
ASSETS		
Cash	\$ 1,361,513	\$
Due from other funds	<u>6,499</u>	<u>1,055,550</u>
Total Assets	<u><u>\$ 1,368,012</u></u>	<u><u>1,055,550</u></u>
LIABILITIES		
Extraclassroom activity balances	\$ 262,661	
Due to other funds	1,055,550	
Other liabilities	<u>49,801</u>	
Total Liabilities	<u><u>\$ 1,368,012</u></u>	<u><u>-</u></u>
NET POSITION		
Restricted for scholarships		
Expendable trust funds		170,382
Non-expendable trust funds		<u>885,168</u>
Total Net Position		<u><u>\$ 1,055,550</u></u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2014

	Private Purpose Trusts
	<u> </u>
ADDITIONS	
Contributions	\$ 154,577
Investment earnings	<u>1,585</u>
	<u> </u>
Total Additions	<u>156,162</u>
	<u> </u>
DEDUCTIONS	
Scholarships and awards	<u>15,454</u>
	<u> </u>
Change in Net Position	140,708
	<u> </u>
Net Position - Beginning of year	<u>914,842</u>
	<u> </u>
Net Position - End of Year	<u><u>\$ 1,055,550</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. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. The District reports these assets held by it as agent for the extraclassroom organizations in the Statement of Fiduciary Net Position - Fiduciary Fund. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

B. Joint Venture

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

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

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

C. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants, if applicable.

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

Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

E. Real Property Taxes

Calendar

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

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

Enforcement

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

F. Restricted Resources

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

F. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

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

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

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

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of long-lived assets.

H. Cash and Cash Equivalents

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

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

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

I. Receivables

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

J. Inventory

Inventory of food in the school lunch fund is recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Inventory is accounted for on the consumption method.

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

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

K. Other Assets

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

L. Capital Assets

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

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

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

M. Deferred Revenues

Deferred revenues are reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. In subsequent periods, when the availability criterion is met, deferred revenues are reclassified as revenues. In the District-wide financial statements, deferred revenues are treated as revenues.

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

N. Vested Employee Benefits – Compensated Absences

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

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

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods.

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, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30th.

O. Other Benefits

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

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

In addition to providing pension benefits, the District provides postemployment 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 governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

P. Short-Term Debt

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

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

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

Q. Equity Classifications

District-Wide Statements

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

Net investment in capital assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction and improvements of those assets.

Restricted – reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

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

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

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

Workers' Compensation Reserve

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

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

Unemployment Insurance Reserve

Unemployment Insurance Reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is accounted for in the general fund.

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The reserve is accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

Capital Reserve

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

Repairs Reserve

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

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

Restricted for Debt Service

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 debt service fund and held until appropriated for debt payments. These restricted amounts are accounted for in the debt service fund.

Restricted for Scholarships

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

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year's budget. Assigned fund balance also includes encumbrances not classified as restricted at the end of the fiscal year.

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

Fund Balance Classification

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

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

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

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

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year.

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

Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

Transfer to capital projects fund funded by capital reserve as approved by the voters	\$ 2,230,184
Contingent expenditures funded by donations	59,054
Storm clean-up and other repairs funded by insurance recoveries	31,253
Contingent expenditures funded by New York State grant	40,000
Appropriations for compensated absences funded by the employee benefit accrued liability reserve	<u>240,850</u>
	<u>\$ 2,601,341</u>

Budgets are adopted annually on a basis consistent with GAAP.

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

B. Encumbrances

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

C. Over Expenditure of Certain Appropriations

Certain general fund appropriations were over expended. These were in the following appropriation categories of the budget: general support and instruction. The general fund budget in total was not over expended.

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.

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

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

- 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.

5. PARTICIPATION IN BOCES

During the year ended June 30, 2014, the District was billed \$9,450,572 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,014,691. Financial statements for the BOCES are available from the BOCES administrative offices at 507 Deer Park Road, P.O. Box 8007, Huntington Station, NY 11746-9007.

6. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2014 consisted of:

General Fund	
New York State aid	\$ 619,485
BOCES aid	<u>1,014,692</u>
	1,634,177
Special Aid Fund	
Federal and State grants	1,574,357
School Lunch Fund	
Federal and State food service program reimbursements	<u>97,091</u>
	<u>\$ 3,305,625</u>

7. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2014 consisted of:

General Fund	
School districts	<u>\$ 347,506</u>

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

8. OTHER ASSETS

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

At June 30, 2014, total cash surrender value for these policies amounted to \$426,330, which has been recorded as other assets in the general fund. The corresponding revenue to this receivable is included in deferred revenues and will be recognized in the year that the proceeds are received.

9. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2014, were as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,545,142	\$	\$	\$ 1,545,142
Construction in progress	92,615			92,615
Total capital assets not being depreciated	1,637,757	-	-	1,637,757
Capital assets being depreciated				
Buildings and improvements	40,864,221	1,136,342		42,000,563
Site improvements	5,858,879			5,858,879
Furniture and equipment	7,105,001	539,292	(373,563)	7,270,730
Total capital assets being depreciated	53,828,101	1,675,634	(373,563)	55,130,172
Less accumulated depreciation for:				
Buildings and improvements	28,720,549	1,591,939		30,312,488
Site improvements	1,999,218	282,024		2,281,242
Furniture and equipment	5,795,513	408,855	(373,563)	5,830,805
Total accumulated depreciation	36,515,280	2,282,818	(373,563)	38,424,535
Total capital assets, being depreciated, net	17,312,821	(607,184)	-	16,705,637
Capital assets, net	\$ 18,950,578	\$ (607,184)	\$ -	\$ 18,343,394

Depreciation expense was charged to governmental functions as follows:

General support	\$ 44,687
Instruction	2,229,643
Food service program	8,488
Total depreciation expense	\$ 2,282,818

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

10. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2014, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 3,386,309	\$ 5,288,550	\$ 358,354	\$ 2,681,706
Special Aid Fund		3,110,055	181,354	1,751
School Lunch Fund		276,254		
Debt Service Fund			248,450	
Capital Projects Fund	5,282,051		2,251,902	356,603
Total Governmental Funds	8,668,360	8,674,859	3,040,060	3,040,060
Agency Fund	6,499	1,055,550		
Private Purpose Trust Fund	1,055,550			
Total Fiduciary Funds	1,062,049	1,055,550	-	-
Total	\$ 9,730,409	\$ 9,730,409	\$ 3,040,060	\$ 3,040,060

The District typically transfers from the general fund to the special aid fund and the debt service fund in accordance with the general fund budget. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities. The transfer to the debt service fund was for repayment of principal and interest on outstanding bond indebtedness. The transfer to the capital projects fund was for the May 20, 2014 voter-approved capital projects in the amount of \$2,230,184; the balance was the emergency related operating transfer. The transfer from the special aid fund was for the indirect cost chargeback allowable under the grants awarded. The transfer from the capital fund was to transfer the unspent funds from prior years' completed projects back to the general fund.

11. SHORT-TERM DEBT

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

	Maturity	Stated Interest Rate	Balance June 30, 2013	Issued	Redeemed	Balance June 30, 2014
TAN	6/27/14	1.00%	\$	\$ 22,000,000	\$ (22,000,000)	\$

Interest expense on short-term debt for the year was \$26,933. The TAN carried a stated rate of 1.00% and paid a premium of \$124,300 for an effective net interest rate of 0.17%.

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

12. LONG-TERM LIABILITIES

A. Changes

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

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 2,480,000	\$	\$ (145,000)	\$ 2,335,000	\$ 150,000
Installment purchase debt	1,427,690		(154,525)	1,273,165	160,824
Other long-term liabilities:					
Compensated absences	6,995,010	405,719		7,400,729	124,194
Workers' compensation	3,040,167	179,322	(406,823)	2,812,666	140,633
	<u>\$ 13,942,867</u>	<u>\$ 585,041</u>	<u>\$ (706,348)</u>	<u>\$ 13,821,560</u>	<u>\$ 575,651</u>

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

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2014
Construction	9/2006	6/2026	4.125 - 4.25%	<u>\$ 2,335,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 150,000	\$ 97,469	\$ 247,469
2016	160,000	91,281	251,281
2017	165,000	84,681	249,681
2018	170,000	77,875	247,875
2019	180,000	70,863	250,863
2020-2024	1,030,000	235,656	1,265,656
2025-2026	480,000	30,813	510,813
Total	<u>\$ 2,335,000</u>	<u>\$ 688,638</u>	<u>\$ 3,023,638</u>

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

C. Installment Purchase Debt

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2014
Energy Performance Contract	3/2005	6/2021	4.076%	<u>\$ 1,273,165</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 160,824	\$ 51,894	\$ 212,718
2016	167,379	45,339	212,718
2017	174,201	38,517	212,718
2018	181,301	31,416	212,717
2019	188,691	24,027	212,718
2020-2021	<u>400,769</u>	<u>24,666</u>	<u>425,435</u>
Total	<u>\$ 1,273,165</u>	<u>\$ 215,859</u>	<u>\$ 1,489,024</u>

