



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

June 30, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Huntington Union Free School District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in Note 2 to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*, as of June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedules of funding progress - other postemployment benefits, the District's proportionate share of the net pension asset/liability, and District contributions on pages 3 through 15 and 53 through 57, 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 58 through 60 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2015 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 21, 2015

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, 2015 in comparison with the year ended June 30, 2014, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

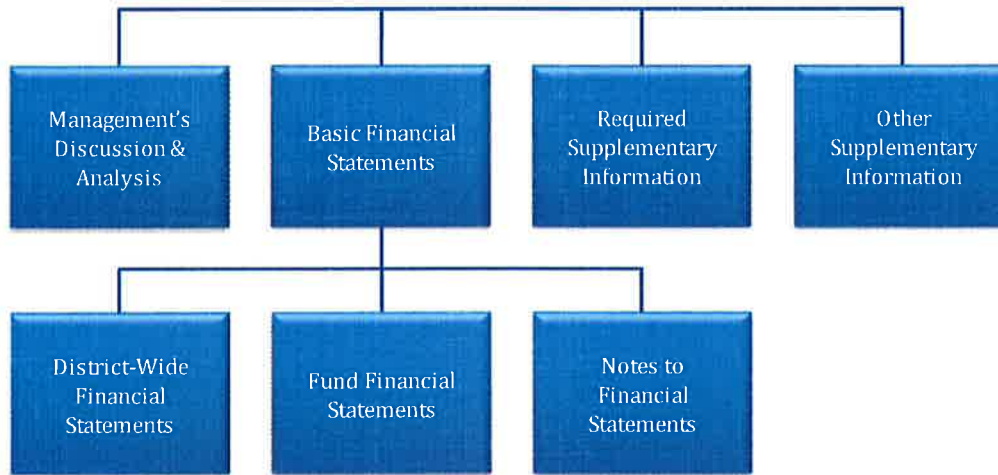
Key financial highlights for fiscal year 2015 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, increased by \$1,665,512. This was due to an excess of revenues over expenses based on the accrual basis of accounting.
- The District's total net position at June 30, 2014 was restated and increased by \$6,676,284. This was due to a \$7,333,926 increase as a result of the required implementation of the new GASB accounting standards during the 2015 fiscal year, offset by a decrease of \$657,642 to capital assets due to a physical inventory valuation. These restatements have no impact on the governmental funds financial statements.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$118,711,958. Of this amount, \$6,495,232 was offset by program charges for services and operating grants. General revenues of \$113,882,238 amounted to 94.60% of total revenues.
- The District received \$4,275,106 in operating grants to support instructional programs.
- The general fund's total fund balance, as reflected in the fund financial statements on the balance sheet, increased by \$1,972,569 to \$25,186,225. This was due to an excess of revenues over expenditures based on the modified accrual basis of accounting.
- On the balance sheet, the general fund's unassigned fund balance at year end was \$4,814,318. This represents an increase of \$109,744 over the prior year. The unassigned fund balance at year end is at the statutory 4% limit authorized by New York State Law.
- In April 2015, the District refunded \$2,185,000 of its outstanding general obligation debt with interest rates of 4.125% - 4.25%. The new refunding bonds bear interest at rates of 2.0% - 4.0%. The issuance of the new debt of \$2,055,000 results in a net economic benefit to the District of approximately \$227,000.

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 deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities

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

B. Fund Financial Statements

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

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

Governmental Funds

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period 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.

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 increased by \$1,665,512 between fiscal year 2015 and 2014, as restated. A summary of the District's Statements of Net Position follows. The June 30, 2014 net position has been increased by \$6,676,284. This is the result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68* and an adjustment due to a third party physical inventory valuation. Additionally, the June 30, 2014 balances reflect net pension assets and liabilities and deferred outflows of resources in accordance with the new GASB statements.

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

	2015	As Restated 2014	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 40,558,854	\$ 40,879,974	\$ (321,120)	(0.79)%
Capital Assets, Net	18,800,773	17,685,752	1,115,021	6.30 %
Net Pension Asset - Proportionate Share	31,076,115	1,829,394	29,246,721	1598.71 %
Total Assets	90,435,742	60,395,120	30,040,622	49.74 %
Deferred Outflows of Resources	8,604,305	7,417,809	1,186,496	16.00 %
Current and Other Liabilities	10,758,800	11,291,248	(532,448)	(4.72)%
Long-Term Liabilities	12,454,232	13,821,560	(1,367,328)	(9.89)%
Net Other Postemployment Benefits Obligation	72,802,372	62,189,721	10,612,651	17.06 %
Net Pension Liability - Proportionate Share	1,430,343	1,913,277	(482,934)	(25.24)%
Total Liabilities	97,445,747	89,215,806	8,229,941	9.22 %
Deferred Inflows of Resources	21,331,665		21,331,665	0.00 %
Net Position				
Net Investment in Capital Assets	15,648,432	14,077,587	1,570,845	11.16 %
Restricted	21,930,885	21,830,863	100,022	0.46 %
Unrestricted (Deficit)	(57,316,682)	(57,311,327)	(5,355)	0.01 %
Total Net Position (Deficit)	\$ (19,737,365)	\$ (21,402,877)	\$ 1,665,512	(7.78)%

Current and other assets decreased during the year by \$321,120. This decrease is primarily due to a decrease in the District's cash position as a result of current year operations, offset by an increase in receivables.

Capital assets, net increased by \$1,115,021, as compared to the prior year. The increase was the result of improvements to facilities and capital asset acquisitions net of depreciation. The accompanying Notes to Financial Statements, Note 10 "Capital Assets/Restatement" provides additional information.

Net pension asset – proportionate share increased by \$29,246,721, as compared to the prior year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at June 30, 2014, the measurement date.

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

Current and other liabilities decreased by \$532,448, as compared to the prior year. The decrease was primarily attributable to a decrease in accounts payable, offset by an increase in due to other governments from a state aid overpayment and an increase in the District's liability to the teachers' retirement system resulting from an increase in the current year's contribution rate.

Long-term liabilities decreased by \$1,367,328, as compared to the prior year. The decrease was primarily the result of the repayment of bond and installment purchase debt and decreases to the estimate for compensated absence liability.

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

Net other postemployment benefits (OPEB) obligation increased by \$10,612,651, 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 16 "Postemployment Benefits", provides additional information.

Net pension liability - proportionate share decreased by \$482,934 in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at March 31, 2015, the measurement date.

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

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

	Increase (Decrease)
Capital asset additions	\$ 3,252,611
Principal debt reduction of construction and refunding bonds	295,000
Principal debt reduction of installment purchase debt	160,824
Depreciation expense	<u>(2,137,590)</u>
	<u>\$ 1,570,845</u>

The restricted amount of \$21,930,885 relates to the District's reserves for workers' compensation, unemployment, retirement contribution, employee benefit accrued liability, repair, capital and debt service. This number increased over the prior year by \$100,022 as a result of funds contributed to the reserves of \$3,890,000 and interest earnings of \$4,853, less amounts used to fund current year operations and capital construction of \$3,794,831.

The unrestricted deficit amount of \$(57,316,682) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit increased over the prior year by \$5,355.

The District's total net position deficit decreased by \$1,665,512; \$(19,737,365) at June 30, 2015, compared to \$(21,402,877) at June 30, 2014.

