



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

June 30, 2019

HUNTINGTON UNION FREE SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Huntington Union Free School District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Huntington Union Free School District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District's proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District's total OPEB liability and related ratios on pages 3 through 14 and 50 through 54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Huntington Union Free School District's basic financial statements. The other supplementary information on pages 55 through 57 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2019 on our consideration of the Huntington Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Huntington Union Free School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Huntington Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

October 10, 2019

**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, 2019 in comparison with the year ended June 30, 2018, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

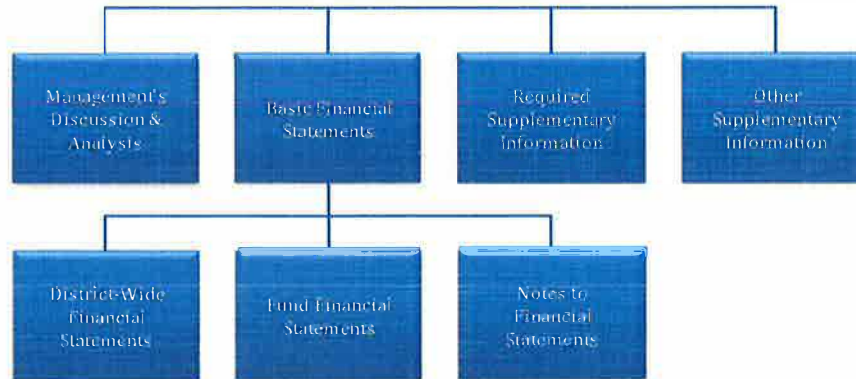
Key financial highlights for fiscal year 2019 are as follows:

- The District's total net position, (deficit) as reflected in the district-wide financial statements, increased by \$6,446,824. This was due to an excess of expenses over revenues based on the economic resources measurement focus and the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$138,555,777. Of this amount, \$6,027,447 was offset by program charges for services and operating and capital grants. General revenues of \$126,081,506 amounted to 95.43% of total revenues.
- The general fund's total fund balance, as reflected in the fund financial statements, decreased by \$274,455. This was due to an excess of expenditures over revenues based on the current financial resources measurement focus and the modified accrual basis of accounting. Expenditures include the May 2019 voter approved transfer to the capital projects fund of \$3,846,000 from the capital reserves for capital projects to be performed at Huntington High School and J. Taylor Finley Middle School.
- On the balance sheet, the general fund's unassigned fund balance at year end was \$5,317,935. This represents an increase of \$297,851 over the prior year. The unassigned fund balance at year end as a percentage of the subsequent year's budget is 3.98%, which is within the statutory limit of 4% authorized by New York State Law.
- On May 21, 2013, the voters approved the establishment of the 2013 capital reserve. The reserve has a funding cap of \$10,000,000 plus investment income for a probable term of eight years and provides for an annual funding of an amount not to exceed \$2,000,000. This reserve has been fully funded. During the year ended June 30, 2019, \$649,173 of unspent funds from completed capital projects was returned to this reserve bringing the funding to \$1,231,498. This balance was used to partially fund the May 2019 voter approved capital projects.
- On May 16, 2017, the voters approved the establishment of the 2017 capital reserve. The reserve has a funding cap of \$12,500,000 plus investment income for a probable term of eight years. This reserve has been funded in the amount of \$4,672,114 through June 30, 2019, plus interest. Of this balance, \$2,048,678 was used to partially fund the May 2019 voter approved capital projects. The balance in this reserve at June 30, 2019 was \$2,685,558.
- On May 15, 2018, the voters approved the establishment of the 2018 capital reserve. The reserve has a funding cap of \$1,500,000 plus investment income over a probable term of five years. This reserve can be funded by an annual transfer of surplus monies, if any, from the District's general fund with initial funding from the existing repair reserve fund. This reserve has been funded in the amount of \$562,912 through June 30, 2019 plus interest. This balance of \$565,824 was used to partially fund the May 2019 voter approved capital projects.

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

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 financial statements. A graphic display of the relationship of these statements follows:



A. District-Wide Financial Statements

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

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

The Statement of Net Position

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

The Statement of Activities

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

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

B. Fund Financial Statements

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

Governmental Funds

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

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

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances 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 food service fund, debt service fund and capital projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

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

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position (deficit) increased by \$6,496,824 between fiscal year 2018 and 2019. The increase is due to expenses in excess of revenues based on the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2019	2018	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 44,992,011	\$ 44,745,893	\$ 246,118	0.55 %
Capital Assets, Net	22,724,013	19,794,712	2,929,301	14.80 %
Net Pension Asset -				
Proportionate Share	5,179,123	2,172,184	3,006,939	138.43 %
Total Assets	<u>72,895,147</u>	<u>66,712,789</u>	<u>6,182,358</u>	9.27 %
Deferred Outflows of Resources	<u>29,114,824</u>	<u>32,848,169</u>	<u>(3,733,345)</u>	(11.37)%
Liabilities				
Current and Other Liabilities	9,475,210	7,656,537	1,818,673	23.75 %
Long-Term Liabilities	10,507,170	10,241,335	265,835	2.60 %
Net Pension Liability -				
Proportionate Share	2,934,124	1,377,182	1,556,942	113.05 %
Total OPEB Obligation	<u>259,178,736</u>	<u>268,007,562</u>	<u>(8,828,826)</u>	(3.29)%
Total Liabilities	<u>282,095,240</u>	<u>287,282,616</u>	<u>(5,187,376)</u>	(1.81)%
Deferred Inflows of Resources	<u>25,147,826</u>	<u>11,064,613</u>	<u>14,083,213</u>	127.28 %
Net Position (Deficit)				
Net Investment in Capital Assets	21,329,013	18,229,712	3,099,301	17.00 %
Restricted	25,873,300	27,336,087	(1,462,787)	(5.35)%
Unrestricted (Deficit)	<u>(252,435,408)</u>	<u>(244,352,070)</u>	<u>(8,083,338)</u>	3.31 %
Total Net Position (Deficit)	<u>\$ (205,233,095)</u>	<u>\$ (198,786,271)</u>	<u>\$ (6,446,824)</u>	3.24 %

Current and other assets increased as compared to the prior year. This increase is primarily due to increases in the District's cash position offset by a decrease in the receivable due from state and federal.

Capital assets, net increased as a result of capital asset additions from ongoing capital projects in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

Net pension asset – proportionate increased as compared to the prior year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 13 "Pension Plans – New York State", provides additional information.

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

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

Current and other liabilities increased as compared to the prior year. The increase was primarily attributable to increases in accounts payable and in the District's liability to the teachers' retirement system resulting from an increase in the current year's contribution rate.

Long-term liabilities increased as compared to the prior year. The increase was primarily the result of an increase in compensated absences payable, offset by the repayment of bonds.

Net pension liability – proportionate share increased in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability, at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 13 "Pension Plans – New York State", provides additional information.

Total other postemployment benefits (OPEB) obligation decreased based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 15 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

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

	Increase (Decrease)
Capital asset additions	\$ 4,928,907
Principal debt reduction of refunding bonds	170,000
Depreciation expense	(1,999,606)
	\$ 3,099,301

The restricted amount represents the District's reserves. This number decreased from the prior year by a net of \$1,462,787, the use of budgeted reserves in the amount of \$1,818,355 and capital reserve expenditures as authorized by the voters for capital projects, offset by the board authorized funding of the 2017 capital reserve, workers' compensation reserve, retirement contribution reserves – employees retirement system and teachers retirement system and employee benefit accrued liability reserve.

The unrestricted deficit amount relates to the balance of the District's net position. This deficit increased over the prior year by \$8,083,338. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation.

