



FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES WITH  
INDEPENDENT AUDITOR'S REPORTS  
June 30, 2011

**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

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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on the financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Huntington Union Free School District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2011, on our consideration of the Huntington Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedule of funding progress – other postemployment benefits on pages 3 through 13 and 42 through 44, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Huntington Union Free School District's basic financial statements. The other supplementary information on pages 45 through 48 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Cullen & Danowski, LLP*

October 17, 2011

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

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The Huntington Union Free School District's discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole. This should be read in conjunction with the financial statements, which immediately follow this section.

**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2011 are as follows:

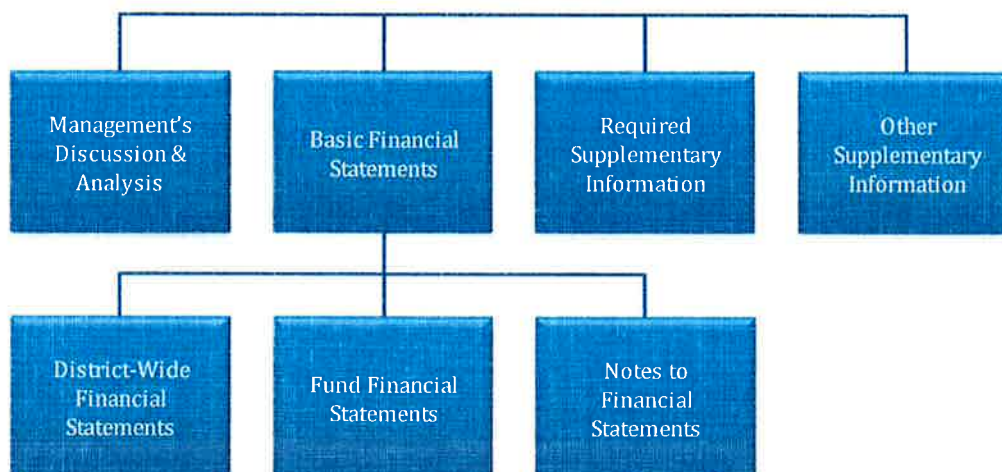
- On the district-wide financial statements, the District's total net assets decreased by \$14,670,022. This was mainly due to the unfunded cost of other postemployment benefits.
- On the district-wide financial statements, the District's expenses for the year totaled \$126,172,202. Of this amount, \$7,673,088 was offset by program charges for services and operating grants. General revenues of \$103,829,092 amounted to 93% of total revenues, and were not adequate to cover the balance of program expenses.
- The District received \$5,756,754 in operating grants to support instructional programs. This is an increase over the prior year of \$25,947. Of this amount, \$814,906 relates to federal funding, which supplemented the District for a reduction in general state aid.
- The general fund's total fund balance, as reflected on the balance sheet in the fund financial statements, increased by \$428,240 to \$16,073,037.
- On the balance sheet, the general fund's unassigned fund balance at year end was \$4,372,292. This represents an increase of \$20,830 over the prior year. The unassigned fund balance at year end is at the statutory 4% limit authorized by New York State Law.
- On May 20, 2008 the voters approved the establishment of a new capital reserve (building improvement fund - 2008) to be capitalized in the ultimate amount of \$10,000,000 plus interest. The funding source shall be the annual transfer of surplus monies, if any, from the District's general fund not to exceed \$2,000,000 in any given year as may be available at the end of each year from June 20, 2008 through June 30, 2016. For the year ended June 30, 2011, \$942,890 of surplus was transferred to this capital reserve in the general fund. The total contributions to date are \$5,356,890 leaving \$4,643,110 to be raised in the future.
- On May 17, 2011 the voters authorized the use of the building improvement fund - 2008 (capital reserve) for a variety of projects in the District's buildings in the amount of \$684,000.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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**A. District-Wide Financial Statements**

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

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

The Statement of Net Assets

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

The Statement of Activities

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

**B. Fund Financial Statements**

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

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

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

Governmental Funds

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

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

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

Fiduciary Funds

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

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

**A. Net Assets**

The District's total net assets decreased by \$14,670,022 between fiscal year 2011 and 2010. A summary of the District's Statement of Net Assets is as follows. The 2010 net assets amounts have been reclassified for comparative purposes to conform to the 2011 presentation, specifically in the classification of restricted net assets as clarified by the implementation of GASB 54 (*Fund Balance Reporting and Governmental Fund Type Definitions*). There was no change in the 2010 net assets total.

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

	2011	2010	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 24,292,998	\$ 23,416,461	\$ 876,537	3.74 %
Capital Assets, Net	21,993,612	23,212,231	(1,218,619)	(5.25)%
Total Assets	<u>46,286,610</u>	<u>46,628,692</u>	<u>(342,082)</u>	(0.73)%
Current and Other Liabilities	6,061,078	5,002,023	1,059,055	21.17 %
Long-Term Liabilities	15,691,834	14,941,577	750,257	5.02 %
Net Other Postemployment Benefits Obligation	<u>36,394,849</u>	<u>23,876,221</u>	<u>12,518,628</u>	52.43 %
Total Liabilities	<u>58,147,761</u>	<u>43,819,821</u>	<u>14,327,940</u>	32.70 %
Net Assets				
Invested in Capital Assets, Net of Related Debt	15,759,790	15,891,337	(131,547)	(0.83)%
Restricted	10,878,071	10,955,294	(77,223)	(0.70)%
Unrestricted (Deficit)	<u>(38,499,012)</u>	<u>(24,037,760)</u>	<u>(14,461,252)</u>	60.16 %
Total Net Assets (Deficit)	<u>\$ (11,861,151)</u>	<u>\$ 2,808,871</u>	<u>\$ (14,670,022)</u>	(522.27)%

Current and other assets increased by \$876,537, as compared to the prior year. The increase is predominantly the result of larger cash balances at year end.

Capital assets, net decreased by \$1,218,619, as compared to the prior year. The decrease was the result of depreciation net of improvements to facilities and capital asset acquisitions. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

Current and other liabilities increased by \$1,059,055, as compared to the prior year. The increase was primarily attributable to a higher payable to the teachers' retirement system, as a result of a higher contribution rate.

Long-term liabilities increased by \$750,257, as compared to the prior year. The increase was primarily in the compensated absences liability, which was offset by a decrease in workers' compensation, and repayment of bond and installment purchase debt.

Net other postemployment benefits obligation (OPEB) increased by \$12,518,628, as the current year OPEB cost exceeded contributions in accordance with GASB Statement No. 45. The accompanying Notes to Financial Statements, Note 15 "Postemployment Benefits" provides additional information.