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, 2015 and 2014 is as follows:

	2015	2014	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 998,579	\$ 1,039,965	\$ (41,386)	(3.98)%
Operating Grants	5,496,653	4,796,617	700,036	14.59 %
General Revenues				
Real Property Taxes & STAR	100,414,273	98,810,092	1,604,181	1.62 %
State Sources	12,712,428	11,875,068	837,360	7.05 %
Other	755,537	834,082	(78,545)	(9.42)%
Total Revenues	<u>120,377,470</u>	<u>117,355,824</u>	<u>3,021,646</u>	2.57 %
Expenses				
General Support	13,506,987	14,905,366	(1,398,379)	(9.38)%
Instruction	93,714,433	96,866,868	(3,152,435)	(3.25)%
Pupil Transportation	9,643,455	9,866,208	(222,753)	(2.26)%
Debt Service - Interest	1,084	186,752	(185,668)	(99.42)%
Food Service Program	1,845,999	1,711,733	134,266	7.84 %
Total Expenses	<u>118,711,958</u>	<u>123,536,927</u>	<u>(4,824,969)</u>	(3.91)%
Change in Net Position	<u>\$ 1,665,512</u>	<u>\$ (6,181,103)</u>	<u>\$ 7,846,615</u>	(126.95)%

The change in net position represents the District's operating profit or loss on the accrual basis of accounting. For the year ended June 30, 2015, the operating profit was \$1,665,512, compared to an operating loss of \$6,181,103 in the prior year.

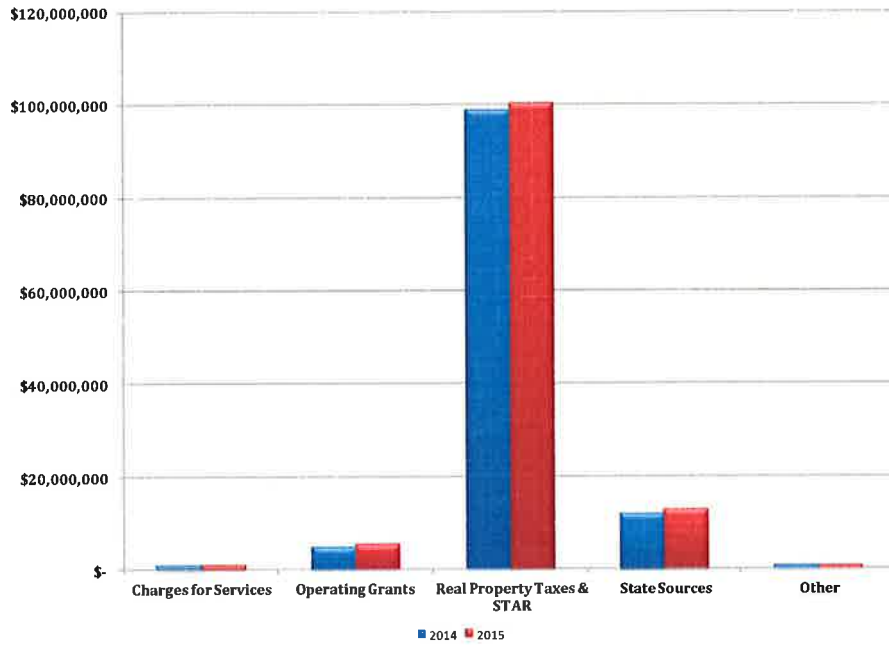
The District's revenues increased by \$3,021,646 or 2.57%. The major contributing factors were the District's increases in property taxes and STAR, state sources and operating grants.

The District's expenses for the year decreased by \$4,824,969 or 3.91%. The major contributing factor to this change was a decrease in pension expense as a result of the implementation of GASB 68 and 71, which reduced expenses \$9,584,487. The 2014 summary of changes in net position was not restated as the information regarding changes from 2013 was not available from the retirement systems. The decrease in pension expense was offset by increases in instructional expenses and other employee benefits compared to the prior year.

As indicated on the graphs that follow, real property taxes and STAR comprise the largest component of revenues recognized, (i.e., 83.4% and 84.2% of the total for the years ended June 30, 2015 and 2014, respectively). Instruction expenses is the largest category of expenses incurred, comprising (i.e., 78.9% and 78.3% of the total for the years ended June 30, 2015 and 2014, respectively). The graphs demonstrate that the components of revenues and expenses are relatively consistent for both years.

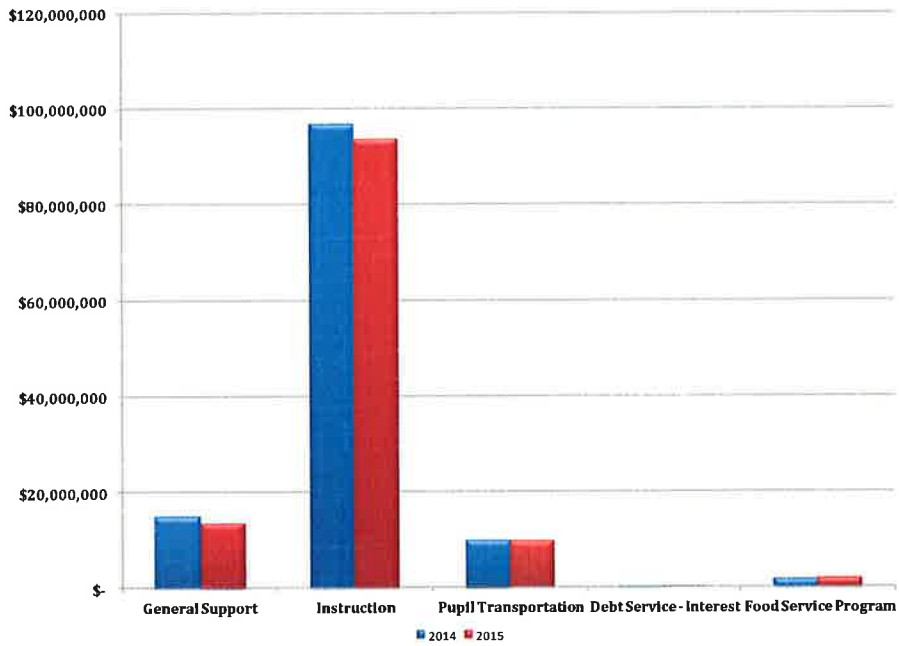
HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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
2014	0.9%	4.1%	84.2%	10.1%	0.7%
2015	0.8%	4.6%	83.4%	10.6%	0.6%

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2014	12.1%	78.3%	8.0%	0.2%	1.4%
2015	11.4%	78.9%	8.1%	0.0%	1.6%

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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2015, the District's governmental funds reported a combined fund balance of \$29,102,936, which is an increase of \$148,770 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:

	2015	2014	Increase (Decrease)
General Fund			
Restricted:			
Workers' compensation	\$ 2,855,323	\$ 3,354,316	\$ (498,993)
Unemployment insurance	299,867	317,294	(17,427)
Retirement contribution	3,817,687	3,241,714	575,973
Employee benefit accrued liability	2,570,803	1,926,738	644,065
Capital	8,199,408	7,089,754	1,109,654
Repairs	282,083	242,010	40,073
Assigned:			
Appropriated fund balance	1,829,014	2,049,074	(220,060)
Unappropriated fund balance	517,722	288,182	229,540
Unassigned: Fund balance	4,814,318	4,704,574	109,744
	<u>25,186,225</u>	<u>23,213,656</u>	<u>1,972,569</u>
School Lunch Fund			
Nonspendable: Inventory	9,575	5,646	3,929
Assigned: Unappropriated fund balance	1,422	6,035	(4,613)
	<u>10,997</u>	<u>11,681</u>	<u>(684)</u>
Debt Service Fund			
Restricted: Debt service	<u>246,365</u>	<u>246,365</u>	<u>-</u>
Capital Projects Fund			
Restricted: Capital	3,659,349	5,412,672	(1,753,323)
Assigned: Unappropriated fund balance	69,792	69,792	(69,792)
	<u>3,659,349</u>	<u>5,482,464</u>	<u>(1,823,115)</u>
Total Fund Balance	<u>\$ 29,102,936</u>	<u>\$ 28,954,166</u>	<u>\$ 148,770</u>

A. General Fund

The net change in the general fund - fund balance is an increase of \$1,972,569. General fund revenues and other sources of \$114,435,489 exceeded expenditures and other uses of \$112,462,920 and contributed to the increase in fund balance. The unassigned fund balance increased over the prior year by \$109,744.