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

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2019 and 2018 is as follows:

	2019	2018	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 790,814	\$ 816,032	\$ (25,218)	(3.09)%
Operating Grants	5,186,633	5,143,461	43,172	0.84 %
Capital Grants	50,000	320,122	(270,122)	(84.38)%
General Revenues				
Real Property Taxes & STAR	107,625,724	104,814,447	2,811,277	2.68 %
State Sources	17,348,352	17,185,124	163,228	0.95 %
Other	1,107,430	1,318,407	(210,977)	(16.00)%
Total Revenues	<u>132,108,953</u>	<u>129,597,593</u>	<u>2,511,360</u>	1.94 %
Expenses				
General Support	15,470,115	15,105,433	364,682	2.41 %
Instruction	110,149,972	109,632,708	517,264	0.47 %
Pupil Transportation	10,683,407	10,654,130	29,277	0.27 %
Debt Service - Interest	376,687	302,500	74,187	24.52 %
Food Service Program	1,875,596	1,819,866	55,730	3.06 %
Total Expenses	<u>138,555,777</u>	<u>137,514,637</u>	<u>1,041,140</u>	0.76 %
Change in Net Position	<u>\$ (6,446,824)</u>	<u>\$ (7,917,044)</u>	<u>\$ 1,470,220</u>	(18.57)%

Net position decreased by \$6,446,824 and \$7,917,044 for the years ended June 30, 2019 and 2018, respectively.

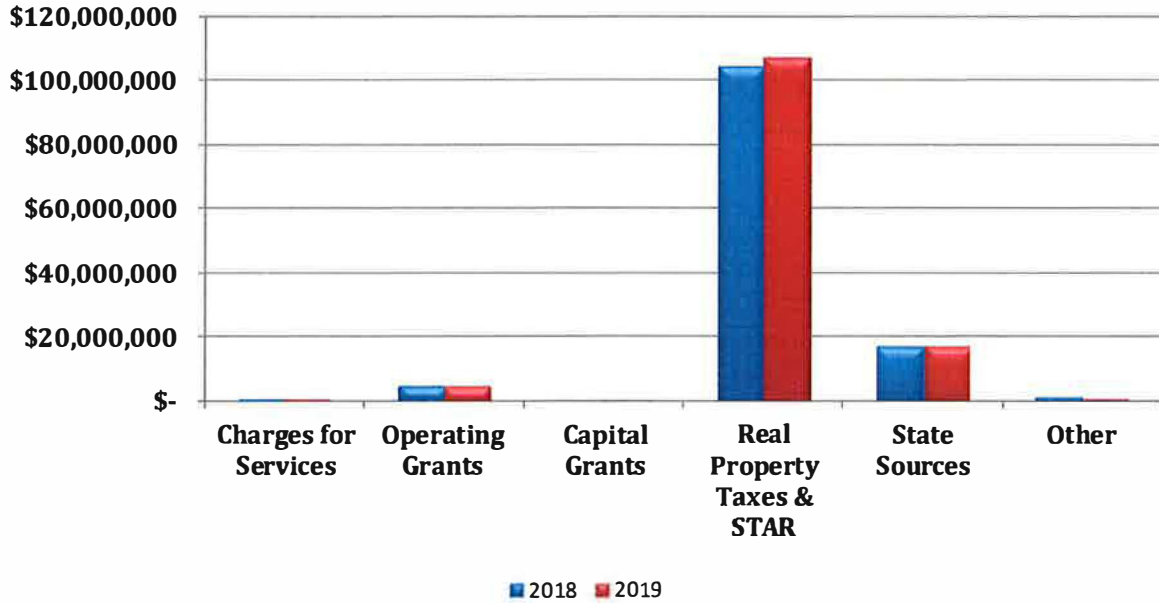
The District's revenues increased by \$2,511,360 or 1.94%; the major factor contributing to the increase was property taxes and STAR.

The District's expenses increased by \$1,041,140 or 0.76%; primarily in the area of instruction.

As indicated on the graphs that follow, real property taxes and STAR comprise the largest component of revenues recognized, (i.e., 81.5% and 80.9% of the total for the years ended 2019 and 2018, respectively). Instruction expenses is the largest category of expenses incurred, comprising (i.e., 79.4% and 79.8% of the total for the years ended 2019 and 2018, respectively).

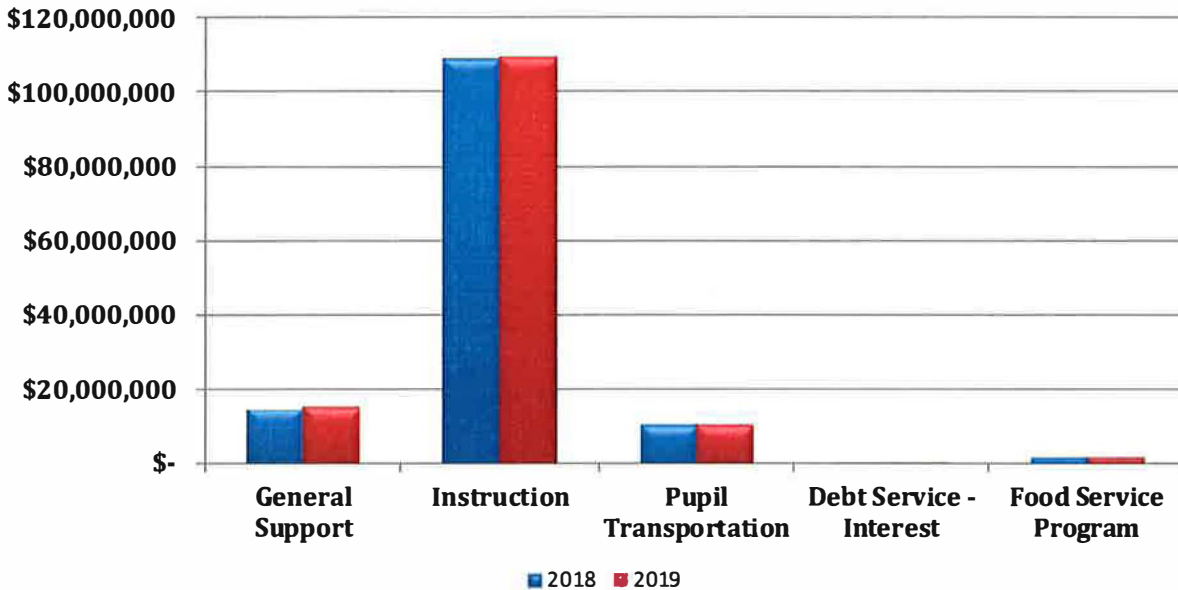
**HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

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



	Charges for Services	Operating Grants	Capital Grants	Real Property Taxes & STAR	State Sources	Other
2018	0.6%	4.0%	0.2%	80.9%	13.3%	1.0%
2019	0.6%	3.9%	0.0%	81.5%	13.1%	0.9%

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2018	11.0%	79.8%	7.7%	0.2%	1.3%
2019	11.2%	79.4%	7.7%	0.3%	1.4%

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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2019, the District's governmental funds reported a combined fund balance of \$34,711,669, which is a decrease of \$1,612,768 from the prior year. This decrease is due to an excess of expenditures over revenues based upon the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
General Fund			
Restricted:			
Workers' compensation	\$ 2,615,096	\$ 2,382,111	\$ 232,985
Unemployment insurance	192,076	227,665	(35,589)
Retirement contribution			
Teachers' retirement system	941,958		941,958
Employees' retirement system	4,953,966	5,270,977	(317,011)
Employee benefit accrued liability	4,780,527	4,014,551	765,976
Capital	2,685,558	3,829,359	(1,143,801)
Assigned:			
Appropriated fund balance	1,400,000	1,400,000	-
Unappropriated fund balance	974,065	1,990,889	(1,016,824)
Unassigned: Fund balance	5,317,935	5,020,084	297,851
	<u>23,861,181</u>	<u>24,135,636</u>	<u>(274,455)</u>
School Food Service Fund			
Nonspendable: Inventory	29,358	28,288	1,070
Assigned: Unappropriated fund balance	591,591	409,089	182,502
	<u>620,949</u>	<u>437,377</u>	<u>183,572</u>
Debt Service Fund			
Restricted: Debt service	<u>212,522</u>	<u>212,522</u>	-
Capital Projects Fund			
Restricted: Capital	9,491,597	11,398,902	(1,907,305)
Assigned: Unappropriated fund balance	525,420	140,000	385,420
	<u>10,017,017</u>	<u>11,538,902</u>	<u>(1,521,885)</u>
 Total Fund Balance	 <u>\$ 34,711,669</u>	 <u>\$ 36,324,437</u>	 <u>\$ (1,612,768)</u>

A. General Fund

The net change in the general fund - fund balance is a decrease of \$274,455. General fund expenditures and other uses of \$127,361,247 exceeded revenues and other sources of \$127,086,792 and contributed to the decrease in fund balance.