The net assets invested in capital assets, net of related debt, relates to the investment in capital assets at cost such as – land; construction in progress; buildings and improvements; site improvements; and, furniture and equipment, net of depreciation and related debt. This number decreased from the prior year by \$131,547 as follows:

	Increase (Decrease)
Capital asset additions - total	\$ 854,255
Principal debt reduction of construction bonds	950,000
Principal debt reduction of installment purchase debt	137,072
Depreciation expense	<u>(2,072,874)</u>
	<u>\$ (131,547)</u>



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

The restricted net assets in the amount of \$10,681,013 relates to the District's reserves and other restricted amounts. This number increased over the prior year by \$42,112 principally due to a Board resolution to fund the capital reserve less expenditures for capital reserve projects, as permitted by voter proposition.

The unrestricted net assets (deficit) in the amount of \$(38,301,954) relates to the balance of the District's net assets. The deficit increased from the prior year by \$14,580,587 mainly due to the unfunded costs of other postemployment benefits.

The Districts total net assets decreased by \$14,670,022; \$(11,861,151) at June 30, 2011, compared to \$2,808,871 at June 30, 2010.

**B. Changes in Net Assets**

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2011 and 2010 is as follows:

	2011	2010	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 984,228	\$ 956,385	\$ 27,843	2.91 %
Operating Grants	6,688,860	6,638,465	50,395	0.76 %
General Revenues				
Real Property Taxes & STAR	91,866,277	89,474,039	2,392,238	2.67 %
State Sources	10,415,973	11,194,487	(778,514)	(6.95)%
Other	1,546,842	1,565,313	(18,471)	(1.18)%
Total Revenues	<u>111,502,180</u>	<u>109,828,689</u>	<u>1,673,491</u>	1.52 %
<b>Expenses</b>				
General Support	13,927,170	13,056,846	870,324	6.67 %
Instruction	101,153,526	96,328,691	4,824,835	5.01 %
Pupil Transportation	9,072,271	8,562,084	510,187	5.96 %
Debt Service - Interest	359,283	434,970	(75,687)	(17.40)%
Food Service Program	1,659,952	1,624,698	35,254	2.17 %
Total Expenses	<u>126,172,202</u>	<u>120,007,289</u>	<u>6,164,913</u>	5.14 %
Change in Net Assets	<u>\$ (14,670,022)</u>	<u>\$ (10,178,600)</u>	<u>\$ (4,491,422)</u>	44.13 %

The District's net assets decreased by \$14,670,022 and \$10,178,600 for the years ended June 30, 2011 and 2010, respectively.

The District's revenues increased by \$1,673,491 or 1.52%. The main area of increase was property taxes and STAR, which increased by \$2,392,238. This was offset by decreases in state aid and other revenue. State aid was reduced statewide for both years and partially replaced with a federal grant from the American Recovery and Reinvestment Act.

The District's expenses increased by \$6,164,913 or 5.14%.

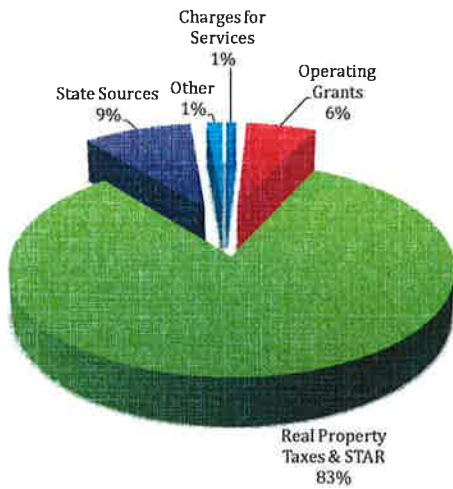
**HUNTINGTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

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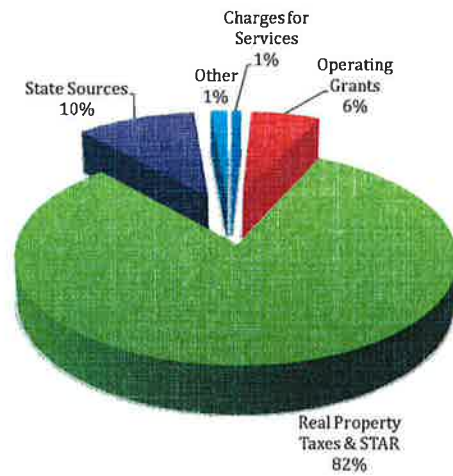
As indicated on the pie charts that follow, real property taxes and STAR comprise the largest component of revenues recognized, 83% and 82% of the total for the years ended June 30, 2011 and 2010, respectively. Instruction expenses is the largest category of expenses incurred, comprising 80% of the total for both years.

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

**June 30, 2011**

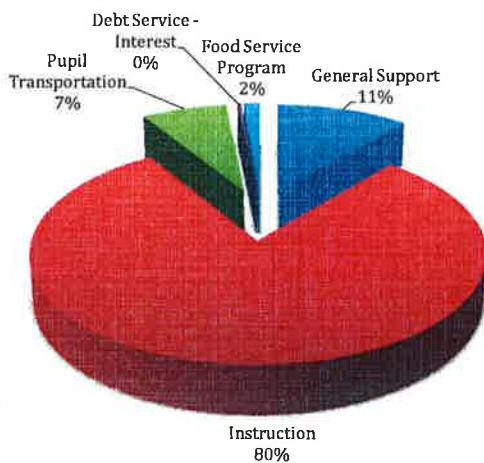


**June 30, 2010**

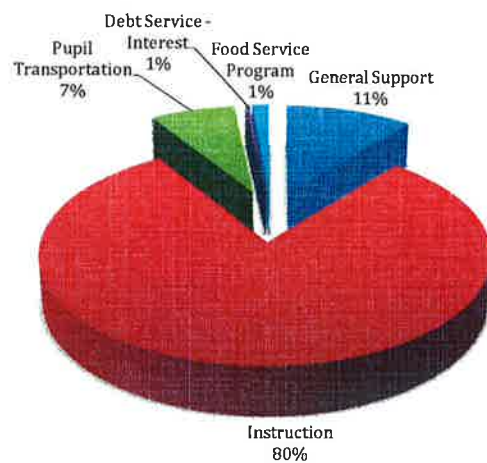


A graphic display of the distribution of expenses for the two years follows:

**June 30, 2011**



**June 30, 2010**



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

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

At June 30, 2011, the District's governmental funds reported a combined fund balance of \$17,714,791, which is an increase of \$203,160 over the prior year. This increase is due to an excess of revenues over expenditures based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund presented in accordance with GASB 54 classifications is as follows. The 2010 fund balance amounts have been reclassified for comparative purposes to conform to the 2011 presentation. There was no change in the 2010 totals.