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 \$3,228,008. The 2013 building improvement fund has a balance of \$4,971,400 including accumulated interest and can receive additional funding of up to \$4,000,000 through June 30, 2021.

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

B. School Lunch Fund

The net change in the school lunch fund - fund balance is a decrease of \$684, which is the current year operating loss that includes a general fund transfer of \$101,000.

C. Debt Service Fund

The debt service fund - fund balance remained the same as of June 30, 2015.

D. Capital Projects Fund

The capital projects fund - fund balance decreased by \$1,823,115. This was the result of capital expenditures of \$2,715,588 offset by a transfer from the general fund capital reserve for voter authorized projects. Additionally, \$138,527 of unspent money from completed projects was transferred back to the general fund capital reserve.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2014-15 Budget

The District's general fund adopted budget for the year ended June 30, 2015, was \$117,614,370. This amount was increased by encumbrances carried forward from the prior year in the amount of \$288,182 and budget revisions of \$1,140,446, for a total final budget of \$119,042,998.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$100,413,940 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	\$ 4,704,574
Revenues Under Budget	(439,253)
Expenditures and Encumbrances Under Budget	6,418,869
Net Change in Reserves	(4,040,858)
Appropriated to fund the June 30, 2016 Budget	<u>(1,829,014)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 4,814,318</u></u>

Opening, Unassigned Fund Balance

The \$4,704,574 shown in the table is the portion of the District's June 30, 2014 fund balance that was retained as unassigned. This was 4% of the District's 2014-15 approved operating budget of \$117,614,370.

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

Revenues Under Budget

The 2014-15 final budget for revenues was \$114,874,742. Actual revenues received for the year were \$114,435,489. Actual revenues were less than estimated or budgeted revenue by \$439,253. This change contributes directly to the change to the general fund unassigned fund balance from June 30, 2014 to June 30, 2015.

Expenditures and Encumbrances Under Budget

The 2014-15 final budget for expenditures, including prior year open encumbrances of \$288,182 as of June 30, 2014, and budget revisions of \$1,496,959, was \$119,399,511. Actual expenditures as of June 30, 2015 were \$112,462,920 and outstanding encumbrances were \$517,722. Combined, the expenditures plus encumbrances for 2014-15 were \$112,980,642. The final budget was under expended by \$6,418,869. The largest under spent item was employee benefits, which was the result of a lower than anticipated increases. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2014 to June 30, 2015.

Net Change in Reserves

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

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

Transfers to reserves:	
Repairs	\$ 40,000
Retirement Contribution	850,000
Capital - Building Improvement Fund - 2013	2,000,000
Employee Benefit Accrued Liability	<u>1,000,000</u>
	3,890,000
Transfer from capital projects fund for unspent money on completed projects	138,528
Return of unused appropriated reserves	7,477
Interest on reserve balances	<u>4,853</u>
	<u><u>\$ 4,040,858</u></u>

Appropriated Fund Balance

The District has chosen to use \$1,829,014 of its available June 30, 2015 fund balance to partially fund its 2015-16 approved operating budget. As such, the June 30, 2015 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, 2015 was \$4,814,318. 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, 2015, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$3,252,611 less depreciation of \$2,137,590 recorded for the year ended June 30, 2015. A summary of the District's capital assets, net of depreciation at June 30, 2015 and 2014 is as follows:

	2015	As Restated 2014	Increase (Decrease)
Land	\$ 1,545,142	\$ 1,545,142	\$ -
Construction in progress	1,371,281	92,615	1,278,666
Buildings and improvements	11,432,273	11,687,494	(255,221)
Site improvements	3,382,363	3,572,859	(190,496)
Furniture and equipment	1,069,714	787,642	282,072
Capital assets, net	<u>\$ 18,800,773</u>	<u>\$ 17,685,752</u>	<u>\$ 1,115,021</u>

The District's capital assets inventory report was updated during the year ended June 30, 2015. The 2014 balances have been restated to reflect the updated report.

B. Debt Administration

At June 30, 2015, the District had total bonds payable of \$2,040,000. Bonds were initially issued in 2006 for school building improvements. A refunding transaction took place in April 2015. The decrease in outstanding debt represents principal payments made during the year of \$165,000 and a \$130,000 reduction of principal related to the refunding of the 2006 bond issue. A summary of the outstanding debt at June 30, 2015 and 2014 is as follows:

Issue Date	Interest Rate	2015	2014	Increase (Decrease)
September 2006	4.125 - 4.25%	\$	\$ 2,335,000	\$ (2,335,000)
April 2015	2.0-4.0%	<u>2,040,000</u>	<u>2,335,000</u>	<u>2,040,000</u>
		<u>\$ 2,040,000</u>	<u>\$ 2,335,000</u>	<u>\$ (295,000)</u>

At June 30, 2015, the District also had installment purchase debt outstanding of \$1,112,341. This is a decrease from the prior year of \$160,824. The final maturity on this installment debt is in March 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 \$6,149,666 is based on earned employee sick and vacation time through June 30, 2015 and the applicable rates and limitations outlined in the various contracts. The workers' compensation liability of \$3,152,225 is based on an actuarial valuation of the District's claims.

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

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa1. The District's outstanding serial bonds at June 30, 2015 are approximately 0.4% of the District's debt limit of \$504,169,629.

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 19, 2015, for the year ending June 30, 2016, is \$120,394,737. This is an increase of \$2,780,367 or 2.36% over the previous year's budget. The increase is principally in the instructional program (\$2,138,430) area of the budget.

The District budgeted revenues other than property taxes and STAR at a \$1,048,816 increase over the prior year's estimate. This increase is principally due to an estimated increase in state aid. The appropriated fund balance applied to the June 30, 2016 budget in the amount of \$1,829,014 is a \$220,060 decrease from the previous year. The District appropriated reserves of \$1,175,000, which is \$375,000 more than the prior year. A property tax increase of 1.57% was needed to meet the revenue shortfall and cover the increase in projected expenditures. The property tax increase of 1.57% is lower than estimated at the time of the budget vote because the Board increased the amount appropriated from operating surplus by \$245,000.

B. Future Budgets

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

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2015-16 is 2.12%. The District's 1.57% increase in the 2015-16 levy is compliant with the tax cap.

D. Property Tax Freeze

Last year, New York State enacted a law to effectively "freeze" property taxes for two years on the primary residences of homeowners with annual incomes at or below \$500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners will receive a credit, which will be distributed in the form of a check from New York State, up to the calculated amount of the tax cap. The program also requires the school districts and local governments in the second year to develop or participate in the development of a state approved government efficiency plan that will achieve savings for taxpayers. The District has submitted a plan which has been accepted by the State. The law was effective for school districts starting with the 2014-15 school year and qualifying homeowners received refund checks in the fall of 2014. This program provides an incentive for the District to be tax cap compliant.

