



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

June 30, 2018

**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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Huntington Union Free School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District's proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District's total OPEB liability and related ratios on pages 3 through 14 and 51 through 55, 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 56 through 58 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2018 on our consideration of the Huntington Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Huntington Union Free School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Huntington Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

October 10, 2018

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

The Huntington Union Free School District's discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018 in comparison with the year ended June 30, 2017, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

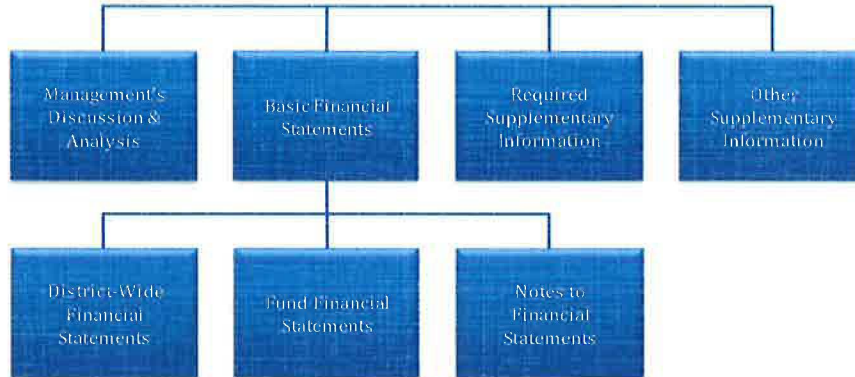
Key financial highlights for fiscal year 2018 are as follows:

- The District's total net position, (deficit) as reflected in the district-wide financial statements, increased by \$7,917,045. This was due to an excess of expenses over revenues based on the economic resources measurement focus and the accrual basis of accounting.
- The District's total net position at June 30, 2017 was restated and decreased by \$160,391,324, as a result of the required implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the 2018 fiscal year. This reporting of the total other postemployment benefits obligation has no impact on the governmental funds financial statements.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$137,514,638. Of this amount, \$6,279,615 was offset by program charges for services and operating and capital grants. General revenues of \$123,317,978 amounted to 95.15% of total revenues.
- The general fund's total fund balance, as reflected in the fund financial statements, decreased by \$2,612,802. This was due to an excess of expenditures over revenues based on the current financial resources measurement focus and the modified accrual basis of accounting. Expenditures include the voter approved transfer to the capital projects fund of \$7,151,000.
- On the balance sheet, the general fund's unassigned fund balance at year end was \$5,020,084. This represents a decrease of \$28,445 from the prior year. The unassigned fund balance at year end as a percentage of the subsequent year's budget is 3.87%, which is within the statutory limit of 4% authorized by New York State Law.
- On May 21, 2013, the voters approved the establishment of the 2013 capital reserve. The reserve has a funding cap of \$10,000,000 plus investment income for a probable term of eight years and provides for an annual funding of an amount not to exceed \$2,000,000. This reserve has been fully funded and has a remaining balance at June 30, 2018 of \$582,325.
- On May 16, 2017, the voters approved the establishment of the 2017 capital reserve. The reserve has a funding cap of \$12,500,000 plus investment income for a probable term of eight years. This reserve has been funded in the amount of \$2,672,114 through June 30, 2018.
- On May 15, 2018, the voters approved capital construction projects totaling \$7,151,000, which will be funded from the capital reserves, as follows: \$385,832 from the 2008 reserve and \$6,765,168 from 2013 reserve.
- On May 15, 2018, the voters approved the establishment of the 2018 capital reserve. The reserve has a funding cap of \$1,500,000 plus investment income over a probable term of five years. This reserve can be funded by an annual transfer of surplus monies, if any, from the District's general fund with initial funding from the existing repair reserve fund. This reserve has been funded in the amount of \$562,912 through June 30, 2018.

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

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



A. District-Wide Financial Statements

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

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

The Statement of Net Position

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

The Statement of Activities

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

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

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

been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

Governmental Funds

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

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

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

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

Fiduciary Funds

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position (deficit) increased by \$7,917,045 between fiscal year 2018 and 2017. The June 30, 2017 net position has been decreased by \$160,391,324, resulting from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additionally, the June 30, 2017 balances reflect total OPEB liabilities in accordance with the new GASB Statement. A summary of the District's Statements of Net Position follows:

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

	2018	As Restated 2017	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 44,745,893	\$ 42,246,190	\$ 2,499,703	5.92 %
Capital Assets, Net	19,794,712	18,927,164	867,548	4.58 %
Net Pension Asset - Proportionate Share	2,172,184		2,172,184	0.00 %
Total Assets	<u>66,712,789</u>	<u>61,173,354</u>	<u>5,539,435</u>	9.06 %
Deferred Outflows of Resources	<u>32,848,169</u>	<u>32,028,298</u>	<u>819,871</u>	2.56 %
Liabilities				
Current and Other Liabilities	7,656,537	8,861,678	(1,205,141)	(13.60)%
Long-Term Liabilities	10,241,335	10,529,646	(288,311)	(2.74)%
Net Pension Liability - Proportionate Share	1,377,182	6,734,159	(5,356,977)	(79.55)%
Total OPEB Obligation	<u>268,007,562</u>	<u>256,312,387</u>	<u>11,695,175</u>	4.56 %
Total Liabilities	<u>287,282,616</u>	<u>282,437,870</u>	<u>4,844,746</u>	1.72 %
Deferred Inflows of Resources	<u>11,064,613</u>	<u>1,633,009</u>	<u>9,431,604</u>	577.56 %
Net Position (Deficit)				
Net Investment in Capital Assets	18,229,712	17,202,164	1,027,548	5.97 %
Restricted	27,336,087	25,073,337	2,262,750	9.02 %
Unrestricted (Deficit)	(244,352,070)	(233,144,728)	(11,207,342)	4.81 %
Total Net Position (Deficit)	<u>\$ (198,786,271)</u>	<u>\$ (190,869,227)</u>	<u>\$ (7,917,044)</u>	4.15 %

Current and other assets increased as compared to the prior year. This increase is primarily due to increases in the District's cash position and due from state and federal as a result of current year operations.

Capital assets, net increased as a result of capital asset additions from ongoing capital projects in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 10 "Capital Assets" provides additional information.

In the current year the New York State Teachers' Retirement System experienced a gain, resulting in a net pension asset for the District's proportionate share. The prior year balance was a liability.

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

Current and other liabilities decreased as compared to the prior year. The decrease was primarily attributable to decreases in accounts payable and in the District's liability to the teachers' retirement system resulting from a decrease in the current year's contribution rate.

Long-term liabilities decreased as compared to the prior year. The decrease was primarily the result of a reduction in compensated absences payable and the repayment of bonds offset by an increase in the workers' compensation liability.

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

Net pension liability – proportionate share decreased in the current year. This liability represents the District's share of the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System's collective net pension liability, at the measurement date of the respective year. The June 30, 2018 amount does not have any liability for the New York State Teachers' Retirement System as the ending balance for that system is an asset.

Total other postemployment benefits (OPEB) obligation increased as compared to the prior year. This increase is the result of the current year OPEB costs on the economic resources measurement focus and the accrual basis of accounting in excess of the amount reflected in the governmental funds on the current financial resources measurement focus and the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 16 "Postemployment Healthcare Benefits", provides additional information.

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

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

	Increase (Decrease)
Capital asset additions	\$ 2,713,507
Principal debt reduction of refunding bonds	160,000
Depreciation expense	(1,845,959)
	\$ 1,027,548

The restricted amount represents the District's reserves. This number increased over the prior year by \$2,262,750, as a result of funds contributed to the reserves of \$4,800,000 and interest earnings of \$155,487, less amounts used to fund current year operations and capital construction of \$2,692,737.