General fund revenue and other sources increased by \$3,414,493 or 2.76%. The primary increase was in real property taxes.

General fund expenditures and other uses increased \$1,076,147 or 3.85%. The increase was attributed to an increase in instructional programs – regular schools and for students with disabilities.

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

The District has two remaining capital reserve funds after the current year voter approved use. The 2017 building improvement fund has a balance of \$2,685,558 and can receive additional funding of up to \$7,827,886 through June 30, 2025. The 2019 building improvement fund has a balance of \$-0- and can receive additional funding of up to \$937,088 through June 30, 2023.

B. School Food Service Fund

The net change in the school food service fund - fund balance is an increase of \$183,572, which is the current year operating surplus, inclusive of a transfer from the general fund of \$168,441.

C. Debt Service Fund

The debt service fund - fund balance is unchanged from the prior year.

D. Capital Projects Fund

The capital projects fund - fund balance decreased by \$1,521,885. This was the result of capital expenditures of \$4,718,712, and a transfer to the general fund – capital reserve in the amount of \$649,173 of unspent funding from completed projects, offset by a transfer from the general fund capital reserve for voter authorized projects in the amount of \$3,846,000.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2018-2019 Budget

The District's general fund adopted budget for the year ended June 30, 2019, was \$129,812,991. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,990,889 and budget revisions of \$3,962,846, for a total final budget of \$135,766,726.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$107,625,213 in estimated property taxes and STAR receipts.

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

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

Opening, Unassigned Fund Balance	\$ 5,020,084
Revenues Over Budget	513,449
Expenditures and Encumbrances Under Budget	7,431,414
Net Change in Reserves	(6,247,012)
Appropriated to Fund the June 30, 2020 Budget	<u>(1,400,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 5,317,935</u></u>

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

Opening, Unassigned Fund Balance

The \$5,020,084 shown in the table is the portion of the District's June 30, 2018 fund balance that was retained as unassigned. This was 3.87% of the District's 2018-2019 approved operating budget of \$129,812,991.

Revenues Over Budget

The 2018-2019 final budget for revenues was \$126,573,343. Actual revenues recognized for the year were \$127,086,792. Actual revenues were more than estimated or budgeted revenue by \$513,449, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2018 to June 30, 2019.

Expenditures and Encumbrances Under Budget

The 2018-2019 final budget for expenditures was \$135,766,726. Actual expenditures as of June 30, 2019 were \$127,361,247 and outstanding encumbrances were \$974,065. Combined, the expenditures plus encumbrances for 2018-2019 were \$128,335,312. The final budget was under expended by \$7,431,414. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2018 to June 30, 2019.

Net Change in Reserves

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

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

Transfers to reserves:	
Workers' compensation	\$ 800,000
Retirement contribution reserve - Teachers' retirement system	941,958
Retirement contribution reserve - Employees' retirement system	500,000
Employee benefit accrued liability	1,000,000
Capital reserve - 2017	2,000,000
	<hr/> 5,241,958
Return of unused appropriated reserves	121,645
Appropriation of fund balance from prior year donation	16,494
Transfer from capital projects fund to capital reserve of unused funding	649,173
Interest on reserve balances	217,742
	<hr/> <hr/> \$ 6,247,012

Appropriated Fund Balance

The District has chosen to use \$1,400,000 of the available June 30, 2019 fund balance to partially fund the 2019-2020 approved operating budget. As such, the June 30, 2019 unassigned fund balance must be reduced by this amount.

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

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the table, the unassigned fund balance at June 30, 2019 was \$5,317,935. The unassigned portion is within the permissible 4.0% statutory maximum.

6. CAPITAL ASSET, DEBT ADMINISTRATION AND OTHER LONG-TERM LIABILITIES

A. Capital Assets

At June 30, 2019, the District had invested in a broad range of capital assets, as indicated in the following table. The net increase in capital assets is due to capital additions of \$4,928,907 in excess of depreciation of \$1,999,606 recorded for the year ended June 30, 2019. A summary of the District's capital assets, net of depreciation at June 30, 2019 and 2018 is as follows:

	2019	2018	Increase (Decrease)
Land	\$ 1,545,142	\$ 1,545,142	\$ -
Construction in progress	3,702,281	629,772	3,072,509
Buildings and improvements	12,566,074	12,093,538	472,536
Site improvements	3,143,479	3,459,943	(316,464)
Furniture and equipment	1,767,037	2,066,317	(299,280)
Capital assets, net	<u>\$ 22,724,013</u>	<u>\$ 19,794,712</u>	<u>\$ 2,929,301</u>

B. Debt Administration

At June 30, 2019, the District had total bonds payable of \$1,395,000. Bonds were initially issued in 2006 for school building improvements. A refunding transaction took place in April 2015. The decrease in outstanding debt represents principal payments made during the year of \$170,000. A summary of the outstanding debt at June 30, 2019 and 2018 is as follows:

Issue Date	Interest Rate	2019	2018	Increase (Decrease)
6/2026	2.0-4.0%	<u>\$ 1,395,000</u>	<u>\$ 1,565,000</u>	<u>\$ (170,000)</u>

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa1.

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, workers' compensation liability, net pension liability – proportionate share and total other postemployment benefits obligation. The compensated absences liability is based on employment contracts. The workers' compensation liability, the net pension liability – proportionate share and the total other postemployment benefits obligation are based on actuarial valuations.

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

	2019	2018	Increase (Decrease)
Compensated absences	\$ 6,363,421	\$ 5,909,221	\$ 454,200
Workers' compensation	2,748,749	2,767,114	(18,365)
Net pension liability - proportionate share	2,934,124	1,377,182	1,556,942
Total OPEB obligation	<u>259,178,736</u>	<u>268,007,562</u>	<u>(8,828,826)</u>
	<u>\$ 271,225,030</u>	<u>\$ 278,061,079</u>	<u>\$ (6,836,049)</u>

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

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 21, 2019, for the year ending June 30, 2020, is \$133,488,443. This is an increase of \$3,675,452 or 2.83% over the previous year's budget. The increase is principally in the instructional program area of the budget, and approximates \$3,347,000.

The District budgeted revenues other than property taxes and STAR at a \$673,054 increase over the prior year's estimate, which is in part due to an estimated increase in state aid. The assigned, appropriated fund balance applied to the budget in the amount of \$1,400,000 is unchanged from the previous year. Additionally, the District has elected to appropriate \$2,167,000 of reserves towards the next year's budget, which is an increase of \$227,000 over the previous year. A property tax increase of \$2,775,398 (2.58%), levy to levy, was needed to meet the funding shortfall and cover the increase in appropriations.

B. Future Budgets

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

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2019-2020 is 2.58%. The District's 2019-2020 property tax increase of 2.58% was equal to the tax cap and did not require an override vote.