	<u>2011</u>	<u>2010</u>	<u>Changes</u>
<b>General Fund</b>			
Restricted:			
Workers' compensation	\$ 2,839,765	\$ 3,385,735	\$ (545,970)
Unemployment insurance	66,910	66,776	134
Employee benefit accrued liability	1,035,720	1,344,769	(309,049)
Capital	5,309,967	4,056,230	1,253,737
Repairs	161,647	121,404	40,243
Assigned:			
Appropriated fund balance	2,245,000	1,915,000	330,000
Unappropriated fund balance	41,736	403,421	(361,685)
Unassigned: Fund balance	4,372,292	4,351,462	20,830
	<u>16,073,037</u>	<u>15,644,797</u>	<u>428,240</u>
<b>School Lunch Fund</b>			
Nonspendable: Inventory	2,260	8,931	(6,671)
Assigned: Unappropriated fund balance	110,697	141,874	(31,177)
	<u>112,957</u>	<u>150,805</u>	<u>(37,848)</u>
<b>Debt Service Fund</b>			
Restricted: Debt service	245,845	245,452	393
<b>Capital Projects Fund</b>			
Restricted: Capital	1,218,217	1,734,928	(516,711)
Assigned: Unappropriated fund balance	64,735		64,735
Unassigned: Fund balance (deficit)		(264,351)	264,351
	<u>1,282,952</u>	<u>1,470,577</u>	<u>(187,625)</u>
 Total Fund Balance	 <u>\$ 17,714,791</u>	 <u>\$ 17,511,631</u>	 <u>\$ 203,160</u>

**A. General Fund**

The general fund - fund balance increased by \$428,240, as a result of revenues in excess of expenditures.

**B. School Lunch Fund**

The school lunch fund - fund balance decreased by \$37,848. This was the amount of the net operating loss in the program.

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

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**C. Debt Service Fund**

The debt service fund - fund balance increased by \$393, as a result of interest earnings on bond proceeds. These interest earnings will be used for debt service on the related debt.

**D. Capital Projects Fund**

The capital projects fund - fund balance decreased by \$187,625. This was the result of \$578,464 of expenditures for capital improvements for the year and a transfer of unspent project funding back to capital reserves in the general fund of \$986,739 net of \$333,578 of revenue from EXCEL aid and general fund transfers of \$1,044,000.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2010-11 Budget**

The District's general fund adopted budget for the year ended June 30, 2011, was \$108,786,539. This amount was increased by encumbrances carried forward from the prior year in the amount of \$403,421 and budget revisions of \$1,580,828, for a total final budget of \$110,770,788.

The budget was funded through a combination of estimated revenues and designated fund balance. The majority of this funding source was \$91,980,387 in estimated property taxes and STAR receipts.

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

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

Opening, Unassigned Fund Balance	\$ 4,351,462
Revenues Under Budget	(883,990)
Expenditures and Encumbrances Under Budget	5,137,395
Net Change in Reserves	(1,987,575)
Appropriated to fund the June 30, 2012 Budget	<u>(2,245,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 4,372,292</u></u>

**Opening, Unassigned Fund Balance**

The \$4,351,462 shown in the table is the portion of the District's June 30, 2010 fund balance that was retained as unassigned. This was 4% of the District's 2010-11 approved operating budget of \$108,786,539.

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

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Revenues Under Budget

The 2010-11 final budget for revenues was \$106,903,887. Actual revenues received for the year were \$106,019,897. The total of actual revenue less than estimated or budgeted revenue was \$883,990. This change contributes directly to the change to the general fund unassigned fund balance from June 30, 2010 to June 30, 2011.

Expenditures and Encumbrances Under Budget

The 2010-11 final budget for expenditures, including prior year open encumbrances of \$403,421 and budget revisions of \$1,580,828 as of June 30, 2010, was \$110,770,788. Actual expenditures as of June 30, 2011 were \$105,591,657 and outstanding encumbrances were \$41,736. Combined, the expenditures plus encumbrances for 2010-11 were \$105,633,393. The final budget was under expended by \$5,137,395. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2010 to June 30, 2011.

Net Change in Reserves

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

The \$(1,987,575) shown in the above table is made up of two transfers: \$1,929,624 to the capital reserve; and \$40,000 to the repair reserve. Additionally, \$17,951 of interest was allocated to the reserves. The transfer to the capital reserve includes the return of \$982,734 of excess capital reserve funds from nearly completed projects in the capital projects fund and \$942,890 of general fund surplus.

Appropriated Fund Balance

The District has chosen to use \$2,245,000 of its available June 30, 2011 fund balance to partially fund its 2011-12 approved operating budget. As such, the June 30, 2011 unassigned fund balance must be reduced by this amount.

Closing Unassigned Fund Balance

Based upon the summary changes shown in the above table, the District will begin the 2011-12 fiscal year with an unassigned fund balance of \$4,372,292. This is an increase of \$20,830 over the unassigned fund balance from the prior year as of June 30, 2011. This unassigned portion is 4% of the District's 2011-12 approved operating budget of \$109,037,301, the statutory maximum.

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

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A. Capital Assets**

At June 30, 2011, the District had \$21,993,612 invested in a broad range of capital assets, as indicated in the table below. This amount represents a net decrease of \$1,218,619 from the prior year. See accompanying Notes to Financial Statements, Note 9 "Capital Assets" for additional information. A summary of the District's capital assets, net of depreciation at June 30, 2011 and 2010, is as follows:

	2011	2010	Increase (Decrease)
Land	\$ 1,545,142	\$ 1,545,142	\$ -
Construction in progress	22,326	42,520	(20,194)
Buildings and improvements	16,111,823	17,105,487	(993,664)
Site improvements	3,203,956	3,430,345	(226,389)
Furniture and equipment	1,110,365	1,088,737	21,628
Capital assets, net	<u>\$ 21,993,612</u>	<u>\$ 23,212,231</u>	<u>\$ (1,218,619)</u>

Capital additions for the year ended June 30, 2011, were \$854,255. Depreciation expense for the year was \$2,072,874.

