

**HUNTINGTON UNION FREE SCHOOL DISTRICT**

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

**JUNE 30, 2008**

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
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**INDEPENDENT AUDITORS' REPORT**

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

We have audited the financial statements of the governmental activities, each major fund and the fiduciary funds of the Huntington Union Free School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, each major fund as well as the fiduciary funds of the Huntington Union Free School District as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2008, on our consideration of the Huntington Union Free School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

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

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

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

*Coughlin, Foundatos, Cullen, Demowski, LLP*

October 7, 2008

# 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, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole. This should be read in conjunction with the financial statements, which immediately follow this section.

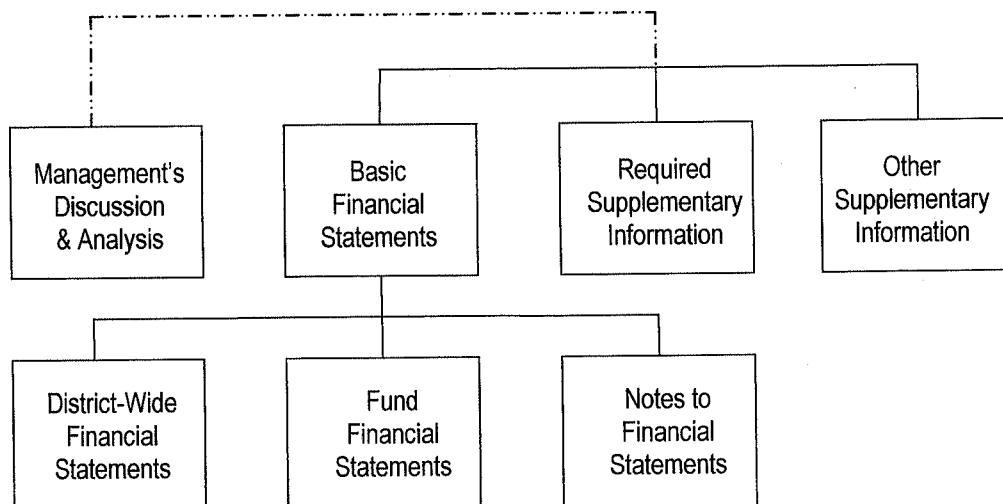
## 1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2008 are as follows:

- On the district-wide financial statements, the District's total net assets increased by \$1,762,957 or 8.56%. This was due to an excess of revenues over expenses on the accrual basis of accounting.
- On the district-wide financial statements, the District's expenses for the year totaled \$103,754,341. Of this amount, \$5,106,488 was offset by program charges for services and operating grants. General revenues of \$100,410,810 amounted to 95.2% of total revenues, and were adequate to cover the balance of program expenses.
- The District received \$3,224,344 in operating grants to support instructional programs.
- The general fund's total fund balance, as reflected on the balance sheet in the fund financial statements, increased by \$569,206 to \$10,402,643.
- On the balance sheet, the general fund's unreserved, undesignated fund balance at year end was \$4,143,835. This represents an increase of \$1,168,778 over the prior year. The unreserved, undesignated fund balance at year end approximates the statutory limit authorized by New York State Law.
- On May 20, 2008 the voters approved the establishment of a new capital reserve to be capitalized in the ultimate amount of \$10,000,000 plus interest. The funding source shall be the annual transfer of surplus monies, if any, from the District's general fund not to exceed \$2,000,000 in any given year as may be available at the end of each year from June 20, 2008 through June 30, 2016. At June 30, 2008, \$414,000 of surplus was transferred to this reserve.

## 2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

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**A. District-Wide Financial Statements**

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

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

The Statement of Net Assets

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

The Statement of Activities

The Statement of Activities presents information showing the change in net assets during the fiscal year. All changes in net assets are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

**B. Fund Financial Statements**

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

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period that they become measurable, funded through available resources and payable within a current period.

Governmental Funds

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

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

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

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

Fiduciary Funds

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

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

**A. Net Assets**

A summary of the District's Statement of Net Assets for June 30, 2008 and 2007 is as follows:

	2008	Restated 2007	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 22,083,914	\$ 20,835,826	\$ 1,248,088	5.99 %
Capital Assets	23,708,252	24,311,025	(602,773)	(2.48)%
Total Assets	45,792,166	45,146,851	645,315	1.43 %
Long-Term Liabilities	17,458,389	18,951,727	(1,493,338)	(7.88)%
Other Liabilities	5,963,554	5,587,858	375,696	6.72 %
Total Liabilities	23,421,943	24,539,585	(1,117,642)	(4.55)%
Net Assets				
Invested in Capital Assets, Net of Related Debt	13,722,506	12,877,766	844,740	6.56 %
Restricted	648,944	1,831,815	(1,182,871)	(64.57)%
Unrestricted	7,998,773	5,897,685	2,101,088	35.63 %
Total Net Assets	\$ 22,370,223	\$ 20,607,266	\$ 1,762,957	8.56 %

The above schedule for 2007 has been restated to reflect the impact of a prior period adjustment. The adjustment was an increase to long-term liabilities in the amount of \$1,615,389. This increase was due to an actuarial valuation of the District's liability for workers' compensation.

Current and other assets increased by \$1,248,088, as compared to the prior year. The increase is reflected in larger bank deposits at year end.

Capital assets decreased by \$602,773, as compared to the prior year. The decrease was primarily the result of depreciation in excess of improvements to facilities. The accompanying Notes to Financial Statements, Note 7 "Capital Assets" provides additional information.

Long-term liabilities decreased by \$1,493,338, as compared to the prior year. The decrease was primarily the result of the repayment of bond and installment debt.

Other liabilities increased by \$375,696, as compared to the prior year. The increase was primarily in connection with the District's accrued liabilities at year end.

The net assets invested in capital assets, net of related debt, relates to the investment in capital assets at cost such as – land, construction in progress, buildings & improvements, site improvements, and, furniture & equipment, net of depreciation and related debt. This number increased over the prior year by \$844,740 as follows:

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

	Increase (Decrease)
Capital asset additions - total	\$ 1,289,167
Additions financed by debt	(274,077)
Principal debt reduction of construction bonds	1,600,000
Principal debt reduction of installment purchase debt	121,590
Depreciation expense	(1,891,940)
	<u>\$ 844,740</u>

The restricted net assets in the amount of \$648,944 relates to the District's capital, debt service and repair reserves. This number decreased from the prior year by \$1,182,871 principally due to voter approval to expend \$1,648,000 for capital improvements.

The unrestricted net assets in the amount of \$7,998,773 relates to the balance of the District's net assets. This number includes the District's other reserves and fund balances less unfunded liabilities such as compensated absences. This number increased over the prior year by \$2,101,088 because the District expended less than budgeted and collected more revenues than anticipated.