The unrestricted deficit amount relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit increased over the prior year by \$11,207,343.

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2018 and 2017 is as follows:

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

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenues				
Program Revenues				
Charges for Services	\$ 816,032	\$ 904,663	\$ (88,631)	(9.80)%
Operating Grants	5,143,461	5,423,639	(280,178)	(5.17)%
Capital Grants	320,122	182,832	137,290	75.09 %
General Revenues				
Real Property Taxes & STAR	104,814,447	103,421,711	1,392,736	1.35 %
State Sources	17,185,124	15,361,021	1,824,103	11.87 %
Other	1,318,407	1,083,433	234,974	21.69 %
Total Revenues	<u>129,597,593</u>	<u>126,377,299</u>	<u>3,220,294</u>	2.55 %
Expenses				
General Support	15,105,433	15,116,852	(11,419)	(0.08)%
Instruction	109,632,708	111,188,887	(1,556,179)	(1.40)%
Pupil Transportation	10,654,130	10,784,917	(130,787)	(1.21)%
Debt Service - Interest	302,500	308,300	(5,800)	(1.88)%
Food Service Program	1,819,866	1,810,556	9,310	0.51 %
Total Expenses	<u>137,514,637</u>	<u>139,209,512</u>	<u>(1,694,875)</u>	(1.22)%
Change in Net Position	<u>\$ (7,917,044)</u>	<u>\$ (12,832,213)</u>	<u>\$ 4,915,169</u>	(38.30)%

Net position decreased by \$7,917,045 and \$12,832,213 for the years ended June 30, 2018 and 2017, respectively.

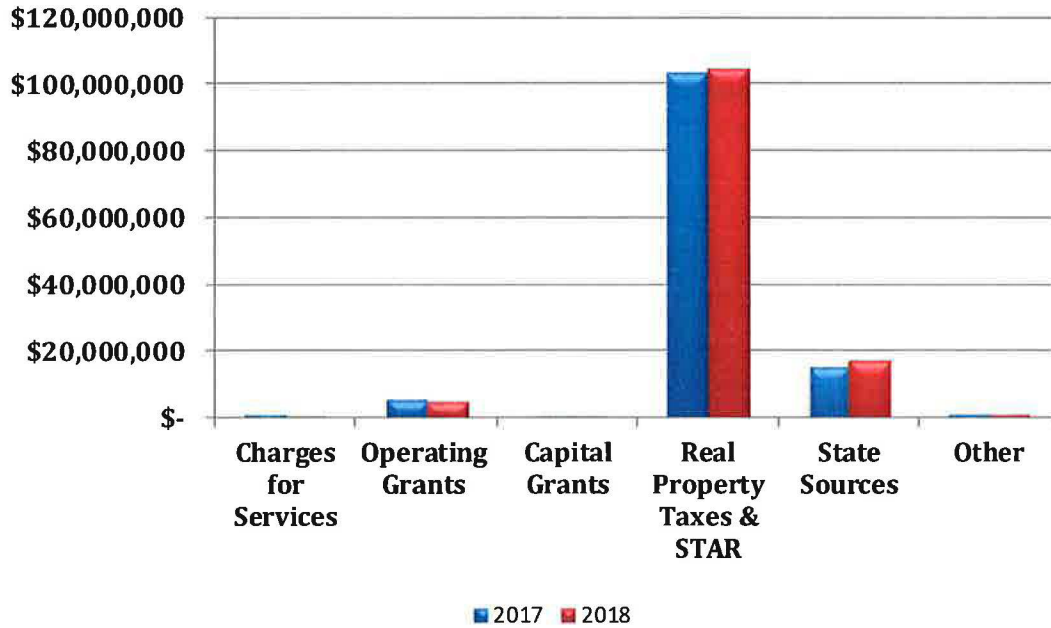
The District's revenues increased in the areas of property taxes and STAR, and state sources.

The District's expenses decreased primarily in instruction expenses, as a result of significant investment in instructional media in the prior year.

As indicated on the graphs that follow, real property taxes and STAR comprise the largest component of revenues recognized, (i.e., 80.9% and 81.8% of the total for the years ended 2018 and 2017, respectively). Instruction expenses is the largest category of expenses incurred, comprising (i.e., 79.8% and 79.9% of the total for the years ended 2018 and 2017, respectively).

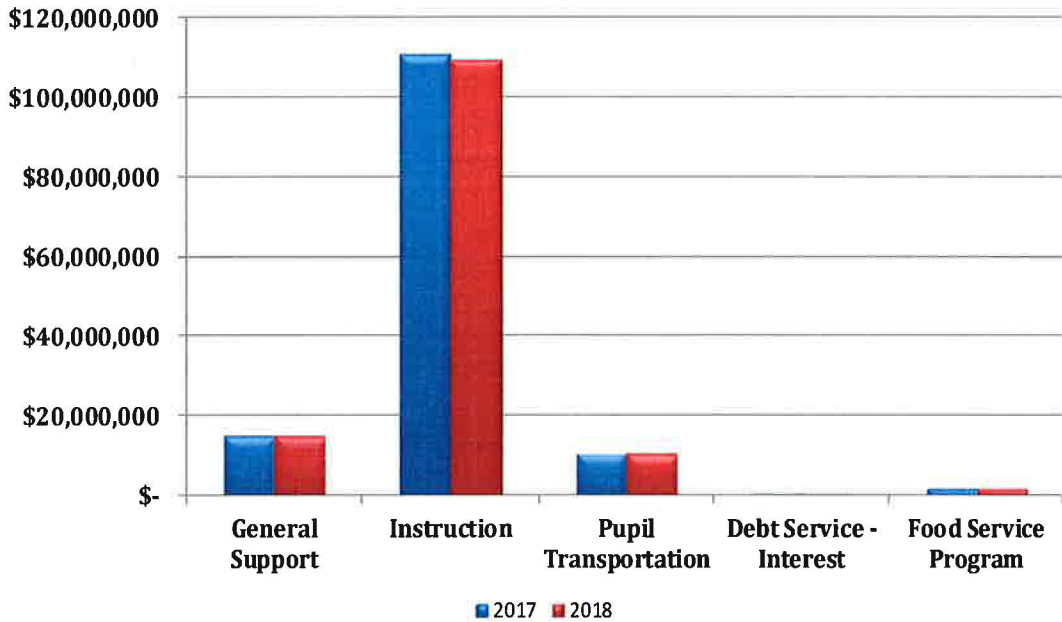
**HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

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



	Charges for Services	Operating Grants	Capital Grants	Real Property Taxes & STAR	State Sources	Other
2017	0.7%	4.3%	0.1%	81.8%	12.2%	0.9%
2018	0.6%	4.0%	0.2%	80.9%	13.3%	1.0%

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2017	10.9%	79.9%	7.7%	0.2%	1.3%
2018	11.0%	79.8%	7.7%	0.2%	1.3%

