



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

**June 30, 2013**

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**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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Changes in Accounting Principles***

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of June 30, 2013.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedule of funding progress – other postemployment benefits on pages 3 through 13 and 42 through 44, 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 45 through 47 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2013 on our consideration of the Huntington Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Huntington Union Free School District's internal control over financial reporting and compliance.

*Cullen & Danowski, LLP*

October 16, 2013

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

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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, 2013 in comparison with the year ended June 30, 2012, 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 2013 are as follows:

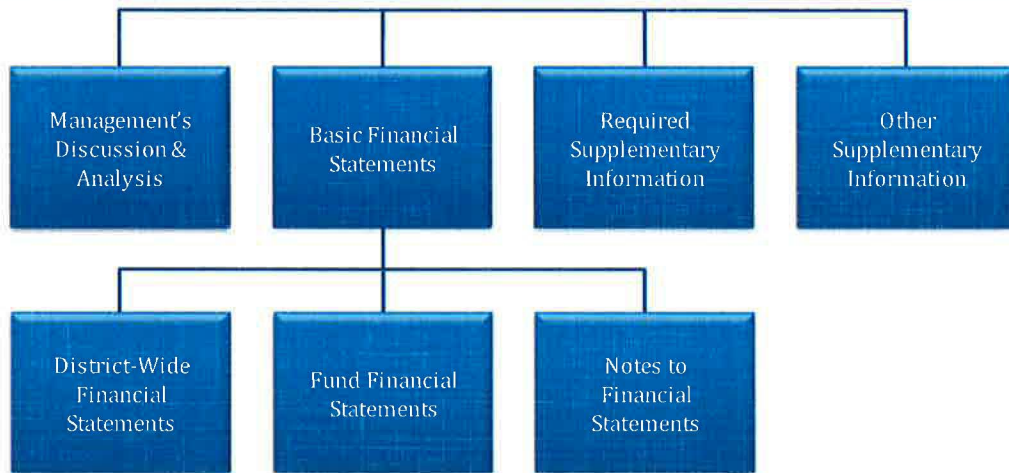
- On the district-wide financial statements, the District's total net position decreased by \$2,422,290. This was mainly due to the unfunded cost of other postemployment benefits.
- On the district-wide financial statements, the District's expenses for the year totaled \$116,773,830. Of this amount, \$5,556,149 was offset by program charges for services and operating grants. General revenues of \$108,795,391 amounted to 95.1% of total revenues, and were not adequate to cover the balance of program expenses.
- The District received \$3,367,472 in operating grants to support instructional programs. This is an increase over the prior year of \$144,716. This increase was primarily due to federal American Recovery and Reinvestment Act (ARRA) Race to the Top Grants received during 2012-13.
- The general fund's total fund balance, as reflected on the balance sheet in the fund financial statements, increased by \$4,087,784 to \$22,662,682.
- On the balance sheet, the general fund's unassigned fund balance at year end was \$4,588,183. This represents an increase of \$128,443 over the prior year. The unassigned fund balance at year end is at the statutory 4% limit authorized by New York State Law.
- On May 21, 2013 the voters approved the establishment of a new capital reserve (building improvement fund - 2013) to be capitalized in the ultimate amount of \$10,000,000 plus interest. The funding source shall be the annual transfer of surplus monies, if any, from the District's general fund not to exceed \$2,000,000 in any given year as may be available at the end of each year from June 30, 2013 through June 30, 2021. For the year ended June 30, 2013, \$2,000,000 of surplus was transferred to this capital reserve in the general fund. The building improvement fund-2008 has been fully funded, of which \$1,715,500 was used in 2012-13 to fund capital projects per voter authorization, and has a balance available for future projects of \$4,959,159.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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**A. District-Wide Financial Statements**

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

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

The Statement of Net Position

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

The Statement of Activities

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

**B. Fund Financial Statements**

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

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

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Governmental Funds

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

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

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

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

Fiduciary Funds

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

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

**A. Net Position**

The District's total net position decreased by \$2,422,290 between fiscal year 2013 and 2012. A summary of the District's Statement of Net Position is as follows:

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

	2013	2012	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 35,060,835	\$ 29,187,533	\$ 5,873,302	20.12 %
Capital Assets, Net	<u>18,950,578</u>	<u>20,064,737</u>	<u>(1,114,159)</u>	(5.55)%
Total Assets	<u>54,011,413</u>	<u>49,252,270</u>	<u>4,759,143</u>	9.66 %
Current and Other Liabilities	6,878,013	6,369,856	508,157	7.98 %
Long-Term Liabilities	13,942,867	15,153,114	(1,210,247)	(7.99)%
Net Other Postemployment Benefits Obligation	<u>55,088,591</u>	<u>47,205,068</u>	<u>7,883,523</u>	16.70 %
Total Liabilities	<u>75,909,471</u>	<u>68,728,038</u>	<u>7,181,433</u>	10.45 %
Net Position				
Net Investment in Capital Assets	15,042,888	14,963,574	79,314	0.53 %
Restricted	20,581,111	15,634,318	4,946,793	31.64 %
Unrestricted (Deficit)	<u>(57,522,057)</u>	<u>(50,073,660)</u>	<u>(7,448,397)</u>	14.87 %
Total Net Position (Deficit)	<u>\$ (21,898,058)</u>	<u>\$ (19,475,768)</u>	<u>\$ (2,422,290)</u>	12.44 %

Current and other assets increased by \$5,873,302, as compared to the prior year. The increase is predominantly the result of larger cash balances at year end.

Capital assets, net decreased by \$1,114,159, as compared to the prior year. The decrease was the result of depreciation net of improvements to facilities and capital asset acquisitions. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

Current and other liabilities increased by \$508,157, as compared to the prior year. The increase was primarily attributable to an increase in accounts payable, as well as a higher payable to the teachers' retirement system, as a result of a higher contribution rate.

Long-term liabilities decreased by \$1,210,247, as compared to the prior year. The decrease was primarily the result of repayment of bond and installment purchase debt, as well as a decrease in compensated absences due to employees retiring, which was offset by an increase in the workers' compensation liability.

Net other postemployment benefits obligation (OPEB) increased by \$7,883,523, as the current year OPEB cost exceeded contributions in accordance with GASB Statement No. 45. The accompanying Notes to Financial Statements, Note 15 "Postemployment Benefits" provides additional information.