The Districts total net assets increased by \$1,762,957 or 8.56%; \$22,370,223 at June 30, 2008, compared to \$20,607,266 at June 30, 2007.

**B. Changes in Net Assets**

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2008 and 2007 is as follows:

	2008	2007	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 1,144,065	\$ 1,381,592	\$ (237,527)	(17.19)%
Operating Grants	3,962,423	3,832,875	129,548	3.38 %
General Revenues				
Real Property Taxes and STAR	85,673,381	82,486,740	3,186,641	3.86 %
State Sources	11,663,181	9,504,353	2,158,828	22.71 %
Federal Sources	50,826	107,050	(56,224)	(52.52)%
Other	3,023,422	3,154,089	(130,667)	(4.14)%
Total Revenues	<u>105,517,298</u>	<u>100,466,699</u>	<u>5,050,599</u>	5.03 %
<b>Expenses</b>				
General Support	11,599,447	11,563,638	35,809	0.31 %
Instruction	81,418,463	76,308,346	5,110,117	6.70 %
Pupil Transportation	7,992,409	7,134,841	857,568	12.02 %
Debt Service - Interest	1,308,346	1,206,446	101,900	8.45 %
Cost of Sales - Food	1,435,676	1,419,008	16,668	1.17 %
Total Expenses	<u>103,754,341</u>	<u>97,632,279</u>	<u>6,122,062</u>	6.27 %
Increase in Net Assets	<u>\$ 1,762,957</u>	<u>\$ 2,834,420</u>	<u>\$ (1,071,463)</u>	(37.80)%



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

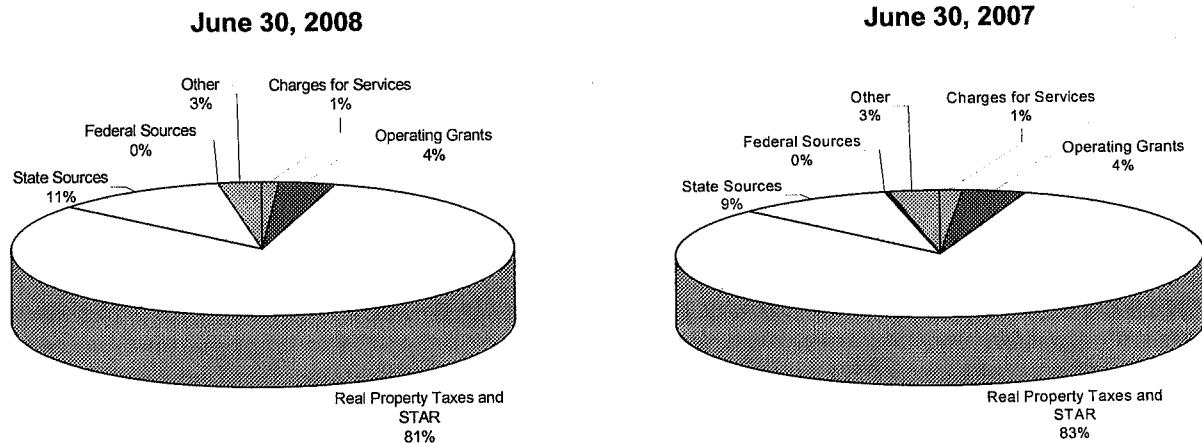
The District's net assets increased by \$1,762,957 and \$2,834,420 for the years ended June 30, 2008 and 2007, respectively.

The District's revenues increased by \$5,050,599 or 5.03%. The main areas of increase were real property taxes and STAR which increased by \$3,186,641, and state aid which increased by \$2,158,828.

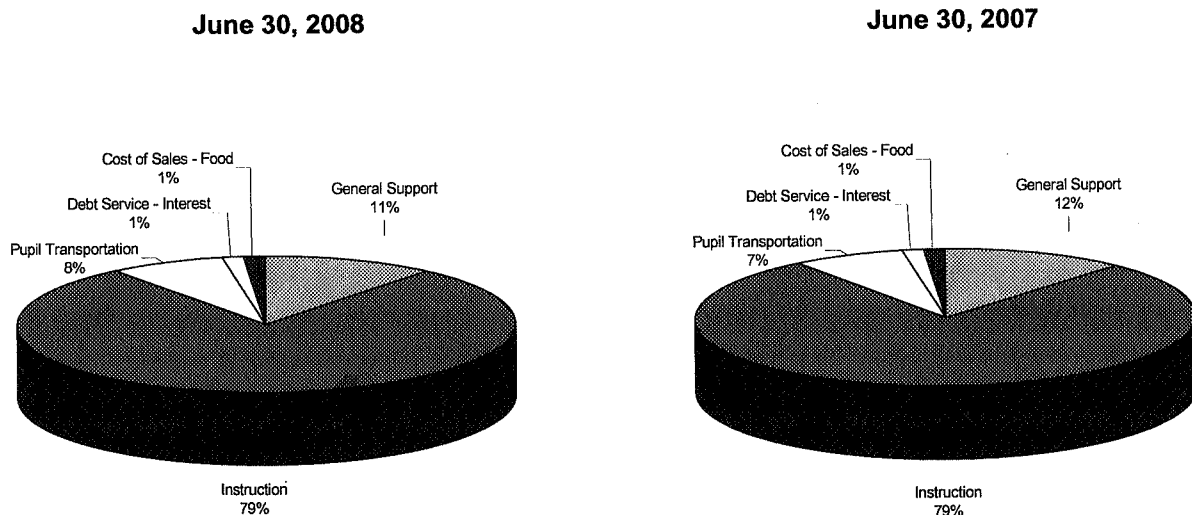
The District's expenses increased by \$6,122,062 or 6.27%. The major contributing factor to this increase was the additional costs required for instructional purposes.

As indicated on the pie charts that follow, real property taxes and STAR comprise the largest component of revenues recognized, 81% and 83% of the total for the years ended June 30, 2008 and 2007, respectively. Instructional expenses are the largest category of expenses incurred comprising 79% of the total for the years ended June 30, 2008 and 2007.