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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2018, the District's governmental funds reported a combined fund balance of \$36,324,437, which is an increase of \$3,906,284 over the prior year. This increase is due to an excess of revenues over expenditures based upon the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
General Fund			
Restricted:			
Workers' compensation	\$ 2,382,111	\$ 2,363,148	\$ 18,963
Unemployment insurance	227,665	250,653	(22,988)
Retirement contribution	5,270,977	4,866,923	404,054
Employee benefit accrued liability	4,014,551	3,185,464	829,087
Capital	3,829,359	8,347,550	(4,518,191)
Repairs		362,912	(362,912)
Assigned:			
Appropriated fund balance	1,400,000	1,400,000	-
Unappropriated fund balance	1,990,889	923,259	1,067,630
Unassigned: Fund balance	<u>5,020,084</u>	<u>5,048,529</u>	<u>(28,445)</u>
	<u>24,135,636</u>	<u>26,748,438</u>	<u>(2,612,802)</u>
School Food Service Fund			
Nonspendable: Inventory	28,288	8,785	19,503
Assigned: Unappropriated fund balance	<u>409,089</u>	<u>147,075</u>	<u>262,014</u>
	<u>437,377</u>	<u>155,860</u>	<u>281,517</u>
Debt Service Fund			
Restricted: Debt service	<u>212,522</u>	<u>212,522</u>	<u>-</u>
Capital Projects Fund			
Restricted: Capital	11,398,902	5,484,165	5,914,737
Assigned: Unappropriated fund balance	140,000		140,000
Unassigned: Fund balance (deficit)		<u>(182,832)</u>	<u>182,832</u>
	<u>11,538,902</u>	<u>5,301,333</u>	<u>6,237,569</u>
 Total Fund Balance	 <u>\$ 36,324,437</u>	 <u>\$ 32,418,153</u>	 <u>\$ 3,906,284</u>

A. General Fund

The net change in the general fund - fund balance is a decrease of \$2,612,802. General fund expenditures and other uses of \$126,285,101 exceeded revenues of \$123,672,299 and contributed to the decrease in fund balance.

General fund revenue and other sources increased by \$3,081,278 or 2.56%. The primary increases were in real property taxes and state sources.

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

The District has three capital reserve funds. The 2013 building improvement fund has been fully funded and the remaining balance after transfers to the capital projects fund for voter approved projects is \$582,325. The 2017 building improvement fund has a balance of \$2,681,210 and can receive additional funding of up to \$9,827,886 through June 30, 2025. The 2018 building improvement fund has a balance of \$565,824 and can receive additional funding of up to \$937,088 through June 30, 2023.

B. School Food Service Fund

The net change in the school food service fund - fund balance is an increase of \$281,517, which is the current year operating surplus, inclusive of a transfer from the general fund of \$182,491.

C. Debt Service Fund

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

D. Capital Projects Fund

The capital projects fund - fund balance increased by \$6,237,569. This was the result of a transfer from the general fund capital reserve for voter authorized projects in the amount of \$7,151,000, offset by capital expenditures in the amount of \$1,516,385. Additionally, \$502,954 of income from state sources and a donation were received.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2017-2018 Budget

The District's general fund adopted budget for the year ended June 30, 2018, was \$126,213,223. This amount was increased by encumbrances carried forward from the prior year in the amount of \$923,259 and budget revisions of \$7,227,786, for a total final budget of \$134,364,268.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$104,814,107 in estimated property taxes and STAR receipts.

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

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

Opening, Unassigned Fund Balance	\$ 5,048,529
Revenues Over Budget	417,290
Expenditures and Encumbrances Under Budget	6,088,278
Net Change in Reserves	(5,134,013)
Appropriated for the 2018-2019 Budget	<u>(1,400,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 5,020,084</u></u>

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

Opening, Unassigned Fund Balance

The \$5,048,529 shown in the table is the portion of the District's June 30, 2017 fund balance that was retained as unassigned. This was 4% of the District's 2017-2018 approved operating budget of \$126,213,223.

Revenues Over Budget

The 2017-2018 final budget for revenues was \$123,255,009. Actual revenues received for the year were \$123,672,299. Actual revenues were more than estimated or budgeted revenue by \$417,290, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2017 to June 30, 2018.

Expenditures and Encumbrances Under Budget

The 2017-2018 final budget for expenditures was \$134,364,268. Actual expenditures as of June 30, 2018 were \$126,285,101 and outstanding encumbrances were \$1,990,889. Combined, the expenditures plus encumbrances for 2017-2018 were \$128,275,990. The final budget was under expended by \$6,088,278. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2017 to June 30, 2018.

Net Change in Reserves

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

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

Transfers to reserves:	
Workers' compensation	\$ 600,000
Retirement contribution	1,000,000
Employee benefit accrued liability	1,000,000
Capital - building improvement fund - 2017	2,000,000
Capital - building improvement fund - 2018	200,000
	<hr/>
	4,800,000
Return of unused appropriated reserves	178,526
Interest on reserve balances	155,487
	<hr/>
	\$ 5,134,013
	<hr/>

Additionally, \$362,912 was transferred from the repair reserve to the 2018 capital reserve.

Appropriated Fund Balance

The District has chosen to use \$1,400,000 of the available June 30, 2018 fund balance to partially fund the 2018-2019 approved operating budget. As such, the June 30, 2018 unassigned fund balance must be reduced by this amount.

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

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the table, the unassigned fund balance at June 30, 2018 was \$5,020,084. The unassigned portion is within the permissible 4.0% statutory maximum.

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

A. Capital Assets

At June 30, 2018, the District had invested in a broad range of capital assets, as indicated in the following table. The net increase in capital assets is due to capital additions of \$2,713,507 in excess of depreciation of \$1,845,959 recorded for the year ended June 30, 2018. A summary of the District's capital assets, net of depreciation at June 30, 2018 and 2017 is as follows:

	2018	2017	Increase (Decrease)
Land	\$ 1,545,142	\$ 1,545,142	\$ -
Construction in progress	629,772	115,245	514,527
Buildings and improvements	12,093,538	12,570,780	(477,242)
Site improvements	3,459,943	3,781,342	(321,399)
Furniture and equipment	2,066,317	914,655	1,151,662
Capital assets, net	<u>\$ 19,794,712</u>	<u>\$ 18,927,164</u>	<u>\$ 867,548</u>

B. Debt Administration

At June 30, 2018, the District had total bonds payable of \$1,565,000. Bonds were initially issued in 2006 for school building improvements. A refunding transaction took place in April 2015. The decrease in outstanding debt represents principal payments made during the year of \$160,000. A summary of the outstanding debt at June 30, 2018 and 2017 is as follows:

Issue Date	Interest Rate	2018	2017	Increase (Decrease)
6/2026	2.0-4.0%	<u>\$ 1,565,000</u>	<u>\$ 1,725,000</u>	<u>\$ (160,000)</u>

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa1. The District's outstanding serial bonds at June 30, 2018 are less than 1% of the District's debt limit.

C. Other Long-Term Liabilities

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

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

	2018	As Restated 2017	Increase (Decrease)
Compensated absences	\$ 5,909,221	\$ 6,209,434	\$ (300,213)
Workers' compensation	2,767,114	2,595,212	171,902
Net pension liability - proportionate share	1,377,182	6,734,159	(5,356,977)
Total OPEB obligation	268,007,562	256,312,387	11,695,175
	<u>\$ 278,061,079</u>	<u>\$ 271,851,192</u>	<u>\$ 6,209,887</u>

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

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 15, 2018, for the year ending June 30, 2019, is \$129,812,991. This is an increase of \$3,599,768 or 2.85% over the previous year's budget. The increase is principally in the instructional program (\$990,809) and employee benefit (\$2,271,350) areas of the budget.