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:

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

HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Net Position
June 30, 2019

ASSETS

Cash		
Unrestricted	\$	14,565,888
Restricted		25,873,300
Receivables		
Accounts receivable		65,425
Due from state and federal		3,425,096
Due from other governments		606,614
Other assets		426,330
Inventory		29,358
Capital assets not being depreciated		5,247,423
Capital assets being depreciated, net of accumulated depreciation		17,476,590
Net pension asset - proportionate share		<u>5,179,123</u>
 Total Assets		 <u>72,895,147</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions		<u>29,114,824</u>
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LIABILITIES

Payables		
Accounts payable		3,024,644
Accrued liabilities		509,963
Due to other governments		1,353
Due to teachers' retirement system		5,313,524
Due to employees' retirement system		433,969
Compensated absences payable		183,071
Unearned credits		
Collections in advance		8,686
Long-term liabilities		
Due and payable within one year		
Bonds payable		175,000
Compensated absences payable		103,545
Workers' compensation liabilities		550,223
Due and payable after one year		
Bonds payable		1,220,000
Compensated absences payable		6,259,876
Workers' compensation liabilities		2,198,526
Net pension liability - proportionate share		2,934,124
Total other postemployment benefits		<u>259,178,736</u>
 Total Liabilities		 <u>282,095,240</u>

DEFERRED INFLOWS OF RESOURCES

Pensions		7,892,217
Other postemployment benefits		<u>17,255,609</u>
 Total Deferred Inflows of Resources		 <u>25,147,826</u>

NET POSITION (DEFICIT)

Net investment in capital assets		<u>21,329,013</u>
Restricted		
Workers' compensation		2,615,096
Unemployment insurance		192,076
Retirement contribution		
Teachers' retirement system		941,958
Employees' retirement system		4,953,966
Employee benefit accrued liability		4,780,527
Capital		12,177,155
Debt service		<u>212,522</u>
		<u>25,873,300</u>
Unrestricted (deficit)		<u>(252,435,408)</u>
 Total Net Position (Deficit)		 <u>\$ (205,233,095)</u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2019

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants</u>	<u>Capital Grants</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
FUNCTIONS/PROGRAMS					
Governmental Activities:					
General support	\$ 15,470,115	\$	\$	\$	\$ (15,470,115)
Instruction	110,149,972	333,298	3,758,719	50,000	(106,007,955)
Pupil transportation	10,683,407				(10,683,407)
Debt service - interest	376,687				(376,687)
Food service program	1,875,596	457,516	1,427,914		9,834
Total Governmental Activities	<u>\$ 138,555,777</u>	<u>\$ 790,814</u>	<u>\$ 5,186,633</u>	<u>\$ 50,000</u>	<u>(132,528,330)</u>
GENERAL REVENUES					
Real property taxes					99,588,996
Other tax items					8,123,777
Use of money and property					685,934
Sale of property and compensation for loss					21,377
Miscellaneous					313,070
State sources					<u>17,348,352</u>
Total General Revenues					<u>126,081,506</u>
Change in Net Position (Deficit)					(6,446,824)
Total Net Position (Deficit) - Beginning of Year					<u>(198,786,271)</u>
Total Net Position (Deficit) - End of Year					<u>\$ (205,233,095)</u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2019

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 13,915,399	\$ 48,246	\$ 602,243	\$	\$	\$ 14,565,888
Restricted	24,898,733			212,522	762,045	25,873,300
Receivables						
Accounts receivable	60,253		5,172			65,425
Due from other funds	2,446,398				11,682,908	14,129,306
Due from state and federal	1,505,939	1,761,401	107,756		50,000	3,425,096
Due from other governments	606,614					606,614
Other assets	426,330					426,330
Inventory			29,358			29,358
Total Assets	<u>\$ 43,859,666</u>	<u>\$ 1,809,647</u>	<u>\$ 744,529</u>	<u>\$ 212,522</u>	<u>\$ 12,494,953</u>	<u>\$ 59,121,317</u>
LIABILITIES						
Payables						
Accounts payable	\$ 1,132,179	\$ 118,496	\$ 48,537	\$	\$ 1,725,432	\$ 3,024,644
Accrued liabilities	495,377	7,771	4,490			507,638
Due to other funds	11,682,908	1,674,694	70,055		701,649	14,129,306
Due to other governments			498		855	1,353
Due to teachers' retirement system	5,313,524					5,313,524
Due to employees' retirement system	433,969					433,969
Compensated absences payable	183,071					183,071
Unearned credits						
Collections in advance		8,686				8,686
Total Liabilities	<u>19,241,028</u>	<u>1,809,647</u>	<u>123,580</u>	<u>-</u>	<u>2,427,936</u>	<u>23,602,191</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	<u>757,457</u>				<u>50,000</u>	<u>807,457</u>
FUND BALANCES						
Nonspendable: Inventory			29,358			29,358
Restricted:						
Workers' compensation	2,615,096					2,615,096
Unemployment insurance	192,076					192,076
Retirement contribution						
Teachers' retirement system	941,958					941,958
Employees' retirement system	4,953,966					4,953,966
Employee benefit accrued liability	4,780,527					4,780,527
Capital	2,685,558				9,491,597	12,177,155
Debt service				212,522		212,522
Assigned:						
Appropriated fund balance	1,400,000					1,400,000
Unappropriated fund balance	974,065		591,591		525,420	2,091,076
Unassigned: Fund balance	<u>5,317,935</u>					<u>5,317,935</u>
Total Fund Balances	<u>23,861,181</u>	<u>-</u>	<u>620,949</u>	<u>212,522</u>	<u>10,017,017</u>	<u>34,711,669</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 43,859,666</u>	<u>\$ 1,809,647</u>	<u>\$ 744,529</u>	<u>\$ 212,522</u>	<u>\$ 12,494,953</u>	<u>\$ 59,121,317</u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Total Governmental Fund Balances \$ 34,711,669

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

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

Original cost of capital assets	\$ 67,410,145	
Accumulated depreciation	<u>(44,686,132)</u>	22,724,013

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

Net pension asset - teachers' retirement system	5,179,123	
Deferred outflows of resources	29,114,824	
Net pension liability - employees' retirement system	(2,934,124)	
Deferred inflows of resources	<u>(7,892,217)</u>	23,467,606

Total other postemployment benefits obligation and deferred inflows related to providing benefits in retirement are not current financial resources or obligation and are not reported in the funds.

Total other postemployment benefits obligation	(259,178,736)	
Deferred inflows of resources	<u>(17,255,609)</u>	(276,434,345)

Some of the District's revenues will be collected after year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.

807,457

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

Accrued interest on bonds payable	(2,325)	
Bonds payable	(1,395,000)	
Compensated absences	(6,363,421)	
Workers' compensation liabilities	<u>(2,748,749)</u>	(10,509,495)

Total Net Position (Deficit)		<u>\$ (205,233,095)</u>
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HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2019

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 99,588,996	\$	\$	\$	\$	\$ 99,588,996
Other tax items	8,123,777					8,123,777
Charges for services	343,298					343,298
Use of money and property	685,249		685			685,934
Sale of property and compensation for loss	21,377					21,377
Miscellaneous	313,070		64,720			377,790
State sources	17,348,352	1,339,035	35,897			18,723,284
Federal sources	13,500	2,406,184	1,392,017			3,811,701
Sales			392,796			392,796
Total Revenues	126,437,619	3,745,219	1,886,115	-	-	132,068,953
EXPENDITURES						
General support	11,175,310					11,175,310
Instruction	69,989,321	3,694,475				73,683,796
Pupil transportation	10,287,044	319,542				10,606,586
Employee benefits	31,079,433					31,079,433
Debt service						
Principal				170,000		170,000
Interest	316,000			60,900		376,900
Food service program			1,870,984			1,870,984
Capital outlay					4,718,712	4,718,712
Total Expenditures	122,847,108	4,014,017	1,870,984	230,900	4,718,712	133,681,721
Excess (Deficiency) of Revenues Over Expenditures	3,590,511	(268,798)	15,131	(230,900)	(4,718,712)	(1,612,768)
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in	649,173	268,798	168,441	230,900	3,846,000	5,163,312
Operating transfers (out)	(4,514,139)				(649,173)	(5,163,312)
Total Other Financing Sources and (Uses)	(3,864,966)	268,798	168,441	230,900	3,196,827	-
Net Change in Fund Balances	(274,455)	-	183,572	-	(1,521,885)	(1,612,768)
Fund Balances - Beginning of year	24,135,636	-	437,377	212,522	11,538,902	36,324,437
Fund Balances - End of year	\$ 23,861,181	\$ -	\$ 620,949	\$ 212,522	\$ 10,017,017	\$ 34,711,669

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, 2019

Net Change in Fund Balances \$ (1,612,768)

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

Long-Term Revenue and Expense Differences

Certain revenues are recognized in the governmental funds when they provide current financial resources. However, these revenues were recognized in the statement of Activities in prior years when they were earned.