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



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



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

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

At June 30, 2008, the District's governmental funds reported a combined fund balance of \$15,541,745 which is an increase of \$903,454 over the prior year. This increase is due to an excess of revenues over expenditures. A summary of the change in fund balance by fund is as follows:

	2008	2007	Changes
<b>General Fund</b>			
Reserve for Encumbrances	\$ 438,577	\$ 378,233	\$ 60,344
Reserved for:			
Workers' Compensation	2,281,400	2,202,900	78,500
Employee Benefit Accrued Liability	1,324,831	1,279,247	45,584
Capital	414,000	1,648,000	(1,234,000)
Repairs	40,000		40,000
Unreserved - Designated for subsequent year's expenditures	1,760,000	1,350,000	410,000
Unreserved - Undesignated	4,143,835	2,975,057	1,168,778
	<u>10,402,643</u>	<u>9,833,437</u>	<u>569,206</u>
<b>School Lunch Fund</b>			
Reserve for Inventory	31,655	36,975	(5,320)
Unreserved - Undesignated	180,194	183,467	(3,273)
	<u>211,849</u>	<u>220,442</u>	<u>(8,593)</u>
<b>Debt Service Fund</b>			
Reserve for Debt	194,944	183,815	11,129
<b>Capital Projects Fund</b>			
Reserve for Encumbrances	1,355,920	1,051,210	304,710
Reserve for Capital	3,218,269	3,060,434	157,835
Unreserved - Undesignated	158,120	288,953	(130,833)
	<u>4,732,309</u>	<u>4,400,597</u>	<u>331,712</u>
<b>Total Fund Balance</b>	<u>\$ 15,541,745</u>	<u>\$ 14,638,291</u>	<u>\$ 903,454</u>

**A. General Fund**

The general fund - fund balance increased by \$569,206, as a result of an operating surplus. \$414,000 of this surplus was reserved for capital improvements.

**B. School Lunch Fund**

The school lunch fund - fund balance decreased by \$8,593. This was the amount of the operating loss sustained by the program.

**C. Debt Service Fund**

The debt service fund - fund balance increased by \$11,129, as a result of interest earnings on bond proceeds. These interest earnings will be used for debt service on the related debt.

**D. Capital Projects Fund**

The capital projects fund - fund balance increased by \$331,712. This was the result of a transfer of \$1,648,000 of capital reserve from the general fund net of \$1,316,288 of expenditures for capital improvements for the year.

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

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**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2007-08 Budget**

The District's general fund adopted budget for the year ended June 30, 2008, was \$99,199,355. This amount was increased by encumbrances carried forward from the prior year in the amount of \$378,233 and budget revisions of \$1,775,837, for a total final budget of \$101,353,425.

The budget was funded through a combination of revenues and designated fund balance. The majority of this funding source was \$85,672,855 in property taxes and STAR receipts. The budget revisions were funded by a grant, donations and the appropriation of the capital reserve.

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

The general fund's unreserved – undesignated fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and designations to fund the subsequent year's budget. It is this balance that is commonly referred to as the "fund balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unreserved - Undesignated Fund Balance	\$ 2,975,057
Revenues Over Budget	2,131,115
Expenditures and Encumbrances Under Budget	1,375,747
Net Change in Reserves	(578,084)
Appropriated for June 30, 2008 Budget	<u>(1,760,000)</u>
Closing, Unreserved - Undesignated Fund Balance	<u><u>\$ 4,143,835</u></u>

**Opening, Unreserved - Undesignated Fund Balance**

The \$2,975,057 shown in the table is the portion of the District's June 30, 2007 fund balance that was retained as undesignated. This was approximately 3% of the District's 2007-08 approved operating budget of \$99,199,355. It is the maximum undesignated fund balance permitted by law, and is generally regarded as a positive financial management indicator.

**Revenues Over Budget**

The 2007-08 final budget for revenues was \$97,977,192. Actual revenues received for the year were \$100,108,307. The excess of actual revenue over estimated or budgeted revenue was \$2,131,115. The District's recognized revenues in excess of that anticipated were primarily in the following areas: use of money and property - interest earnings on deposits with financial institutions; and miscellaneous income – reimbursement of Medicare D, donations and refunds of prior year's expenditures. Revenues over budget contribute directly to the change to the undesignated portion of the general fund - fund balance from June 30, 2007 to June 30, 2008.

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

Expenditures and Encumbrances Under Budget

The 2007-08 final budget for expenditures, including budget revisions and prior year open encumbrances as of June 30, 2007, was \$101,353,425. Actual expenditures as of June 30, 2008 were \$99,539,101 plus outstanding encumbrances of \$438,577. Combined, the expenditures plus encumbrances for 2007-08 was \$99,977,678. The final budget was under expended by \$1,375,747. The majority of this under expenditure was in the instruction area. Expenditures and encumbrances under budget contribute directly to the change to the undesignated portion of the general fund - fund balance from June 30, 2007 to June 30, 2008.

Net Change in Reserves

Monies transferred from budget lines within the general fund operating budget into required reserves such as the workers' compensation reserve, the employee benefit accrued liability reserve or the capital reserve do not affect the combined reserved, designated and undesignated fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the undesignated portion of the fund balance by the amount of the transfers.

The above table reflects the net earnings in the workers' compensation and employee benefit accrued liability reserves of \$124,084 and two transfers to reserves: \$40,000 to the repair reserve and \$414,000 to the capital reserve.

Appropriated Fund Balance

The District has chosen to use \$1,760,000 of its available June 30, 2008 fund balance to partially fund its 2008-09 approved operating budget.

Closing, Unreserved - Undesignated Fund Balance

Based upon the summary changes shown in the above table, the District will begin the 2008-09 fiscal year with an undesignated fund balance of \$4,143,835. This is an increase of \$1,168,778 as compared to the prior year. This undesignated portion is within the permissible 4.0% statutory maximum and is an indicator of stability in the District's management of its undesignated general fund-fund balance.

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A. Capital Assets**

At June 30, 2008, the District had \$23,708,252 invested in a broad range of capital assets, including land, construction in progress, buildings and improvements, site improvements, and furniture and equipment. This amount represents a net decrease of \$602,773 from the prior year. See accompanying Notes to Financial Statements, Note 7 "Capital Assets" for additional information. A summary of the District's capital assets, net of depreciation at June 30, 2008 and 2007 is as follows:

	2008	2007	Increase (Decrease)
Land	\$ 1,545,142	\$ 1,545,142	\$
Construction in progress	1,271,020	4,808,170	(3,537,150)
Buildings and improvements	18,655,053	15,261,009	3,394,044
Site improvements	1,373,433	1,477,352	(103,919)
Furniture and equipment	863,604	1,219,352	(355,748)
Capital assets, net	<u>\$ 23,708,252</u>	<u>\$ 24,311,025</u>	<u>\$ (602,773)</u>

Capital additions for the year ended June 30, 2008, were \$1,289,167. Depreciation expense for the year was \$1,891,940.