**B. Debt Administration**

At June 30, 2011, the District had total bonds payable of \$4,515,000. The bonds were issued for school building improvements. The decrease in outstanding bonds represents principal payments on all outstanding bonds of \$950,000. A summary of the outstanding bonds at June 30, 2011 and 2010 is as follows:

Issue Date	Interest Rate	2011	2010	Increase (Decrease)
May 1998	4.0 - 5.5%	\$ 1,765,000	\$ 2,590,000	\$ (825,000)
September 2006	4.125 - 4.25%	<u>2,750,000</u>	<u>2,875,000</u>	<u>(125,000)</u>
		<u>\$ 4,515,000</u>	<u>\$ 5,465,000</u>	<u>\$ (950,000)</u>

At June 30, 2011, the District had installment purchase debt outstanding of \$1,718,822. This is a decrease from the prior year of \$137,072. The final maturity on this installment debt is 2021.

Included in the District's long-term liabilities are the estimated amounts due for compensated absences and workers' compensation. The compensated absence liability of \$7,123,084 is based on employee sick and vacation time through June 30, 2011 and the applicable rates and limitations outlined in the various contracts. The workers' compensation liability of \$2,334,928 is based on an actuarial valuation of the District's claims prepared at June 30, 2010 and is adjusted for the current year activity.

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

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

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

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 17, 2011, for the year ending June 30, 2012, is \$109,037,301. This is an increase of \$250,762 or 0.23% over the previous year's budget. The main areas of change are in an increase in employee benefits and a decrease in instruction.

The District budgeted revenues other than property taxes and STAR at a \$2,107,038 decrease compared to the prior year's estimate. This decrease is principally due to an estimated reduction in state aid and miscellaneous revenues. Additionally, the assigned, appropriated fund balance applied to the June 30, 2012 budget in the amount of \$2,245,000 is a \$330,000 increase over the previous year. A property tax increase of 2.20% was needed to meet the revenue shortfall and cover the increase in projected expenditures.

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

**8. CONTACTING THE DISTRICT**

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

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

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Statement of Net Assets**  
June 30, 2011

**ASSETS**

Cash	\$ 19,734,029
Receivables	
Accounts receivable	169,333
Due from state and federal	3,799,200
Due from other governments	46,537
Other assets	541,639
Inventory	2,260
Capital assets not being depreciated	1,567,468
Capital assets being depreciated, net of accumulated depreciation	<u>20,426,144</u>
 Total Assets	 <u><u>\$ 46,286,610</u></u>

**LIABILITIES**

Payables	
Accounts payable	\$ 798,180
Accrued liabilities	402,875
Due to other governments	4,055
Due to teachers' retirement system	4,257,215
Due to employees' retirement system	598,753
Long-term liabilities	
Due and payable within one year	
Bonds payable	990,000
Installment purchase debt	142,659
Compensated absences payable	62,608
Workers' compensation liabilities	408,012
Due and payable after one year	
Bonds payable	3,525,000
Installment purchase debt	1,576,163
Compensated absences payable	7,060,476
Workers' compensation liabilities	1,926,916
Net other postemployment benefits obligation	<u>36,394,849</u>
 Total Liabilities	 <u><u>58,147,761</u></u>

**NET ASSETS**

Investment in capital assets, net of related debt	15,759,790
Restricted	10,878,071
Unrestricted (deficit)	<u>(38,499,012)</u>
 Total Net Assets (Deficit)	 <u><u>(11,861,151)</u></u>
 Total Liabilities and Net Assets	 <u><u>\$ 46,286,610</u></u>



**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Statement of Activities**  
For The Year Ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Changes in</u>
		<u>Operating</u>	<u>Net Assets</u>
		<u>Grants</u>	
<b>FUNCTIONS/PROGRAMS</b>			
<b>Governmental Activities:</b>			
General support	\$ 13,927,170	\$	\$ (13,927,170)
Instruction	101,153,526	307,733	(95,089,039)
Pupil transportation	9,072,271		(9,072,271)
Debt service - interest	359,283		(359,283)
Food service program	1,659,952	676,495	(51,351)
	<u>1,659,952</u>	<u>676,495</u>	<u>(51,351)</u>
Total Governmental Activities	<u>\$ 126,172,202</u>	<u>\$ 984,228</u>	<u>\$ 6,688,860</u>
			<u>(118,499,114)</u>
<b>GENERAL REVENUES</b>			
Real property taxes			81,584,832
Other tax items			10,444,482
Use of money and property			214,121
Sale of property and compensation for loss			24,334
Miscellaneous			1,145,350
State sources			10,415,973
			<u>103,829,092</u>
Total General Revenues			<u>103,829,092</u>
Change in Net Assets			(14,670,022)
Total Net Assets - Beginning of year			<u>2,808,871</u>
Total Net Assets (Deficit) - End of year			<u>\$ (11,861,151)</u>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2011

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 18,421,171	\$ 190,471	\$ 112,410	\$ 245,845	\$ 764,132	\$ 19,734,029
Receivables						
Accounts receivable	169,333					169,333
Due from other funds	3,574,370	114,461			1,046,644	4,735,475
Due from state and federal	1,221,318	2,506,225	71,657			3,799,200
Due from other governments	46,537					46,537
Other assets	541,639					541,639
Inventory			2,260			2,260
Total Assets	<u>\$ 23,974,368</u>	<u>\$ 2,811,157</u>	<u>\$ 186,327</u>	<u>\$ 245,845</u>	<u>\$ 1,810,776</u>	<u>\$ 29,028,473</u>
<b>LIABILITIES</b>						
Payables						
Accounts payable	\$ 568,874	\$ 210,848	\$ 18,458	\$	\$	\$ 798,180
Accrued liabilities	327,777	7,953	363			336,093
Due to other funds	1,564,801	2,592,356	50,494		527,824	4,735,475
Due to other governments			4,055			4,055
Due to teachers' retirement system	4,257,215					4,257,215
Due to employees' retirement system	598,753					598,753
Deferred Credits						
Deferred revenues	583,911					583,911
Total Liabilities	<u>7,901,331</u>	<u>2,811,157</u>	<u>73,370</u>	<u>-</u>	<u>527,824</u>	<u>11,313,682</u>
<b>FUND BALANCES</b>						
Nonspendable: Inventory			2,260			2,260
Restricted:						
Workers' compensation	2,839,765					2,839,765
Unemployment insurance	66,910					66,910
Employee benefit accrued liability	1,035,720					1,035,720
Capital	5,309,967				1,218,217	6,528,184
Repairs	161,647					161,647
Debt service				245,845		245,845
Assigned:						
Appropriated fund balance	2,245,000					2,245,000
Unappropriated fund balance	41,736		110,697		64,735	217,168
Unassigned: Fund balance	<u>4,372,292</u>					<u>4,372,292</u>
Total Fund Balances	<u>16,073,037</u>	<u>-</u>	<u>112,957</u>	<u>245,845</u>	<u>1,282,952</u>	<u>17,714,791</u>
Total Liabilities and Fund Balances	<u>\$ 23,974,368</u>	<u>\$ 2,811,157</u>	<u>\$ 186,327</u>	<u>\$ 245,845</u>	<u>\$ 1,810,776</u>	<u>\$ 29,028,473</u>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
June 30, 2011

