

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

HAUPPAUGE UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Hauppauge Union Free School District

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund of the Hauppauge Union Free School District, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Hauppauge Union Free School District, as of June 30, 2017, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 15 and 57 through 61, 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 Boards, 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 inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

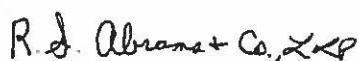
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hauppauge Union Free School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements.

The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017 on our consideration of the Hauppauge 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hauppauge Union Free School District's internal control over financial reporting and compliance.



R.S. Abrams & Co., LLP
Islandia, NY
October 12, 2017

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The following is a discussion and analysis of the Hauppauge Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2017. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2017 are as follows:

- On the District-Wide Financial Statements, the District's total net position decreased by \$263,792 primarily due to the deferred inflows and outflows related to pensions as well as changes in the proportionate share of the net pension asset (liability), as actuarially determined. There were also increases in the net OPEB obligation and claims payable, offset by a decrease in bonds payable.
- The District's expenses for the year, as reflected in the District-Wide Financial Statements, totaled \$109,170,543. Of this amount, \$1,268,738 was offset by program charges for services and \$2,148,469 for operating grants. General revenues of \$105,489,544 amount to 96.87% of total revenues. Total expenses exceeded revenues by \$263,792 on the accrual based District-Wide Financial Statements.
- The general fund total fund balance, as reflected in the Fund Financial Statements, increased by \$3,640,283. This was due to an excess of revenues and other financing sources over expenditures and other financing uses of \$3,640,283.
- On May 16, 2017 the proposed 2017-2018 budget in the amount of \$110,626,357 was authorized by the District's residents. This represents an increase of \$2,660,500 or 2.47% over the prior year's budget.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

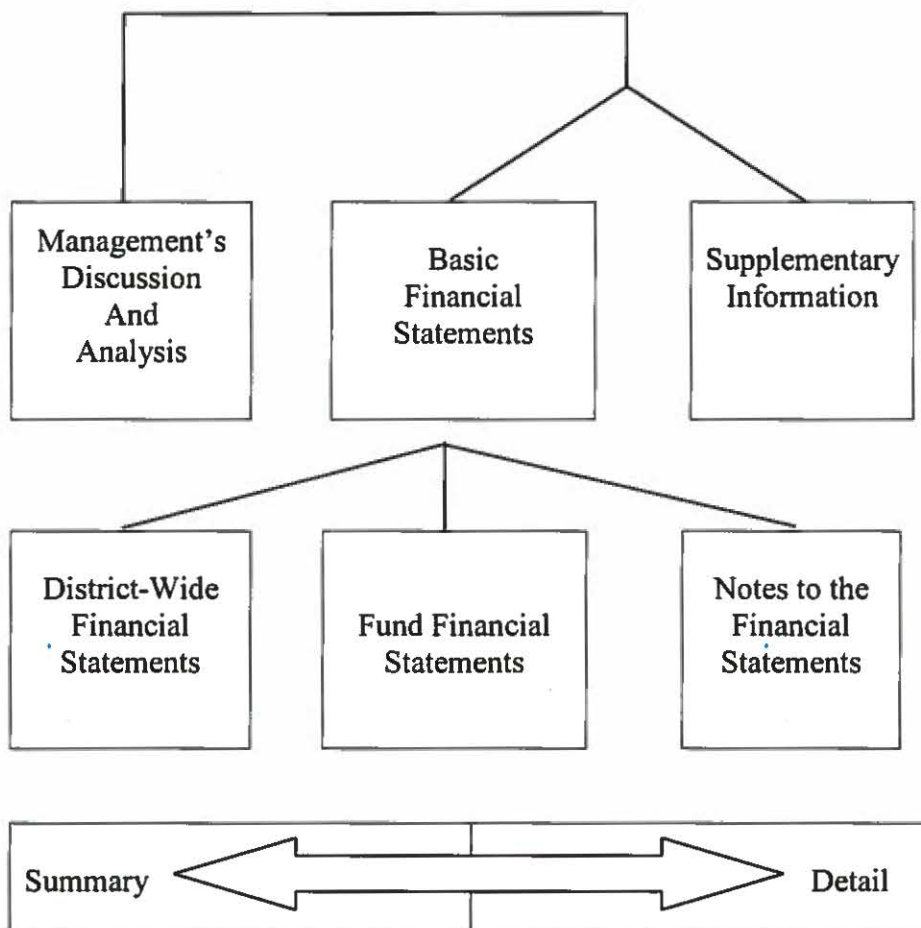
- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Financial Statements.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.
- *Fiduciary Funds Financial Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

Table A-1: Organization of the District's Annual Financial Report



**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Table A-2: Major Features of the District-Wide and Fund Financial Statements

	District-Wide Financial Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows or resources, liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

A) District-Wide Financial Statements:

The District-Wide Financial Statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-Wide Financial Statements report the District's net position and how it has changed. Net position, the difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is one way to measure the financial health or position of the District.