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

**B. Debt Administration**

At June 30, 2008, the District had total bonds payable of \$8,035,000. The bonds were issued for school building improvements. The decrease in outstanding bonds represents principal payments on all outstanding bonds of \$1,600,000. A summary of the outstanding bonds at June 30, 2008 and 2007 is as follows:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
May 1998	4.0 - 5.5%	\$ 4,135,000	\$ 4,865,000	\$ (730,000)
February 1999	3.8 - 4.1%	790,000	1,550,000	(760,000)
September 2006	4.125 - 4.25%	3,110,000	3,220,000	(110,000)
		<u>\$ 8,035,000</u>	<u>\$ 9,635,000</u>	<u>\$ (1,600,000)</u>

At June 30, 2008, the District had installment purchase debt outstanding of \$2,114,142. This is a decrease from the prior year of \$121,590. The final maturity on this installment debt is 2021.

Included in the District's long-term liabilities are the estimated amounts due for compensated absences and workers' compensation. The compensated absence liability of \$4,392,752 is based on employee sick and vacation time through June 30, 2008 and the applicable rates and limitations outlined in the various contracts. The workers' compensation liability of \$2,916,495 is based on an actuarial valuation of the District's claims. A prior period adjustment was made to the opening balance in the amount of \$1,615,389 as a result of the actuarial valuation.

Moody's Investors Service, Inc. has assigned a credit rating of Aa3 to the District's debt. The District's total outstanding indebtedness did not exceed the District's debt limit, which is defined as 10% of the full valuation of the taxable real property within the District.

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

The general fund budget, the only fund with a legally adopted budget, as approved by the voters for the year ending June 30, 2009 is \$103,617,414. This is an increase of \$4,418,059 or 4.45% over the previous year's budget. The increase is predominantly in the instructional component of the budget.

The District budgeted revenues at a \$1,384,429 increase over the prior year's estimate. The budget reflects an increase in property tax revenues of 3.54%. The budget also reflects an increase in state aid and miscellaneous revenue. The District chose to appropriate \$1,760,000 of unreserved – undesignated fund balance in the June 30, 2009 budget.

**8. CONTACTING THE DISTRICT**

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

Mr. David H. Grackin  
Assistant Superintendent, Finance & Management Services  
Huntington Union Free School District  
50 Tower Street  
Huntington Station, New York 11746

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Statement of Net Assets**  
June 30, 2008

**ASSETS**

Cash	\$ 18,487,207
Receivables	
Accounts receivable	532,843
Due from other governments	2,495,298
Other assets	536,911
Inventory	31,655
Capital assets not being depreciated	2,816,162
Capital assets being depreciated, net of accumulated depreciation	<u>20,892,090</u>
 Total Assets	 <u><u>\$ 45,792,166</u></u>

**LIABILITIES**

Payables	
Accounts payable	\$ 467,320
Accrued liabilities	600,161
Retained percentages	154,837
Due to other governments	1,443
Deferred revenues	21,600
Due to teachers' retirement system	4,123,298
Due to employees' retirement system	267,452
Compensated absences payable	327,443
Long-term liabilities	
Due and payable within one year	
Bonds payable	1,665,000
Installment purchase debt	126,545
Compensated absences payable	76,176
Due and payable after one year	
Bonds payable	6,370,000
Installment purchase debt	1,987,597
Compensated absences payable	4,316,576
Workers' compensation liabilities	<u>2,916,495</u>
 Total Liabilities	 <u>23,421,943</u>

**NET ASSETS**

Investment in capital assets, net of related debt	13,722,506
Restricted for capital	414,000
Restricted for repairs	40,000
Restricted for debt service	194,944
Unrestricted	<u>7,998,773</u>
 Total Net Assets	 <u>22,370,223</u>
 Total Liabilities and Net Assets	 <u><u>\$ 45,792,166</u></u>

# HUNTINGTON UNION FREE SCHOOL DISTRICT

## Statement of Activities

For The Year Ended June 30, 2008

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants	
<b>FUNCTIONS/PROGRAMS</b>				
<b>Governmental Activities:</b>				
General support	\$ 11,599,447	\$	\$	\$ (11,599,447)
Instruction	81,418,463	472,074	3,224,344	(77,722,045)
Pupil transportation	7,992,409			(7,992,409)
Debt service - interest	1,308,346			(1,308,346)
Food service program	1,435,676	671,991	738,079	(25,606)
	<u>\$ 103,754,341</u>	<u>\$ 1,144,065</u>	<u>\$ 3,962,423</u>	<u>(98,647,853)</u>
Total Governmental Activities				
<b>GENERAL REVENUES</b>				
Real property taxes				76,827,780
Other tax items				8,989,947
Use of money and property				1,077,088
Miscellaneous				989,198
Intergovernmental revenue				812,790
State sources				11,663,181
Medicaid reimbursement				50,826
				<u>100,410,810</u>
Total General Revenues				
Change in Net Assets				1,762,957
Total Net Assets - Beginning of year				22,222,655
Prior Period Adjustment				(1,615,389)
Total Net Assets - End of year				<u>\$ 22,370,223</u>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2008

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 16,407,357	\$ 797,327	\$ 122,349	\$ 98,967	\$ 1,061,207	\$ 18,487,207
Receivables						
Accounts receivable	526,479	6,364				532,843
Due from other funds	1,423,750			95,977	3,921,916	5,441,643
Due from other governments	1,800,470	620,059	74,769			2,495,298
Other assets	536,911					536,911
Inventory			31,655			31,655
<b>Total Assets</b>	<b>\$ 20,694,967</b>	<b>\$ 1,423,750</b>	<b>\$ 228,773</b>	<b>\$ 194,944</b>	<b>\$ 4,983,123</b>	<b>\$ 27,525,557</b>
<b>LIABILITIES</b>						
Payables						
Accounts payable	\$ 451,839		\$ 15,481			\$ 467,320
Accrued liabilities	449,865					449,865
Retained percentages					154,837	154,837
Due to other funds	3,921,916	1,423,750			95,977	5,441,643
Due to other governments			1,443			1,443
Due to teachers' retirement system	4,123,298					4,123,298
Due to employees' retirement system	267,452					267,452
Compensated absences payable	327,443					327,443
Deferred Credits						
Deferred revenues	750,511					750,511
<b>Total Liabilities</b>	<b>10,292,324</b>	<b>1,423,750</b>	<b>16,924</b>	<b>-</b>	<b>250,814</b>	<b>11,983,812</b>
<b>FUND BALANCES</b>						
Reserved for:						
Encumbrances	438,577				1,355,920	1,794,497
Workers' Compensation	2,281,400					2,281,400
Employee Benefit Accrued Liability	1,324,831					1,324,831
Capital	414,000				3,218,269	3,632,269
Repairs	40,000					40,000
Debt Service				194,944		194,944
Inventory			31,655			31,655
Unreserved - Designated for subsequent year's expenditures	1,760,000					1,760,000
Unreserved - Undesignated	4,143,835		180,194		158,120	4,482,149
<b>Total Fund Balances</b>	<b>10,402,643</b>	<b>-</b>	<b>211,849</b>	<b>194,944</b>	<b>4,732,309</b>	<b>15,541,745</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 20,694,967</b>	<b>\$ 1,423,750</b>	<b>\$ 228,773</b>	<b>\$ 194,944</b>	<b>\$ 4,983,123</b>	<b>\$ 27,525,557</b>