Total Governmental Fund Balances	\$ 17,714,791
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Amounts reported for governmental activities in the statement of net assets are different because:

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

Original cost of capital assets	\$ 55,482,478	
Accumulated depreciation	<u>(33,488,866)</u>	
		21,993,612

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.	583,911
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Accrued interest on bonds payable	(66,782)	
Bonds payable	(4,515,000)	
Installment purchase debt	(1,718,822)	
Compensated absences	(7,123,084)	
Workers' compensation liabilities	(2,334,928)	
Net other postemployment benefits obligation	<u>(36,394,849)</u>	
		<u>(52,153,465)</u>

Total Net Assets (Deficit)	<u><u>\$ (11,861,151)</u></u>
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**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For The Year Ended June 30, 2011

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 81,584,832	\$	\$	\$	\$	\$ 81,584,832
Other tax items	10,444,482					10,444,482
Charges for services	367,733					367,733
Use of money and property	213,470		258	393		214,121
Sale of property and compensation for loss	24,334					24,334
Miscellaneous	1,156,657		89,467			1,246,124
State sources	10,418,229	1,416,452	36,612		333,578	12,204,871
Federal sources	814,906	3,525,396	810,676			5,150,978
Surplus food			84,818			84,818
Sales - school lunch			587,028			587,028
<b>Total Revenues</b>	<b>105,024,643</b>	<b>4,941,848</b>	<b>1,608,859</b>	<b>393</b>	<b>333,578</b>	<b>111,909,321</b>
<b>EXPENDITURES</b>						
General support	9,933,519					9,933,519
Instruction	59,481,601	4,869,750				64,351,351
Pupil transportation	8,709,432	273,028				8,982,460
Employee benefits	24,745,842					24,745,842
Debt service						
Principal	137,072			950,000		1,087,072
Interest	142,271			238,475		380,746
Cost of sales			1,646,707			1,646,707
Capital outlay					578,464	578,464
<b>Total Expenditures</b>	<b>103,149,737</b>	<b>5,142,778</b>	<b>1,646,707</b>	<b>1,188,475</b>	<b>578,464</b>	<b>111,706,161</b>
Excess (Deficiency) of Revenues Over Expenditures	1,874,906	(200,930)	(37,848)	(1,188,082)	(244,886)	203,160
<b>OTHER FINANCING SOURCES AND (USES)</b>						
Operating transfers in	995,254	209,557		1,188,475	1,044,000	3,437,286
Operating transfers (out)	(2,441,920)	(8,627)			(986,739)	(3,437,286)
<b>Total Other Financing Sources and (Uses)</b>	<b>(1,446,666)</b>	<b>200,930</b>	<b>-</b>	<b>1,188,475</b>	<b>57,261</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>428,240</b>	<b>-</b>	<b>(37,848)</b>	<b>393</b>	<b>(187,625)</b>	<b>203,160</b>
<b>Fund Balances - Beginning of year</b>	<b>15,644,797</b>	<b>-</b>	<b>150,805</b>	<b>245,452</b>	<b>1,470,577</b>	<b>17,511,631</b>
<b>Fund Balances - End of year</b>	<b>\$ 16,073,037</b>	<b>\$ -</b>	<b>\$ 112,957</b>	<b>\$ 245,845</b>	<b>\$ 1,282,952</b>	<b>\$ 17,714,791</b>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
For The Year Ended June 30, 2011

Net Change in Fund Balances \$ 203,160

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

Long-Term Revenue and Expense Differences

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the net amount by which deferred revenues decreased in the period. \$ (407,141)

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 net assets.

Decrease in workers' compensation liabilities 454,632

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

Increase in compensated absences liability (2,291,961)  
Increase in net other postemployment benefit obligation (12,518,628) (14,763,098)

Capital Related Differences

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

Capital outlays 854,255  
Depreciation expense (2,072,874) (1,218,619)

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 Assets and does not affect the Statement of Activities.

Repayment of bonds payable 950,000  
Repayment of installment purchase debt 137,072

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, 2010 to June 30, 2011.

21,463  
1,108,535

Change in Net Assets of Governmental Activities \$ (14,670,022)

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Assets -**  
**Fiduciary Funds**  
June 30, 2011

	<u>Agency</u>	<u>Private Purpose Trusts</u>
<b>ASSETS</b>		
Cash	\$ 581,916	\$ 921,548
Total Assets	<u>\$ 581,916</u>	<u>\$ 921,548</u>
<b>LIABILITIES</b>		
Extraclassroom activity balances	\$ 225,976	\$
Other liabilities	<u>355,940</u>	<u>                    </u>
Total Liabilities	<u>\$ 581,916</u>	-
<b>NET ASSETS</b>		
Reserved for scholarships		
Expendable trust funds		161,370
Non-expendable trust funds		<u>760,178</u>
Total Liabilities and Net Assets		<u>\$ 921,548</u>

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Assets -**  
**Fiduciary Funds**  
For The Year Ended June 30, 2011

	Private Purpose Trusts
<b>ADDITIONS</b>	
Miscellaneous	\$ 5,200
Investment earnings	<u>1,210</u>
Total Additions	<u>6,410</u>
 <b>DEDUCTIONS</b>	
Scholarships and awards	<u>11,533</u>
Change in Net Assets	(5,123)
Net Assets - Beginning of year	<u>926,671</u>
Net Assets - End of Year	<u><u>\$ 921,548</u></u>

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

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities which would be included in the District's reporting entity and a component unit. However, the following 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 Assets - Fiduciary Fund. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

**B. Joint Venture**

The District is 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



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

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

**C. Basis of Presentation**

District-Wide Financial Statements

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

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

Fund Financial Statements

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

***Governmental Funds:***

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

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

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

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

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

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

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

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

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

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

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

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

**E. Real Property Taxes**

Calendar

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

Enforcement

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

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

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**F. Restricted Resources**

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

**F. Interfund Transactions**

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

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

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

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

**G. Use of Estimates**

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

**H. Cash and Cash Equivalents**

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

**I. Receivables**

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

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

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**J. Inventory**

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

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

**K. Other Assets**

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

**L. Capital Assets**

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

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

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

**M. Deferred Revenues**

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

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

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

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

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods.