- Over time, increases and decreases in net position is an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

District-Wide Financial Statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
 - *Net investment in capital assets*;
 - *Restricted net position* has constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation; and
 - *Unrestricted net position* is net position that does not meet any of the above restrictions.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

B) Fund Financial Statements:

The Fund Financial Statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York. The District has two kinds of funds:

- *Governmental funds:* Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Financial Statements, additional information in a separate reconciliation schedule explains the relationship (or differences) between them. In summary, the Governmental Fund Financial Statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special aid fund, school lunch fund, debt service fund and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.
- *Fiduciary funds:* The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position:

The District's total net position decreased by \$263,792 in the fiscal year ended June 30, 2017, as detailed in Table A-3.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Table A-3 – Condensed Statement of Net Position-Governmental Activities

	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)	Percentage Change
Current assets and other assets	\$42,852,997	\$41,943,185	\$909,812	2.17%
Capital assets, net of depreciation	60,508,474	60,563,915	(55,441)	(0.09%)
Net pension asset - proportionate share	-	28,519,759	(28,519,759)	(100.00%)
Total Assets	<u>103,361,471</u>	<u>131,026,859</u>	<u>(27,665,388)</u>	<u>(21.11%)</u>
Deferred outflows of resources	<u>31,030,311</u>	<u>10,789,810</u>	<u>20,240,501</u>	<u>187.59%</u>
Total Assets and Deferred Outflows of Resources	<u>\$134,391,782</u>	<u>\$141,816,669</u>	<u>(\$7,424,887)</u>	<u>(5.24%)</u>
Other liabilities	\$9,095,374	\$10,429,254	(\$1,333,880)	(12.79%)
Long-term liabilities	<u>71,478,592</u>	<u>68,147,455</u>	<u>3,331,137</u>	<u>4.89%</u>
Total Liabilities	<u>80,573,966</u>	<u>78,576,709</u>	<u>1,997,257</u>	<u>2.54%</u>
Deferred inflows of resources	<u>2,195,564</u>	<u>11,353,916</u>	<u>(9,158,352)</u>	<u>(80.66%)</u>
Total Liabilities and Deferred Inflows of Resources	<u>82,769,530</u>	<u>89,930,625</u>	<u>(7,161,095)</u>	<u>(7.96%)</u>
Net position				
Net investment in capital assets	34,768,208	31,624,313	3,143,895	9.94%
Restricted	23,334,633	19,400,224	3,934,409	20.28%
Unrestricted	<u>(6,480,589)</u>	<u>861,507</u>	<u>(7,342,096)</u>	<u>852.24%</u>
Total Net Position	<u>51,622,252</u>	<u>51,886,044</u>	<u>(263,792)</u>	<u>(0.51%)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$134,391,782</u>	<u>\$141,816,669</u>	<u>(\$7,424,887)</u>	<u>(5.24%)</u>

Current assets and other assets increased by \$909,812. This change is primarily due to an increase in cash and cash equivalents and due from other governments. Capital assets (net of depreciation) decreased by \$55,441 as a result of current year depreciation exceeding current year additions.

Net pension asset – proportionate share decreased by \$28,519,759. This is a result of changes in the assumptions used to determine the District's proportionate share of the net pension asset or liability for the New York State Teachers' Retirement System ("TRS"). The District is reporting a net pension liability of \$2,932,037 for TRS for the year ended June 30, 2017, which is reported as part of long-term liabilities in the above table.

Deferred outflows of resources increased by \$20,240,501. This represents contributions to the State Retirement Systems subsequent to the measurement date and actuarial adjustments at the plan level that will be amortized in future years.