The District budgeted revenues other than property taxes and STAR at a \$483,662 increase over the prior year's estimate, which is principally due to an estimated increase in state aid. The assigned, appropriated fund balance applied to the budget in the amount of \$1,400,000 is unchanged from the previous year. Additionally, the District has elected to appropriate \$1,940,000 of reserves towards the next year's budget, which is an increase of \$305,000 over the previous year. A property tax increase of \$2,811,106 (2.68%), levy to levy, was needed to meet the funding shortfall and cover the increase in appropriations.

B. Future Budgets

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

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2018-2019 is 3.14%. The District's 2018-2019 property tax increase of 2.68% was less than the tax cap and did not require an override vote.

8. CONTACTING THE DISTRICT

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

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

HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

ASSETS

Cash	
Unrestricted	\$ 12,094,017
Restricted	27,336,087
Receivables	
Accounts receivable	67,093
Due from state and federal	4,058,331
Due from other governments	723,245
Other assets	438,832
Inventory	28,288
Capital assets not being depreciated	2,174,914
Capital assets being depreciated, net of accumulated depreciation	17,619,798
Net pension asset - proportionate share	<u>2,172,184</u>
 Total Assets	 <u>66,712,789</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	<u>32,848,169</u>
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LIABILITIES

Payables	
Accounts payable	1,576,181
Accrued liabilities	531,018
Due to other governments	1,195
Due to teachers' retirement system	4,871,765
Due to employees' retirement system	455,269
Compensated absences payable	171,109
Unearned credits	
Collections in advance	50,000
Long-term liabilities	
Due and payable within one year	
Bonds payable	170,000
Compensated absences payable	130,689
Workers' compensation liabilities	530,010
Due and payable after one year	
Bonds payable	1,395,000
Compensated absences payable	5,778,532
Workers' compensation liabilities	2,237,104
Net pension liability - proportionate share	1,377,182
Total other postemployment benefits obligation	<u>268,007,562</u>
 Total Liabilities	 <u>287,282,616</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	10,806,264
Other postemployment benefits obligation	<u>258,349</u>
 Total Deferred Inflows of Resources	 <u>11,064,613</u>

NET POSITION (DEFICIT)

Net investment in capital assets	<u>18,229,712</u>
Restricted	
Workers' compensation	2,382,111
Unemployment insurance	227,665
Retirement contribution	5,270,977
Employee benefit accrued liability	4,014,551
Capital	15,228,261
Debt service	<u>212,522</u>
	<u>27,336,087</u>
Unrestricted (deficit)	<u>(244,352,070)</u>
 Total Net Position (Deficit)	 <u>\$ (198,786,271)</u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS				
Governmental Activities:				
General support	\$ 15,105,433	\$	\$	\$ (15,105,433)
Instruction	109,632,708	332,681	3,712,890	(105,267,015)
Pupil transportation	10,654,130			(10,654,130)
Debt service - interest	302,500			(302,500)
Food service program	1,819,866	483,351	1,430,571	94,056
Total Governmental Activities	\$ 137,514,637	\$ 816,032	\$ 5,143,461	\$ (131,235,022)
GENERAL REVENUES				
Real property taxes				96,229,470
Other tax items				8,852,224
Use of money and property				415,494
Sale of property and compensation for loss				1,382
Miscellaneous				634,284
State sources				17,185,124
Total General Revenues				123,317,978
Change in Net Position (Deficit)				(7,917,044)
Total Net Position (Deficit) - Beginning of Year, as Restated				(190,869,227)
Total Net Position (Deficit) - End of Year				\$ (198,786,271)

HUNTINGTON UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2018

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 11,482,380	\$ 151,533	\$ 460,104	\$	\$	\$ 12,094,017
Restricted	26,101,229			212,522	1,022,336	27,336,087
Receivables						
Accounts receivable	63,759		3,334			67,093
Due from other funds	2,315,617				10,935,929	13,251,546
Due from state and federal	1,780,434	2,138,557	89,340		50,000	4,058,331
Due from other governments	723,245					723,245
Other assets	438,832					438,832
Inventory			28,288			28,288
Total Assets	<u>\$ 42,905,496</u>	<u>\$ 2,290,090</u>	<u>\$ 581,066</u>	<u>\$ 212,522</u>	<u>\$ 12,008,265</u>	<u>\$ 57,997,439</u>
LIABILITIES						
Payables						
Accounts payable	\$ 1,065,454	\$ 40,713	\$ 51,506	\$	\$ 418,508	\$ 1,576,181
Accrued liabilities	502,877	24,013	1,590			528,480
Due to other funds	10,935,929	2,225,364	90,253			13,251,546
Due to other governments			340		855	1,195
Due to teachers' retirement system	4,871,765					4,871,765
Due to employees' retirement system	455,269					455,269
Compensated absences payable	171,109					171,109
Unearned credits						
Collections in advance					50,000	50,000
Total Liabilities	<u>18,002,403</u>	<u>2,290,090</u>	<u>143,689</u>	<u>-</u>	<u>469,363</u>	<u>20,905,545</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	<u>767,457</u>					<u>767,457</u>
FUND BALANCES						
Nonspendable: Inventory			28,288			28,288
Restricted:						
Workers' compensation	2,382,111					2,382,111
Unemployment insurance	227,665					227,665
Retirement contribution	5,270,977					5,270,977
Employee benefit accrued liability	4,014,551					4,014,551
Capital	3,829,359				11,398,902	15,228,261
Debt service				212,522		212,522
Assigned:						
Appropriated fund balance	1,400,000					1,400,000
Unappropriated fund balance	1,990,889		409,089		140,000	2,539,978
Unassigned: Fund balance	<u>5,020,084</u>					<u>5,020,084</u>
Total Fund Balances	<u>24,135,636</u>	<u>-</u>	<u>437,377</u>	<u>212,522</u>	<u>11,538,902</u>	<u>36,324,437</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 42,905,496</u>	<u>\$ 2,290,090</u>	<u>\$ 581,066</u>	<u>\$ 212,522</u>	<u>\$ 12,008,265</u>	<u>\$ 57,997,439</u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

Total Governmental Fund Balances \$ 36,324,437

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

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

Original cost of capital assets	\$ 62,649,705	
Accumulated depreciation	<u>(42,854,993)</u>	19,794,712

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

Net pension asset - teachers' retirement system	2,172,184	
Deferred outflows of resources	32,848,169	
Net pension liability - employees' retirement system	(1,377,182)	
Deferred inflows of resources	<u>(10,806,264)</u>	22,836,907

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

Total other postemployment benefits obligation	(268,007,562)	
Deferred inflows of resources	<u>(258,349)</u>	(268,265,911)

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

767,457

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

Accrued interest on bonds payable	(2,538)	
Bonds payable	(1,565,000)	
Compensated absences	(5,909,221)	
Workers' compensation liabilities	<u>(2,767,114)</u>	(10,243,873)

Total Net Position (Deficit)		<u>\$ (198,786,271)</u>
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HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2018