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

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

**O. Other Benefits**

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District accounts for these postemployment benefits in accordance with GASB Statement No. 45 (GASB 45) *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the general fund, in the year paid. In the District-wide statements, postemployment costs are measured and disclosed using the accrual basis of accounting.

**P. Short-Term Debt**

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

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

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

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

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

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

**R. Equity Classifications**

District-Wide Statements

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

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

Restricted net assets – reports net assets when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The District reports three restricted, net assets categories: restricted for capital, restricted for repairs, and restricted for debt service.

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

Fund Statements

During the year ended June 30, 2011 the District implemented GASB 54, (see Note 2 "Changes in Accounting Principles" for additional information). Under GASB 54, the fund balance now consists of five classifications; however, the District only utilizes the following four:

*Nonspendable* – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans, receivables, financial assets held for resale and principal of an endowment. The District utilizes the following nonspendable fund balance:

*Reserve for Inventory*

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

*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. Restricted fund balances, generally referred to as reserves in accordance with New York State law, are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. These reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. Fund balance reserves and restricted amounts currently in use by the District include the following:

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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*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. This reserve is accounted for in the general fund.

*Employee Benefit Accrued Liability Reserve*

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

*Capital Reserve*

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

*Repairs Reserve*

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

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

The unexpended balances of proceeds of borrowings for capital projects, interest and earnings from investing proceeds of borrowings, and borrowing premiums can be recorded as amounts restricted for debt service. These restricted funds are accounted for in the debt service fund.

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

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

**2. CHANGES IN ACCOUNTING PRINCIPLES**

In February 2009, GASB released GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which was implemented by the District during the year ended June 30, 2011. GASB 54 requires local governments to focus on the constraints imposed upon resources when reporting fund balance in governmental funds. The new fund balance components will indicate the level of constraints placed upon how resources can be spent and identify the sources of these constraints. In addition, GASB 54 abandons the reserved and unreserved classifications of fund balance and replaces them with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

**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 Statement of Activities, compared with the current financial resource measurement focus of the governmental funds.

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

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

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

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



**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

**4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

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

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

Appropriations are adopted at the program line item level.

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

Transfer to capital projects fund funded by capital reserve	\$ 684,000
Contingent expenditures funded by appropriated reserves	864,480
Contingent expenditures funded by donations	<u>32,348</u>
	<u>\$ 1,580,828</u>

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

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

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

**B. Encumbrances**

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

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

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

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

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

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

Cash reflected in the Private Purpose Trusts includes restricted cash where use is limited by legal requirements. Restricted cash as of year end is \$760,178.

**Investment pool**

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

Total investments of the cooperative as of year-end are \$530,923,641, which consisted of \$224,363,926 in repurchase agreements, \$206,559,715 in U.S. Treasury Securities and \$100,000,000 in collateralized bank deposits, with various interest rates and due dates.

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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The following amounts are included as cash:

<u>Fund</u>	<u>Carrying Amount</u>
Fiduciary Funds	<u>\$ 921,550</u>

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

**6. PARTICIPATION IN BOCES**

During the year ended June 30, 2011, the District was billed \$7,765,075 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$827,988. 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, 2011 consisted of:

General Fund	
Federal stabilization aid	\$ 302,512
New York State aid	543,969
BOCES aid	<u>374,837</u>
	1,221,318
Special Aid Fund	
Federal and State grants	2,506,225
School Lunch Fund	
Federal and State food service program reimbursements	<u>71,657</u>
	<u>\$ 3,799,200</u>

**8. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2011 consisted of tuition from other districts in the amount of \$46,537.

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**9. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2011, were as follows:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,545,142	\$	\$	\$ 1,545,142
Construction in progress	42,520	578,464	(598,658)	22,326
Total capital assets not being depreciated	1,587,662	578,464	(598,658)	1,567,468
Capital assets being depreciated				
Buildings and improvements	42,207,412	598,658	(27,184)	42,778,886
Site improvements	4,730,039			4,730,039
Furniture and equipment	7,021,368	275,791	(891,074)	6,406,085
Total capital assets being depreciated	53,958,819	874,449	(918,258)	53,915,010
Less accumulated depreciation for:				
Buildings and improvements	25,101,925	1,584,982	(19,844)	26,667,063
Site improvements	1,299,694	226,389		1,526,083
Furniture and equipment	5,932,631	261,503	(898,414)	5,295,720
Total accumulated depreciation	32,334,250	2,072,874	(918,258)	33,488,866
Total capital assets, being depreciated, net	21,624,569	(1,198,425)	-	20,426,144
Capital assets, net	\$ 23,212,231	\$ (619,961)	\$ (598,658)	\$ 21,993,612

Depreciation expense was charged to governmental functions as follows:

General support	\$ 46,925
Instruction	2,012,704
Food service program	13,245
Total depreciation expense	\$ 2,072,874

**10. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2011, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 3,574,370	\$ 1,564,801	\$ 995,254	\$ 2,441,920
Special Aid Fund	114,461	2,592,356	209,557	8,627
School Lunch Fund		50,494		
Debt Service Fund			1,188,475	
Capital Projects Fund	1,046,644	527,824	1,044,000	986,739
Total	\$ 4,735,475	\$ 4,735,475	\$ 3,437,286	\$ 3,437,286

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

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

The transfer from the capital projects fund to the general fund was the result of excess amounts from nearly completed projects. The transfer from the special aid fund to the general fund was for general fund program expenses covered by grant funding.

**11. OTHER ASSETS**

At June 30, 2011, total split dollar life insurance premiums subject to reimbursement amounted to \$541,639, which was recorded as other assets in the general fund. The corresponding revenue to this receivable is included in deferred revenues and will be recognized in the year that the proceeds are received.

**12. SHORT-TERM DEBT**

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance June 30, 2010</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2011</u>
TAN	6/24/11	1.5%	<u>\$</u>	<u>\$ 25,000,000</u>	<u>\$ (25,000,000)</u>	<u>\$</u>

Interest expense on short-term debt for the year was \$66,625.