\$ 40,000

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

Increase in compensated absences liability (454,200)

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

Decrease in workers' compensation liabilities 18,365

(395,835)

Capital Related Differences

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

Capital outlays 4,928,907
Depreciation expense (1,999,606)

2,929,301

Long-Term Debt Transaction Differences

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

Repayment of bonds payable 170,000

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, 2018 to June 30, 2019.

213

170,213

Pension and Other Postemployment Benefits Differences

The change in the proportionate share of the collective pension expense of the state retirement plans and the change in other postemployment benefits expense reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds.

Teachers' retirement system 1,046,834
Employees' retirement system (416,135)
Other postemployment benefits (8,168,434)

(7,537,735)

Change in Net Position (Deficit) of Governmental Activities

\$ (6,446,824)

HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2019

	Agency	Private Purpose Trusts
ASSETS		
Cash	\$ 1,326,512	\$
Due from other funds		1,045,354
Total Assets	\$ 1,326,512	1,045,354
 LIABILITIES		
Extraclassroom activity balances	\$ 251,712	
Due to other funds	1,045,354	
Other liabilities	29,446	
Total Liabilities	\$ 1,326,512	-
 NET POSITION		
Restricted for scholarships		
Expendable trust funds		179,686
Non-expendable trust funds		865,668
Total Net Position		\$ 1,045,354

HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2019

	<u>Private Purpose Trusts</u>
ADDITIONS	
Contributions	\$ 3,500
Investment earnings	<u>20,829</u>
Total Additions	24,329
 DEDUCTIONS	
Scholarships and awards	<u>12,535</u>
Change in Net Position	11,794
Net Position - Beginning of year	<u>1,033,560</u>
Net Position - End of Year	<u><u>\$ 1,045,354</u></u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

The financial reporting entity is based on criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

Extraclassroom Activity Funds

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

B. Joint Venture

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

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

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

C. Basis of Presentation

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

E. Real Property Taxes

Calendar

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

Enforcement

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

F. Restricted Resources

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

G. Interfund Transactions

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

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

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

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

H. 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 amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of long-lived assets.

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

I. Cash and Cash Equivalents

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

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

J. Receivables

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

K. Inventory

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

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

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

L. Other Assets

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

M. 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 acquisition value at the date of donation.

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

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

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

N. Deferred Outflows of Resources

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

O. Collections in Advance

Collections in advance 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. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

P. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables of certain state aid allocations and amounts due from other governments for tuition charges. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

Q. 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. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

Certain collectively bargained agreements require these payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

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

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

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

R. Other Benefits

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

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

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

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their eligible dependents. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

S. Short-Term Debt

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

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

T. Equity Classifications

District-Wide Statements

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

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

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

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

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

Fund Statements

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

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventory, which is recorded in the school food service fund.

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

Workers' Compensation Reserve

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

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. Effective April 1, 2019, a

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

board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. These reserves are accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

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

Capital Reserve

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

Restricted for Debt Service

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

Restricted for Scholarships

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

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

Unassigned – Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending of available resources. NYS Real Property Tax Law

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

§1318 restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year's budget.

Fund Balance Classification

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

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

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

U. New Accounting Standard

The District has adopted and implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, for the year ended June 30, 2019. This statement improves the information that is disclosed in the notes to financial statements related to debt.

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

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

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

Total fund balances of the District's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities.

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in

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

long-term expenses arise because governmental funds report on a current financial resources measurement focus and the modified accrual basis, whereas the economic resources measurement focus and the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences and workers' compensation.

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension and Other Postemployment Benefits Differences

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan.

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for premiums and other postemployment benefit costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

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 established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal

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

restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

Transfer to capital projects fund funded by capital reserve as approved by the voters May 2019	\$ 3,846,000
Contingent expenditures funded by donations	<u>116,846</u>
	<u>\$ 3,962,846</u>

Budgets are adopted annually on a basis consistent with GAAP.

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

B. Encumbrances

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

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.

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

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

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

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

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

5. PARTICIPATION IN BOCES

During the year ended June 30, 2019, the District was billed \$11,670,785 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,939,987. Financial statements for the BOCES are available from the BOCES administrative offices at 507 Deer Park Road, P.O. Box 8007, Huntington Station, NY 11746-9007.

6. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2019 consisted of:

General Fund	
New York State aid	\$ 588,501
BOCES aid	917,438
	<u>1,505,939</u>
Special Aid Fund	
Federal and State grants	1,761,401
School Food Service Fund	
Federal and State food service program reimbursements	107,756
Capital Projects Fund	
Dormitory Authority of the State of New York	<u>50,000</u>
	<u>\$ 3,425,096</u>

7. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2019 consisted of:

General Fund	
Tuition and health services - other districts	\$ 471,485
Town of Huntington - PILOT revenue	126,540
Other	<u>8,589</u>
	<u>\$ 606,614</u>

8. OTHER ASSETS

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

At June 30, 2019, total cash surrender value for these policies amounted to \$426,330, which has been recorded as other assets in the general fund. The corresponding revenue to this receivable is included in unavailable revenues and will be recognized in the year that the proceeds are received.

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

9. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019, were as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,545,142	\$	\$	\$ 1,545,142
Construction in progress	629,772	3,462,012	(389,503)	3,702,281
Total capital assets not being depreciated	<u>2,174,914</u>	<u>3,462,012</u>	<u>(389,503)</u>	<u>5,247,423</u>
Capital assets being depreciated				
Buildings and improvements	48,033,857	1,688,955		49,722,812
Site improvements	6,902,379			6,902,379
Furniture and equipment	5,538,555	167,443	(168,467)	5,537,531
Total capital assets being depreciated	<u>60,474,791</u>	<u>1,856,398</u>	<u>(168,467)</u>	<u>62,162,722</u>
Less accumulated depreciation for:				
Buildings and improvements	35,940,319	1,216,419		37,156,738
Site improvements	3,442,436	316,464		3,758,900
Furniture and equipment	3,472,238	466,723	(168,467)	3,770,494
Total accumulated depreciation	<u>42,854,993</u>	<u>1,999,606</u>	<u>(168,467)</u>	<u>44,686,132</u>
Total capital assets, being depreciated, net	<u>17,619,798</u>	<u>(143,208)</u>	<u>-</u>	<u>17,476,590</u>
Capital assets, net	<u>\$ 19,794,712</u>	<u>\$ 3,318,804</u>	<u>\$ (389,503)</u>	<u>\$ 22,724,013</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 85,829
Instruction	1,909,165
Food service program	<u>4,612</u>
Total depreciation expense	<u>\$ 1,999,606</u>

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

10. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2019, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 2,446,398	\$ 11,682,908	\$ 649,173	\$ 4,514,139
Special Aid Fund		1,674,694	268,798	
School Food Service Fund		70,055	168,441	
Debt Service Fund			230,900	
Capital Projects Fund	11,682,908	701,649	3,846,000	649,173
Total Governmental Funds	<u>14,129,306</u>	<u>14,129,306</u>	<u>\$ 5,163,312</u>	<u>\$ 5,163,312</u>
Agency Fund		1,045,354		
Private Purpose Trust Fund	1,045,354			
Total Fiduciary Funds	<u>1,045,354</u>	<u>1,045,354</u>		
 Total	 <u>\$ 15,174,660</u>	 <u>\$ 15,174,660</u>		

The District typically transfers from the general fund to other governmental funds per the approved budget. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools. The transfer to the debt service fund was for the payment of principal and interest on long-term outstanding indebtedness. The transfer to the school food service fund was to provide support for the program. The transfer from the capital projects fund to the general fund represents the return of unexpended amounts on completed capital projects originally funded by the capital reserves. In addition, the general fund transferred from the capital reserve \$3,846,000 per the May 2019 voter authorization, to the capital projects fund, for projects to be completed at the high school and middle school.