The net investment in capital assets relates to 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 debt. This number increased over the prior year by \$79,314 as follows:

	Increase (Decrease)
Capital asset additions - total	\$ 1,094,839
Principal debt reduction of construction bonds	1,045,000
Principal debt reduction of installment purchase debt	148,473
Depreciation expense	<u>(2,208,998)</u>
	<u>\$ 79,314</u>



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

The restricted amount of \$20,581,111 relates to the District's reserves and other restricted amounts. This number increased over the prior year by \$4,946,793 principally due to a Board resolution to fund reserves, offset by use of reserves in the current year.

The unrestricted deficit amount of \$(57,522,057) relates to the balance of the District's net position (deficit). The deficit increased from the prior year by \$7,448,397 mainly due to the unfunded costs of other postemployment benefits.

The Districts total net position decreased by \$2,422,290; \$(21,898,058) at June 30, 2013, compared to \$(19,475,768) at June 30, 2012.

**B. Changes in Net Position**

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. 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, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 1,197,022	\$ 993,815	\$ 203,207	20.45 %
Operating Grants	4,359,127	4,165,910	193,217	4.64 %
General Revenues				
Real Property Taxes & STAR	96,087,015	94,008,615	2,078,400	2.21 %
State Sources	11,499,019	10,761,826	737,193	6.85 %
Other	1,209,357	1,585,209	(375,852)	(23.71)%
Total Revenues	<u>114,351,540</u>	<u>111,515,375</u>	<u>2,836,165</u>	2.54 %
<b>Expenses</b>				
General Support	13,248,418	13,890,020	(641,602)	(4.62)%
Instruction	91,988,995	94,102,771	(2,113,776)	(2.25)%
Pupil Transportation	9,748,209	9,016,943	731,266	8.11 %
Debt Service - Interest	217,087	283,811	(66,724)	(23.51)%
Food Service Program	1,571,121	1,681,983	(110,862)	(6.59)%
Total Expenses	<u>116,773,830</u>	<u>118,975,528</u>	<u>(2,201,698)</u>	(1.85)%
Change in Net Position	<u>\$ (2,422,290)</u>	<u>\$ (7,460,153)</u>	<u>\$ 5,037,863</u>	(67.53)%

The District's net position decreased by \$2,422,290 and \$7,460,153 for the years ended June 30, 2013 and 2012, respectively.

The District's revenues increased by \$2,836,165 or 2.54%. The increases in property taxes and state aid were the primary causes of this increase.

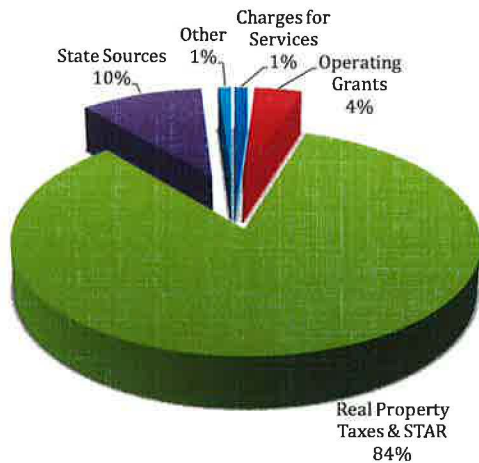
The District's expenses decreased by \$2,201,698 or 1.85%. This decrease is due to reduced instructional costs related to long-term employee benefits. The costs related to other postemployment benefits (retiree health insurance) were lower than in the prior year as a result of a new actuarial calculation estimating smaller increases in future health care costs than the prior valuation estimated.

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

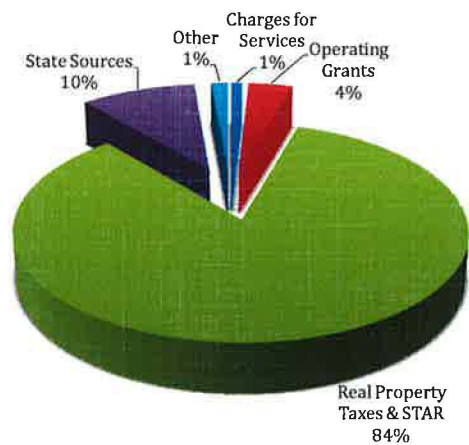
As indicated on the pie charts that follow, real property taxes and STAR comprise the largest component of revenues recognized, 84% of the total for the years ended June 30, 2013 and 2012. Instruction expenses is the largest category of expenses incurred, comprising 79% of the total for the years ended June 30, 2013 and 2012. The charts demonstrate that the components of revenues and expenses are relatively consistent for both years.

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

**June 30, 2013**

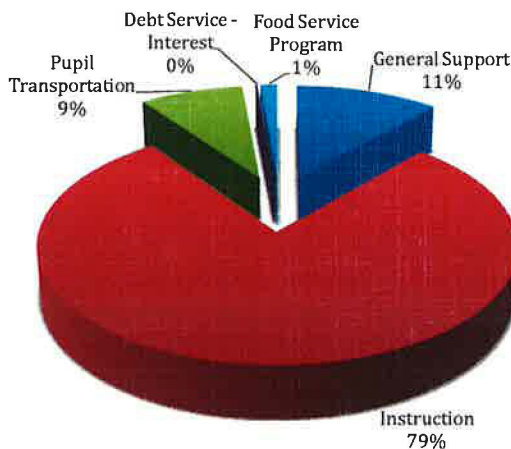


**June 30, 2012**

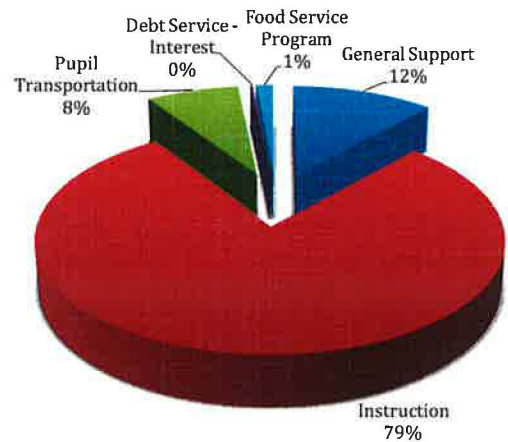


A graphic display of the distribution of expenses for the two years follows:

**June 30, 2013**



**June 30, 2012**



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

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

At June 30, 2013, the District's governmental funds reported a combined fund balance of \$27,610,869, which is an increase of \$5,286,677 over the prior year. This increase is due to an excess of revenues over expenditures based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	<u>2013</u>	<u>2012</u>	<u>Changes</u>
<b>General Fund</b>			
Restricted:			
Workers' compensation	\$ 3,352,305	\$ 3,342,605	\$ 9,700
Unemployment insurance	317,104	316,977	127
Retirement contributions	3,172,839	2,171,970	1,000,869
Employee benefit accrued liability	1,666,587	901,610	764,977
Capital	6,959,159	5,016,277	1,942,882
Repairs	201,889	201,808	81
Assigned:			
Appropriated fund balance	2,180,953	2,127,376	53,577
Unappropriated fund balance	223,663	36,535	187,128
Unassigned: Fund balance	<u>4,588,183</u>	<u>4,459,740</u>	<u>128,443</u>
	<u>22,662,682</u>	<u>18,574,898</u>	<u>4,087,784</u>
<b>School Lunch Fund</b>			
Nonspendable: Inventory	27,449	1,459	25,990
Assigned: Unappropriated fund balance	<u>9,510</u>	<u>15,325</u>	<u>(5,815)</u>
	<u>36,959</u>	<u>16,784</u>	<u>20,175</u>
<b>Debt Service Fund</b>			
Restricted: Debt service	<u>246,065</u>	<u>246,017</u>	<u>48</u>
<b>Capital Projects Fund</b>			
Restricted: Capital	4,665,163	3,437,054	1,228,109
Assigned: Unappropriated fund balance	<u>49,439</u>	<u>49,439</u>	<u>(49,439)</u>
	<u>4,665,163</u>	<u>3,486,493</u>	<u>1,178,670</u>
Total Fund Balance	<u>\$ 27,610,869</u>	<u>\$ 22,324,192</u>	<u>\$ 5,286,677</u>

**A. General Fund**

The general fund - fund balance increased by \$4,087,784, as a result of revenues in excess of expenditures.

In the prior year the surplus was \$2,501,861. The District's expenditures increased \$1,115,987 primarily as a result of an increase in required contributions to the state retirement systems. Revenue increased by \$2,701,910, primarily as a result of an increase in property tax of \$1,889,797, and an increase in state aid of \$705,228.

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

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**B. School Lunch Fund**

The school lunch fund - fund balance increased by \$20,175. This was the amount of the net operating income of the program.

**C. Debt Service Fund**

The debt service fund - fund balance increased by \$48, as a result of interest earnings.

**D. Capital Projects Fund**

The capital projects fund - fund balance increased by \$1,178,670. This was primarily the result of a transfer of \$1,715,500 from the general fund capital reserve for voter authorized funded projects less capital expenditures of \$487,391.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2012-13 Budget**

The District's general fund adopted budget for the year ended June 30, 2013, was \$111,858,780. This amount was increased by encumbrances carried forward from the prior year in the amount of \$36,535 and budget revisions of \$2,568,220, for a total final budget of \$114,463,535.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$96,086,390 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 and assignments, such as appropriations to fund the subsequent year's budget. It is this balance that is commonly referred to as the "fund balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 4,459,740
Revenues Under Budget	(441,312)
Expenditures and Encumbrances Under Budget	8,859,602
Net Change in Reserves	(6,108,894)
Appropriated to fund the June 30, 2014 Budget	<u>(2,180,953)</u>
Closing, Unassigned Fund Balance	<u>\$ 4,588,183</u>

Opening, Unassigned Fund Balance

The \$4,459,740 shown in the table is the portion of the District's June 30, 2012 fund balance that was retained as unassigned. This was 4% of the District's 2012-13 approved operating budget of \$111,858,780.

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

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Revenues Under Budget

The 2012-13 final budget for revenues was \$109,909,366. Actual revenues received for the year were \$109,468,054. The total of actual revenue less than estimated or budgeted revenue was \$441,312. This change contributes directly to the change to the general fund unassigned fund balance from June 30, 2012 to June 30, 2013.

Expenditures and Encumbrances Under Budget

The 2012-13 final budget for expenditures, including prior year open encumbrances of \$36,535 as of June 30, 2012, and budget revisions of \$2,568,220, was \$114,463,535. Actual expenditures as of June 30, 2013 were \$105,380,270 and outstanding encumbrances were \$223,663. Combined, the expenditures plus encumbrances for 2012-13 were \$105,603,933. The final budget was under expended by \$8,859,602. The largest under spent item was employee benefits, which was the result of a lower than anticipated increase in health insurance premiums. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2012 to June 30, 2013.

Net Change in Reserves

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

The \$6,108,894 net change in restricted fund balance is the result of the following:

Transfers to reserves:	
Workers' Compensation	\$ 500,000
Retirement Contribution	1,000,000
Capital - Building Improvement Fund - 2008	1,656,376
Capital - Building Improvement Fund - 2013	2,000,000
Employee Benefit Accrued Liability	<u>1,000,000</u>
	6,156,376
Interest on reserve balances	4,780
Use of employee benefit accrual liability reserve for termination payments	<u>(52,262)</u>
	<u>\$ 6,108,894</u>

Appropriated Fund Balance

The District has chosen to use \$2,180,953 of its available June 30, 2013 fund balance to partially fund its 2013-14 approved operating budget. As such, the June 30, 2013 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 above table, the District will begin the 2013-14 fiscal year with an unassigned fund balance of \$4,588,183. This is an increase of \$128,443 over the unassigned fund balance from the prior year as of June 30, 2013. This unassigned portion is 4% of the District's 2013-14 approved operating budget of \$114,707,235, the statutory maximum.

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A. Capital Assets**

At June 30, 2013, the District had \$18,950,578 invested in a broad range of capital assets, as indicated in the table below. This amount represents a net decrease of \$1,114,159 from the prior year. See accompanying Notes to Financial Statements, Note 9 "Capital Assets" for additional information. A summary of the District's capital assets, net of depreciation at June 30, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
Land	\$ 1,545,142	\$ 1,545,142	\$ -
Construction in progress	92,615	31,318	61,297
Buildings and improvements	12,143,672	13,716,745	(1,573,073)
Site improvements	3,859,661	3,708,899	150,762
Furniture and equipment	<u>1,309,488</u>	<u>1,062,633</u>	<u>246,855</u>
Capital assets, net	<u>\$ 18,950,578</u>	<u>\$ 20,064,737</u>	<u>\$ (1,114,159)</u>

Capital additions for the year ended June 30, 2013, were \$1,094,839. Depreciation expense for the year was \$2,208,998.

**B. Debt Administration**

At June 30, 2013, the District had total bonds payable of \$2,480,000. The bonds were issued for school building improvements. The decrease in outstanding bonds represents principal payments on all outstanding bonds of \$1,045,000. A summary of the outstanding bonds at June 30, 2013 and 2012 is as follows:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
May 1998	4.0 - 5.5%	\$	\$ 905,000	\$ (905,000)
September 2006	4.125 - 4.25%	<u>2,480,000</u>	<u>2,620,000</u>	<u>(140,000)</u>
		<u>\$ 2,480,000</u>	<u>\$ 3,525,000</u>	<u>\$ (1,045,000)</u>

At June 30, 2013, the District had installment purchase debt outstanding of \$1,427,690. This is a decrease from the prior year of \$148,473. The final maturity on this installment debt is 2021.