**13. LONG-TERM LIABILITIES**

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

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>	<u>Amounts Due Within One Year</u>
Long-term debt:					
Bonds payable	\$ 5,465,000	\$	\$ (950,000)	\$ 4,515,000	\$ 990,000
Installment purchase debt	1,855,894		(137,072)	1,718,822	142,659
Other long-term liabilities:					
Compensated absences	4,831,123	2,291,961		7,123,084	62,608
Workers' compensation	<u>2,789,560</u>	<u>98,110</u>	<u>(552,742)</u>	<u>2,334,928</u>	<u>408,012</u>
	<u>\$ 14,941,577</u>	<u>\$ 2,390,071</u>	<u>\$ (1,639,814)</u>	<u>\$ 15,691,834</u>	<u>\$ 1,603,279</u>

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

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2011
Construction	5/1998	7/2012	4.0 - 5.5%	\$ 1,765,000
Construction	9/2006	6/2026	4.125 - 4.25%	<u>2,750,000</u>
				<u>\$ 4,515,000</u>

The following is a summary of bond debt service requirements:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 990,000	\$ 188,013	\$ 1,178,013
2013	1,045,000	134,113	1,179,113
2014	145,000	103,450	248,450
2015	150,000	97,469	247,469
2016	160,000	91,281	251,281
2017-2021	900,000	352,456	1,252,456
2022-2026	<u>1,125,000</u>	<u>147,431</u>	<u>1,272,431</u>
Total	<u>\$ 4,515,000</u>	<u>\$ 1,114,213</u>	<u>\$ 5,629,213</u>

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2011
Energy Performance Contract	3/2005	6/2021	4.076%	<u>\$ 1,718,822</u>

The following is a summary of installment purchase debt requirements:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 142,659	\$ 70,059	\$ 212,718
2013	148,473	64,245	212,718
2014	154,525	58,193	212,718
2015	160,823	51,894	212,717
2016	167,379	45,339	212,718
2017-2021	<u>944,963</u>	<u>118,625</u>	<u>1,063,588</u>
Total	<u>\$ 1,718,822</u>	<u>\$ 408,355</u>	<u>\$ 2,127,177</u>

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

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

Interest paid	\$ 314,121
Less interest accrued in the prior year	(88,245)
Plus interest accrued in the current year	<u>66,782</u>
Total interest expense on long-term debt	<u>\$ 292,658</u>

**14. PENSION PLANS**

**A. General Information**

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

**B. Provisions and Administration**

Teachers' Retirement System

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

Employees' Retirement System

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

**C. Funding Policies**

The Systems are noncontributory for the employee except for those who either joined the Systems after July 27, 1976 with less than ten years of credited service, who contribute 3% of their salary, or joined the Systems on or after January 1, 2010 who contribute 3% of their salary to NYSERS or 3.5% of their salary to NYSTRS throughout active membership. For the NYSERS, the Comptroller shall certify annually the rates expressed as proportions of members' payroll annually, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, rates are established annually for NYSTRS by the New York State Teachers' Retirement Board.

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

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

Year	NYSTRS	NYSERS
2011	\$ 3,885,693	\$ 1,665,284
2010	2,702,020	1,022,023
2009	3,289,991	897,066

**15. POSTEMPLOYMENT BENEFITS**

**A. Plan Description**

The District provides medical, Medicare part B, major medical, dental, vision, and term life insurance coverage (the healthcare plan) to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through the New York State Health Insurance Program – Empire Plan.

**B. Funding Policy**

The District assumes between 60% and 100% of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as payments are made. For the year ended June 30, 2011, the District recognized a general fund expenditure of \$5,392,671 for insurance premiums for 653 currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the “pay as you go” method.

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

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

Annual required contribution (ARC)	\$ 18,310,201
Interest on net OPEB obligation	955,049
Adjustment to ARC	<u>(1,353,951)</u>
Annual OPEB cost (expense)	17,911,299
Contributions made	<u>(5,392,671)</u>
 Increase in net OPEB obligation	 12,518,628
Net OPEB obligation - beginning of year	<u>23,876,221</u>
 Net OPEB obligation - end of year	 <u><u>\$ 36,394,849</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011 and preceding two years are as follows:



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

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<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 17,911,299	30.1%	\$ 36,394,849
June 30, 2010	16,511,912	30.8%	23,876,221
June 30, 2009	18,000,917	30.8%	12,450,197

**D. Funded Status and Funding Progress**

As of July 1, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$187,917,500 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$187,917,500. The covered payroll (annual payroll of active employees covered by the plan) was \$56,630,230, and the ratio of the UAAL to the covered payroll was 331.83%.

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

**E. Actuarial Methods and Assumptions**

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

In the July 1, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 5% after 5 years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 was 27 years.

**16. RISK MANAGEMENT**

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

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

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities should include an amount for reported and unreported claims which were incurred on or before year end but not reported (IBNR). The liability at June 30, 2011 is based on an actuarial valuation using an annual interest rate discount of 3% prepared at June 30, 2010 and is adjusted for each year's activity. Claims activity is summarized below:

	<u>2010</u>	<u>2011</u>
Unpaid claims at beginning of year	\$ 2,554,505	\$ 2,789,560
Incurred claims and claim adjustment expenses	805,791	98,110
Claim payments	<u>(570,736)</u>	<u>(552,742)</u>
Unpaid claims at year end	<u>\$ 2,789,560</u>	<u>\$ 2,334,928</u>

**17. ASSIGNED APPROPRIATED FUND BALANCE**

The amount of \$2,245,000 has been appropriated to reduce taxes for the year ending June 30, 2012.

**18. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2011, the District encumbered the following amounts:

Restricted Fund Balance	
Capital Projects Fund	
Capital projects	<u>\$ 90,276</u>
Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	26,662
Instruction	9,914
Pupil transportation	<u>5,160</u>
	<u>41,736</u>
Capital Projects Fund	
Capital projects	<u>57,286</u>
	<u>\$ 189,298</u>

**B. Grants**

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

**C. Litigation**

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

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

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**D. Operating Leases**

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$226,363. The minimum remaining operating lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 233,866
2013	152,855
2014	80,601
2015	12,058
2016	<u>3,695</u>
	<u>\$ 483,075</u>

**19. SUBSEQUENT EVENTS**

On September 28, 2011, the District issued tax anticipation notes in the amount of \$27,000,000, which are due June 27, 2012, and bear effective interest rates of 0.24%.