11. SHORT-TERM DEBT

Short-term debt transactions for the year are summarized below:

	Maturity	Stated Interest Rate	Balance June 30, 2018	Issued	Redeemed	Balance June 30, 2019
TAN	6/21/19	3.00%	<u>\$</u>	<u>\$ 16,000,000</u>	<u>\$ (16,000,000)</u>	<u>\$</u>

Interest on short-term debt for the year was \$316,000. The District received a premium of \$103,520, which is included in miscellaneous revenue in the general fund, to yield an effective interest rate of 2.0172%.

12. LONG-TERM LIABILITIES

A. Changes

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

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

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 1,565,000	\$	\$ (170,000)	\$ 1,395,000	\$ 175,000
Other long-term liabilities:					
Compensated absences	5,909,221	454,200		6,363,421	103,545
Workers' compensation	2,767,114	659,541	(677,906)	2,748,749	550,223
	<u>\$ 10,241,335</u>	<u>\$ 1,113,741</u>	<u>\$ (847,906)</u>	<u>\$ 10,507,170</u>	<u>\$ 828,768</u>

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

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2019
Refunding debt	4/2015	6/2026	2.0-4.0%	<u>\$ 1,395,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2020	\$ 175,000	\$ 55,800	\$ 230,800
2021	180,000	48,800	228,800
2022	190,000	41,600	231,600
2023	200,000	34,000	234,000
2024	210,000	26,000	236,000
2025-2026	440,000	26,600	466,600
Total	<u>\$ 1,395,000</u>	<u>\$ 232,800</u>	<u>\$ 1,627,800</u>

C. Interest Expense

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

Interest paid	\$ 60,900
Less interest accrued in the prior year	(2,538)
Plus interest accrued in the current year	<u>2,325</u>
Total interest expense on long-term debt	<u>\$ 60,687</u>

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

13. PENSION PLANS – NEW YORK STATE

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

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

Employees' Retirement System

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided on the NYS Comptroller's website at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

C. Funding Policies

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

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

30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 9.80% of covered payroll for the TRS' fiscal year ended June 30, 2018. The District's average contribution rate was 14.19% of covered payroll for the ERS' fiscal year ended March 31, 2019.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2019 was \$5,026,028 for TRS and \$1,698,507 for ERS.

D. Pension Asset/(Liability), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2018, for TRS and March 31, 2019 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2018	March 31, 2019
District's proportionate share of the net pension asset/(liability)	\$ 5,179,123	\$ (2,934,124)
District's portion of the Plan's total net pension asset/(liability)	0.2864140%	0.0414114%
Change in proportion since the prior measurement date	0.0006380	(0.0012596)

For the year ended June 30, 2019, the District recognized pension expense of \$3,935,659 for TRS and \$2,114,642 for ERS. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$ 3,870,317	\$ 577,790	\$ 701,065	\$ 196,962
Changes of assumptions	18,104,434	737,519		
Net difference between projected and actual earnings on pension plan investments			5,749,222	753,058
Changes in proportion and differences between the District's contributions and proportionate share of contributions	4,867	359,900	398,508	93,402
District's contributions subsequent to the measurement date	<u>5,026,028</u>	<u>433,969</u>		
Total	<u>\$ 27,005,646</u>	<u>\$ 2,109,178</u>	<u>\$ 6,848,795</u>	<u>\$ 1,043,422</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020 Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>TRS</u>	<u>ERS</u>
2020	\$ 5,109,741	\$ 726,418
2021	3,443,061	(501,012)
2022	290,231	5,109
2023	3,430,859	401,272
2024	2,309,877	
Thereafter	<u>547,054</u>	
	<u>\$ 15,130,823</u>	<u>\$ 631,787</u>

Actuarial Assumptions

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

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2018	March 31, 2019
Actuarial valuation date	June 30, 2017	April 1, 2018
Inflation	2.25%	2.50%
Salary increases	1.90-4.72%	4.20%
Investment rate of return (net of investment expense, including inflation)	7.25%	7.00%
Cost of living adjustments	1.50%	1.30%

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

For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014, applied on a generational basis. Active member mortality rates are based on plan member experience. For ERS, annuitant mortality rates are based on system experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

For TRS, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

For ERS, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2018		March 31, 2019
Asset type				
Domestic equity	33.0%	5.80%	36.0%	4.55%
International equity	16.0%	7.30%	14.0%	6.35%
Global equity	4.0%	6.70%		
Real estate	11.0%	4.90%	10.0%	5.55%
Private equities	8.0%	8.90%	10.0%	7.50%
Alternatives investments			8.0%	3.75-5.68%
Domestic fixed income securities	16.0%	1.30%		
Global fixed income securities	2.0%	0.90%		
High-yield fixed income securities	1.0%	3.50%		
Bonds and mortgages	8.0%	2.80-6.80%	17.0%	1.31%
Short-term	1.0%	0.30%		
Cash			1.0%	(0.25)%
Inflation indexed bonds			4.0%	1.25%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.3% for TRS and 2.5% for ERS.

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

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for TRS and 7.0% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Asset/(Liability) to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.25% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.25% for TRS and 6.0% for ERS) or 1 percentage point higher (8.25% for TRS and 8.0% for ERS) than the current rate:

TRS	1% Decrease (6.25)%	Current Assumption (7.25)%	1% Increase (8.25)%
District's proportionate share of the net pension asset/(liability)	\$ (35,581,422)	\$ 5,179,123	\$ 39,325,133
ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset/(liability)	\$ (12,828,459)	\$ (2,934,124)	\$ 5,377,819

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2018	March 31, 2019
Employers' total pension liability	\$ (118,107,254)	\$ (189,803,429)
Plan fiduciary net position	119,915,518	182,718,124
Employers' net pension asset/(liability)	\$ 1,808,264	\$ (7,085,305)
Ratio of plan fiduciary net position to the employers' total pension liability	101.53%	96.27%

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

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019, are paid to the system in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2019, represent employer and employee contributions for the fiscal year ended June 30, 2019, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2019 amounted to \$5,026,028 of employer contributions and \$287,496 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$433,969 of employer contributions. Employee contributions are remitted monthly.

14. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2019, totaled \$317,455, and \$2,871,945, respectively.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for administrators, central office staff, teachers and chairs. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2019 totaled \$372,757.

15. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District's defined benefit OPEB plan, provides OPEB for most retirees and their eligible dependents of the District based on employment contracts. The plan is a single-employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The District provides medical, Medicare part B reimbursement, major medical, vision and term life insurance for retirees and their eligible dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms – At July 1, 2017, the following employees were covered by the benefit terms:

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

Inactive employees or beneficiaries currently receiving benefit payments	898
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>677</u>
	<u><u>1,575</u></u>

B. Total OPEB Liability

The District's total OPEB liability of \$259,178,736 was measured as of June 30, 2019 and was determined by an actuarial valuation dated July 1, 2017. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions and Other Inputs – The total OPEB liability as of the measurement date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%	
Discount rate	3.50%	
Healthcare cost trend rates	7.50%	in 2017, decreasing 0.5% per year to an ultimate rate of 4.5% in 2023
Retirees' share of benefit-related costs	15 - 40%	of projected health insurance premiums for retirees

The discount rate was based on Bond Buyer General Obligation 20-Year Municipal Bond Index

Mortality rates were based on RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2017. Mortality improvement was projected to date of decrement using Scale MP-2017 (generational mortality).