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

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Included in the District's long-term liabilities are the estimated amounts due for compensated absences and workers' compensation. The compensated absence liability of \$6,995,010 is based on employee sick and vacation time through June 30, 2013 and the applicable rates and limitations outlined in the various contracts. The workers' compensation liability of \$3,040,167 is based on an actuarial valuation of the District's claims prepared at June 30, 2013.

Moody's Investors Service, Inc. has assigned a credit rating of Aa2 to the District's debt. The District's total outstanding indebtedness did not exceed the District's debt limit of \$515,419,784, which is defined as 10% of the full valuation of the taxable real property within the District.

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

**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, 2013, for the year ending June 30, 2014, is \$114,707,235. This is an increase of \$2,848,455 or 2.55% over the previous year's budget. The main areas of change are in increases in instruction and employee benefits.

The District budgeted revenues other than property taxes and STAR at a \$71,414 increase compared to the prior year's estimate. This increase is principally due to estimated increases in state aid and a decrease in miscellaneous revenues. Additionally, the assigned, appropriated fund balance applied to the June 30, 2014 budget in the amount of \$2,180,953 is a \$53,577 increase over the previous year. A property tax increase of 2.83% was needed to meet the revenue shortfall and cover the increase in projected expenditures.

**B. Future Budgets**

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

**C. Tax Cap**

Chapter 97 of the 2011 Laws of New York limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation effective for the 2012-13 fiscal year. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. The levy for 2013-14 was within the statutory limit including allowable adjustments.

**8. CONTACTING THE DISTRICT**

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

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

HUNTINGTON UNION FREE SCHOOL DISTRICT

Statement of Net Position

June 30, 2013

<b>ASSETS</b>	
Cash	\$ 30,493,030
Receivables	
Accounts receivable	124,090
Due from state and federal	3,778,829
Due from other governments	211,469
Other assets	425,968
Inventory	27,449
Capital assets not being depreciated	1,637,757
Capital assets being depreciated, net of accumulated depreciation	<u>17,312,821</u>
 Total Assets	 <u>54,011,413</u>
<b>LIABILITIES</b>	
Payables	
Accounts payable	579,912
Accrued liabilities	412,746
Due to fiduciary funds	13,423
Due to other governments	3,060
Due to teachers' retirement system	5,070,029
Due to employees' retirement system	580,913
Compensated absences payable	217,930
Long-term liabilities	
Due and payable within one year	
Bonds payable	145,000
Installment purchase debt	154,525
Compensated absences payable	108,391
Workers' compensation liabilities	386,716
Due and payable after one year	
Bonds payable	2,335,000
Installment purchase debt	1,273,165
Compensated absences payable	6,886,619
Workers' compensation liabilities	2,653,451
Net other postemployment benefits obligation	<u>55,088,591</u>
 Total Liabilities	 <u>75,909,471</u>
<b>NET POSITION</b>	
Net investment in capital assets	15,042,888
Restricted	20,581,111
Unrestricted (deficit)	<u>(57,522,057)</u>
 Total Net Position (Deficit)	 <u>\$ (21,898,058)</u>



**HUNTINGTON UNION FREE SCHOOL DISTRICT**

**Statement of Activities**

For The Year Ended June 30, 2013

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
<b>FUNCTIONS/PROGRAMS</b>				
<b>Governmental Activities:</b>				
General support	\$ 13,248,418	\$	\$	\$ (13,248,418)
Instruction	91,988,995	606,951	3,367,472	(88,014,572)
Pupil transportation	9,748,209			(9,748,209)
Debt service - interest	217,087			(217,087)
Food service program	1,571,121	590,071	991,655	10,605
	<u>116,773,830</u>	<u>1,197,022</u>	<u>4,359,127</u>	<u>(111,217,681)</u>
Total Governmental Activities	\$ 116,773,830	\$ 1,197,022	\$ 4,359,127	(111,217,681)
<b>GENERAL REVENUES</b>				
Real property taxes				85,688,805
Other tax items				10,550,631
Use of money and property				144,972
Sale of property and compensation for loss				304,222
Miscellaneous				607,742
State sources				11,499,019
				<u>108,795,391</u>
Total General Revenues				108,795,391
Change in Net Position				(2,422,290)
Total Net Position (Deficit) - Beginning of Year				<u>(19,475,768)</u>
Total Net Position (Deficit) - End of Year				<u>\$ (21,898,058)</u>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**

**Balance Sheet - Governmental Funds**

June 30, 2013

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 28,371,946	\$ 937,617	\$ 172,060	\$ 246,065	\$ 765,342	\$ 30,493,030
Receivables						
Accounts receivable	124,040		50			124,090
Due from other funds	5,106,620	379,441	31,056		5,075,756	10,592,873
Due from state and federal	1,716,219	1,954,855	107,755			3,778,829
Due from other governments	211,469					211,469
Other assets	425,968					425,968
Inventory			27,449			27,449
Total Assets	<u>\$ 35,956,262</u>	<u>\$ 3,271,913</u>	<u>\$ 338,370</u>	<u>\$ 246,065</u>	<u>\$ 5,841,098</u>	<u>\$ 45,653,708</u>
<b>LIABILITIES</b>						
Payables						
Accounts payable	\$ 513,847	\$ 20,487	\$ 45,578	\$	\$	\$ 579,912
Accrued liabilities	366,446	25,978	1,463			393,887
Due to other funds	5,953,603	3,225,448	251,310		1,175,935	10,606,296
Due to other governments			3,060			3,060
Due to teachers' retirement system	5,070,029					5,070,029
Due to employees' retirement system	580,913					580,913
Compensated absences payable	217,930					217,930
Total Liabilities	<u>12,702,768</u>	<u>3,271,913</u>	<u>301,411</u>	<u>-</u>	<u>1,175,935</u>	<u>17,452,027</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred revenues	590,812					590,812
Total Deferred Inflows of Resources	<u>590,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>590,812</u>
<b>FUND BALANCES</b>						
Nonspendable: Inventory			27,449			27,449
Restricted:						
Workers' compensation	3,352,305					3,352,305
Unemployment insurance	317,104					317,104
Retirement contribution	3,172,839					3,172,839
Employee benefit accrued liability	1,666,587					1,666,587
Capital	6,959,159				4,665,163	11,624,322
Repairs	201,889					201,889
Debt service				246,065		246,065
Assigned:						
Appropriated fund balance	2,180,953					2,180,953
Unappropriated fund balance	223,663		9,510			233,173
Unassigned: Fund balance	4,588,183					4,588,183
Total Fund Balances	<u>22,662,682</u>	<u>-</u>	<u>36,959</u>	<u>246,065</u>	<u>4,665,163</u>	<u>27,610,869</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 35,956,262</u>	<u>\$ 3,271,913</u>	<u>\$ 338,370</u>	<u>\$ 246,065</u>	<u>\$ 5,841,098</u>	<u>\$ 45,653,708</u>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
June 30, 2013