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

8. CONTACTING THE DISTRICT

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

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

HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

ASSETS

Cash	
Unrestricted	\$ 13,763,733
Restricted	21,930,885
Receivables	
Accounts receivable	26,360
Due from state and federal	3,833,007
Due from other governments	568,963
Other assets	426,331
Inventory	9,575
Capital assets not being depreciated	2,916,423
Capital assets being depreciated, net of accumulated depreciation	15,884,350
Net pension asset - proportionate share	31,076,115
	<hr/>
Total Assets	90,435,742

DEFERRED OUTFLOWS OF RESOURCES

Pensions	<hr/> 8,604,305
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LIABILITIES

Payables	
Accounts payable	1,098,900
Accrued liabilities	623,121
Due to fiduciary funds	1,634
Due to other governments	481,348
Due to teachers' retirement system	7,555,387
Due to employees' retirement system	694,630
Compensated absences payable	303,780
Long-term liabilities	
Due and payable within one year	
Bonds payable	155,000
Installment purchase debt	167,378
Compensated absences payable	156,999
Workers' compensation liabilities	157,611
Due and payable after one year	
Bonds payable	1,885,000
Installment purchase debt	944,963
Compensated absences payable	5,992,667
Workers' compensation liabilities	2,994,614
Net other postemployment benefits obligation	72,802,372
Net pension liability - proportionate share	1,430,343
	<hr/>
Total Liabilities	97,445,747

DEFERRED INFLOWS OF RESOURCES

Pensions	<hr/> 21,331,665
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NET POSITION

Net investment in capital assets	<hr/> 15,648,432
Restricted	
Workers' compensation	2,855,323
Unemployment insurance	299,867
Retirement contribution	3,817,687
Employee benefit accrued liability	2,570,803
Capital	11,858,757
Repairs	282,083
Debt service	246,365
	<hr/>
Unrestricted (deficit)	(57,316,682)
	<hr/>
Total Net Position (Deficit)	\$ (19,737,365)

HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2015

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants	Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
Governmental Activities:				
General support	\$ 13,506,987	\$	\$	\$ (13,506,987)
Instruction	93,714,433	472,995	4,275,106	(88,966,332)
Pupil transportation	9,643,455			(9,643,455)
Debt service - interest	1,084			(1,084)
Food service program	1,845,999	525,584	1,221,547	(98,868)
Total Governmental Activities	<u>\$ 118,711,958</u>	<u>\$ 998,579</u>	<u>\$ 5,496,653</u>	<u>(112,216,726)</u>
GENERAL REVENUES				
Real property taxes				90,509,559
Other tax items				10,060,256
Use of money and property				177,843
Sale of property and compensation for loss				22,155
Miscellaneous				399,997
State sources				12,712,428
Total General Revenues				<u>113,882,238</u>
Change in Net Position				1,665,512
Total Net Position (Deficit) - Beginning of Year, as Restated				<u>(21,402,877)</u>
Total Net Position (Deficit) - End of Year				<u>\$ (19,737,365)</u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2015

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 12,567,052	\$ 885,004	\$ 304,323	\$	\$ 7,354	\$ 13,763,733
Restricted	21,684,520			246,365		21,930,885
Receivables						
Accounts receivable	20,564		5,796			26,360
Due from other funds					3,651,995	3,651,995
Due from state and federal	1,475,091	2,257,894	100,022			3,833,007
Due from other governments	568,963					568,963
Other assets	426,331					426,331
Inventory			9,575			9,575
Total Assets	<u>\$ 36,742,521</u>	<u>\$ 3,142,898</u>	<u>\$ 419,716</u>	<u>\$ 246,365</u>	<u>\$ 3,659,349</u>	<u>\$ 44,210,849</u>
LIABILITIES						
Payables						
Accounts payable	\$ 1,027,397	\$ 15,910	\$ 55,593	\$	\$	\$ 1,098,900
Accrued liabilities	576,144	30,580	1,931			608,655
Due to other funds	224,409	3,096,408	332,812			3,653,629
Due to other governments	480,591		757			481,348
Due to teachers' retirement system	7,555,387					7,555,387
Due to employees' retirement system	694,630					694,630
Compensated absences payable	286,154		17,626			303,780
Total Liabilities	<u>10,844,712</u>	<u>3,142,898</u>	<u>408,719</u>	<u>-</u>	<u>-</u>	<u>14,396,329</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	<u>711,584</u>					<u>711,584</u>
Total Deferred Inflows of Resources	<u>711,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>711,584</u>
FUND BALANCES						
Nonspendable: Inventory			9,575			9,575
Restricted:						
Workers' compensation	2,855,323					2,855,323
Unemployment insurance	299,867					299,867
Retirement contribution	3,817,687					3,817,687
Employee benefit accrued liability	2,570,803					2,570,803
Capital	8,199,408				3,659,349	11,858,757
Repairs	282,083					282,083
Debt service				246,365		246,365
Assigned:						
Appropriated fund balance	1,829,014					1,829,014
Unappropriated fund balance	517,722		1,422			519,144
Unassigned: Fund balance	<u>4,814,318</u>					<u>4,814,318</u>
Total Fund Balances	<u>25,186,225</u>	<u>-</u>	<u>10,997</u>	<u>246,365</u>	<u>3,659,349</u>	<u>29,102,936</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 36,742,521</u>	<u>\$ 3,142,898</u>	<u>\$ 419,716</u>	<u>\$ 246,365</u>	<u>\$ 3,659,349</u>	<u>\$ 44,210,849</u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total Governmental Fund Balances \$ 29,102,936

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	\$ 56,086,668	
Accumulated depreciation	<u>(37,285,895)</u>	18,800,773

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

Net pension asset - teachers' retirement system	31,076,115	
Deferred outflows of resources	8,604,305	
Net pension liability - employees' retirement system	(1,430,343)	
Deferred inflows of resources	<u>(21,331,665)</u>	16,918,412

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.	711,584
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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	(14,466)	
Bonds payable, net	(2,040,000)	
Installment purchase debt	(1,112,341)	
Compensated absences	(6,149,666)	
Workers' compensation liabilities	(3,152,225)	
Net other postemployment benefits obligation	<u>(72,802,372)</u>	<u>(85,271,070)</u>

Total Net Position (Deficit)	<u><u>\$ (19,737,365)</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, 2015

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 90,509,559	\$	\$	\$	\$	\$ 90,509,559
Other tax items	10,060,256					10,060,256
Charges for services	413,006					413,006
Use of money and property	177,610		233			177,843
Sale of property and compensation for loss	22,155					22,155
Miscellaneous	399,997		74,960			474,957
State sources	12,712,428	1,585,794	36,208			14,334,430
Federal sources		2,689,312	1,062,025			3,751,337
Surplus food			123,314			123,314
Sales - school lunch			450,624			450,624
Total Revenues	114,295,011	4,275,106	1,747,364	-	-	120,317,481
EXPENDITURES						
General support	10,118,431	33,000				10,151,431
Instruction	61,243,077	4,187,740				65,430,817
Pupil transportation	9,244,062	321,266				9,565,328
Employee benefits	29,997,023					29,997,023
Debt service						
Principal	160,824			165,000		325,824
Interest	70,672			139,439		210,111
Cost of sales			1,849,048			1,849,048
Capital outlay					2,715,588	2,715,588
Total Expenditures	110,834,089	4,542,006	1,849,048	304,439	2,715,588	120,245,170
Excess (Deficiency) of Revenues Over Expenditures	3,460,922	(266,900)	(101,684)	(304,439)	(2,715,588)	72,311
OTHER FINANCING SOURCES AND (USES)						
Proceeds of advance refunding				2,055,000		2,055,000
Premium on obligations				252,100		252,100
Payment to escrow agent				(2,230,641)		(2,230,641)
Operating transfers in	140,478	268,851	101,000	227,980	1,031,000	1,769,309
Operating transfers (out)	(1,628,831)	(1,951)			(138,527)	(1,769,309)
Total Other Financing Sources and (Uses)	(1,488,353)	266,900	101,000	304,439	892,473	76,459
Net Change in Fund Balances	1,972,569	-	(684)	-	(1,823,115)	148,770
Fund Balances - Beginning of year	23,213,656	-	11,681	246,365	5,482,464	28,954,166
Fund Balances - End of year	\$ 25,186,225	\$ -	\$ 10,997	\$ 246,365	\$ 3,659,349	\$ 29,102,936

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, 2015

Net Change in Fund Balances \$ 148,770

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. \$ 59,989

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

Decrease in compensated absences liability 1,251,063

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 workers' compensation liabilities (339,559)

Increase in net other postemployment benefit obligation (10,612,651) (9,641,158)

Capital Related Differences

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

Capital outlays 3,252,611
Depreciation expense (2,137,590)

1,115,021

Long-Term Debt Transaction Differences

Proceeds and premium from the issuance of bonds are other funding sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities. (2,307,100)

Payment to escrow agent is an expenditure in the governmental funds, but it decreases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 2,230,641

Amortization of bond premiums on advance refunding of bonds does not affect the governmental funds, but is recorded in the Statement of Activities. 206,458

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 165,000
Repayment of installment purchase debt 160,824

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, 2014 to June 30, 2015. 2,569

458,392

Pension Differences

The decrease in the proportionate share of the collective pension expense of the state retirement plans reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.