C. Changes in the Total OPEB Liability

Balance at June 30, 2018	\$ <u>268,007,562</u>
Changes for the year	
Service cost	11,368,279
Interest	8,266,350
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(20,744,735)
Benefit payments	<u>(7,718,720)</u>
	<u>(8,828,826)</u>
Balance at June 30, 2019	\$ <u><u>259,178,736</u></u>

Change in assumptions or other inputs reflect a change in the discount rate from 3.0% in 2018 to 3.5% in 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using

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

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2020	\$ (3,747,475)
2021	(3,747,475)
2022	(3,747,475)
2023	(3,747,475)
2024	(2,265,709)
	\$(17,255,609)

16. RISK MANAGEMENT

A. General Information

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

B. Risk Retention

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unreported claims which were incurred on or before year end but not reported (IBNR) based on an actuarial valuation which reflects a 2.0% discount rate. Claims activity is summarized below:

	2018	2019
Unpaid claims at beginning of year	\$ 2,595,212	\$ 2,767,114
Incurred claims and claim adjustment expenses	914,127	659,541
Claim payments	(742,225)	(677,906)
Unpaid claims at year end	\$ 2,767,114	\$ 2,748,749

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

17. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2019 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2019:

Workers' Compensation	\$ 750,000
Unemployment Insurance	77,000
Retirement Contributions	890,000
Employee Benefit Accrued Liability	<u>450,000</u>
	<u><u>\$ 2,167,000</u></u>

18. ASSIGNED APPROPRIATED FUND BALANCE

The amount of \$1,400,000 has been appropriated to reduce taxes for the year ending June 30, 2019.

19. TAX ABATEMENTS

The Suffolk County Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The amount of property tax revenue that was reduced as a result of these programs is \$80,903. The District received payment in lieu of taxes (PILOT) payments totaling \$87,050.

20. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2019, the District encumbered the following amounts:

Restricted Fund Balance	
Capital Projects Fund	
Capital projects	<u>\$ 3,724,986</u>
Assigned: Unappropriated Fund Balance:	
General Fund	
General support	575,583
Instruction	380,948
Employee benefits	<u>17,534</u>
	<u>974,065</u>
	<u><u>\$ 4,699,051</u></u>

B. Grants

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

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

C. Litigation

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

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was approximately \$224,834. The minimum remaining operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 193,424
2021	90,126
2022	<u>21,800</u>
	<u>\$ 305,350</u>

21. SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued, noting no matters requiring financial statement disclosure, with the exception of the following matter:

On October 10, 2019, the District issued tax anticipation notes in the amount of \$18,000,000, which are due June 25, 2020 and bear interest at a stated rate of 2.00%. The District received premiums of \$90,720 with the borrowing to yield an effective interest rate of 1.2533%.

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, 2019

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 107,625,213	\$ 99,588,485	\$ 99,588,996	\$ 511
Other tax items	103,716	8,140,444	8,123,777	(16,667)
Charges for services	396,000	396,000	343,298	(52,702)
Use of money and property	211,000	211,000	685,249	474,249
Sale of property and compensation for loss			21,377	21,377
Miscellaneous	530,000	580,352	313,070	(267,282)
Total Local Sources	108,865,929	108,916,281	109,075,767	159,486
State Sources	17,487,062	17,537,062	17,348,352	(188,710)
Federal Sources			13,500	13,500
Total Revenues	126,352,991	126,453,343	126,437,619	(15,724)
OTHER SOURCES				
Operating Transfers In	120,000	120,000	649,173	529,173
Total Revenues and Other Sources	126,472,991	126,573,343	127,086,792	\$ 513,449
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	1,400,000	1,416,494		
Prior Year's Encumbrances	1,990,889	1,990,889		
Appropriated Reserves	1,940,000	5,786,000		
Total Appropriated Fund Balance	5,330,889	9,193,383		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 131,803,880	\$ 135,766,726		

Note to Required Supplementary Information

Budget Basis of Accounting

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

HUNTINGTON UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 51,453	\$ 51,453	\$ 42,487	\$	\$ 8,966
Central administration	324,829	327,118	323,972		3,146
Finance	1,323,235	1,425,669	1,362,708	1,126	61,835
Staff	891,915	886,793	761,846	815	124,132
Central services	8,764,838	9,029,843	7,669,548	573,642	786,653
Special items	1,077,635	1,077,635	1,014,749		62,886
Total General Support	12,433,905	12,798,511	11,175,310	575,583	1,047,618
Instruction					
Administration & improvement	5,176,315	5,209,008	4,931,444	5,544	272,020
Teaching - regular school	36,044,440	35,865,585	34,194,533	191,376	1,479,676
Programs for students with disabilities	22,482,309	22,600,351	22,225,283	10,255	364,813
Occupational education	1,241,278	1,244,294	1,243,344		950
Teaching - special schools	322,040	391,045	380,849		10,196
Instructional media	2,201,168	3,112,231	2,947,611	163,795	825
Pupil services	4,317,580	4,343,122	4,066,257	9,978	266,887
Total Instruction	71,785,130	72,765,636	69,989,321	380,948	2,395,367
Pupil Transportation	10,844,714	10,856,654	10,287,044		569,610
Employee Benefits	35,767,231	34,448,025	31,079,433	17,534	3,351,058
Debt Service - interest	237,000	316,000	316,000		-
Total Expenditures	131,067,980	131,184,826	122,847,108	974,065	7,363,653
OTHER USES					
Operating Transfers Out	735,900	4,581,900	4,514,139		67,761
Total Expenditures and Other Uses	\$ 131,803,880	\$ 135,766,726	127,361,247	\$ 974,065	\$ 7,431,414
Net Change in Fund Balance			(274,455)		
Fund Balance - Beginning of Year			24,135,636		
Fund Balance - End of Year			\$ 23,861,181		

Note to Required Supplementary Information

Budget Basis of Accounting

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

HUNTINGTON UNION FREE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability
 Last Five Fiscal Years

Teachers' Retirement System

	2019	2018	2017	2016	2015
District's proportion of the net pension asset	0.2864140%	0.2857760%	0.2789210%	0.2787330%	0.2789750%
District's proportionate share of the net pension asset	\$ 5,179,123	\$ 2,172,184	\$ (2,987,364)	\$ 28,951,470	\$ 31,076,115
District's covered payroll	\$ 47,097,886	\$ 45,649,714	\$ 44,582,849	\$ 43,439,992	\$ 42,678,795
District's proportionate share of the net pension asset as a percentage of its covered payroll	11.00 %	4.76 %	6.70 %	66.65 %	72.81 %
Plan fiduciary net position as a percentage of the total pension liability	101.53%	100.66%	99.01%	110.46%	111.48%

Employees' Retirement System

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0414114%	0.0426710%	0.0398755%	0.0421879%	0.0423398%
District's proportionate share of the net pension liability	\$ (2,934,124)	\$ (1,377,182)	\$ (3,746,795)	\$ (6,771,270)	\$ (1,430,343)
District's covered payroll	\$ 12,120,143	\$ 12,371,765	\$ 12,387,920	\$ 12,592,594	\$ 11,965,445
District's proportionate share of the net pension liability as a percentage of its covered payroll	24.21 %	11.13 %	30.25 %	53.77 %	11.95 %
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.68%	97.95%

An additional year of historical information will be added each year, subsequent to the year of implementation until 10 years of historical data is available.

Note to Required Supplementary Information

Teachers' Retirement System

The discount rate decreased from 8.0% to 7.5% to 7.25%, as reflected 2016, 2017 and 2018 above.

Employees' Retirement System

The discount rate decreased from 7.5% to 7.0% as reflected in 2015 and 2016 above.