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 96,229,470	\$	\$	\$	\$	\$ 96,229,470
Other tax items	8,852,224					8,852,224
Charges for services	351,489					351,489
Use of money and property	414,580		914			415,494
Sale of property and compensation for loss	1,382					1,382
Miscellaneous	634,284		63,793		40,000	738,077
Interfund revenues	3,746					3,746
State sources	17,185,124	1,340,545	37,177		462,954	19,025,800
Federal sources		2,372,345	1,393,394			3,765,739
Sales			419,558			419,558
Total Revenues	123,672,299	3,712,890	1,914,836	-	502,954	129,802,979
EXPENDITURES						
General support	10,627,602					10,627,602
Instruction	66,908,891	3,671,591				70,580,482
Pupil transportation	10,243,626	316,261				10,559,887
Employee benefits	30,333,829					30,333,829
Debt service						
Principal				160,000		160,000
Interest	237,000			65,700		302,700
Food service program			1,815,810			1,815,810
Capital outlay					1,516,385	1,516,385
Total Expenditures	118,350,948	3,987,852	1,815,810	225,700	1,516,385	125,896,695
Excess (Deficiency) of Revenues Over Expenditures	5,321,351	(274,962)	99,026	(225,700)	(1,013,431)	3,906,284
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in		274,962	182,491	225,700	7,251,000	7,934,153
Operating transfers (out)	(7,934,153)					(7,934,153)
Total Other Financing Sources and (Uses)	(7,934,153)	274,962	182,491	225,700	7,251,000	-
Net Change in Fund Balances	(2,612,802)	-	281,517	-	6,237,569	3,906,284
Fund Balances - Beginning of year	26,748,438	-	155,860	212,522	5,301,333	32,418,153
Fund Balances - End of year	<u>\$ 24,135,636</u>	<u>\$ -</u>	<u>\$ 437,377</u>	<u>\$ 212,522</u>	<u>\$ 11,538,902</u>	<u>\$ 36,324,437</u>

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, 2018

Net Change in Fund Balances \$ 3,906,284

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

Long-Term Revenue and Expense Differences

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

\$ (201,640)

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 300,213

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 (171,902)

(73,329)

Capital Related Differences

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

Capital outlays 2,713,507
Depreciation expense (1,845,959)

867,548

Long-Term Debt Transaction Differences

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

Repayment of bonds payable 160,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2017 to June 30, 2018.

200

160,200

Pension and Other Postemployment Benefits Differences

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

Teachers' retirement system (786,484)
Employees' retirement system (37,739)
Other postemployment benefits (11,953,524)

(12,777,747)

Change in Net Position (Deficit) of Governmental Activities

\$ (7,917,044)

HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2018

	Agency	Private Purpose Trusts
ASSETS		
Cash	\$ 1,368,454	\$
Due from other funds		1,033,560
Total Assets	\$ 1,368,454	1,033,560
 LIABILITIES		
Extraclassroom activity balances	\$ 262,855	
Due to other funds	1,033,560	
Other liabilities	72,039	
Total Liabilities	\$ 1,368,454	-
 NET POSITION		
Restricted for scholarships		
Expendable trust funds		168,392
Non-expendable trust funds		865,168
Total Net Position		\$ 1,033,560

HUNTINGTON UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2018

	<u>Private Purpose Trusts</u>
ADDITIONS	
Contributions	\$ 4,000
Investment earnings	<u>9,071</u>
Total Additions	13,071
 DEDUCTIONS	
Scholarships and awards	<u>16,058</u>
Change in Net Position	(2,987)
Net Position - Beginning of year	<u>1,036,547</u>
Net Position - End of Year	<u><u>\$ 1,033,560</u></u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

Extraclassroom Activity Funds

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

B. Joint Venture

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

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

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

C. Basis of Presentation

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

E. Real Property Taxes

Calendar

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

Enforcement

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

F. Restricted Resources

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

G. Interfund Transactions

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

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

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

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

H. Use of Estimates

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

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

I. Cash and Cash Equivalents

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

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

J. Receivables

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

K. Inventory

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

Purchases of 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.

L. Other Assets

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

M. Capital Assets

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

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

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

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

N. Deferred Outflows of Resources

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

O. Collections in Advance

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

P. Deferred Inflows of Resources

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

Q. Employee Benefits – Compensated Absences

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

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

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

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

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

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

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

R. Other Benefits

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

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

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

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

S. Short-Term Debt

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

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

T. Equity Classifications

District-Wide Statements

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

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

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

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

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

Fund Statements

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

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

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

Workers' Compensation Reserve

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

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

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

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

Employee Benefit Accrued Liability Reserve

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

Capital Reserve

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

Repairs Reserve

Repairs Reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. All or any part of a repairs reserve fund may generally be transferred to a reserve fund established pursuant to Section 3651 of Education Law. The reserve is accounted for in the general fund.

Restricted for Debt Service

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

Restricted for Scholarships

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

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated

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

to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

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

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the Statement requires the District to report other postemployment benefits liabilities, expenses and deferred inflows of resources on the full accrual basis.

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 current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities.

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

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

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

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a current financial resources measurement focus and the modified accrual basis, whereas the economic resources measurement focus and the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences and workers' compensation.

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension and Other Postemployment Benefits Differences

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

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

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

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

Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal 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	\$ 7,151,000
Contingent expenditures funded by donations	<u>76,786</u>
	<u>\$ 7,227,786</u>

Budgets are adopted annually on a basis consistent with GAAP.

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

B. Encumbrances

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

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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

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

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

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

6. PARTICIPATION IN BOCES

During the year ended June 30, 2018, the District was billed \$11,384,668 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$2,304,120. Financial statements for the BOCES are available from the BOCES administrative offices at 507 Deer Park Road, P.O. Box 8007, Huntington Station, NY 11746-9007.

7. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2018 consisted of:

General Fund	
New York State aid	\$ 645,247
BOCES aid	1,135,187
	1,780,434
Special Aid Fund	
Federal and State grants	2,138,557
School Food Service Fund	
Federal and State food service program reimbursements	89,340
Capital Projects Fund	
Dormitory Authority of the State of New York	50,000
	\$ 4,058,331

8. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2018 consisted of:

General Fund	
Other districts - tuition and health services	\$ 635,165
Town of Huntington - PILOT revenue	88,080
	\$ 723,245

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

9. OTHER ASSETS

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

At June 30, 2018, total cash surrender value for these policies amounted to \$438,832, which has been recorded as other assets in the general fund. The corresponding revenue to this receivable is included in unavailable revenues and will be recognized in the year that the proceeds are received.

10. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018, were as follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,545,142	\$	\$	\$ 1,545,142
Construction in progress	115,245	514,527		629,772
Total capital assets not being depreciated	<u>1,660,387</u>	<u>514,527</u>	<u>-</u>	<u>2,174,914</u>
Capital assets being depreciated				
Buildings and improvements	47,306,272	727,585		48,033,857
Site improvements	6,902,379			6,902,379
Furniture and equipment	4,112,095	1,471,395	(44,935)	5,538,555
Total capital assets being depreciated	<u>58,320,746</u>	<u>2,198,980</u>	<u>(44,935)</u>	<u>60,474,791</u>
Less accumulated depreciation for:				
Buildings and improvements	34,735,492	1,204,827		35,940,319
Site improvements	3,121,037	321,399		3,442,436
Furniture and equipment	3,197,440	319,733	(44,935)	3,472,238
Total accumulated depreciation	<u>41,053,969</u>	<u>1,845,959</u>	<u>(44,935)</u>	<u>42,854,993</u>
Total capital assets, being depreciated, net	<u>17,266,777</u>	<u>353,021</u>	<u>-</u>	<u>17,619,798</u>
Capital assets, net	<u>\$ 18,927,164</u>	<u>\$ 867,548</u>	<u>\$ -</u>	<u>\$ 19,794,712</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 79,514
Instruction	1,762,389
Food service program	4,056
Total depreciation expense	<u>\$ 1,845,959</u>

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

11. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2018, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 2,315,617	\$ 10,935,929	\$	\$ 7,934,153
Special Aid Fund		2,225,364	274,962	
School Food Service Fund		90,253	182,491	
Debt Service Fund			225,700	
Capital Projects Fund	10,935,929		7,251,000	
Total Governmental Funds	<u>13,251,546</u>	<u>13,251,546</u>	<u>\$ 7,934,153</u>	<u>\$ 7,934,153</u>
Agency Fund		1,033,560		
Private Purpose Trust Fund	1,033,560			
Total Fiduciary Funds	<u>1,033,560</u>	<u>1,033,560</u>		
Total	<u>\$ 14,285,106</u>	<u>\$ 14,285,106</u>		

The District typically transfers from the general fund to other governmental funds per the approved budget. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools. The transfer to the debt service fund was for the payment of principal and interest on long-term outstanding indebtedness. The transfer to the school food service fund was to provide support for the program. In addition to the \$100,000 budgeted transfer to the capital projects fund, the general fund transferred \$7,151,000 to the capital projects fund per a voter approved transfer from the capital reserve.