**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, 2011

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 81,584,588	\$ 81,584,588	\$ 81,584,832	\$ 244
Other tax items	10,545,799	10,545,799	10,444,482	(101,317)
Charges for services	475,600	475,600	367,733	(107,867)
Use of money and property	384,000	384,000	213,470	(170,530)
Sale of property and compensation for loss			24,334	24,334
Miscellaneous	765,000	797,348	1,156,657	359,309
Total Local Sources	93,754,987	93,787,335	93,791,508	4,173
State Sources	12,125,052	12,125,052	10,418,229	(1,706,823)
Federal Sources			814,906	814,906
Total Revenues	105,880,039	105,912,387	105,024,643	(887,744)
<b>OTHER SOURCES</b>				
Operating transfers in	991,500	991,500	995,254	3,754
Total Revenues and Other Sources	106,871,539	106,903,887	106,019,897	\$ (883,990)

**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, 2011

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 50,750	\$ 55,019	\$ 34,200	\$	\$ 20,819
Central administration	347,257	359,643	348,842		10,801
Finance	1,126,952	1,345,151	1,292,255	6,248	46,648
Staff	893,897	927,552	791,146	2,603	133,803
Central services	6,834,135	6,960,764	6,480,713	17,811	462,240
Special items	1,073,768	1,072,783	986,363		86,420
Total General Support	10,326,759	10,720,912	9,933,519	26,662	760,731
Instruction					
Instruction, administration & improvement	4,316,181	4,607,637	4,382,880	896	223,861
Teaching - regular school	32,304,915	32,561,466	31,098,373	4,848	1,458,245
Programs for children with handicapping conditions	18,298,424	18,346,491	17,313,708	1,584	1,031,199
Occupational education	919,684	957,553	957,553		-
Teaching - special school	170,975	192,232	190,191		2,041
Instructional media	1,573,580	1,671,049	1,635,359	477	35,213
Pupil services	3,939,436	4,112,301	3,903,537	2,109	206,655
Total Instruction	61,523,195	62,448,729	59,481,601	9,914	2,957,214
Pupil Transportation	8,777,209	8,805,471	8,709,432	5,160	90,879
Employee Benefits	25,436,602	25,818,707	24,745,842		1,072,865
Debt Service					
Principal	137,072	137,072	137,072		-
Interest	775,647	142,271	142,271		-
Total Debt Service	912,719	279,343	279,343	-	-
Total Expenditures	106,976,484	108,073,162	103,149,737	41,736	4,881,689
Other Uses					
Operating transfers out	2,213,476	2,697,626	2,441,920		255,706
Total Expenditures and Other Uses	109,189,960	110,770,788	105,591,657	\$ 41,736	\$ 5,137,395
Net Change in Fund Balances	(2,318,421)	(3,866,901)	428,240		
Fund Balances - Beginning of Year	2,318,421	2,318,421	15,644,797		
Fund Balances - End of Year	\$ -	\$ (1,548,480)	\$ 16,073,037		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Schedule of Funding Progress for Other Postemployment Benefits (OPEB)**  
June 30, 2011

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrual Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2010	\$ -	\$ 187,917,500	\$ 187,917,500	0%	\$ 56,630,230	331.8%
July 1, 2009 - (Update)	-	156,159,018	156,159,018	0%	52,338,096	298.4%
July 1, 2008	-	164,463,546	164,463,546	0%	55,488,404	296.4%

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Schedules of Change from Adopted Budget to Final Budget**  
**and Use of Assigned: Appropriated and Unassigned Fund Balance - General Fund**  
**For The Year Ended June 30, 2011**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 108,786,539
Additions:	
Prior year's encumbrances	<u>403,421</u>
Original Budget	109,189,960
Budget revision	<u>1,580,828</u>
Final Budget	<u><u>\$ 110,770,788</u></u>
Next year's budget is a voter-approved budget of	<u><u>\$ 109,037,301</u></u>

**USE OF ASSIGNED: APPROPRIATED AND UNASSIGNED FUND BALANCE**

Assigned: Appropriated and Unassigned Fund Balance -	
As of the beginning of the year	\$ 6,266,462
Less:	
Appropriated fund balance used for	
the levy of taxes - Adopted budget	<u>1,915,000</u>
Unassigned Fund Balance -	
As of the beginning of the year	<u><u>\$ 4,351,462</u></u>

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**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Schedule of Certain Revenues and Expenditures**  
**Compared to ST-3 Data**  
For The Year Ended June 30, 2011

	<u>Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
<b>REVENUES</b>			
Real Property Taxes	A -1001	\$ 81,584,832	\$ 81,584,832
Non-Property Taxes	AT-1199	-	-
State Aid	AT-3999	10,418,229	10,418,229
Federal Aid	AT-4999	814,906	814,906
Total Revenues	AT-5999	106,019,897	106,019,897
<b>EXPENDITURES</b>			
General Support	AT-1999	9,933,519	9,933,519
Pupil Transportation	AT-5599	8,709,432	8,709,432
Debt Service - Principal	AT-9798.6	137,072	137,072
Debt Service - Interest	AT-9798.7	142,271	142,271
Total Expenditures	AT-9999	105,591,657	105,591,657

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**Investment in Capital Assets, Net of Related Debt**  
For The Year Ended June 30, 2011

Capital assets, net	<u>\$ 21,993,612</u>
Deduct:	
Short-term portion of bonds payable	(990,000)
Long-term portion of bonds payable	(3,525,000)
Short-term portion of installment purchase debt	(142,659)
Long-term portion of installment purchase debt	<u>(1,576,163)</u>
	<u>(6,233,822)</u>
Investment in capital assets, net of related debt	<u><u>\$ 15,759,790</u></u>

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

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

We have audited the financial statements of the governmental activities, each major fund and the fiduciary funds of the Huntington Union Free School District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

*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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting described in the accompanying Schedule of Findings and Responses as item 07-1 that we consider to be a significant deficiency in internal control over financial reporting. 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.

### Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Huntington Union Free School District in a separate letter dated October 17, 2011.

Huntington Union Free School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Huntington Union Free School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the use and information of the Board of Education, Audit Committee, management, others you deem appropriate within the District, and any governmental authorities you need to share this information with and is not intended to be and should not be used by anyone other than these specified parties.

*Cullen & Danowski, LLP*

October 17, 2011

**HUNTINGTON UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Year Ended June 30, 2011

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**FINANCIAL STATEMENTS FINDINGS**

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

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

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

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

*Recommendation:* The District should review this issue and determine if an individual could exercise control over the preparation of its annual financial statements.

*Management Response:* The District is determining whether staff can be trained to exercise control over the preparation of the financial statements, or if the funds are available for outside support to complete this process.