D. Interest Expense

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

Interest paid	\$ 161,643
Less interest accrued in the prior year	(18,859)
Plus interest accrued in the current year	<u>17,035</u>
Total interest expense on long-term debt	<u>\$ 159,819</u>

13. 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 provide retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

B. Provisions and Administration

Teachers' Retirement System

The NYSTRS is administered by the New York State Teachers' Retirement Board. The NYSTRS 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. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

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

Employees' Retirement System

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the NYSERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the NYSERS and for the custody and control of its funds. The NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to NYSERS or 3.5% of their salary to NYSTRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on salaries paid. For the NYSTRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the fiscal year ended June 30. For the NYSERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the NYSERS' fiscal year ending March 31.

The District's share of the required contributions, based on each year's covered payroll, for the current year and two preceding years was:

<u>Year</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2014	\$ 6,686,748	\$ 2,428,021
2013	4,855,866	2,428,737
2012	4,429,859	1,570,365

The District contributions made to the systems were equal to 100% of the contributions required for each year.

D. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2014, totaled \$393,850 and \$2,359,419, respectively.

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

E. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for administrators, central office staff, teachers and chairs. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2014 totaled \$446,195.

14. POSTEMPLOYMENT BENEFITS

A. Plan Description

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

B. Funding Policy

The District assumes between 60% and 100% of the premiums in accordance with employment contracts and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). For the year ended June 30, 2014, the District recognized a general fund expenditure of \$5,707,304 for insurance premiums for 622 currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the “pay as you go” method.

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution (ARC)	\$ 14,518,207
Interest on net OPEB obligation	2,169,002
Adjustment to ARC	<u>(3,878,775)</u>
Annual OPEB cost (expense)	12,808,434
Contributions made	<u>(5,707,304)</u>
 Increase in net OPEB obligation	 7,101,130
Net OPEB obligation - beginning of year	<u>55,088,591</u>
 Net OPEB obligation - end of year	 <u>\$ 62,189,721</u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014 and preceding two years are as follows:

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 12,808,434	44.6%	\$ 62,189,721
June 30, 2013	13,528,981	41.7%	55,088,591
June 30, 2012	16,791,131	35.6%	47,205,068

D. Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$165,292,163 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$165,292,163. The covered payroll (annual payroll of active employees covered by the plan) was \$51,662,248, and the ratio of the UAAL to the covered payroll was 319.9%.

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

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate and an annual healthcare cost trend rate of 8% (Pre 65) and -4.75% (Post 65) initially, increased to 9% in the second year and then it is reduced by 1.0% decrements to an ultimate rate of 5% after four years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

15. RISK MANAGEMENT

A. General Information

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

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

B. Risk Retention

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unreported claims which were incurred on or before year end but not reported (IBNR). Claims activity is summarized below:

	<u>2013</u>	<u>2014</u>
Unpaid claims at beginning of year	\$ 2,740,855	\$ 3,040,167
Incurred claims and claim adjustment expenses	790,949	179,322
Claim payments	<u>(491,637)</u>	<u>(406,823)</u>
Unpaid claims at year end	<u>\$ 3,040,167</u>	<u>\$ 2,812,666</u>

16. RESTRICTED FUND BALANCE - APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2014 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2015:

Workers' Compensation	\$ 500,000
Unemployment Insurance	25,000
Retirement Contributions	<u>275,000</u>
Unpaid claims at year end	<u>\$ 800,000</u>

17. ASSIGNED APPROPRIATED FUND BALANCE

The amount of \$2,049,074 has been appropriated to reduce taxes for the year ending June 30, 2015.

18. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2014, the District encumbered the following amounts:

Restricted Fund Balance	
Capital Projects Fund	
Capital projects	<u>\$ 1,381,867</u>
Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	85,961
Instruction	<u>202,221</u>
	<u>288,182</u>
Capital Projects Fund	
Capital projects	<u>69,792</u>
	<u>\$ 1,739,841</u>

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

B. Grants

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

C. Litigation

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

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was approximately \$297,482. The minimum remaining operating lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 291,950
2016	267,567
2017	202,037
2018	13,212
2019	<u>2,801</u>
	<u>\$ 777,567</u>

19. SUBSEQUENT EVENTS

On October 16, 2014, the District sold tax anticipation notes with an issue date of October 27, 2014 in the amount of \$20,000,000, which are due June 26, 2015, and bear interest at a stated rate of 1.0%. The District received premiums of \$114,000 with the borrowing to yield an effective interest of 0.141%.