Other liabilities decreased by \$1,333,880. This is primarily attributable to decreases in the amount due to the teachers' retirement system, due to the employees' retirement system, accounts payable, and accrued liabilities, offset by an increase in compensated absences payable.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Long-term liabilities increased by \$3,331,137. This represents an increase in the District's proportionate share of the net pension liability related to their TRS pension system, net other postemployment benefits obligation, claims payable, and compensated absences payable offset by payments of principal on debt during the year. Deferred inflows of resources decreased by \$9,158,352. This decrease relates to the amortization of pension related items as discussed in Note 15 "Pension Plans" and amortization of the gain on defeasance.

The net investment in capital assets, relates to the investment in capital assets at cost such as land, buildings & improvements, land improvements, and furniture & equipment, net of depreciation and related debt. The increase in net investment in capital assets of \$3,143,895 is primarily a result of the reduction in related long-term debt of \$3,040,000. Current year depreciation exceeded capital asset additions by \$55,441. See accompanying Notes to Financial Statements, Note 10 "Capital Assets" for additional information.

The restricted net position in the amount of \$23,334,633 relates to the District's reserves and restricted amounts in the debt service fund. This amount increased by \$3,934,409 from the prior year as a result of the District funding the capital reserves, retirement contribution reserve, and employee benefit accrued liability reserve, and allocating interest to the reserves. These increases were offset by a decrease in the fund balance of the debt service fund.

The unrestricted net deficit of \$6,480,589 relates to the balance of the District's net position. The unrestricted net position decreased by \$7,342,096 from the prior year and represents the amount by which the District's liabilities and deferred inflows of resources excluding debt related to capital construction and the gain of the defeasance exceeded assets and deferred outflows of resources other than capital assets. The primary reason for this decrease in net position was the change in the proportionate share of the net pension asset (liability) related to the pension systems, as actuarially determined, as well as the related deferred inflows and outflows of resources. See accompanying Notes to Financial Statements, Note 14 "Deferred Inflows of Resources – Gain on Defeasance" and Note 15 "Pension Plans" for additional information.

Overall, net position decreased by \$263,792.

B) Changes in Net Position:

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2017 and 2016 are as follows:

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Table A-4: Changes in Net Position from Operating Results Governmental Activities Only

	Fiscal Year 2017	Fiscal Year 2016	Increase/ (Decrease)	Total Percentage Change
Revenues				
Program Revenues				
Charges for services	\$1,268,738	\$1,296,187	(\$27,449)	(2.12%)
Operating grants	2,148,469	2,132,153	16,316	0.77%
General Revenues				
Real property taxes & STAR	81,480,647	81,391,241	89,406	0.11%
PILOT - Payment in Lieu of Taxes	5,507,934	5,017,636	490,298	9.77%
State sources	16,433,947	14,886,997	1,546,950	10.39%
Use of money and property	496,175	412,970	83,205	20.15%
Other	1,570,841	998,634	572,207	57.30%
Total Revenues	<u>108,906,751</u>	<u>106,135,818</u>	<u>2,770,933</u>	2.61%
Expenses				
General support	17,562,344	15,238,969	2,323,375	15.25%
Instruction	82,644,870	72,603,858	10,041,012	13.83%
Pupil transportation	6,679,541	6,171,738	507,803	8.23%
Community services	124,201	105,583	18,618	17.63%
Debt service - interest	1,067,487	1,296,042	(228,555)	(17.63%)
Food service program	1,092,100	1,302,388	(210,288)	(16.15%)
Total Expenses	<u>109,170,543</u>	<u>96,718,578</u>	<u>12,451,965</u>	12.87%
Changes in Net Position	<u>(\$263,792)</u>	<u>\$9,417,240</u>	<u>(\$9,681,032)</u>	(102.80%)

The District's fiscal year 2017 revenues totaled \$108,906,751 (See Table A-4). Real property taxes, STAR and PILOT, and state sources accounted for most of the District's revenue by contributing 79.88% and 15.09%, respectively of total revenues (See Table A-5). The remaining revenue sources came from charges for services, operating grants, use of money and property, and other miscellaneous sources. Total revenues increased by \$2,770,933 or 2.61%. This was primarily attributable to an increase in state sources, PILOT – payment in lieu of taxes, and other, offset by decreases in charges for services.