Teachers' retirement system 8,538,357
Employees' retirement system 1,046,130 9,584,487

Change in Net Position of Governmental Activities \$ 1,665,512

HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2015

	<u>Agency</u>	<u>Private Purpose Trusts</u>
ASSETS		
Cash	\$ 1,358,481	\$
Due from other funds	<u>1,634</u>	<u>1,053,513</u>
Total Assets	<u><u>\$ 1,360,115</u></u>	<u><u>1,053,513</u></u>
 LIABILITIES		
Extraclassroom activity balances	\$ 252,146	
Due to other funds	1,053,513	
Other liabilities	<u>54,456</u>	
Total Liabilities	<u><u>\$ 1,360,115</u></u>	<u><u>-</u></u>
 NET POSITION		
Restricted for scholarships		
Expendable trust funds		168,345
Non-expendable trust funds		<u>885,168</u>
Total Net Position		<u><u>\$ 1,053,513</u></u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2015

	Private Purpose Trusts
ADDITIONS	
Contributions	\$ 14,710
Investment earnings	<u>1,773</u>
Total Additions	<u>16,483</u>
 DEDUCTIONS	
Scholarships and awards	<u>18,520</u>
Change in Net Position	(2,037)
Net Position - Beginning of year	<u>1,055,550</u>
Net Position - End of Year	<u><u>\$ 1,053,513</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 and are clearly identifiable to a particular function. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants, 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

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

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, 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.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, pension costs, and other postemployment benefits, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

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

E. Real Property Taxes

Calendar

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

Enforcement

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

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.

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

H. Cash and Cash Equivalents

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

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

I. Receivables

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

J. Inventory

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

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

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

K. Other Assets

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

L. Capital Assets

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

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

	<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	5,000	5-20 years

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

M. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions and represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is the District's contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

N. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables from split dollar life insurance policies and amounts due from other governments for tuition charges. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, and the net difference between projected and actual earnings on pension plan investments.

O. 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.

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

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

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

P. Other Benefits

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

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

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

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

Q. Short-Term Debt

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

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

R. 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.

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

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.

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.

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

Employee Benefit Accrued Liability Reserve

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

Capital Reserve

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

Repairs Reserve

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

Restricted for Debt Service

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

Restricted for Scholarships

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

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

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

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. CHANGES IN ACCOUNTING PRINCIPLES

GASB Statements No. 68 and 71

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. The implementation of the Statements requires the District to report as an asset and/or liability its portion of the collective net pension asset and/or liability in the New York State Teachers' and Employees' Retirement Systems. The implementation of the Statements also requires the District to report a deferred outflow and/or inflow for the effect of the net change in the District's proportion of the collective net pension asset and/or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Also included as deferred outflows, are the District's contributions to the pension systems subsequent to the measurement date.

3. 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 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 four broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences and other postemployment benefits.

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension Differences

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

4. 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.

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

Appropriations are adopted at the program line item level.

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

Transfer to capital projects fund funded by capital reserve as approved by the voters	\$ 1,031,000
Contingent expenditures funded by donations	69,446
Contingent expenditures funded by New York State grant	40,000
Appropriations from compensated absences funded by the employee benefit accrued liability reserve	<u>356,513</u>
	<u><u>\$ 1,496,959</u></u>

Budgets are adopted annually on a basis consistent with GAAP.

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

B. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned fund balance, unless classified as restricted, and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

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

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

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

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

6. PARTICIPATION IN BOCES

During the year ended June 30, 2015, the District was billed \$10,097,315 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,184,677. 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.

7. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2015 consisted of:

General Fund	
New York State aid	\$ 919,284
BOCES aid	<u>555,807</u>
	1,475,091
Special Aid Fund	
Federal and State grants	2,257,894
School Lunch Fund	
Federal and State food service program reimbursements	<u>100,022</u>
	<u>\$ 3,833,007</u>

8. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2015 consisted of:

General Fund	
PILOT payments	\$ 159,759
Other districts - tuition and health services	<u>409,204</u>
	<u>\$ 568,963</u>

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

9. 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, 2015, total cash surrender value for these policies amounted to \$426,331, which has been recorded as other assets in the general fund. The corresponding revenue to this receivable is included in unavailable revenues and will be recognized in the year that the proceeds are received.

10. CAPITAL ASSETS/RESTATEMENT

During the year ended June 30, 2015, the District had a third-party vendor perform a physical inventory of the District's capital assets. As a result of the inventory, it was necessary for the District to adjust the June 30, 2014 capital assets and accumulated depreciation balances as follows:

	<u>As Reported</u> <u>June 30, 2014</u>	<u>As Restated</u> <u>June 30, 2014</u>	<u>Increase</u> <u>(Decrease)</u>
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	<u>1,637,757</u>	<u>1,637,757</u>	<u>-</u>
Capital assets being depreciated			
Buildings and improvements	42,000,563	41,999,863	(700)
Site improvements	5,858,879	5,813,584	(45,295)
Furniture and equipment	<u>7,270,730</u>	<u>5,377,758</u>	<u>(1,892,972)</u>
Total capital assets being depreciated	<u>55,130,172</u>	<u>53,191,205</u>	<u>(1,938,967)</u>
Less accumulated depreciation for:			
Buildings and improvements	30,312,488	30,312,369	(119)
Site improvements	2,281,242	2,240,725	(40,517)
Furniture and equipment	<u>5,830,805</u>	<u>4,590,116</u>	<u>(1,240,689)</u>
Total accumulated depreciation	<u>38,424,535</u>	<u>37,143,210</u>	<u>(1,281,325)</u>
Total capital assets, being depreciated, net	<u>16,705,637</u>	<u>16,047,995</u>	<u>(657,642)</u>
Capital assets, net	<u>\$ 18,343,394</u>	<u>\$ 17,685,752</u>	<u>\$ (657,642)</u>

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

Capital asset balances and activity for the year ended June 30, 2015, were as follows:

	As Restated Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,545,142	\$	\$	\$ 1,545,142
Construction in progress	92,615	1,278,666		1,371,281
Total capital assets not being depreciated	<u>1,637,757</u>	<u>1,278,666</u>	<u>-</u>	<u>2,916,423</u>
Capital assets being depreciated				
Buildings and improvements	41,999,863	1,356,130		43,355,993
Site improvements	5,813,584	88,692		5,902,276
Furniture and equipment	5,377,758	529,123	(1,994,905)	3,911,976
Total capital assets being depreciated	<u>53,191,205</u>	<u>1,973,945</u>	<u>(1,994,905)</u>	<u>53,170,245</u>
Less accumulated depreciation for:				
Buildings and improvements	30,312,369	1,611,351		31,923,720
Site improvements	2,240,725	279,188		2,519,913
Furniture and equipment	4,590,116	247,051	(1,994,905)	2,842,262
Total accumulated depreciation	<u>37,143,210</u>	<u>2,137,590</u>	<u>(1,994,905)</u>	<u>37,285,895</u>
Total capital assets, being depreciated, net	<u>16,047,995</u>	<u>(163,645)</u>	<u>-</u>	<u>15,884,350</u>
Capital assets, net	<u>\$ 17,685,752</u>	<u>\$ 1,115,021</u>	<u>\$ -</u>	<u>\$ 18,800,773</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 41,421
Instruction	2,088,668
Food service program	<u>7,501</u>
Total depreciation expense	<u>\$ 2,137,590</u>

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

11. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2015, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$	\$ 224,409	\$ 140,478	\$ 1,628,831
Special Aid Fund		3,096,408	268,851	1,951
School Lunch Fund		332,812	101,000	
Debt Service Fund			227,980	
Capital Projects Fund	3,651,995		1,031,000	138,527
Total Governmental Funds	3,651,995	3,653,629	1,769,309	1,769,309
Agency Fund	1,634	1,053,513		
Private Purpose Trust Fund	1,053,513			
Total Fiduciary Funds	1,055,147	1,053,513	-	-
Total	\$ 4,707,142	\$ 4,707,142	\$ 1,769,309	\$ 1,769,309

The District typically transfers from the general fund to the special aid fund, the school lunch fund and the debt service fund in accordance with the general fund budget. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities and the state supported Section 4201 Schools. The transfer to the school lunch fund was to cover the anticipated operating deficit. 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 19, 2015 voter approved capital projects in the amount of \$1,031,000.