12. SHORT-TERM DEBT

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

	Maturity	Stated Interest Rate	Balance June 30, 2017	Issued	Redeemed	Balance June 30, 2018
TAN	6/22/18	2.00%	<u>\$</u>	<u>\$ 18,000,000</u>	<u>\$ (18,000,000)</u>	<u>\$</u>

Interest on short-term debt for the year was \$237,000. The District received a premium of \$108,902, which is included in miscellaneous revenue in the general fund, to yield an effective interest rate of 1.081%.

13. LONG-TERM LIABILITIES

A. Changes

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

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

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 1,725,000	\$	\$ (160,000)	\$ 1,565,000	\$ 170,000
Other long-term liabilities:					
Compensated absences	6,209,434		(300,213)	5,909,221	130,689
Workers' compensation	2,595,212	914,127	(742,225)	2,767,114	530,010
	<u>\$ 10,529,646</u>	<u>\$ 914,127</u>	<u>\$ (1,202,438)</u>	<u>\$ 10,241,335</u>	<u>\$ 830,699</u>

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

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2018
Refunding debt	4/2015	6/2026	2.0-4.0%	<u>\$ 1,565,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ 170,000	\$ 60,900	\$ 230,900
2020	175,000	55,800	230,800
2021	180,000	48,800	228,800
2022	190,000	41,600	231,600
2023	200,000	34,000	234,000
2024-2026	650,000	52,600	702,600
Total	<u>\$ 1,565,000</u>	<u>\$ 293,700</u>	<u>\$ 1,858,700</u>

C. Interest Expense

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

Interest paid	\$ 65,700
Less interest accrued in the prior year	(2,738)
Plus interest accrued in the current year	<u>2,538</u>
Total interest expense on long-term debt	<u>\$ 65,500</u>

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

14. PENSION PLANS – NEW YORK STATE

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

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

Employees' Retirement System

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

C. Funding Policies

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

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

30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 11.72% of covered payroll for the TRS' fiscal year ended June 30, 2017. The District's average contribution rate was 14.65% of covered payroll for the ERS' fiscal year ended March 31, 2018.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2018 was \$4,615,593 for TRS and \$1,812,104 for ERS.

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

At June 30, 2018, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2017, for TRS and March 31, 2018 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2017	March 31, 2018
District's proportionate share of the net pension asset/(liability)	\$ 2,172,184	\$ (1,377,182)
District's portion of the Plan's total net pension asset/(liability)	0.2857760%	0.0426710%
Change in proportion since the prior measurement date	0.0068550	0.0027955

For the year ended June 30, 2018, the District recognized pension expense of \$5,402,077 for TRS and \$1,849,844 for ERS. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 1,787,174	\$ 491,196	\$ 846,909	\$ 405,906
Changes of assumptions	22,102,396	913,186		
Net difference between projected and actual earnings on pension plan investments		2,000,248	5,116,122	3,948,289
Changes in proportion and differences between the District's contributions and proportionate share of contributions	5,769	477,338	430,945	58,093
District's contributions subsequent to the measurement date	4,615,593	455,269		
Total	<u>\$ 28,510,932</u>	<u>\$ 4,337,237</u>	<u>\$ 6,393,976</u>	<u>\$ 4,412,288</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>TRS</u>	<u>ERS</u>
2019	\$ 443,973	\$ 479,714
2020	5,788,921	331,661
2021	4,125,952	(931,854)
2022	980,142	(409,841)
2023	4,113,778	
Thereafter	2,048,597	
	<u>\$ 17,501,363</u>	<u>\$ (530,320)</u>

Actuarial Assumptions

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

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

	TRS	ERS
Measurement date	June 30, 2017	March 31, 2018
Actuarial valuation date	June 30, 2016	April 1, 2017
Inflation	2.50%	2.50%
Salary increases	1.90-4.72%	3.80%
Investment rate of return (net of investment expense, including inflation)	7.25%	7.00%
Cost of living adjustments	1.50%	1.30%

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

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

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

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

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

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

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2017		March 31, 2018
Asset type				
Domestic equity	35.0%	5.90%	36.0%	4.55%
International equity	18.0%	7.40%	14.0%	6.35%
Real estate	11.0%	4.30%	10.0%	5.55%
Private equities	8.0%	9.00%	10.0%	7.50%
Alternatives investments			8.0%	3.75-5.68%
Domestic fixed income securities	16.0%	1.60%		
Global fixed income securities	2.0%	1.30%		
High-yield fixed income securities	1.0%	3.90%		
Bonds and mortgages	8.0%	2.80%	17.0%	1.31%
Short-term	1.0%	0.60%		
Cash			1.0%	(0.25)%
Inflation indexed bonds			4.0%	1.25%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.2% for TRS and 2.5% for ERS.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for TRS and 7.0% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2016, was 7.5%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

TRS	1% Decrease (6.25)%	Current Assumption (7.25)%	1% Increase (8.25)%
District's proportionate share of the net pension asset/(liability)	\$ (37,420,299)	\$ 2,172,184	\$ 35,328,923
ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset/(liability)	\$ (10,420,132)	\$ (1,377,182)	\$ 6,272,792

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2017	March 31, 2018
Employers' total pension liability	\$ (114,708,261)	\$ (183,400,590)
Plan fiduciary net position	115,468,360	180,173,145
Employers' net pension asset/(liability)	\$ 760,099	\$ (3,227,445)
Ratio of plan fiduciary net position to the employers' total pension liability	100.66%	98.24%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018, are paid to the system in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018, represent employer and employee contributions for the fiscal year ended June 30, 2018, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2018 amounted to \$4,615,593 of employer contributions and \$256,172 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$455,269 of employer contributions. Employee contributions are remitted monthly.

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

15. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2018, totaled \$228,908, and \$2,633,563, respectively.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for administrators, central office staff, teachers and chairs. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2018 totaled \$336,192.

16. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

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

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

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

Inactive employees or beneficiaries currently receiving benefit payments	611
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	677
	1,288

B. Total OPEB Liability

The District’s total OPEB liability of \$268,007,562 was measured as of June 30, 2018 and was determined by an actuarial valuation dated July 1, 2017.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

Inflation	2.60%
Discount rate	3.00%
Healthcare cost trend rates	7.50% for 2017, decreasing 0.5% per year to an ultimate rate of 4.5% in 2023
Retirees' share of benefit-related costs	15 - 40% of projected health insurance premiums for retirees

The discount rate was based on the actuary monitoring three 20-Year Municipal Bond Indices and evaluating the rates based on long term interest rate conditions.