The cost of all programs and services totaled \$109,170,543 for fiscal year 2017. These expenses are predominantly related to instruction and transporting students, which account for 81.82% of district expenses (See Table A-6). The District's general support activities accounted for 16.09% of total costs. Total expenses increased by \$12,451,965 or 12.87%. This was primarily due to changes in the proportionate share of the net pension asset (liability) related to the pension systems, as actuarially determined, as well as the related deferred inflows and outflows of resources.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Table A-5: Revenues for Fiscal Year 2017 (See Table A-4)

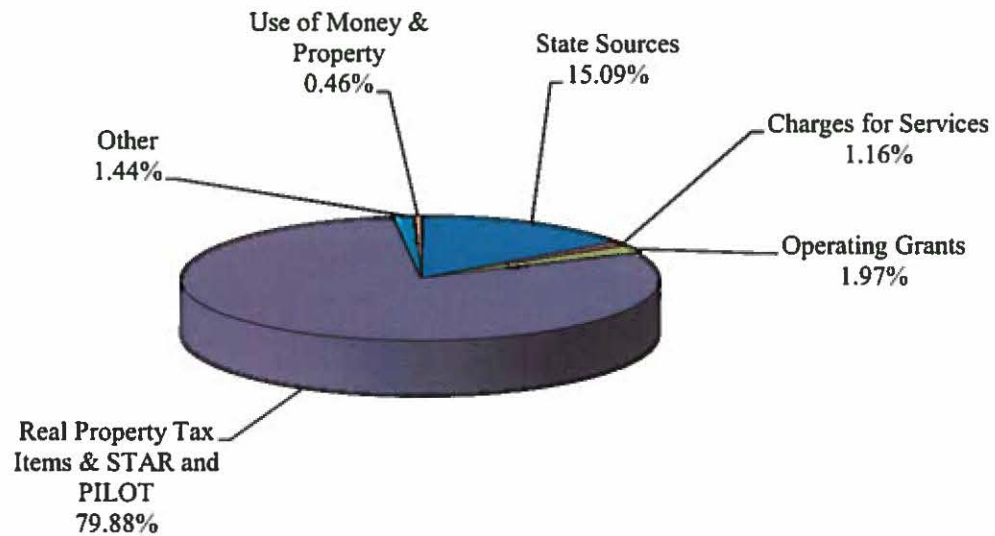
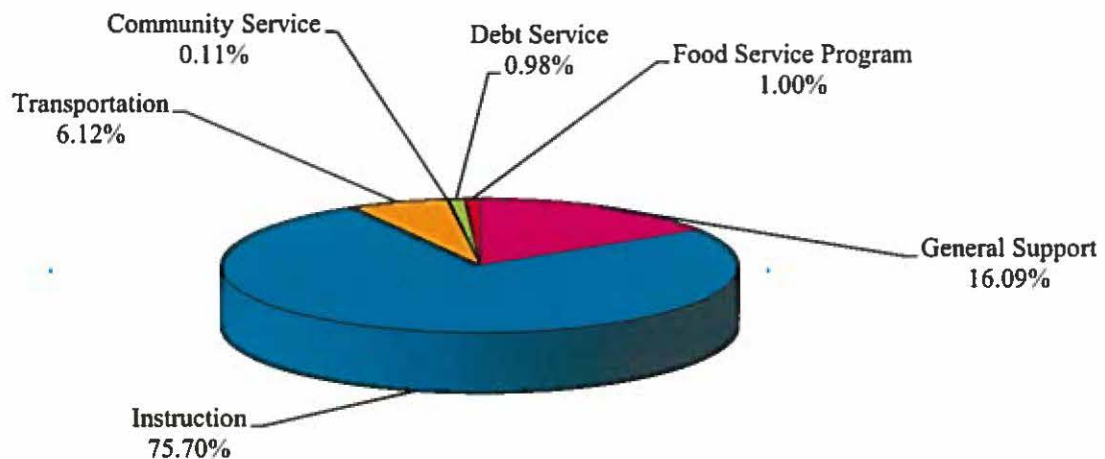


Table A-6: Expenses for Fiscal Year 2017 (See Table A-4)



**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

C) Governmental Activities:

The continuation of the overall good financial condition of the District, as a whole, can be credited to:

- Continued leadership of the District's Board and administration;
- Strategic use of services from the Eastern Suffolk BOCES;
- Improved curriculum and community support.