The transfer from the special aid fund to the general fund was for the indirect cost chargeback allowable under the grants awarded. The transfer from the capital fund to the general fund was the unspent funds from prior years' completed projects.

12. SHORT-TERM DEBT

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

	Maturity	Stated Interest Rate	Balance June 30, 2014	Issued	Redeemed	Balance June 30, 2015
TAN	6/26/15	1.00%	\$	\$ 20,000,000	\$ (20,000,000)	\$

Interest expense on short-term debt for the year was \$18,778. The TAN carried a stated rate of 1.00% and paid a premium of \$114,000 for an effective net interest rate of 0.14%.

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

13. LONG-TERM LIABILITIES

A. Changes

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

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 2,335,000	\$ 2,055,000	\$ (2,350,000)	\$ 2,040,000	\$ 155,000
Installment purchase debt	1,273,165		(160,824)	1,112,341	167,378
Other long-term liabilities:					
Compensated absences	7,400,729		(1,251,063)	6,149,666	156,999
Workers' compensation	2,812,666	901,870	(562,311)	3,152,225	157,611
	<u>\$ 13,821,560</u>	<u>\$ 2,956,870</u>	<u>\$ (4,324,198)</u>	<u>\$ 12,454,232</u>	<u>\$ 636,988</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, 2015
Refunding debt	4/2015	6/2026	2.0-4.0%	<u>\$ 2,040,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 155,000	\$ 75,150	\$ 230,150
2017	160,000	70,500	230,500
2018	160,000	65,700	225,700
2019	170,000	60,900	230,900
2020	175,000	55,800	230,800
2021-2025	995,000	168,000	1,163,000
2026	225,000	9,000	234,000
Total	<u>\$ 2,040,000</u>	<u>\$ 505,050</u>	<u>\$ 2,545,050</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, 2015
Energy Performance Contract	3/2005	3/2021	4.076%	<u>\$ 1,112,341</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 167,378	\$ 45,339	\$ 212,717
2017	174,201	38,517	212,718
2018	181,301	31,416	212,717
2019	188,691	24,027	212,718
2020	196,382	16,335	212,717
2021	<u>204,388</u>	<u>8,331</u>	<u>212,719</u>
Total	<u>\$ 1,112,341</u>	<u>\$ 163,965</u>	<u>\$ 1,276,306</u>

D. Advance Refunding

In April 2015, the District issued \$2,055,000 in general obligation bonds with interest rates of 2.0%-4.0% to advance refund \$2,185,000 of outstanding serial bonds with interest rates of 4.125%-4.25%. The net proceeds of \$2,230,641 (including a premium of \$252,100, and after payment of \$76,459 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the District's financial statements. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$227,000. All principal on the defeased bonds was paid prior to June 30, 2015.

E. Interest Expense

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

Interest paid	\$ 191,333
Less interest accrued in the prior year	(17,035)
Plus interest accrued in the current year	14,466
Less net amortization of premium and deferred charges from advance refunding	<u>(206,458)</u>
Total interest expense on long-term debt	<u>\$ (17,694)</u>

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

14. PENSION PLANS – NEW YORK STATE

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the TRS may be found on the TRS website at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of its funds. Once a public employer elects to participate in ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found on the NYS Comptrollers website at www.osc.state.ny.us/retire/publications/index.php 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 ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on salaries paid. For the TRS, the employers' contribution rate is

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

established annually by the New York State Teachers' Retirement Board for the fiscal year ended June 30. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS' 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:

Year	TRS	ERS
2015	\$ 7,319,763	\$ 2,414,526
2014	6,686,748	2,428,021
2013	4,855,866	1,802,225

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

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

At June 30, 2015, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of June 30, 2014, for TRS and March 31, 2015 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	TRS	ERS
Actuarial valuation date	June 30, 2013	April 1, 2014
Net pension asset/(liability)	\$ 31,076,115	\$ (1,430,343)
District's portion of the Plan's total net pension asset/(liability)	0.2789750%	0.0423398%

For the year ended June 30, 2015, the District recognized pension expense (credit) of \$(1,218,593) for TRS and \$1,388,958 for ERS. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$	\$ 45,787	\$ 454,431	\$
Net difference between projected and actual earnings on pension plan investments		248,432	20,870,989	
Changes in proportion and differences between the District's contributions and proportionate share of contributions		295,693	6,245	
District's contributions subsequent to the measurement date	<u>7,319,763</u>	<u>694,630</u>		
Total	<u>\$ 7,319,763</u>	<u>\$ 1,284,542</u>	<u>\$ 21,331,665</u>	<u>\$ -</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>TRS</u>	<u>ERS</u>
2016	\$ (5,271,314)	\$ 147,478
2017	(5,271,314)	147,478
2018	(5,271,314)	147,478
2019	(5,271,314)	147,478
2020	(53,567)	
Thereafter	<u>(192,842)</u>	
	<u>\$ (21,331,665)</u>	<u>\$ 589,912</u>

Actuarial Assumptions

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

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

	TRS	ERS
Measurement date	June 30, 2014	March 31, 2015
Actuarial valuation date	June 30, 2013	April 1, 2014
Interest rate	8.0%	7.5%
Salary scale	4.01-10.91%	4.9%
Decrement tables	July 1, 2005 - June 30, 2010 System's Experience	April 1, 2005 - March 31, 2010 System's Experience
Inflation rate	3.0%	2.7%

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

For TRS, the actuarial assumptions used in the June 30, 2013 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010. For ERS, the actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

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

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

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

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2014		March 31, 2015
Asset type				
Domestic equity	37.0%	7.30%	38.0%	7.30%
International equity	18.0%	8.50%	13.0%	8.55%
Real estate	10.0%	5.00%	8.0%	8.25%
Alternative investments	7.0%	11.00%	19.0%	6.75-11.00%
Domestic fixed income securities	18.0%	1.50%		
Global fixed income securities	2.0%	1.40%		
Bonds and mortgages	8.0%	3.40%	18.0%	4.00%
Short-term		0.80%		
Cash			2.0%	2.25%
Inflation indexed bonds			2.0%	4.00%
	100.0%		100.0%	

Discount Rate

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

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0% for TRS and 7.5% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (7.0% for TRS and 6.5% for ERS) or 1 percentage point higher (9.0% for TRS and 8.5% for ERS) than the current rate:

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

	1% Decrease (7.00)%	Current Assumption (8.00)%	1% Increase (9.00)%
TRS			
District's proportionate share of the net pension asset	\$ 670,355	\$ 31,076,115	\$ 56,986,047
	1% Decrease (6.50)%	Current Assumption (7.50)%	1% Increase (8.50)%
ERS			
District's proportionate share of the net pension asset (liability)	\$ (9,533,854)	\$ (1,430,343)	\$ 5,411,030

Pension Plan Fiduciary Net Position

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

	TRS	ERS	Total
	<i>(Dollars in Thousands)</i>		
Measurement date	June 30, 2014	March 31, 2015	
Employers' total pension liability	\$ (97,015,707)	\$ (164,591,504)	\$ (261,607,211)
Plan fiduciary net position	108,155,083	161,213,259	269,368,342
Employers' net pension asset/(liability)	\$ 11,139,376	\$ (3,378,245)	\$ 7,761,131
Ratio of plan fiduciary net position to the employers' total pension liability	111.48%	97.95%	102.97%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2015, are paid to the System in September, October and November 2015 through a state aid intercept. Accrued retirement contributions as of June 30, 2015, represent employer and employee contributions for the fiscal year ended June 30, 2015, based on paid TRS wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2015 amounted to \$7,319,763 of employer contributions and \$235,624 of employee contributions.