Total Governmental Fund Balances \$ 27,610,869

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

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

Original cost of capital assets	\$ 55,465,858	
Accumulated depreciation	<u>(36,515,280)</u>	18,950,578

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. 590,812

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	(18,859)	
Bonds payable	(2,480,000)	
Installment purchase debt	(1,427,690)	
Compensated absences	(6,995,010)	
Workers' compensation liabilities	(3,040,167)	
Net other postemployment benefits obligation	<u>(55,088,591)</u>	<u>(69,050,317)</u>

Total Net Position (Deficit) \$ (21,898,058)

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For The Year Ended June 30, 2013

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 85,688,805	\$	\$	\$	\$	\$ 85,688,805
Other tax items	10,550,631					10,550,631
Charges for services	442,107					442,107
Use of money and property	144,764		160	48		144,972
Sale of property and compensation for loss	304,222		18,172			322,394
Miscellaneous	718,685		74,089			792,774
State sources	11,467,054	1,276,482	32,619		31,965	12,808,120
Federal sources	67,612	2,023,378	848,171			2,939,161
Surplus food			92,693			92,693
Sales - school lunch			515,982			515,982
<b>Total Revenues</b>	<b>109,383,880</b>	<b>3,299,860</b>	<b>1,581,886</b>	<b>48</b>	<b>31,965</b>	<b>114,297,639</b>
<b>EXPENDITURES</b>						
General support	9,667,843					9,667,843
Instruction	57,382,531	3,258,562				60,641,093
Pupil transportation	9,389,408	273,594				9,663,002
Employee benefits	25,554,794					25,554,794
Debt service						
Principal	148,473			1,045,000		1,193,473
Interest	107,542			134,113		241,655
Cost of sales			1,561,711			1,561,711
Capital outlay					487,391	487,391
<b>Total Expenditures</b>	<b>102,250,591</b>	<b>3,532,156</b>	<b>1,561,711</b>	<b>1,179,113</b>	<b>487,391</b>	<b>109,010,962</b>
Excess (Deficiency) of Revenues Over Expenditures	7,133,289	(232,296)	20,175	(1,179,065)	(455,426)	5,286,677
<b>OTHER FINANCING SOURCES AND (USES)</b>						
Operating transfers in	84,174	235,066		1,179,113	1,715,500	3,213,853
Operating transfers (out)	(3,129,679)	(2,770)			(81,404)	(3,213,853)
<b>Total Other Financing Sources and (Uses)</b>	<b>(3,045,505)</b>	<b>232,296</b>	<b>-</b>	<b>1,179,113</b>	<b>1,634,096</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>4,087,784</b>	<b>-</b>	<b>20,175</b>	<b>48</b>	<b>1,178,670</b>	<b>5,286,677</b>
Fund Balances - Beginning of year	18,574,898	-	16,784	246,017	3,486,493	22,324,192
<b>Fund Balances - End of year</b>	<b>\$ 22,662,682</b>	<b>\$ -</b>	<b>\$ 36,959</b>	<b>\$ 246,065</b>	<b>\$ 4,665,163</b>	<b>\$ 27,610,869</b>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
For The Year Ended June 30, 2013

Net Change in Fund Balances		\$ 5,286,677
Amounts reported for governmental activities in the Statement of Activities are different because:		
<u>Long-Term Revenue and Expense Differences</u>		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the net amount by which deferred revenues increased in the period.	\$ 53,901	
Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position.		
Decrease in compensated absences liability	316,086	
Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.		
Increase in workers' compensation liabilities	(299,312)	
Increase in net other postemployment benefit obligation	(7,883,523)	(7,812,848)
<u>Capital Related Differences</u>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays in the period.		
Capital outlays	1,094,839	
Depreciation expense	(2,208,998)	(1,114,159)
<u>Long-Term Debt Transaction Differences</u>		
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	1,045,000	
Repayment of installment purchase debt	148,473	
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, 2012 to June 30, 2013.	24,567	1,218,040
Change in Net Position of Governmental Activities		<u>\$ (2,422,290)</u>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Funds**  
June 30, 2013

	Agency	Private Purpose Trusts
<b>ASSETS</b>		
Cash	\$ 1,186,420	\$
Due from other funds		914,842
Total Assets	\$ 1,186,420	914,842
 <b>LIABILITIES</b>		
Extraclassroom activity balances	\$ 245,873	
Due to other funds	901,419	
Other liabilities	39,128	
Total Liabilities	\$ 1,186,420	-
 <b>NET POSITION</b>		
Restricted for scholarships		
Expendable trust funds		154,664
Non-expendable trust funds		760,178
Total Net Position		\$ 914,842

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position -**  
**Fiduciary Funds**  
For The Year Ended June 30, 2013

	<u>Private Purpose Trusts</u>
<b>ADDITIONS</b>	
Miscellaneous	\$ 13,963
Investment earnings	<u>1,490</u>
Total Additions	<u>15,453</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	<u>14,808</u>
Change in Net Position	645
Net Position - Beginning of year	<u>914,197</u>
Net Position - End of Year	<u><u>\$ 914,842</u></u>

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

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

Extraclassroom Activity Funds

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

**B. Joint Venture**

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



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

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

**C. Basis of Presentation**

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Program specific grants and contributions (operating and capital) include revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

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

Fund Financial Statements

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

**Governmental Funds:**

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

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

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

**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.

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

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

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

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

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

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

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

**E. Real Property Taxes**

Calendar

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

Enforcement

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

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

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**F. Restricted Resources**

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

**F. Interfund Transactions**

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

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

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

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

**G. Use of Estimates**

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

**H. Cash and Cash Equivalents**

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

**I. Receivables**

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

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**J. Inventory**

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

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

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

**K. Other Assets**

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

**L. Capital Assets**

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

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

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

**M. Deferred Revenues**

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

**N. Vested Employee Benefits - Compensated Absences**

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

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

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Certain collectively bargained agreements require these termination payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

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

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

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

**O. Other Benefits**

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

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

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

**P. Short-Term Debt**

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

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.

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

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

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due and payable within one year or due and payable after one year in the Statement of Net Position.