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variances between years for the Governmental Fund Financial Statements are not the same as variances between years for the District-Wide Financial Statements. The District's governmental funds are presented on the **current financial resources measurement focus** and the **modified accrual basis of accounting**. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

As of June 30, 2017, the District's combined governmental funds reported a total fund balance of \$33,939,611 which is an increase of \$2,186,194 from the prior year. This increase is primarily due to revenues and other financing sources in the general fund exceeding expenditures and other financing uses, offset by an excess of expenditures and other financing uses over revenues and other financing sources in the capital projects fund and debt service fund.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Table A-7: Changes in Fund Balance - Governmental Funds

	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)	Percentage Change
General Fund				
Restricted for workers' compensation	\$1,071,866	\$1,070,871	\$995	0.09%
Restricted for insurance	430,186	429,678	508	0.12%
Restricted for repair	405,430	404,953	477	0.12%
Restricted for unemployment insurance	169,756	169,559	197	0.12%
Restricted for retirement contribution	3,635,569	3,381,584	253,985	7.51%
Restricted for employee benefit accrued liability	7,601,001	6,942,820	658,181	9.48%
Restricted for capital	9,611,174	6,328,583	3,282,591	51.87%
Assigned - general support	193,318	82,440	110,878	134.50%
Assigned - instruction	6,650	59,636	(52,986)	(88.85%)
Assigned - pupil transportation	-	52,601	(52,601)	(100.00%)
Assigned - insurance recoveries	-	63,162	(63,162)	(100.00%)
Assigned - designated for subsequent year's expenditures	4,544,800	5,150,000	(605,200)	(11.75%)
Unassigned	4,425,054	4,318,634	106,420	2.46%
Total Fund Balance - General Fund	<u>\$32,094,804</u>	<u>\$28,454,521</u>	<u>\$3,640,283</u>	12.79%
School Lunch Fund				
Nonspendable: inventory	\$692	\$538	\$154	28.62%
Assigned - unappropriated	1,001,861	995,954	5,907	0.59%
Total Fund Balance - School Lunch Fund	<u>\$1,002,553</u>	<u>\$996,492</u>	<u>\$6,061</u>	0.61%
Capital Projects Fund				
Restricted for capital projects	-	\$134,102	(\$134,102)	(100.00%)
Assigned - unappropriated	\$432,603	1,630,228	(1,197,625)	(73.46%)
Total Fund Balance - Capital Projects Fund	<u>\$432,603</u>	<u>\$1,764,330</u>	<u>(\$1,331,727)</u>	(75.48%)
Debt Service Fund				
Restricted for debt service	\$409,651	\$538,074	(\$128,423)	(23.87%)
Total Fund Balance - Debt Service Fund	<u>\$409,651</u>	<u>\$538,074</u>	<u>(\$128,423)</u>	(23.87%)
Total Fund Balance - All Funds	<u>\$33,939,611</u>	<u>\$31,753,417</u>	<u>\$2,186,194</u>	6.88%

The District can attribute changes to fund balance and reserves primarily due to fund operating results, use of restricted fund balances to support appropriations, Board approved transfers, and allocation of interest earnings.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

A) General Fund

The net change in the general fund – fund balance is an increase of \$3,640,283. Revenues increased \$2,790,173 or 2.7% compared to the prior year, primarily due to the increases in PILOT – payment in lieu of taxes, and state sources.

Expenditures increased by \$2,951,384 or 3.1% compared to the prior year, primarily due to increases in instruction, general support, and employee benefits. The other financing uses decreased by \$897,751 or 16.22% compared to the prior year, primarily due to a decrease in the transfer to the capital projects fund offset by an increase in the transfer to the special aid fund. The other finances sources increased by \$227,730 as a result of returned excess funds from the capital projects fund related to completed capital projects.

B) School Lunch Fund

The net change in the school lunch fund – fund balance is an increase of \$6,061. This increase is primarily due to operating results.

C) Capital Projects Fund

The net change in the capital projects fund – fund balance is a decrease of \$1,331,727. This decrease is due to current year capital expenditures and other financing uses exceeding the operating transfer in from the general fund.

D) Debt Service Fund

The net change in the debt service fund – fund balance is a decrease of \$128,423. This decrease is due to debt service payments exceeding revenues and the operating transfer in from the general fund.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2016-2017 Budget:

The District's general fund adopted budget for the year ended June 30, 2017 was \$107,965,857. This amount was increased by encumbrances carried forward from the prior year in the amount of \$194,677 and budget revisions in the amount of \$138,162 for equipment purchases and gym floor repairs. This resulted in a final budget of \$108,298,696. The majority of the funding was property taxes and STAR revenue of \$81,478,064.