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2015, represent the projected employer contribution for the period of April 1, 2015 through June 30, 2015 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2015 amounted to \$694,630 of employer contributions. Employee contributions are remitted monthly.

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

15. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2015, totaled \$818,507 and \$2,454,716, respectively.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for administrators, central office staff, teachers and chairs. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2015 totaled \$366,626.

16. POSTEMPLOYMENT BENEFITS

A. Plan Description

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

B. Funding Policy

The District assumes between 60% and 100% of the premiums in accordance with employment contracts and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). For the year ended June 30, 2015, the District recognized a general fund expenditure of \$6,212,620 for insurance premiums for 603 currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the “pay as you go” method.

C. Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution (ARC)	\$ 17,236,970
Interest on net OPEB obligation	2,487,589
Adjustment to ARC	<u>(2,899,288)</u>
Annual OPEB cost (expense)	16,825,271
Contributions made	<u>(6,212,620)</u>
 Increase in net OPEB obligation	 10,612,651
Net OPEB obligation - beginning of year	<u>62,189,721</u>
 Net OPEB obligation - end of year	 <u><u>\$ 72,802,372</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2015 and preceding two years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 16,825,271	36.9%	\$ 72,802,372
June 30, 2014	12,808,434	44.6%	62,189,721
June 30, 2013	13,528,981	41.7%	55,088,591

D. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$187,917,500 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$187,917,500. The covered payroll (annual payroll of active employees covered by the plan) was \$49,661,523, and the ratio of the UAAL to the covered payroll was 378%.

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

E. Actuarial Methods and Assumptions

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.

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

In the July 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate and an annual healthcare cost trend rate of 9% in 2014 and then is reduced by 0.5% decrements to an ultimate rate of 5% in 2022. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

17. RISK MANAGEMENT

A. General Information

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

B. Risk Retention

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unreported claims which were incurred on or before year end but not reported (IBNR). The liability is calculated using a 3% discount rate. Claims activity is summarized below:

	<u>2014</u>	<u>2015</u>
Unpaid claims at beginning of year	\$ 3,040,167	\$ 2,812,666
Incurred claims and claim adjustment expenses	179,322	901,870
Claim payments	<u>(406,823)</u>	<u>(562,311)</u>
Unpaid claims at year end	<u>\$ 2,812,666</u>	<u>\$ 3,152,225</u>

18. RESTRICTED FUND BALANCE - APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2015 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2016:

Workers' Compensation	\$ 500,000
Unemployment Insurance	25,000
Retirement Contributions	275,000
Employee Benefit Accrued Liability	<u>375,000</u>
	<u>\$ 1,175,000</u>

19. ASSIGNED APPROPRIATED FUND BALANCE

The amount of \$1,829,014 has been appropriated to reduce taxes for the year ending June 30, 2016.

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

20. RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. The implementation of Statement No. 68 resulted in the reporting of an asset, deferred outflow of resources, liability and deferred inflow of resources related to the District's participation in the New York State Teachers' and Employees' retirement systems. Additionally, during the current year, the District had a third party vendor perform a physical inventory, which resulted in a restatement of beginning balances. The District's net position has been restated as follows:

Net position (deficit) beginning of year, as previously stated	<u>\$ (28,079,161)</u>
GASB Statements No. 68 and 71 implementation	
Beginning system asset - teachers' retirement system	1,829,394
Beginning system liability - employees' retirement system	(1,913,277)
Beginning deferred outflow of resources for contributions subsequent to the measurement date	<u>7,417,809</u>
	<u>7,333,926</u>
Capital assets, net resulting from an updated physical inventory	
	<u>(657,642)</u>
Net position beginning of year, as restated	<u><u>\$ (21,402,877)</u></u>

21. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2015, the District encumbered the following amounts:

Restricted Fund Balance	
Capital Projects Fund	
Capital projects	<u>\$ 1,255,574</u>
Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	87,249
Instruction	<u>430,473</u>
	<u>517,722</u>
	<u><u>\$ 1,773,296</u></u>

B. Grants

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

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

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 \$292,812. The minimum remaining operating lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 265,990
2017	204,439
2018	15,613
2019	<u>4,444</u>
	<u>\$ 490,486</u>

22. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 21, 2015, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

Issuance of TANs

On October 8, 2015, the District sold tax anticipation notes with an issue date of October 20, 2015 in the amount of \$20,000,000, which are due June 24, 2016 and bear interest at a stated rate of 1.50%. The District received premiums of \$169,800 with the borrowing to yield an effective interest of 0.247%.

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, 2015

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 100,413,940	\$ 90,509,226	\$ 90,509,559	\$ 333
Other tax items	168,374	10,073,088	10,060,256	(12,832)
Charges for services	846,000	846,000	413,006	(432,994)
Use of money and property	210,000	210,000	177,610	(32,390)
Sale of property and compensation for loss			22,155	22,155
Miscellaneous	275,000	344,446	399,997	55,551
Total Local Sources	101,913,314	101,982,760	101,582,583	(400,177)
State Sources	12,561,982	12,601,982	12,712,428	110,446
Total Revenues	114,475,296	114,584,742	114,295,011	(289,731)
OTHER SOURCES				
Operating transfers in	290,000	290,000	140,478	(149,522)
Total Revenues and Other Sources	114,765,296	114,874,742	114,435,489	\$ (439,253)
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	2,049,074	2,049,074		
Prior Year's Encumbrances	288,182	288,182		
Appropriated Reserves	800,000	2,187,513		
Total Appropriated Fund Balance	3,137,256	4,524,769		(40,000)
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 117,902,552	\$ 119,399,511		

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, 2015

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 70,056	\$ 70,256	\$ 34,002	\$	\$ 36,254
Central administration	294,618	295,718	291,483		4,235
Finance	1,025,559	1,079,979	1,019,799	1,473	58,707
Staff	755,779	831,829	767,175		64,654
Central services	7,536,517	7,535,494	7,091,476	85,776	358,242
Special items	931,800	921,126	914,496		6,630
Total General Support	10,614,329	10,734,402	10,118,431	87,249	528,722
Instruction					
Administration & improvement	4,503,979	4,806,627	4,686,508	194	119,925
Teaching - regular school	31,623,805	31,537,645	30,004,248	375,797	1,157,600
Programs for students with disabilities	19,204,225	20,148,698	19,959,946	492	188,260
Occupational education	941,487	909,095	909,090		5
Teaching - special schools	195,845	375,755	375,226		529
Instructional media	1,577,347	1,718,552	1,569,573	50,349	98,630
Pupil services	3,823,647	3,828,447	3,738,486	3,641	86,320
Total Instruction	61,870,335	63,324,819	61,243,077	430,473	1,651,269
Pupil Transportation	9,809,541	9,807,643	9,244,062		563,581
Employee Benefits	34,048,159	33,522,059	29,997,023		3,525,036
Debt Service					
Principal	160,824	160,824	160,824		-
Interest	351,895	183,795	70,672		113,123
Total Debt Service	512,719	344,619	231,496	-	113,123
Total Expenditures	116,855,083	117,733,542	110,834,089	517,722	6,381,731
OTHER USES					
Operating transfers out	1,047,469	1,665,969	1,628,831		37,138
Total Expenditures and Other Uses	\$ 117,902,552	\$ 119,399,511	112,462,920	\$ 517,722	\$ 6,418,869
Net Change in Fund Balance			1,972,569		
Fund Balance - Beginning of Year			23,213,656		
Fund Balance - End of Year			\$ 25,186,225		