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, 2014

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 98,809,854	\$ 88,304,473	\$ 88,304,711	\$ 238
Other tax items	157,113	10,662,494	10,665,902	3,408
Charges for services	837,000	837,000	378,580	(458,420)
Use of money and property	210,000	210,000	129,846	(80,154)
Sale of property and compensation for loss		31,253	34,353	3,100
Miscellaneous	250,000	309,054	450,114	141,060
Total Local Sources	100,263,967	100,354,274	99,963,506	(390,768)
State Sources	11,972,315	12,012,315	11,875,068	(137,247)
Total Revenues	112,236,282	112,366,589	111,838,574	(528,015)
OTHER SOURCES				
Operating transfers in	290,000	290,000	358,354	68,354
Total Revenues and Other Sources	112,526,282	112,656,589	112,196,928	\$ (459,661)
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	2,180,953	2,180,953		
Prior Year's Encumbrances	223,663	223,663		
Appropriated Reserves		2,471,034		
Total Appropriated Fund Balance	2,404,616	4,875,650		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 114,930,898	\$ 117,532,239		

Note to Required Supplementary Information

Budget Basis of Accounting

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

HUNTINGTON UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 48,700	\$ 48,700	\$ 34,573	\$	\$ 14,127
Central administration	283,686	298,686	294,770		3,916
Finance	1,023,437	1,102,327	1,093,974		8,353
Staff	885,867	903,052	837,722		65,330
Central services	7,156,261	7,748,613	7,510,794	85,961	151,858
Special items	904,914	904,914	918,896		(13,982)
Total General Support	10,302,865	11,006,292	10,690,729	85,961	229,602
Instruction					
Instruction, administration & improvement	4,223,266	4,529,678	4,304,721	26,100	198,857
Teaching - regular school	30,943,558	30,206,242	29,238,897	145,165	822,180
Programs for students with disabilities	18,209,057	18,764,392	19,369,295		(604,903)
Occupational education	979,257	979,257	1,014,852		(35,595)
Teaching - special school	190,845	195,345	215,399		(20,054)
Instructional media	1,837,409	1,838,383	1,682,265	30,141	125,977
Pupil services	3,790,324	4,100,979	4,023,012	815	77,152
Total Instruction	60,173,716	60,614,276	59,848,441	202,221	563,614
Pupil Transportation	9,354,168	9,527,668	9,482,027		45,641
Employee Benefits	33,238,980	32,470,250	28,703,400		3,766,850
Debt Service					
Principal	154,526	154,526	154,525		1
Interest	658,193	480,593	85,126		395,467
Total Debt Service	812,719	635,119	239,651		395,468
Total Expenditures	113,882,448	114,253,605	108,964,248	288,182	5,001,175
OTHER USES					
Operating transfers out	1,048,450	3,278,634	2,681,706		596,928
Total Expenditures and Other Uses	\$ 114,930,898	\$ 117,532,239	111,645,954	\$ 288,182	\$ 5,598,103
Net Change in Fund Balance			550,974		
Fund Balance - Beginning of Year			22,662,682		
Fund Balance - End of Year			\$ 23,213,656		

Note to Required Supplementary Information

Budget Basis of Accounting

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

HUNTINGTON UNION FREE SCHOOL DISTRICT
Schedule of Funding Progress for Other Postemployment Benefits (OPEB)
June 30, 2014

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2012	\$ -	\$ 165,292,163	\$ 165,292,163	0%	\$ 51,662,248	319.9%
July 1, 2011 - Update	-	182,802,338	182,802,338	0%	52,915,000	345.5%
July 1, 2010	-	187,917,500	187,917,500	0%	56,630,230	331.8%
July 1, 2009 - Update	-	156,159,018	156,159,018	0%	52,338,096	298.4%
July 1, 2008	-	164,463,546	164,463,546	0%	55,488,404	296.4%

HUNTINGTON UNION FREE SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For The Year Ended June 30, 2014

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 114,707,235
Additions:	
Prior year's encumbrances	<u>223,663</u>
Original Budget	114,930,898
Budget revision	<u>2,601,341</u>
Final Budget	<u><u>\$ 117,532,239</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2014-15 voter-approved expenditure budget	<u><u>\$ 117,614,370</u></u>
Maximum allowed (4% of 2014-15 budget)	<u><u>\$ 4,704,575</u></u>