**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
June 30, 2008

Total Governmental Fund Balances \$ 15,541,745

Amounts reported for governmental activities in the statement of net assets are different because:

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

Original cost of capital assets	51,868,582
Accumulated depreciation	<u>(28,160,330)</u>
	<u>23,708,252</u>

Other long-term assets that are not available to pay current-period expenditures and, therefore deferred in the governmental funds. 728,911

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

Bonds payable	(8,035,000)
Accrued interest on bonds payable	(150,296)
Installment purchase debt	(2,114,142)
Compensated absences	(4,392,752)
Workers' compensation liabilities	(2,916,495)
	<u>(17,608,685)</u>

Total Net Assets \$ 22,370,223

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For The Year Ended June 30, 2008

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 76,827,780	\$	\$	\$	\$	\$ 76,827,780
Other tax items	8,989,947					8,989,947
Charges for services	529,861					529,861
Use of money and property	1,054,380		1,578	21,130		1,077,088
Miscellaneous	989,198		16,176			1,005,374
Intergovernmental revenue				812,790		812,790
State sources	11,663,181	1,058,211	37,991			12,759,383
Medicaid reimbursement	50,826					50,826
Federal sources		2,166,133	620,996			2,787,129
Surplus food			79,092			79,092
Sales - school lunch			655,815			655,815
<b>Total Revenues</b>	<b>100,105,173</b>	<b>3,224,344</b>	<b>1,411,648</b>	<b>833,920</b>	<b>-</b>	<b>105,575,085</b>
<b>EXPENDITURES</b>						
General support	9,248,794					9,248,794
Instruction	56,949,413	3,158,897				60,108,310
Pupil transportation	7,737,802	210,570				7,948,372
Employee benefits	21,579,598					21,579,598
Debt service						
Principal	121,590			1,600,000		1,721,590
Interest	903,594			424,844		1,328,438
Cost of sales			1,420,241			1,420,241
Capital outlay					1,316,288	1,316,288
<b>Total Expenditures</b>	<b>96,540,791</b>	<b>3,369,467</b>	<b>1,420,241</b>	<b>2,024,844</b>	<b>1,316,288</b>	<b>104,671,631</b>
Excess (Deficiency) of Revenues Over Expenditures	3,564,382	(145,123)	(8,593)	(1,190,924)	(1,316,288)	903,454
<b>OTHER FINANCING SOURCES AND (USES)</b>						
Operating transfers in	3,134	148,257		1,202,053	1,648,000	3,001,444
Operating transfers (out)	(2,998,310)	(3,134)				(3,001,444)
<b>Total Other Financing Sources and (Uses)</b>	<b>(2,995,176)</b>	<b>145,123</b>	<b>-</b>	<b>1,202,053</b>	<b>1,648,000</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>569,206</b>	<b>-</b>	<b>(8,593)</b>	<b>11,129</b>	<b>331,712</b>	<b>903,454</b>
<b>Fund Balances - Beginning of year</b>	<b>9,833,437</b>		<b>220,442</b>	<b>183,815</b>	<b>4,400,597</b>	<b>14,638,291</b>
<b>Fund Balances - End of year</b>	<b>\$ 10,402,643</b>	<b>\$ -</b>	<b>\$ 211,849</b>	<b>\$ 194,944</b>	<b>\$ 4,732,309</b>	<b>\$ 15,541,745</b>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
For The Year Ended June 30, 2008

Net Change in Fund Balances \$ 903,454

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

Long-Term Revenue and Expense Differences

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

Increase in unfunded compensated absences liability	\$ (241,314)	
Decrease in workers' compensation liabilities	13,062	
		(228,252)

Potential revenues that do not meet both the measurable and available criteria for recognition in the current year are reported as deferred revenues in the governmental funds, but they are recognized as current revenues in the Statement of Activities. This is the amount by which deferred revenues decreased from June 30, 2007 to June 30, 2008.

(51,154)

Capital Related Differences

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

Capital outlays	1,289,167	
Depreciation expense	(1,891,940)	
		(602,773)

Long-Term Debt Transaction Differences

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

1,600,000

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

121,590

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, 2007 to June 30, 2008.

20,092

1,741,682

Change in Net Assets of Governmental Activities

\$ 1,762,957

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Assets -**  
**Fiduciary Funds**  
June 30, 2008

	<u>Agency</u>	<u>Private Purpose Trusts</u>
<b>ASSETS</b>		
Cash	\$ 361,412	\$ 873,084
Total Assets	<u>\$ 361,412</u>	<u>\$ 873,084</u>
 <b>LIABILITIES</b>		
Extraclassroom activity balances	\$ 185,310	\$
Other liabilities	<u>176,102</u>	<u></u>
Total Liabilities	<u>\$ 361,412</u>	-
 <b>NET ASSETS</b>		
Reserved for scholarships		112,906
Expendable trust funds		<u>760,178</u>
Non-expendable trust funds		
Total Liabilities and Net Assets		<u>\$ 873,084</u>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Assets -**  
**Fiduciary Funds**  
For The Year Ended June 30, 2008

	Private Purpose Trusts
<b>ADDITIONS</b>	
Miscellaneous	\$ 8,016
Investment earnings	<u>30,683</u>
Total Additions	<u>38,699</u>
 <b>DEDUCTIONS</b>	
Scholarships and awards	<u>8,200</u>
Change in Net Assets	30,499
Net Assets - Beginning of year	<u>842,585</u>
Net Assets - End of Year	<u><u>\$ 873,084</u></u>

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

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

**Extraclassroom Activity Funds**

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

**B. Joint Venture**

The District is one of 18 component school districts in the Board of Cooperative Educational Services of Western Suffolk, (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under Section §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under Section §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

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

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**C. Basis of Presentation**

District-Wide Financial Statements

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

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

Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis of fund financial statements is on major governmental funds as defined by GASB, each displayed in a separate column. The District's financial statements reflect the following major fund categories:

**Governmental Funds:**

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

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

**School Lunch Fund** - is used to account for the activities of the school lunch operations.

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

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

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

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

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

The district-wide and fiduciary fund financial statements are reported on the accrual basis of accounting using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, grants and donations. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the related expenditures are incurred.

The fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**E. Real Property Taxes**

Calendar

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

Enforcement

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

**F. Restricted Resources**

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

**F. Interfund Transactions**

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

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



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

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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 computation of encumbrances, compensated absences, workers' compensation, potential contingent liabilities and useful lives of long-lived assets.