**R. Equity Classifications**

District-Wide Statements

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

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

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

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

Fund Statements

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.

*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

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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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. This 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. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. The reserve is accounted for in the general fund.

*Employee Benefit Accrued Liability Reserve*

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

*Capital Reserve*

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

*Repairs Reserve*

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

*Restricted for Debt Service*

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

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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*Restricted for Scholarships*

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

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

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

Fund Balance Classification

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

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

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

**2. CHANGES IN ACCOUNTING PRINCIPLES**

**A. GASB Statement No. 63**

GASB released GASB Statement No. 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was implemented by the District during the year ended June 30, 2013. GASB 63 requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. Deferred outflows and inflows relate to service concession agreements and certain derivative transactions. In addition, it amends certain provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and related pronouncements to report the difference between assets plus deferred outflow and liabilities plus deferred inflows as net position rather than net assets.



**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**B. GASB Statement No. 65**

GASB released GASB Statement No. 65 (GASB 65), *Items Previously Reported as Assets and Liabilities*, which was implemented by the District during the year ended June 30, 2013. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities.

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

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

**4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

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

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

Appropriations are adopted at the program line item level.

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

Transfer to capital projects fund funded by capital reserve as approved by the voters	\$ 1,715,500
Contingent expenditures funded by donations	41,867
Storm clean-up and other repairs funded by insurance recoveries	136,095
Appropriations for employee benefits funded by reserves	<u>674,758</u>
	<u>\$ 2,568,220</u>

Budgets are adopted annually on a basis consistent with GAAP.

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

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**B. Encumbrances**

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

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

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

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

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

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

**6. PARTICIPATION IN BOCES**

During the year ended June 30, 2013, the District was billed \$7,724,244 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,003,028. 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.

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

**7. DUE FROM STATE AND FEDERAL**

Due from state and federal at June 30, 2013 consisted of:

General Fund	
New York State aid	\$ 569,314
BOCES aid	453,242
Office of Emergency Management	61,462
New York State - employees' retirement	632,201
	<u>1,716,219</u>
Special Aid Fund	
Federal and State grants	1,954,855
School Lunch Fund	
Federal and State food service program reimbursements	107,755
	<u>\$ 3,778,829</u>

**8. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2013 consisted of:

General Fund	
School districts	<u>\$ 211,469</u>

**9. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2013, were as follows:

	Balance <u>June 30, 2012</u>	Additions	Reductions	Balance <u>June 30, 2013</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,545,142	\$	\$	\$ 1,545,142
Construction in progress	31,318	92,615	(31,318)	92,615
Total capital assets not being depreciated	<u>1,576,460</u>	<u>92,615</u>	<u>(31,318)</u>	<u>1,637,757</u>
Capital assets being depreciated				
Buildings and improvements	40,846,521	17,700		40,864,221
Site improvements	5,432,785	426,094		5,858,879
Furniture and equipment	6,578,953	589,748	(63,700)	7,105,001
Total capital assets being depreciated	<u>52,858,259</u>	<u>1,033,542</u>	<u>(63,700)</u>	<u>53,828,101</u>
Less accumulated depreciation for:				
Buildings and improvements	27,129,776	1,590,773		28,720,549
Site improvements	1,723,886	275,332		1,999,218
Furniture and equipment	5,516,320	342,893	(63,700)	5,795,513
Total accumulated depreciation	<u>34,369,982</u>	<u>2,208,998</u>	<u>(63,700)</u>	<u>36,515,280</u>
Total capital assets, being depreciated, net	<u>18,488,277</u>	<u>(1,175,456)</u>	<u>-</u>	<u>17,312,821</u>
Capital assets, net	<u>\$ 20,064,737</u>	<u>\$ (1,082,841)</u>	<u>\$ (31,318)</u>	<u>\$ 18,950,578</u>

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

Depreciation expense was charged to governmental functions as follows:

General support	\$ 40,879
Instruction	2,158,709
Food service program	<u>9,410</u>
Total depreciation expense	<u>\$ 2,208,998</u>

**10. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2013, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 5,106,620	\$ 5,953,603	\$ 84,174	\$ 3,129,679
Special Aid Fund	379,441	3,225,448	235,066	2,770
School Lunch Fund	31,056	251,310		
Debt Service Fund			1,179,113	
Capital Projects Fund	<u>5,075,756</u>	<u>1,175,935</u>	<u>1,715,500</u>	<u>81,404</u>
Total Governmental Funds	<u>10,592,873</u>	<u>10,606,296</u>	<u>3,213,853</u>	<u>3,213,853</u>
Agency Fund		901,419		
Private Purpose Trust Fund	<u>914,842</u>			
Total Fiduciary Funds	<u>914,842</u>	<u>901,419</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 11,507,715</u>	<u>\$ 11,507,715</u>	<u>\$ 3,213,853</u>	<u>\$ 3,213,853</u>

The District typically transfers from the general fund to the special aid fund and the debt service fund in accordance with the general fund budget. The transfer to the special aid fund was for the District's share of the costs for the summer handicapped program. The transfer to the debt service fund was for repayment of principal and interest on outstanding bond indebtedness. The transfer to the capital projects fund was for voter-approved capital projects. The transfer from the capital fund was to transfer the unspent funds from completed projects back to the general fund.

**11. OTHER ASSETS**

At June 30, 2013, total split dollar life insurance premiums subject to reimbursement amounted to \$425,968, which was recorded as other assets in the general fund. The corresponding revenue to this receivable is included in deferred revenues in the general fund and will be recognized in the year that the proceeds are received.

**12. SHORT-TERM DEBT**

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

	Maturity	Interest Rate	Balance June 30, 2012	Issued	Redeemed	Balance June 30, 2013
TAN	6/21/13	0.22%	<u>\$</u>	<u>\$ 27,000,000</u>	<u>\$ (27,000,000)</u>	<u>\$</u>

Interest expense on short-term debt for the year was \$43,297.