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

Unrestricted fund balance:		
Assigned fund balance	\$ 2,337,256	
Unassigned fund balance	<u>4,704,574</u>	
		\$ 7,041,830

Less:		
Appropriated fund balance	2,049,074	
Encumbrances	<u>288,182</u>	
Total adjustments		<u><u>2,337,256</u></u>

General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u><u>\$ 4,704,574</u></u>
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Actual Percentage	4.00%
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HUNTINGTON UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures -
Capital Projects Fund
For The Year Ended June 30, 2014

PROJECT TITLE	Budget June 30, 2013	Budget June 30, 2014	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2014
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
2012 HS Science Room #001-027	\$ 480,000	\$ 608,000	\$ 19,272	\$ 33,305	\$ 52,577	\$ 555,423	\$	\$	\$ 608,000	608,000	\$ 555,423
2012 HS Security, Clock & Public Address #001-041	335,000	207,000	11,096	135,167	146,263	60,737			207,000	207,000	60,737
2012 FH Access Control & Security System #002-019	25,000	25,000	962	21,671	22,633	2,367			25,000	25,000	2,367
2012 SD Access, Security & Road Renovations #003-018	630,000	630,000	27,165	27,269	54,434	575,566			630,000	630,000	575,566
2012 WH Fire Alarm & Clock #004-016	185,000	185,000	6,192	163,774	169,966	15,034			185,000	185,000	15,034
2012 WA Access Security, Public Addr & Roads #009-018	350,000	350,000	17,846	105,968	123,814	226,186			350,000	350,000	226,186
2012 JE Access Control & Security System #013-014	25,000	25,000	962	21,290	22,252	2,748			25,000	25,000	2,748
2012 MS Security Clock & Public Address #014-022	242,000	242,000	8,056	208,237	216,293	25,707			242,000	242,000	25,707
2012 JA Security System #017-015	27,000	27,000	1,065	23,798	24,863	2,137			27,000	27,000	2,137
2013 MS Locker Rooms #014-023	560,000	560,000		18,589	18,589	541,411			560,000	560,000	541,411
2013 HS Locker Rooms, Hallway Electrical Upgrades, Wall Repairs & Roof Replacement #001-042	445,000	445,000		14,773	14,773	430,227			445,000	445,000	430,227
2013 JA Fuel Oil Tank #017-016	192,500	192,500		12,925	12,925	179,575			192,500	192,500	179,575
2013 JE Clock System & Stage Wiring #013-015	66,000	66,000		2,384	2,384	63,616			66,000	66,000	63,616
2013 WH Public Address System #004-017	120,000	120,000		4,192	4,192	115,808			120,000	120,000	115,808
2013 WH Modular Purchase #014-018	332,000	332,000		332,000	332,000				332,000	332,000	
2013 Playground Renovation #004-000		80,792		11,000	11,000	69,792			80,792	80,792	69,792
2014 HS Parking Lot Renovations #001-043		1,300,000				1,300,000		33,870	1,266,130	1,300,000	1,300,000
2014 WH Door Replacements #004-019		100,000				100,000			100,000	100,000	100,000
2014 DW Technology & Network Upgrades #7999-001		1,250,000			-	1,250,000			1,250,000	1,250,000	1,250,000
	<u>\$ 4,014,500</u>	<u>\$ 6,745,292</u>	<u>\$ 92,616</u>	<u>\$ 1,136,342</u>	<u>\$ 1,228,958</u>	<u>\$ 5,516,334</u>	<u>\$ -</u>	<u>\$ 33,870</u>	<u>\$ 6,711,422</u>	<u>\$ 6,745,292</u>	<u>5,516,334</u>
Less: State Aid Funding Not Realized											(33,870)
											<u>\$ 5,482,464</u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2014

Capital assets, net	<u>\$ 18,343,394</u>
Deduct:	
Short-term portion of bonds payable	(150,000)
Long-term portion of bonds payable	(2,185,000)
Short-term portion of installment purchase debt	(160,824)
Long-term portion of installment purchase debt	<u>(1,112,341)</u>
	<u>(3,608,165)</u>
Net investment in capital assets	<u><u>\$ 14,735,229</u></u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Huntington Union Free School District (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 22, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Huntington Union Free School District in a separate letter dated October 22, 2014.

Purpose of this Report

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

Cullen & Danowski, LLP

October 22, 2014