**H. Cash and Cash Equivalents/Investments**

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

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

**I. Accounts Receivable**

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

**J. Inventories and Prepaid Items**

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. These inventories are accounted for on the purchases method. A reserve for inventory has been recognized to indicate that this does not constitute available spendable resources.

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

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

**K. Capital Assets**

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

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

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

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	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 50,000	50 years
Site improvements	25,000	20 years
Furniture and equipment	1,000	5-20 years

**L. Deferred Revenue**

Deferred revenue arises when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recognized.

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

**M. Vested Employee Benefits – Compensated Absences**

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

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave or a credit towards their health insurance obligation.

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

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources.

**N. Other Benefits**

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the general fund, in the year paid.

In June of 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEBs)*. OPEBs include benefits such as health insurance, as well as other benefits. Prior to adopting GASB 45, governments reported their current outlays for OPEBs as expenditures in the year paid. GASB 45 will require governments to report information about their long-term financial obligations and commitments for OPEBs as incurred. The theory behind this reporting is that the traditional pay as you go public disclosures may be incomplete regarding the true

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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cost of public services as well as not reflecting the true financial position and long-term health of the government. The effective date for GASB 45 will depend on the size of the government. The District will have to address GASB 45 for its fiscal year ending June 30, 2009 with regard to its OPEB obligation. The full impact of GASB 45 cannot be determined at this time.

**O. Short-Term Debt**

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

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

**P. Accrued Liabilities and Long-Term Obligations**

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

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

**Q. Equity Classifications**

District-Wide Statements

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

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

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

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

Fund Statements

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

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. These reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. Fund balance reserves currently in use by the District include the following:

*Reserve for Encumbrances*

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

*Workers' Compensation Reserve*

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

*Employee Benefit Accrued Liability Reserve*

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

*Reserve for Capital*

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

*Repair Reserve*

Repair 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.

*Reserve for Debt Service*

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

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

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*Reserve for Inventory*

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

*Reserve for Scholarships*

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

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

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

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**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

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

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

Appropriations are adopted at the program line item level.

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

Transfer to capital funded by capital reserve	\$ 1,648,000
Contingent expenditures funded by grant	60,000
Contingent expenditures funded by donations	<u>67,837</u>
	<u><u>\$ 1,775,837</u></u>

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

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

**B. Encumbrances**

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

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

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

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

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

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

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

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.

**Investment pool**

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

Total investments of the cooperative as of year-end are \$1,078,382,509, which consisted of \$280,249,107 in repurchase agreements, \$565,127,788 in U. S. Treasury Securities, \$8,005,614 in U.S. Government Guaranteed Securities and \$225,000,000 in collateralized bank deposits, with various interest rate and due dates.

The following amounts are included as cash:

Fund	Carrying Amount
Capital Fund	\$ 300,000
Fiduciary Funds	873,084
	<u>\$ 1,173,084</u>

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

**5. PARTICIPATION IN BOCES**

During the year ended June 30, 2008, the District was billed \$7,185,960 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$937,575. Financial statements for the BOCES are available from the BOCES administrative offices at 507 Deer Park Road, P.O. Box 8007, Huntington Station, NY 11746-9007.

**6. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2008 consisted of:

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

General Fund	
New York State aid	\$ 1,219,229
BOCES aid	581,241
	<u>1,800,470</u>
Special Aid Fund	
Federal and State grants	620,059
School Lunch Fund	
Federal and State food service program reimbursements	74,769
	<u>\$ 2,495,298</u>

**7. CAPITAL ASSETS**

During the year June 30, 2008, the District had a fixed asset management company perform a physical inventory of the District's capital assets.

Capital asset balances and activity for the year ended June 30, 2008, were as follows:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,545,142	\$	\$	\$ 1,545,142
Construction in progress	4,808,170	1,255,198	(4,792,348)	1,271,020
Total capital assets not being depreciated	<u>6,353,312</u>	<u>1,255,198</u>	<u>(4,792,348)</u>	<u>2,816,162</u>
Capital assets being depreciated				
Buildings and improvements	35,755,314	4,792,348		40,547,662
Site improvements	2,135,805			2,135,805
Furniture and equipment	6,345,443	33,969	(10,459)	6,368,953
Total capital assets being depreciated	<u>44,236,562</u>	<u>4,826,317</u>	<u>(10,459)</u>	<u>49,052,420</u>
Less accumulated depreciation for:				
Buildings and improvements	20,494,305	1,398,304		21,892,609
Site improvements	658,453	103,919		762,372
Furniture and equipment	5,126,091	389,717	(10,459)	5,505,349
Total accumulated depreciation	<u>26,278,849</u>	<u>1,891,940</u>	<u>(10,459)</u>	<u>28,160,330</u>
Total capital assets, being depreciated, net	<u>17,957,713</u>	<u>2,934,377</u>	<u>-</u>	<u>20,892,090</u>
Capital assets, net	<u>\$ 24,311,025</u>	<u>\$ 4,189,575</u>	<u>\$ (4,792,348)</u>	<u>\$ 23,708,252</u>



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

Depreciation expense was charged to governmental functions as follows:

General support	\$ 42,521
Instruction	1,833,984
Food service program	<u>15,435</u>
Total depreciation expense	<u>\$ 1,891,940</u>

**8. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2008, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,423,750	\$ 3,921,916	\$ 3,134	\$ 2,998,310
Special Aid Fund		1,423,750	148,257	3,134
Debt Service Fund	95,977		1,202,053	
Capital Projects Fund	3,921,916	95,977	1,648,000	
Total	<u>\$ 5,441,643</u>	<u>\$ 5,441,643</u>	<u>\$ 3,001,444</u>	<u>\$ 3,001,444</u>

The District typically transfers from the general fund to the special aid fund and the debt service fund in accordance with the general fund budget. The transfer to the special aid fund was for the District's share of the costs for the summer handicapped program. The transfer to the debt service fund was for repayment of principal and interest on outstanding bond indebtedness. The transfer to the capital projects fund was for projects approved by the voters to be funded from the capital reserve.

**9. SHORT-TERM DEBT**

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

	Maturity	Interest Rate	Balance June 30, 2007	Issued	Redeemed	Balance June 30, 2008
TAN	6/27/08	3.9-4.0%	\$	\$ 28,000,000	\$ (28,000,000)	\$

Interest expense on short-term debt for the year was \$812,466.