B) Change in the General Fund Unassigned Fund Balance (Budget to Actual):

The general fund's unassigned fund balance is a component to total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and assignments to fund subsequent years' budgets. It is this balance that is commonly referred to as "Fund Balance".

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget are as follows:

Opening, unassigned fund balance	\$4,318,634
Revenues over budget	3,322,205
Expenditures and encumbrances under budget	5,525,949
Funding to reserves	(4,177,101)
Interest allocated to reserves	(19,833)
Assigned for June 30, 2018 budget	(4,544,800)
Closing, unassigned fund balance	<u>\$4,425,054</u>

The revenues over budget of \$3,322,205 were primarily in PILOT – payment in lieu of taxes, state sources, and miscellaneous revenue. (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget of \$5,525,949 were primarily in instruction, employee benefits, central services, and pupil transportation. (see Supplemental Schedule #1 for detail).

The District funded the retirement contribution reserve in the amount of \$250,000, the employee benefit accrued liability reserve in the amount of \$650,000, and the capital reserves in the amount of \$3,277,101 with \$67,002 being from excess funds on completed capital projects which were returned to the general fund.

Interest of \$19,833 was allocated to reserves as follows: \$995 to the workers' compensation reserve, \$197 to the unemployment insurance reserve, \$3,985 to the retirement contribution reserve, \$508 to the insurance reserve, \$8,181 to the employee benefit accrued liability reserve, \$5,490 to the capital projects reserve, and \$477 to the repair reserve.

The assigned, appropriated fund balance of \$4,544,800 for the June 30, 2018 budget is the amount the District has chosen to use to partially fund its operating budget for the 2017-2018 fiscal year.

The closing, unassigned fund balance represents the fund balance retained by the District that is not appropriated for subsequent years taxes.

The changes in fund balances are discussed further in Management Discussion and Analysis Section 4 – Financial Analysis of the District's Funds.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets:

The District paid for equipment and various building additions and renovations during the fiscal year 2017. A summary of the District's capital assets, net of depreciation is as follows:

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Table A-8: Capital Assets (Net of Depreciation)

Category	Fiscal Year 2017	Fiscal Year 2016	Net Increase (Decrease)	Percentage Change
Buildings & improvements	\$92,555,806	\$89,873,610	\$2,682,196	2.98%
Construction in Progress	17,398	1,145,595	(1,128,197)	(98.48%)
Land	1,869,776	1,869,776	-	-
Land improvements	1,797,041	1,797,041	-	-
Furniture and equipment	6,312,987	6,105,833	207,154	3.39%
Vehicles	1,614,073	1,508,147	105,926	7.02%
Subtotal	<u>104,167,081</u>	<u>102,300,002</u>	<u>1,867,079</u>	1.83%
Less: Accumulated depreciation	<u>(43,658,607)</u>	<u>(41,736,087)</u>	<u>(1,922,520)</u>	4.61%
Total capital assets, net	<u>\$60,508,474</u>	<u>\$60,563,915</u>	<u>(\$55,441)</u>	(0.09%)

The District spent \$1,553,997 in the capital projects fund on building improvements and construction in progress, \$289,738 in the general fund on furniture, equipment and vehicle purchases, and \$23,346 in the school lunch fund on equipment. See accompanying Notes to Financial Statements, Note 10 "Capital Assets" for additional information.

B) Long-Term Debt:

At June 30, 2017, the District had total bonds payable of \$24,980,000. The decrease in outstanding debt represents principal payments. A summary of the outstanding debt at June 30, 2017 and 2016 is as follows:

	2017	2016	Increase (Decrease)
Serial bonds	<u>\$24,980,000</u>	<u>\$28,020,000</u>	<u>(\$3,040,000)</u>

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- The 2017-2018 budget is impacted by certain trends impacting school districts. These include increases in collective bargaining agreements and health insurance costs.
- On June 24, 2011, Chapter 97 of the Laws of 2011 (herein referred to as the "Tax Levy Limit Law") was signed by the Governor. The Tax Levy Limit Law modifies current law by imposing a limit on the amount of real property taxes that a school district may levy. The law took effect in the school district's fiscal year beginning July 1, 2012.