HUNTINGTON UNION FREE SCHOOL DISTRICT
Schedule of District Pension Contributions
 Last Ten Fiscal Years

Teachers' Retirement System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 5,026,028	\$ 4,615,593	\$ 5,307,536	\$ 5,724,976	\$ 7,319,763	\$ 6,686,748	\$ 4,855,866	\$ 4,429,859	\$ 3,885,693	\$ 2,702,020
Contributions in relation to the contractually required contribution	5,026,028	4,615,593	5,307,536	5,724,976	7,319,763	6,686,748	4,855,866	4,429,859	3,885,693	2,702,020
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$47,923,393	\$47,097,886	\$45,649,714	\$44,582,849	\$43,439,992	\$42,678,795	\$42,023,298	\$42,093,995	\$45,291,162	\$45,034,992
Contributions as a percentage of covered payroll	10%	10%	12%	13%	17%	16%	12%	11%	9%	6%

Employees' Retirement System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 1,698,507	\$ 1,812,104	\$ 1,750,779	\$ 2,043,486	\$ 2,414,526	\$ 2,428,021	\$ 1,802,225	\$ 1,570,365	\$ 1,665,284	\$ 1,022,023
Contributions in relation to the contractually required contribution	1,698,507	1,812,104	1,750,779	2,043,486	2,414,526	2,428,021	1,802,225	1,570,365	1,665,284	1,022,023
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$12,595,831	\$12,419,527	\$11,829,467	\$13,055,250	\$12,744,116	\$12,680,942	\$11,555,751	\$11,948,912	\$12,931,389	\$12,446,254
Contributions as a percentage of covered payroll	13%	15%	15%	16%	19%	19%	16%	13%	13%	8%

HUNTINGTON UNION FREE SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Two Fiscal Years

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 11,368,279	\$ 11,037,164
Interest	8,266,350	7,916,896
Changes in benefit terms	-	-
Differences between expected and actual experience	-	(301,407)
Changes of assumptions or other inputs	(20,744,735)	-
Benefit payments	<u>(7,718,720)</u>	<u>(6,957,478)</u>
Net change in total OPEB liability	(8,828,826)	11,695,175
Total OPEB liability, beginning	<u>268,007,562</u>	<u>256,312,387</u>
Total OPEB liability, ending	<u>\$ 259,178,736</u>	<u>\$ 268,007,562</u>
Covered employee payroll	\$ 57,896,983	\$ 57,896,983
Total OPEB liability as a percentage of covered employee payroll	447.65%	462.90%

An additional year of historical information will be added each year, subsequent to the year of implementation until 10 years of historical data is available.

Notes to Required Supplementary Information

The discount rate increased from 3.00% to 3.50% as reflected in 2018 and 2019 above.

HUNTINGTON UNION FREE SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For The Year Ended June 30, 2019
June 30, 2017

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 129,812,991
Additions:		
Prior year's encumbrances		<u>1,990,889</u>
Original Budget		131,803,880
Budget revisions		
Transfer to capital projects fund funded by capital reserve as approved by the voters	\$ 3,846,000	
Contingent expenditures funded by donations	<u>116,846</u>	
		<u>3,962,846</u>
Final Budget		<u>\$ 135,766,726</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-2020 voter-approved expenditure budget		<u>\$ 133,488,443</u>
Maximum allowed (4% of 2019-2020 budget)		<u>\$ 5,339,538</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 2,374,065	
Unassigned fund balance	<u>5,317,935</u>	
		\$ 7,692,000
Less:		
Appropriated fund balance	1,400,000	
Encumbrances	<u>974,065</u>	
Total adjustments		<u>2,374,065</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		<u>\$ 5,317,935</u>
Actual Percentage		3.98%

HUNTINGTON UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources - Capital Projects Fund
For The Year Ended June 30, 2019

PROJECT TITLE	Budget June 30, 2018	Budget June 30, 2019	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2019	
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total		
2015 HS HVAC, Auditorium Lights and Doors #0001-044	\$ 958,881	\$ 958,881	\$ 763,505	\$ 51,866	\$ 815,371	\$ 143,510	\$	\$	\$ 958,881	\$ 958,881	\$ 143,510	*
2016 HS ADA Compliant Locker Room Restrooms, Wheelchair Lift, Ramps and Foundation Repairs #001-045	195,000	211,599	16,434	195,165	211,599				211,599	211,599		
2016 JTFMS ADA Compliant Rest Rooms and Ramps and Door Upgrades Panel and Foundation #014-024	531,000	421,665	39,386	295,704	335,090	86,575			421,665	421,665	86,575	
2016 WHIS ADA Compliant Restrooms, Office Counters and Ramps #004-020	100,000	115,711	8,416	107,295	115,711				115,711	115,711		
2016 JA STEM School ADA Compliant Restrooms and Ramps and Fire Rated Doors #017-018	800,000	614,832	57,168	390,791	447,959	166,873			614,832	614,832	166,873	
2016 FHPS ADA Compliant Restrooms and Door Replacement #002-020	90,000	146,058	15,092	130,966	146,058				146,058	146,058		
2016 JPS ADA Compliant Restrooms, Ramps and Entry Way Vestibule #013-016	325,000	388,740	22,200	225,741	247,941	140,799			388,740	388,740	140,799	
SDPS ADA Compliant Restrooms #003-019	50,000	155,103	6,298	148,805	155,103				155,103	155,103		
WPS ADA Compliant Rest Room and Doorway #009-019	45,000	82,292	6,049	76,243	82,292				82,292	82,292		
2017 WPS Roof Replacement #009-020	1,250,000	1,250,000	323,891	584,929	908,820	341,180			1,250,000	1,250,000	341,180	*
2017 JA STEM Boiler Replacement #017-019	850,000	850,000	65,611	619,906	685,517	164,483			850,000	850,000	164,483	*
2017 JTFMS Exterior Door Replacement and Woodshop Rollup Door #014-025	150,000	150,000	6,113	9,744	15,857	134,143			150,000	150,000	134,143	
2017 JTFMS Exterior Door Replacement and Vestibule in Main Lobby #004-021	145,000	145,000	6,159		6,159	138,841			145,000	145,000	138,841	
2017 SDPS Vestibule #030-020	100,000	100,000	5,657	54,984	60,641	39,359			100,000	100,000	39,359	
2018 JTFMS Tile & Seats in LGI Room #014-026	600,000	600,000		244,477	244,477	355,523			600,000	600,000	355,523	
2018 FHPS Security Vestibule #002-021	1,660,000	100,000		61,541	61,541	38,459			100,000	100,000	38,459	
2018 FHPS Roof #002-022		1,560,000				1,560,000			1,560,000	1,560,000	1,560,000	
2018 HS Roll Up Doors #001-046	125,000	125,000		2,620	2,620	122,380			125,000	125,000	122,380	
2018 JPS Bathroom Tiles #013-017	1,565,000	65,000		6,217	6,217	58,783			65,000	65,000	58,783	
2018 JPS Roof #013-018		1,500,000		549,979	549,979	950,021			1,500,000	1,500,000	950,021	
2018 SDPS Roof #003-021	1,560,000	1,560,000		5,077	5,077	1,554,923			1,560,000	1,560,000	1,554,923	
2018 WPS Security Vestibule #009-021	100,000	100,000		56,524	56,524	43,476			100,000	100,000	43,476	
2018 WHIS Parking Lot, Curbs & Bathroom Tiles #004-022	1,541,000	741,000		299,716	299,716	441,284			741,000	741,000	441,284	
2018 WHIS Boilers, #004-023		800,000		440,788	440,788	359,212			800,000	800,000	359,212	
Donation - Mock Trial Theater	40,000	40,000		30,035	30,035	9,965			40,000	40,000	9,965	
2017 - 2018 Interfund Transfer	100,000	100,000		92,790	92,790	7,210			100,000	100,000	7,210	
DASNY Lighting Grant	50,000	50,000		36,809	36,809	13,191		50,000		50,000	13,191	
2019 JTFMS Student Lockers #014-027		600,000				600,000			600,000	600,000	600,000	
2019 HS Boilers, Roof, Turf Field, Perimeter Netting & Goal Posts		3,246,000				3,246,000			3,246,000	3,246,000	3,246,000	
Smart Schools Bond Act	462,954	462,954	462,954		462,954			462,954		462,954		
	\$ 13,393,835	\$ 17,239,835	\$ 1,804,933	\$ 4,718,712	\$ 6,523,645	\$ 10,716,190	\$ -	\$ 512,954	\$ 16,726,881	\$ 17,239,835	10,716,190	
												Less: Interfund transfer to general fund (649,173) *
												Less: DASNY grant not recognized (50,000)
												\$ 10,017,017

HUNTINGTON UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2019

Capital assets, net	<u>\$ 22,724,013</u>
Deduct:	
Short-term portion of bonds payable	(175,000)
Long-term portion of bonds payable	<u>(1,220,000)</u>
	<u>(1,395,000)</u>
Net investment in capital assets	<u><u>\$ 21,329,013</u></u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Huntington Union Free School District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 10, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Huntington Union Free School District in a separate letter dated October 10, 2019.

Purpose of this Report

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

Cullen & Danowski, LLP

October 10, 2019