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, 2015

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, 2014	\$ -	\$ 187,917,500	\$ 187,917,500	0%	\$ 49,661,523	378.4%
July 1, 2012	-	165,292,163	165,292,163	0%	51,662,248	319.9%
July 1, 2010	-	187,917,500	187,917,500	0%	56,630,230	331.8%

HUNTINGTON UNION FREE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability
June 30, 2015

Teachers' Retirement System

	<u>2015</u>
District's proportion of the net pension asset	0.2789750%
District's proportionate share of the net pension asset	\$ 31,076,115
District's covered employee payroll	\$ 42,678,795
District's proportionate share of the net pension asset as a percentage of its covered employee payroll	72.81 %
Plan fiduciary net position as a percentage of the total pension liability	111.48%

Employees' Retirement System

	<u>2015</u>
District's proportion of the net pension liability	0.0423398%
District's proportionate share of the net pension liability	\$ 1,430,343
District's covered employee payroll	\$ 11,965,445
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	11.95 %
Plan fiduciary net position as a percentage of the total pension liability	97.95%

HUNTINGTON UNION FREE SCHOOL DISTRICT
Schedule of District Contributions
June 30, 2015

Teachers' Retirement System

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 7,319,763	\$ 6,686,748	\$ 4,855,866	\$ 4,429,859	\$ 3,885,693	\$ 2,702,020	\$ 3,289,991	\$ 3,568,278	\$ 3,303,484	\$ 2,871,097
Contributions in relation to the contractually required contribution	<u>7,319,763</u>	<u>6,686,748</u>	<u>4,855,866</u>	<u>4,429,859</u>	<u>3,885,693</u>	<u>2,702,020</u>	<u>3,289,991</u>	<u>3,568,278</u>	<u>3,303,484</u>	<u>2,871,097</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$43,439,992	\$42,678,795	\$42,023,298	\$42,093,995	\$45,291,162	\$45,034,992	\$44,236,509	\$42,195,362	\$39,448,566	\$36,652,568
Contributions as a percentage of covered employee payroll	17%	16%	12%	11%	9%	6%	7%	8%	8%	8%

Employees' Retirement System

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 2,414,526	\$ 2,428,021	\$ 1,802,225	\$ 1,570,365	\$ 1,665,284	\$ 1,022,023	\$ 897,066	\$ 929,085	\$ 1,216,548	\$ 1,170,235
Contributions in relation to the contractually required contribution	<u>2,414,526</u>	<u>2,428,021</u>	<u>1,802,225</u>	<u>1,570,365</u>	<u>1,665,284</u>	<u>1,022,023</u>	<u>897,066</u>	<u>929,085</u>	<u>1,216,548</u>	<u>1,170,235</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$12,744,116	\$12,680,942	\$11,555,751	\$11,948,912	\$12,931,389	\$12,446,254	\$12,356,876	\$11,933,746	\$11,304,530	\$11,339,050
Contributions as a percentage of covered employee payroll	19%	19%	16%	13%	13%	8%	7%	8%	11%	10%

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, 2015

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 117,614,370
Additions:	
Prior year's encumbrances	<u>288,182</u>
Original Budget	117,902,552
Budget revision	<u>1,496,959</u>
Final Budget	<u><u>\$ 119,399,511</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2015-16 voter-approved expenditure budget	<u>\$ 120,394,737</u>
Maximum allowed (4% of 2015-16 budget)	<u>\$ 4,815,789</u>

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

Unrestricted fund balance:		
Assigned fund balance	\$ 2,346,736	
Unassigned fund balance	<u>4,814,318</u>	
		\$ 7,161,054
Less:		
Appropriated fund balance	1,829,014	
Encumbrances	<u>517,722</u>	
Total adjustments		<u>2,346,736</u>

General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u><u>\$ 4,814,318</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, 2015

PROJECT TITLE	Budget June 30, 2014	Budget June 30, 2015	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2015
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
2012 HS Science Room #001-027	\$ 608,000	\$ 608,000	\$ 52,577	\$ 553,527	\$ 606,104	\$ 1,896	\$	\$	\$ 608,000	608,000	\$ 1,896 *
2012 HS Security, Clock & Public Address #001-041	207,000	207,000	146,263	47,513	193,776	13,224			207,000	207,000	13,224 *
2012 FH Access Control & Security System #002-019	25,000	25,000	22,633	435	23,068	1,932			25,000	25,000	1,932 *
2012 SD Access, Security & Road Renovations #003-018	630,000	630,000	54,434	486,390	540,824	89,176			630,000	630,000	89,176 *
2012 WH Fire Alarm & Clock #004-016	185,000	185,000	169,966	6,454	176,420	8,580			185,000	185,000	8,580 *
2012 WA Access Security, Public Addr & Roads #009-018	350,000	350,000	123,814	219,448	343,262	6,738			350,000	350,000	6,738 *
2012 JE Access Control & Security System #013-014	25,000	25,000	22,252	427	22,679	2,321			25,000	25,000	2,321 *
2012 MS Security Clock & Public Address #014-022	242,000	242,000	216,293	12,707	229,000	13,000			242,000	242,000	13,000 *
2012 JA Security System #017-015	27,000	27,000	24,863	477	25,340	1,660			27,000	27,000	1,660 *
2013 MS Locker Rooms #014-023	560,000	560,000	18,589	5,145	23,734	536,266			560,000	560,000	536,266
2013 HS Locker Rooms, Hallway Electrical Upgrades, Wall Repairs & Roof Replacement #001-042	445,000	445,000	14,773	4,950	19,723	425,277			445,000	445,000	425,277
2013 JA Fuel Oil Tank #017-016	192,500	192,500	12,925	1,600	14,525	177,975			192,500	192,500	177,975
2013 JE Clock System & Stage Wiring #013-015	66,000	66,000	2,384	1,366	3,750	62,250			66,000	66,000	62,250
2013 WH Public Address System #004-017	120,000	120,000	4,192	1,366	5,558	114,442			120,000	120,000	114,442
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	80,792	11,000	69,792	80,792	-			80,792	80,792	-
2014 HS Parking Lot Renovations #001-043	1,300,000	1,300,000		62,573	62,573	1,237,427			1,300,000	1,300,000	1,237,427
2014 WH Door Replacements #004-019	100,000	100,000		5,927	5,927	94,073		33,870	66,130	100,000	94,073
2014 DW Technology & Network Upgrades #7999-001	1,250,000	1,250,000		1,235,491	1,235,491	14,509			1,250,000	1,250,000	14,509
2015 HS #0001-044		525,000				525,000			525,000	525,000	525,000
2015 JA #0017-0017		506,000				506,000			506,000	506,000	506,000
	<u>\$ 6,745,292</u>	<u>\$ 7,776,292</u>	<u>\$ 1,228,958</u>	<u>\$ 2,715,588</u>	<u>\$ 3,944,546</u>	<u>\$ 3,831,746</u>	<u>\$ -</u>	<u>\$ 33,870</u>	<u>\$ 7,742,422</u>	<u>\$ 7,776,292</u>	<u>3,831,746</u>
Less: State Aid Funding Not Realized Transfer to general fund											(33,870) (138,527) *
										<u>\$ 3,659,349</u>	

HUNTINGTON UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2015

Capital assets, net	<u>\$ 18,800,773</u>
Deduct:	
Short-term portion of bonds payable	(155,000)
Long-term portion of bonds payable	(1,885,000)
Short-term portion of installment purchase debt	(167,378)
Long-term portion of installment purchase debt	<u>(944,963)</u>
	<u>(3,152,341)</u>
Net investment in capital assets	<u>\$ 15,648,432</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, 2015, 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 21, 2015.

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 21, 2015.

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 21, 2015