The Tax Levy Limit Law imposes a limitation on the amount of tax levy growth from one fiscal year to the next. Such limitation is the lesser of (i) 2% or (ii) the annual percentage

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

increase in the consumer price index. A budget with a tax levy that does not exceed such limit will require approval by at least 50% of the voters. Approval by at least 60% of the voters will be required for a budget with a tax levy increase in excess of the limit. In the event the voters reject the budget, the tax levy for the school district's budget for the ensuing fiscal year may not exceed the amount of the tax levy for the prior fiscal year.

The Law sets forth several exceptions to the tax levy limit for school districts. These include taxes to pay debt service on bonds or notes issued to finance voter approved capital expenditures and the refinancing or refunding of such bonds or notes, certain pension cost increases, and other items enumerated in the Law. School districts will be permitted to carry forward a certain portion of their unused tax levy limitation from a prior year.

- The Patient Protection and Affordable Care Act or more commonly referred to as the Affordable Care Act was enacted into law on March 23, 2010. Beginning in 2016, the mandate requires large employers (generally those with fifty (50) or more full-time equivalent employees) to either offer affordable health coverage to full-time employees and their dependents, or pay a penalty if the employer fails to offer affordable health coverage, and at least one full-time employee receives a premium tax credit to help purchase coverage through an Affordable Insurance Exchange. It is anticipated that implementation of this law will increase the health insurance costs for the District.
- The District issued \$24,000,000 in tax anticipation notes on September 27, 2017, maturing June 22, 2018 for the following:

Amount	Rate	Premium	Interest Cost
\$24,000,000	2.000%	\$182,640	0.9662%

- The general fund budget for the 2017-2018 school year was approved by the voters in the amount of \$110,626,357. This is an increase of \$2,660,500 or 2.46% over the previous year's budget. The increase was primarily due to increases in personnel costs and employee benefits.

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, contact:

Hauppauge Union Free School District
Ms. Jacqueline Pirro
Assistant Superintendent for Business Operations
495 Hoffman Lane
PO Box 6006
Hauppauge, New York 11788
631-761-8211

HIAUPPAUGE UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	
Current assets	
Cash and cash equivalents	
Unrestricted	\$14,201,786
Restricted	23,334,633
Receivables	
State and federal aid	2,698,874
Due from other governments	2,603,765
Due from fiduciary fund	48
Accounts receivable	13,199
Inventories	692
Non-current assets	
Capital assets	
Capital assets not being depreciated	1,887,174
Capital assets being depreciated, net of accumulated depreciation	58,621,300
TOTAL ASSETS	103,361,471
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	31,030,311
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$134,391,782
LIABILITIES	
Payables	
Accounts payable	\$1,209,337
Accrued liabilities	635,614
Due to other governments	509,049
Due to teachers' retirement system	5,266,655
Due to employees' retirement system	424,060
Compensated absences payable	644,643
Accrued interest payable	344,521
Unearned credits	
Collections in advance	61,495
Long-term liabilities	
Due and payable within one year	
Bonds payable	3,150,000
Compensated absences payable	411,723
Due and payable after one year	
Bonds payable	21,830,000
Claims payable	3,927,526
Compensated absences payable	15,207,891
Net other post employment benefits obligation	21,184,523
Net pension liability - proportionate share	5,766,929
TOTAL LIABILITIES	80,573,966
DEFERRED INFLOWS OF RESOURCES	
Gain on defeasance, net	760,266
Pensions	1,435,298
TOTAL DEFERRED INFLOWS OF RESOURCES	2,195,564
NET POSITION	
Net investment in capital assets	34,768,208
Restricted:	
Workers' compensation	1,071,866
Insurance	430,186
Repair	405,430
Unemployment insurance	169,756
Retirement contribution	3,635,569
Employee benefit accrued liability	7,601,001
Capital projects	9,611,174
Debt service	409,651
	23,334,633
Unrestricted	(6,480,589)
TOTAL NET POSITION	51,622,252
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$134,391,782