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

**13. LONG-TERM LIABILITIES**

The following table summarizes the changes in governmental activities in long-term liabilities, excluding other postemployment benefits, for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 3,525,000	\$	\$ (1,045,000)	\$ 2,480,000	\$ 145,000
Installment purchase debt	1,576,163		(148,473)	1,427,690	154,525
Other long-term liabilities:					
Compensated absences	7,311,096		(316,086)	6,995,010	108,391
Workers' compensation	2,740,855	790,949	(491,637)	3,040,167	386,716
	<u>\$ 15,153,114</u>	<u>\$ 790,949</u>	<u>\$ (2,001,196)</u>	<u>\$ 13,942,867</u>	<u>\$ 794,632</u>

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

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2013
Construction	9/2006	6/2026	4.125 - 4.25%	<u>\$ 2,480,000</u>

The following is a summary of bond debt service requirements:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 145,000	\$ 103,450	248,450
2015	150,000	97,469	247,469
2016	160,000	91,281	251,281
2017	165,000	84,681	249,681
2018	170,000	77,875	247,875
2019-2023	985,000	276,556	1,261,556
2024-2026	705,000	60,775	765,775
Total	<u>\$ 2,480,000</u>	<u>\$ 792,087</u>	<u>\$ 3,272,087</u>

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2013
Energy Performance Contract	3/2005	6/2021	4.076%	<u>\$ 1,427,690</u>

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

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 154,525	\$ 58,193	\$ 212,718
2015	160,823	51,894	212,717
2016	167,379	45,339	212,718
2017	174,201	38,517	212,718
2018	181,301	31,416	212,717
2019-2021	<u>589,461</u>	<u>48,692</u>	<u>638,153</u>
Total	<u>\$ 1,427,690</u>	<u>\$ 274,051</u>	<u>\$ 1,701,741</u>

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

Interest paid	\$ 198,358
Less interest accrued in the prior year	(43,426)
Plus interest accrued in the current year	<u>18,859</u>
Total interest expense on long-term debt	<u>\$ 173,791</u>

**14. PENSION PLANS**

**A. General Information**

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

**B. Provisions and Administration**

Teachers' Retirement System

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

Employees' Retirement System

The NYSERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement System, Office of the State Comptroller, 110 State Street, Albany, NY 12244.

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

**C. Funding Policies**

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to NYSERS or 3.5% of their salary to NYSTRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. For the NYSERS, the Comptroller shall certify annually the rates expressed as proportions of members' payroll annually, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, rates are established annually for NYSTRS by the New York State Teachers' Retirement Board.

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

Year	NYSTRS	NYSERS
2013	\$ 4,855,866	\$ 1,802,225
2012	4,429,859	1,570,365
2011	3,885,693	1,665,284

**D. Tax Sheltered Annuities**

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. For the year ended June 30, 2013, employer non-elective contributions were \$371,121 and employee electives contributions were \$2,238,398.

**E. Deferred Compensation Plan**

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for administrators, central office staff, teachers and chairs. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2013 totaled \$485,912.

**15. POSTEMPLOYMENT BENEFITS**

**A. Plan Description**

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

**B. Funding Policy**

The District assumes between 60% and 100% of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as payments are made. For the year ended June 30, 2013, the District recognized a general fund expenditure of \$5,645,458 for



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

insurance premiums for retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the “pay as you go” method.

**C. Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution (ARC)	\$ 14,317,639
Interest on net OPEB obligation	1,888,203
Adjustment to ARC	<u>(2,676,861)</u>
Annual OPEB cost (expense)	13,528,981
Contributions made	<u>(5,645,458)</u>
Increase in net OPEB obligation	7,883,523
Net OPEB obligation - beginning of year	<u>47,205,068</u>
Net OPEB obligation - end of year	<u>\$ 55,088,591</u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2013 and preceding two years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 13,528,981	41.7%	\$ 55,088,591
June 30, 2012	16,791,131	35.6%	47,205,068
June 30, 2011	17,911,299	30.1%	36,394,849

**D. Funded Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$165,292,163 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$165,292,163. The covered payroll (annual payroll of active employees covered by the plan) was \$51,662,248, and the ratio of the UAAL to the covered payroll was 320%.

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

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

**E. Actuarial Methods and Assumptions**

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

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

**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 should include an amount for reported and unreported claims which were incurred on or before year end but not reported (IBNR). The liability at June 30, 2013 is based on an actuarial valuation using an annual interest rate discount of 3%. Claims activity is summarized below:

	2012	2013
Unpaid claims at beginning of year	\$ 2,334,928	\$ 2,740,855
Incurred claims and claim adjustment expenses	941,675	790,949
Claim payments	(535,748)	(491,637)
Unpaid claims at year end	\$ 2,740,855	\$ 3,040,167

**17. ASSIGNED APPROPRIATED FUND BALANCE**

The amount of \$2,180,953 has been appropriated to reduce taxes for the year ending June 30, 2014.

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

**18. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2013, the District encumbered the following amounts:

Restricted Fund Balance	
Capital Projects Fund	
Capital projects	\$ 70,347
Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	137,789
Instruction	85,874
	<u>223,663</u>
	<u>\$ 294,010</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, will be immaterial.

**C. Litigation**

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

**D. Operating Leases**

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$290,321. The minimum remaining operating lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 289,848
2015	278,625
2016	255,568
2017	189,281
2018	<u>2,420</u>
	<u>\$ 1,015,742</u>

**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, 2013

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
<b>Local Sources</b>				
Real property taxes	\$ 96,086,390	\$ 85,688,180	\$ 85,688,805	\$ 625
Other tax items	153,431	10,551,641	10,550,631	(1,010)
Charges for services	836,000	836,000	442,107	(393,893)
Use of money and property	195,569	195,569	144,764	(50,805)
Sale of property and compensation for loss		136,095	304,222	168,127
Miscellaneous	550,000	591,867	718,685	126,818
<b>Total Local Sources</b>	<b>97,821,390</b>	<b>97,999,352</b>	<b>97,849,214</b>	<b>(150,138)</b>
<b>State Sources</b>	<b>11,620,014</b>	<b>11,620,014</b>	<b>11,467,054</b>	<b>(152,960)</b>
<b>Federal Sources</b>			<b>67,612</b>	<b>67,612</b>
<b>Total Revenues</b>	<b>109,441,404</b>	<b>109,619,366</b>	<b>109,383,880</b>	<b>(235,486)</b>
<b>OTHER SOURCES</b>				
Operating transfers in	290,000	290,000	84,174	(205,826)
<b>Total Revenues and Other Sources</b>	<b>109,731,404</b>	<b>109,909,366</b>	<b>109,468,054</b>	<b>\$ (441,312)</b>
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	2,127,376	2,127,376		
Prior Year's Encumbrances	36,535	36,535		
Appropriated Reserves		2,390,258		
<b>Total Appropriated Fund Balance</b>	<b>2,163,911</b>	<b>4,554,169</b>		
<b>Total Revenues, Other Sources and Appropriated Fund Balance</b>	<b>\$ 111,895,315</b>	<b>\$ 114,463,535</b>		