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

The actuarial assumptions used in the July 1, 2017 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirements where applicable and input from the plan sponsor. The plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

C. Changes in the Total OPEB Liability

Balance at June 30, 2017	<u>\$ 256,312,387</u>
Changes for the year	
Service cost	11,037,164
Interest	7,916,896
Changes of benefit terms	-
Differences between expected and actual experience	(301,407)
Changes in assumptions or other inputs	-
Benefit payments	<u>(6,957,478)</u>
	<u>11,695,175</u>
Balance at June 30, 2018	<u><u>\$ 268,007,562</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.00%) or 1 percentage point higher (4.00%) than the current discount rate:

<u>OPEB</u>	<u>1% Decrease (2.00)%</u>	<u>Discount Rate (3.00)%</u>	<u>1% Increase (4.00)%</u>
Total OPEB liability	<u>\$ (315,498,417)</u>	<u>\$ (268,007,562)</u>	<u>\$ (230,128,864)</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were

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

calculated using healthcare cost trend rates that are 1 percentage point lower (3.50%) or 1 percentage point higher (5.50%) than the current healthcare cost trend rate:

OPEB	1% Decrease (3.50)%	Healthcare Cost Trend Rates (4.50)%	1% Increase (5.50)%
Total OPEB liability	\$ (222,938,929)	\$ (268,007,562)	\$ (327,016,387)

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$18,911,002. At June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 258,349
Changes of assumptions		
District's contributions subsequent to the measurement date		
Total	\$ -	\$ 258,349

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

Year Ending June 30,	Amount
2019	\$ (43,058)
2020	(43,058)
2021	(43,058)
2022	(43,058)
2023	(43,058)
Thereafter	(43,059)
	\$ (258,349)

17. RISK MANAGEMENT

A. General Information

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. These risks are covered by a combination of self-insurance reserves and commercial insurance purchased from independent third parties. Settled

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

claims from these risks have not exceeded available reserves and commercial insurance coverage for the past three years.

B. Risk Retention

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

	2017	2018
Unpaid claims at beginning of year	\$ 2,622,977	\$ 2,595,212
Incurred claims and claim adjustment expenses	544,178	914,127
Claim payments	(571,943)	(742,225)
Unpaid claims at year end	\$ 2,595,212	\$ 2,767,114

18. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2018 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2018:

Workers' Compensation	\$ 600,000
Unemployment Insurance	50,000
Retirement Contributions	890,000
Employee Benefit Accrued Liability	400,000
	\$ 1,940,000

19. ASSIGNED APPROPRIATED FUND BALANCE

The amount of \$1,400,000 has been appropriated to reduce taxes for the year ending June 30, 2018.

20. RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75. The implementation of Statement No. 75 resulted in the reporting of a change in the liability for other postemployment benefits obligation and a deferred inflow of resources. The District's net position has been restated as follows:

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

Net position (deficit) beginning of year, as previously stated	<u>\$ (30,477,903)</u>
GASB Statement No. 75 implementation	
Beginning total other postemployment benefits obligation under GASB Statement No. 75	(256,312,387)
Less: Net other postemployment benefits obligation under GASB Statement No. 45	<u>95,921,063</u>
	<u>(160,391,324)</u>
Net position (deficit) beginning of year, as restated	<u><u>\$ (190,869,227)</u></u>

21. TAX ABATEMENTS

The Suffolk County Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The amount of property tax revenue that was reduced as a result of these programs is \$176,807. The District received payment in lieu of taxes (PILOT) payments totaling \$165,677.

22. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2018, the District encumbered the following amounts:

Restricted Fund Balance	
Capital Projects Fund	
Capital projects	<u>\$ 1,895,574</u>
Assigned: Unappropriated Fund Balance:	
General Fund	
General support	499,272
Instruction	1,354,617
Transportation	<u>137,000</u>
	<u>1,990,889</u>
	<u><u>\$ 3,886,463</u></u>

B. Grants

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

C. Litigation

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

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

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was approximately \$214,564. The minimum remaining operating lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 224,834
2020	193,424
2021	90,126
2022	<u>21,800</u>
	<u>\$ 530,184</u>

23. SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements.

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, 2018

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 104,814,107	\$ 96,229,130	\$ 96,229,470	\$ 340
Other tax items	84,577	8,669,554	8,852,224	182,670
Charges for services	438,500	438,500	351,489	(87,011)
Use of money and property	196,000	196,000	414,580	218,580
Sale of property and compensation for loss			1,382	1,382
Miscellaneous	580,000	656,786	634,284	(22,502)
Interfund revenue			3,746	3,746
Total Local Sources	106,113,184	106,189,970	106,487,175	297,205
State Sources	16,890,039	16,890,039	17,185,124	295,085
Total Revenues	123,003,223	123,080,009	123,672,299	592,290
OTHER SOURCES				
Operating Transfers In	175,000	175,000		(175,000)
Total Revenues and Other Sources	123,178,223	123,255,009	123,672,299	\$ 417,290
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	1,400,000	1,400,000		
Prior Year's Encumbrances	923,259	923,259		
Appropriated Reserves	1,635,000	8,786,000		
Total Appropriated Fund Balance	3,958,259	11,109,259		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 127,136,482	\$ 134,364,268		

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, 2018

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 50,173	\$ 50,173	\$ 43,817	\$ 850	\$ 5,506
Central administration	314,752	314,752	313,576		1,176
Finance	1,246,932	1,413,023	1,322,330	405	90,288
Staff	869,489	883,221	763,843		119,378
Central services	8,299,646	8,005,779	7,219,533	498,017	288,229
Special items	1,036,947	1,036,947	964,503		72,444
Total General Support	11,817,939	11,703,895	10,627,602	499,272	577,021
Instruction					
Administration & improvement	4,998,748	5,005,588	4,882,280	1,920	121,388
Teaching - regular school	35,582,638	36,550,767	33,526,021	1,077,325	1,947,421
Programs for students with disabilities	22,038,922	22,458,876	20,429,700	50,675	1,978,501
Occupational education	978,530	1,075,830	1,067,275		8,555
Teaching - special schools	322,040	376,869	370,887		5,982
Instructional media	2,086,940	2,759,315	2,544,245	198,589	16,481
Pupil services	4,173,191	4,180,154	4,088,483	26,108	65,563
Total Instruction	70,181,009	72,407,399	66,908,891	1,354,617	4,143,891
Pupil Transportation	10,433,007	10,574,007	10,243,626	137,000	193,381
Employee Benefits	33,518,336	31,382,776	30,333,829		1,048,947
Debt Service					
Interest	278,000	237,000	237,000		-
Total Debt Service	278,000	237,000	237,000	-	-
Total Expenditures	126,228,291	126,305,077	118,350,948	1,990,889	5,963,240
OTHER USES					
Operating Transfers Out	908,191	8,059,191	7,934,153		125,038
Total Expenditures and Other Uses	\$ 127,136,482	\$ 134,364,268	126,285,101	\$ 1,990,889	\$ 6,088,278
Net Change in Fund Balance			(2,612,802)		
Fund Balance - Beginning of Year			26,748,438		
Fund Balance - End of Year			\$ 24,135,636		

Note to Required Supplementary Information

Budget Basis of Accounting

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

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

Teachers' Retirement System

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

Employees' Retirement System

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

Note to Required Supplementary Information

Teachers' Retirement System

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

Employees' Retirement System

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

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

Teachers' Retirement System

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 4,615,593	\$ 5,307,536	\$ 5,724,976	\$ 7,319,763	\$ 6,686,748	\$ 4,855,866	\$ 4,429,859	\$ 3,885,693	\$ 2,702,020	\$ 3,289,991
Contributions in relation to the contractually required contribution	4,615,593	5,307,536	5,724,976	7,319,763	6,686,748	4,855,866	4,429,859	3,885,693	2,702,020	3,289,991
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$47,097,886	\$45,649,714	\$44,582,849	\$43,439,992	\$42,678,795	\$42,023,298	\$42,093,995	\$45,291,162	\$45,034,992	\$44,236,509
Contributions as a percentage of covered payroll	10%	12%	13%	17%	16%	12%	11%	9%	6%	7%