**10. LONG-TERM LIABILITIES**

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

	Restated Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 9,635,000	\$	\$ (1,600,000)	\$ 8,035,000	\$ 1,665,000
Installment purchase debt	2,235,732		(121,590)	2,114,142	126,545
Other long-term liabilities:					
Compensated absences	4,151,438	241,314		4,392,752	76,176
Workers' compensation	2,929,557	426,693	(439,755)	2,916,495	
	<u>\$ 18,951,727</u>	<u>\$ 668,007</u>	<u>\$ (2,161,345)</u>	<u>\$ 17,458,389</u>	<u>\$ 1,867,721</u>

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

The June 30, 2007 balance for workers' compensation liability has been restated for a prior period adjustment of \$1,615,389 based on an actuarial valuation.

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

Bonds payable are comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2008
Construction	5/1998	7/2012	4.0 - 5.5%	\$ 4,135,000
Construction	2/1999	2/2009	3.8 - 4.1%	790,000
Construction	9/2006	6/2026	4.125 - 4.25%	3,110,000
				<u>\$ 8,035,000</u>

The following is a summary of debt service requirements:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 1,665,000	\$ 356,001	2,021,001
2010	905,000	283,234	1,188,234
2011	950,000	238,475	1,188,475
2012	990,000	188,013	1,178,013
2013	1,045,000	134,113	1,179,113
2014-2018	790,000	454,756	1,244,756
2019-2023	985,000	276,556	1,261,556
2024-2026	705,000	60,775	765,775
Total	<u>\$ 8,035,000</u>	<u>\$ 1,991,923</u>	<u>\$ 10,026,923</u>

The following is a summary of installment purchase debt requirements:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 126,545	\$ 86,173	212,718
2010	131,703	81,015	212,718
2011	137,072	75,646	212,718
2012	142,659	70,059	212,718
2013	148,473	64,245	212,718
2014-2018	838,230	225,359	1,063,589
2019-2021	589,460	48,693	638,153
Total	<u>\$ 2,114,142</u>	<u>\$ 651,190</u>	<u>\$ 2,765,332</u>

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

Interest paid	\$ 515,972
Less interest accrued in the prior year	(170,388)
Plus interest accrued in the current year	<u>150,296</u>
Total interest expense on long-term debt	<u>\$ 495,880</u>

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

**11. PENSION PLANS**

**A. General Information**

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

**B. Provisions and Administration**

Teachers' Retirement System

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

Employees' Retirement System

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

**C. Funding Policies**

The Systems are noncontributory for the employee except for those who joined the Systems after July 27, 1976 with less than ten years of credited service, who contribute 3% of their salary. For the NYSERS, the Comptroller shall certify annually the rates expressed as proportions of members' payroll annually, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, rates are established annually for NYSTRS by the New York State Teachers' Retirement Board.

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

<u>Year</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2008	\$ 3,568,278	\$ 929,085
2007	3,303,484	1,216,548
2006	2,871,097	1,170,235

**12. POST-EMPLOYMENT BENEFITS**

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

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

The District recognizes the cost of providing health insurance for retirees annually as expenditures in the general fund at the time the expenditure is incurred. For the year ended June 30, 2008, the District recorded approximately \$4,193,000 as its share of insurance premiums for 639 currently enrolled retirees.

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**13. RISK MANAGEMENT / PRIOR PERIOD ADJUSTMENT**

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

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities should include an amount for reported and unreported claims which were incurred on or before year end but not reported (IBNR). The liability at June 30, 2008 is based on an actuarial valuation using an annual interest rate discount of 3%. Claims activity is summarized below:

	Restated 2007	2008
Unpaid claims at beginning of year	\$ 2,890,705	\$ 2,929,557
Incurred claims and claim adjustment expenses	452,234	426,693
Claim payments	<u>(413,382)</u>	<u>(439,755)</u>
Unpaid claims at year end	<u>\$ 2,929,557</u>	<u>\$ 2,916,495</u>

The amounts for 2007 have been restated to give effect to a prior period adjustment based on the results of an actuarial valuation. The result of the actuarial valuation was an increase in the liability of \$1,615,389.

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

The amount of \$1,760,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2009.

**15. COMMITMENTS AND CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**C. Operating Leases**

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$119,253. The minimum remaining operating lease payments are as follows:

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

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<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 154,814
2010	147,827
2011	135,718
2012	95,942
2013	<u>26,523</u>
	<u>\$ 560,824</u>

**16. SUBSEQUENT EVENTS**

On September 15, 2008, the District issued tax anticipation notes in the amount of \$27,000,000, which are due June 26, 2009, and bear an effective interest rate of 1.68%.

**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, 2008

	Original Budget	Final Budget	Actual		Final Budget Variance with Actual
<b>REVENUES</b>					
Local Sources					
Real property taxes	\$ 85,672,855	\$ 76,827,254	\$ 76,827,780		\$ 526
Other tax items	135,000	8,980,601	8,989,947		9,346
Charges for services	396,000	396,000	529,861		133,861
Use of money and property	653,500	653,500	1,054,380		400,880
Miscellaneous	165,000	232,837	989,198		756,361
Total Local Sources	87,022,355	87,090,192	88,391,166		1,300,974
State Sources	10,592,000	10,652,000	11,663,181		1,011,181
Medicaid Reimbursement	225,000	225,000	50,826		(174,174)
Total Revenues	97,839,355	97,967,192	100,105,173		2,137,981
<b>OTHER SOURCES</b>					
Operating transfers in	10,000	10,000	3,134		(6,866)
Total Revenues and Other Sources	97,849,355	97,977,192	100,108,307		\$ 2,131,115
<b>EXPENDITURES</b>					
General Support					
Board of education	34,555	34,555	21,269	\$ 556	\$ 12,730
Central administration	323,312	323,385	318,322		5,063
Finance	1,017,131	1,060,991	992,917	33,522	34,552
Staff	950,099	1,021,139	952,221	26,330	42,588
Central services	6,387,063	6,368,073	6,130,961	129,201	107,911
Special items	856,132	839,132	833,104	5,000	1,028
Total General Support	9,568,292	9,647,275	9,248,794	194,609	203,872
Instruction					
Instruction, administration & improvement	4,126,967	4,329,780	4,095,944	18,897	214,939
Teaching - regular school	29,721,490	30,464,759	29,844,919	84,808	535,032
Programs for children with handicapping conditions	16,343,646	16,426,500	16,285,510	88,306	52,684
Occupational education	938,059	920,430	880,696		39,734
Teaching - special school	169,358	229,398	214,295		15,103
Instructional media	1,924,219	1,913,190	1,880,007	11,188	21,995
Pupil services	3,941,776	3,940,764	3,748,042	18,326	174,396
Total Instruction	57,165,515	58,224,821	56,949,413	221,525	1,053,883
Pupil Transportation	7,224,708	7,764,333	7,737,802	9,343	17,188
Employee Benefits	22,874,300	21,601,223	21,579,598	13,100	8,525
Debt Service					
Principal	121,590	121,590	121,590		-
Interest	1,181,129	904,129	903,594		535
Total Debt Service	1,302,719	1,025,719	1,025,184	-	535
Total Expenditures	98,135,534	98,263,371	96,540,791	438,577	1,284,003
<b>OTHER USES</b>					
Operating transfers out	1,442,054	3,090,054	2,998,310		91,744
Total Expenditures and Other Uses	99,577,588	101,353,425	99,539,101	\$ 438,577	\$ 1,375,747
Net Change in Fund Balances	(1,728,233)	(3,376,233)	569,206		
Fund Balances - Beginning of Year	1,728,233	3,376,233	9,833,437		
Fund Balances - End of Year	\$ -	\$ -	\$ 10,402,643		