**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, 2013

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 39,700	\$ 39,428	\$ 37,019	\$	\$ 2,409
Central administration	282,480	310,596	310,596		-
Finance	1,039,922	1,006,182	937,498		68,684
Staff	865,997	876,853	870,792		6,061
Central services	6,995,720	7,023,266	6,531,536	137,789	353,941
Special items	857,691	980,547	980,402		145
Total General Support	<u>10,081,510</u>	<u>10,236,872</u>	<u>9,667,843</u>	<u>137,789</u>	<u>431,240</u>
Instruction					
Instruction, administration & improvement	4,314,509	4,187,138	4,041,841	7,129	138,168
Teaching - regular school Programs for children with handicapping conditions	30,865,752	30,713,811	28,977,234	34,963	1,701,614
Occupational education	17,777,788	17,782,685	17,512,650	5,195	264,840
Teaching - special school	973,004	932,875	894,284		38,591
Instructional media	190,845	221,518	221,518		-
Pupil services	1,798,741	1,911,393	1,874,013	37,380	-
	3,810,537	3,923,312	3,860,991	1,207	61,114
Total Instruction	<u>59,731,176</u>	<u>59,672,732</u>	<u>57,382,531</u>	<u>85,874</u>	<u>2,204,327</u>
Pupil Transportation	<u>9,234,237</u>	<u>9,389,408</u>	<u>9,389,408</u>		<u>-</u>
Employee Benefits	<u>30,056,560</u>	<u>30,716,691</u>	<u>25,554,794</u>		<u>5,161,897</u>
Debt Service					
Principal	148,474	148,474	148,473		1
Interest	664,245	604,745	107,542		497,203
Total Debt Service	<u>812,719</u>	<u>753,219</u>	<u>256,015</u>	<u>-</u>	<u>497,204</u>
Total Expenditures	<u>109,916,202</u>	<u>110,768,922</u>	<u>102,250,591</u>	<u>223,663</u>	<u>8,294,668</u>
Other Uses					
Operating transfers out	<u>1,979,113</u>	<u>3,694,613</u>	<u>3,129,679</u>		<u>564,934</u>
Total Expenditures and Other Uses	<u>\$ 111,895,315</u>	<u>\$ 114,463,535</u>	<u>105,380,270</u>	<u>\$ 223,663</u>	<u>\$ 8,859,602</u>
Net Change in Fund Balance			4,087,784		
Fund Balance - Beginning of Year			<u>18,574,898</u>		
Fund Balance - End of Year			<u>\$ 22,662,682</u>		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Schedule of Funding Progress for Other Postemployment Benefits (OPEB)**  
 June 30, 2013

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

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Schedules of Change from Adopted Budget to Final Budget**  
**and the Real Property Tax Limit - General Fund**  
For The Year Ended June 30, 2013

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 111,858,780
Additions:		
Prior year's encumbrances		<u>36,535</u>
Original Budget		111,895,315
Budget revision		<u>2,568,220</u>
Final Budget		<u><u>\$ 114,463,535</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2013-14 voter-approved expenditure budget		<u>\$ 114,707,235</u>
Maximum allowed (4% of 2013-14 budget)		<u><u>\$ 4,588,289</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 2,404,616	
Unassigned fund balance	<u>4,588,183</u>	
		\$ 6,992,799
Less:		
Appropriated fund balance	2,180,953	
Encumbrances	<u>223,663</u>	
Total adjustments		<u>2,404,616</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		<u><u>\$ 4,588,183</u></u>
Actual Percentage		4.00%

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Schedule of Project Expenditures -**  
**Capital Projects Fund**  
For The Year Ended June 30, 2013

PROJECT TITLE	Budget		Expenditures			Unexpended Balance	Methods of Financing			Fund Balance	
	June 30, 2012	June 30, 2013	Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	June 30, 2013
<b>Capital Reserves:</b>											
High School - Chemistry Labs	\$ 135,000	\$ 135,000	\$ 94,548	\$	\$ 94,548	\$ 40,452	\$	\$	\$ 135,000	135,000	\$ 40,452
Jefferson - Doors	125,000	125,000	87,584		87,584	37,416			125,000	125,000	37,416
Finley, South Down, Flower Hill Sidewalk and Parking Lot	221,000	221,000	201,454		201,454	19,546			221,000	221,000	19,546
Unallocated	99,644	99,644			-	99,644			99,644	99,644	99,644
	<u>580,644</u>	<u>580,644</u>	<u>383,586</u>	<u>-</u>	<u>383,586</u>	<u>197,058</u>			<u>580,644</u>	<u>580,644</u>	<u>197,058</u>
<b>Capital Reserves - 2003:</b>											
Building Improvement Fund	7,013,261	7,013,261	6,824,373		6,824,373	188,888			7,013,261	7,013,261	188,888
<b>Capital Reserves -2008:</b>											
Building Improvement Fund	3,312,000	5,027,500	260,892	487,391	748,283	4,279,217			5,027,500	5,027,500	4,279,217
<b>Interfund Transfers:</b>											
2003-04 transfers	626,000	620,663	539,259		539,259	81,404			620,663	620,663	81,404 *
2010-11 transfers	360,000	360,000	360,000		360,000	-			360,000	360,000	-
	<u>986,000</u>	<u>980,663</u>	<u>899,259</u>	<u>-</u>	<u>899,259</u>	<u>81,404</u>			<u>980,663</u>	<u>980,663</u>	<u>81,404</u>
<b>EXCEL Funding</b>	<u>1,361,943</u>	<u>1,361,943</u>	<u>1,361,943</u>		<u>1,361,943</u>	<u>-</u>		<u>1,317,606</u>	<u>44,337</u>	<u>1,361,943</u>	<u>-</u>
<b>Totals</b>	<u>\$ 13,253,848</u>	<u>\$ 14,964,011</u>	<u>\$ 9,730,053</u>	<u>\$ 487,391</u>	<u>\$ 10,217,444</u>	<u>\$ 4,746,567</u>	<u>\$ -</u>	<u>\$ 1,317,606</u>	<u>\$ 13,646,405</u>	<u>\$ 14,964,011</u>	<u>4,746,567</u>
											<u>(81,404)</u>
											<u>\$ 4,665,163</u>

\* Unspent funds returned to general fund



**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Net Investment in Capital Assets**  
For The Year Ended June 30, 2013

Capital assets, net	<u>\$ 18,950,578</u>
Deduct:	
Short-term portion of bonds payable	(145,000)
Long-term portion of bonds payable	(2,335,000)
Short-term portion of installment purchase debt	(154,525)
Long-term portion of installment purchase debt	<u>(1,273,165)</u>
	<u>(3,907,690)</u>
Net investment in capital assets	<u>\$ 15,042,888</u>



VINCENT D. CULLEN, CPA  
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**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, 2013, 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 16, 2013.

**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 16, 2013.

### **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 16, 2013