Employees' Retirement System

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 1,812,104	\$ 1,750,779	\$ 2,043,486	\$ 2,414,526	\$ 2,428,021	\$ 1,802,225	\$ 1,570,365	\$ 1,665,284	\$ 1,022,023	\$ 897,066
Contributions in relation to the contractually required contribution	1,812,104	1,750,779	2,043,486	2,414,526	2,428,021	1,802,225	1,570,365	1,665,284	1,022,023	897,066
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$12,419,527	\$11,829,467	\$13,055,250	\$12,744,116	\$12,680,942	\$11,555,751	\$11,948,912	\$12,931,389	\$12,446,254	\$12,356,876
Contributions as a percentage of covered payroll	15%	15%	16%	19%	19%	16%	13%	13%	8%	7%

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

	2018
Total OPEB liability	
Service cost	\$ 11,037,164
Interest	7,916,896
Changes in benefit terms	-
Differences between expected and actual experience	(301,407)
Changes of assumptions or other inputs	-
Benefit payments	(6,957,478)
Net change in total OPEB liability	11,695,175
Total OPEB liability, beginning	256,312,387
Total OPEB liability, ending	\$ 268,007,562
Covered employee payroll	\$ 57,896,983
Total OPEB liability as a percentage of covered employee payroll	462.90%

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, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 126,213,223
Additions:		
Prior year's encumbrances		<u>923,259</u>
Original Budget		127,136,482
Budget revisions		
Transfer to capital projects fund funded by capital reserve as approved by the voters	\$ 7,151,000	
Contingent expenditures funded by donations	<u>76,786</u>	
		<u>7,227,786</u>
Final Budget		<u><u>\$ 134,364,268</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-2019 voter-approved expenditure budget		<u>\$ 129,812,991</u>
Maximum allowed (4% of 2018-2019 budget)		<u>\$ 5,192,520</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 3,390,889	
Unassigned fund balance	<u>5,020,084</u>	
		\$ 8,410,973
Less:		
Appropriated fund balance	1,400,000	
Encumbrances	<u>1,990,889</u>	
Total adjustments		<u>3,390,889</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		<u><u>\$ 5,020,084</u></u>
Actual Percentage		3.87%

HUNTINGTON UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources - Capital Projects Fund
For The Year Ended June 30, 2018

PROJECT TITLE	Budget June 30, 2017	Budget June 30, 2018	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2018
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
2015 HS HVAC, Auditorium Lights and Doors #001-044	\$ 525,000	\$ 958,881	\$ 42,752	\$ 720,753	\$ 763,505	\$ 195,376	\$ -	\$ -	\$ 958,881	\$ 958,881	\$ 195,376
2015 JA Public Address System, Clock and Parking #0017-0017	506,000	372,119	371,137	982	372,119	-			372,119	372,119	-
2016 HS ADA Compliant Locker Room Restrooms, Wheelchair Lift, Ramps and Foundation Repairs #001-045	495,000	195,000	6,138	10,296	16,434	178,566			195,000	195,000	178,566
2016 JTFMS ADA Compliant Rest Rooms and Ramps and Door Upgrades Panel and Foundation #014-024	531,000	531,000	16,614	22,772	39,386	491,614			531,000	531,000	491,614
2016 WHIS ADA Compliant Restrooms, Office Counters and Ramps #004-020	100,000	100,000	3,177	5,239	8,416	91,584			100,000	100,000	91,584
2016 JA STEM School ADA Compliant Restrooms and Ramps and Fire Rated Doors #017-018	800,000	800,000	21,882	35,286	57,168	742,832			800,000	800,000	742,832
2016 FHPS ADA Compliant Restrooms and Door Replacement #002-020	90,000	90,000	2,865	12,227	15,092	74,908			90,000	90,000	74,908
2016 JPS ADA Compliant Restrooms, Ramps and Entry Way Vestibule #013-016	325,000	325,000	10,191	12,009	22,200	302,800			325,000	325,000	302,800
SDPS ADA Compliant Restrooms #003-019	50,000	50,000	1,617	4,681	6,298	43,702			50,000	50,000	43,702
WPS ADA Compliant Rest Room and Doorway #009-019	45,000	45,000	1,462	4,587	6,049	38,951			45,000	45,000	38,951
2017 WPS Roof Replacement #009-020	1,250,000	1,250,000		323,891	323,891	926,109			1,250,000	1,250,000	926,109
2017 JA STEM Boiler Replacement #017-019	850,000	850,000		65,611	65,611	784,389			850,000	850,000	784,389
2017 JTFMS Exterior Door Replacement and Woodshop Rollup Door #014-025	150,000	150,000		6,113	6,113	143,887			150,000	150,000	143,887
2017 JTFMS Exterior Door Replacement and Vestibule in Main Lobby #004-021	145,000	145,000		6,159	6,159	138,841			145,000	145,000	138,841
2017 SDPS Vestibule #030-020	100,000	100,000		5,657	5,657	94,343			100,000	100,000	94,343
2018 JTFMS Tile & Seats in LGI Room #014-026		600,000				600,000			600,000	600,000	600,000
2018 FHPS Roof & Security Vestibule #002-021		1,660,000				1,660,000			1,660,000	1,660,000	1,660,000
2018 HS Roll Up Doors #001-046		125,000				125,000			125,000	125,000	125,000
2018 JPS Roof & Bathroom Tiles #013-017		1,565,000				1,565,000			1,565,000	1,565,000	1,565,000
2018 SDPS Roof #003-021		1,560,000				1,560,000			1,560,000	1,560,000	1,560,000
2018 WPS Security Vestibule #009-021		100,000				100,000			100,000	100,000	100,000
2018 WHIS Boilers, Parking Lot, Curbs & Bathroom Tiles #004-022		1,541,000				1,541,000			1,541,000	1,541,000	1,541,000
Donation - Mock Trial Theater		40,000				40,000			40,000	40,000	40,000
2017 - 2018 Interfund Transfer		100,000				100,000			100,000	100,000	100,000
DASNY Lighting Grant		50,000				50,000		50,000 *		50,000	50,000
Smart Schools Bond Act	480,157	462,954	182,832	280,122	462,954	-		462,954		462,954	-
	<u>\$ 6,442,157</u>	<u>\$ 13,765,954</u>	<u>\$ 660,667</u>	<u>\$ 1,516,385</u>	<u>\$ 2,177,052</u>	<u>\$ 11,588,902</u>	<u>\$ -</u>	<u>\$ 512,954</u>	<u>\$ 13,253,000</u>	<u>\$ 13,765,954</u>	<u>11,588,902</u>
											Less: DASNY grant not recognized (50,000) *
											<u>\$ 11,538,902</u>

HUNTINGTON UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2018

Capital assets, net	<u>\$ 19,794,712</u>
Deduct:	
Short-term portion of bonds payable	(170,000)
Long-term portion of bonds payable	<u>(1,395,000)</u>
	<u>(1,565,000)</u>
Net investment in capital assets	<u>\$ 18,229,712</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Huntington Union Free School District (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 10, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Huntington Union Free School District in a separate letter dated October 10, 2018.

Purpose of this Report

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

Cullen & Danowski, LLP

October 10, 2018