**Note to Required Supplementary Information**

Budget Basis of Accounting

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

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Schedules of Change from Adopted Budget to Final Budget**  
**And Use of Unreserved Fund Balance - General Fund**  
For The Year Ended June 30, 2008

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Original Budget	\$ 99,199,355
Additions:	
Prior year's encumbrances	<u>378,233</u>
Original Budget	99,577,588
Budget revision	<u>1,775,837</u>
Final Budget	<u><u>\$ 101,353,425</u></u>

Next year's budget is a voter-approved budget of	<u><u>\$ 103,617,414</u></u>
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**USE OF UNRESERVED FUND BALANCE**

Unreserved Fund Balance -	
As of the beginning of the year	\$ 4,325,057
Less:	
Designated fund balance used for	
the levy of taxes - Adopted budget	<u>1,350,000</u>
Undesignated Fund Balance -	
As of the beginning of the year	<u><u>\$ 2,975,057</u></u>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Schedule of Project Expenditures -**  
**Capital Projects Fund**  
For The Year Ended June 30, 2008

PROJECT TITLE	Budget June 30, 2007	Budget June 30, 2008	Prior Years	Expenditures		Unexpended Balance	Proceeds of Obligations	Methods of Financing		Fund Balance June 30, 2008
				Current Year	Total			State Aid	Local Sources	
<b>Capital Reserve:</b>										
High School - Chemistry Labs	\$ 135,000	\$ 135,000	\$ 94,548	\$	\$ 94,548	\$ 40,452	\$	\$	\$ 135,000	\$ 40,452
Jefferson - Doors	125,000	125,000	87,584		87,584	37,416			125,000	37,416
Finley, South Down, Flower Hill	221,000	221,000	201,454		201,454	19,546			221,000	19,546
Sidewalk and Parking Lot	99,644	99,644				99,644			99,644	99,644
Unallocated										
Total Capital Reserve	580,644	580,644	383,586		383,586	197,058			580,644	197,058
<b>Capital Reserves:</b>										
Building Improvement Fund	6,352,000	8,000,000	2,804,956	995,907	3,800,863	4,199,137			8,000,000	4,199,137
<b>Interfund Transfers:</b>										
Southdown - Cesspools	40,000	40,000	5,143		5,143	34,857			40,000	34,857
Unallocated	54,274	54,274				54,274			54,274	54,274
2003-04 transfers	626,000	626,000	527,913	1,553	529,466	96,534			626,000	96,534
2004-05 transfers	626,000	626,000	595,510	1,200	596,710	29,290			626,000	29,290
2005-06 transfers	26,000	26,000	24,686		24,686	1,314			26,000	1,314
Total Interfund Transfers	1,372,274	1,372,274	1,153,252	2,753	1,156,005	216,269			1,372,274	216,269
<b>Library District Bond Issue</b>										
	6,600,000	6,600,000	6,514,403		6,514,403	85,597			6,600,000	85,597
<b>2006 Bond Issue</b>										
	3,365,000	3,365,000	3,013,124	274,077	3,287,201	77,799			3,365,000	77,799
<b>Excel Funding</b>										
				43,551	43,551	(43,551)				(43,551)
<b>Totals</b>	\$ 18,269,918	\$ 19,917,918	\$ 13,869,321	\$ 1,316,288	\$ 15,185,609	\$ 4,732,309	\$ 9,965,000	\$ -	\$ 9,952,918	\$ 4,732,309



**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Schedule of Certain Revenues and Expenditures**  
**Compared to ST-3 Data**  
For The Year Ended June 30, 2008

	Audited Code	ST-3 Amount	Audited Amount
<b>REVENUES</b>			
Real Property Taxes	A -1001	\$ 76,827,780	\$ 76,827,780
Non-Property Taxes	AT-1199	-	-
State Aid	AT-3999	11,663,181	11,663,181
Federal Aid - Medicaid Reimbursements	AT-4999	50,826	50,826
Total Revenues	AT-5999	100,108,307	100,108,307
<b>EXPENDITURES</b>			
General Support	AT-1999	9,248,794	9,248,794
Pupil Transportation	AT-5599	7,737,802	7,737,802
Debt Service - Principal	AT-9798.6	121,590	121,590
Debt Service - Interest	AT-9798.7	903,594	903,594
Total Expenditures	AT-9999	99,539,101	99,539,101

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Investment in Capital Assets, Net of Related Debt**  
For The Year Ended June 30, 2008

Capital assets, net	<u>\$ 23,708,252</u>
Deduct:	
Short-term portion of bonds payable	(1,665,000)
Long-term portion of bonds payable	(6,370,000)
Short-term portion of installment purchase debt	(126,545)
Long-term portion of installment purchase debt	(1,987,597)
Less:	
Unspent bond proceeds	<u>163,396</u>
	<u>(9,985,746)</u>
Investment in capital assets, net of related debt	<u><u>\$ 13,722,506</u></u>

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

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

We have audited the financial statements of the governmental activities, each major fund and the fiduciary funds of the Huntington Union Free School District, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Huntington Union Free School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Huntington Union Free School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Huntington Union Free School District's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying Schedule of Findings as item 07-1 to be a significant deficiency in internal control over financial reporting.

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

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

### Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Huntington Union Free School District in a separate letter dated October 7, 2008.

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

*Coughlin-Fundatos-Cullen-Renowski, LLP*

October 7, 2008

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR FINDINGS**  
For the Year Ended June 30, 2008

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**FINANCIAL STATEMENTS FINDINGS**

07-1. Preparation of Financial Statements

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

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

*Current Status:* There has been no change in status.

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS**  
For the Year Ended June 30, 2008

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**FINANCIAL STATEMENTS FINDINGS**

**07-1. Preparation of Financial Statements**

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

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

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

*Recommendation:* The District should review this issue and determine who should be preparing its annual financial statements.

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**CORRECTIVE ACTION PLAN**  
For the Year Ended June 30, 2008

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The District's corrective action plan for the year ended June 30, 2008, is under separate cover.