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
FUNCTIONS / PROGRAMS				
General support	(\$17,562,344)			(\$17,562,344)
Instruction	(82,644,870)	\$497,949	\$1,504,868	(80,642,053)
Pupil transportation	(6,679,542)		306,766	(6,372,776)
Community services	(124,201)			(124,201)
Debt service - interest	(1,067,487)			(1,067,487)
Food service program	(1,092,100)	770,789	336,835	15,524
TOTAL FUNCTIONS AND PROGRAMS	<u>(\$109,170,543)</u>	<u>\$1,268,738</u>	<u>\$2,148,469</u>	<u>(105,753,336)</u>
GENERAL REVENUES				
Real property taxes				76,599,931
STAR reimbursement				4,880,716
PILOT - payment in lieu of taxes				5,507,934
Use of money and property				496,175
Sale of property and compensation for loss				190,794
Miscellaneous				1,328,514
State sources				16,433,947
Medicaid reimbursement				51,533
TOTAL GENERAL REVENUES				<u>105,489,544</u>
CHANGE IN NET POSITION				(263,792)
TOTAL NET POSITION - BEGINNING OF YEAR				<u>51,886,044</u>
TOTAL NET POSITION - END OF YEAR				<u>\$51,622,252</u>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents						
Unrestricted	\$13,159,180		\$1,042,606			\$14,201,786
Restricted	22,924,982			\$409,651		23,334,633
Receivables						
State and federal aid	2,204,050	\$447,177	47,647			2,698,874
Due from other governments	2,603,765					2,603,765
Due from other funds	441,787			447,035	\$409,651	1,298,473
Accounts receivable	4,681		8,518			13,199
Inventories			692			692
TOTAL ASSETS	<u>\$41,338,445</u>	<u>\$447,177</u>	<u>\$1,099,463</u>	<u>\$856,686</u>	<u>\$409,651</u>	<u>\$44,151,422</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Payables						
Accounts payable	\$1,129,928	\$5,438	\$59,539	\$14,432		\$1,209,337
Accrued liabilities	635,614					635,614
Due to other governments	508,793		256			509,049
Due to other funds	447,035	441,739		409,651		1,298,425
Due to teachers' retirement system	5,266,655					5,266,655
Due to employees' retirement system	424,060					424,060
Compensated absences	644,643					644,643
Unearned credits						
Collections in advance	24,380		37,115			61,495
TOTAL LIABILITIES	<u>9,081,108</u>	<u>447,177</u>	<u>96,910</u>	<u>424,083</u>	<u>-</u>	<u>10,049,278</u>
DEFERRED INFLOWS OF RESOURCES						
State aid	162,533					162,533
FUND BALANCES						
Non-spendable: inventory			692			692
Restricted:						
Workers' compensation	1,071,866					1,071,866
Insurance	430,186					430,186
Repair	405,430					405,430
Unemployment insurance	169,756					169,756
Retirement contribution	3,635,569					3,635,569
Employee benefit accrued liability	7,601,001					7,601,001
Capital projects	9,611,174					9,611,174
Debt service					\$409,651	409,651
Assigned:						
Appropriated	4,544,800					4,544,800
Unappropriated	199,968		1,001,861	432,603		1,634,432
Unassigned	4,425,054					4,425,054
TOTAL FUND BALANCES	<u>32,094,804</u>	<u>-</u>	<u>1,002,553</u>	<u>432,603</u>	<u>409,651</u>	<u>33,939,611</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$41,338,445</u>	<u>\$447,177</u>	<u>\$1,099,463</u>	<u>\$856,686</u>	<u>\$409,651</u>	<u>\$44,151,422</u>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2017**

Total Governmental Fund Balances \$33,939,611

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

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

Original cost of capital assets	\$104,167,081	
Accumulated depreciation	<u>(43,658,607)</u>	60,508,474

The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual.	162,533
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Deferred inflows of resources- The Statement of Net position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method. Deferred inflows related to pensions that will be recognized as a reduction in pension expense in future periods amounted to:	(1,435,298)
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Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions that will be recognized as expenditures in future periods amounted to:	31,030,311
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Payables that are associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of:

Accrued interest payable	(344,521)
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Governmental funds may report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	(760,266)
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:

Bonds payable	(\$24,980,000)	
Claims payable	(3,927,526)	
Compensated absences payable	(15,619,614)	
Net other postemployment benefits obligation	(21,184,523)	
Net pension liability - proportionate share (ERS & TRS)	<u>(5,766,929)</u>	<u>(71,478,592)</u>

Total Net Position	<u>\$51,622,252</u>
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HAUPPAUGE UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General	Special Aid	School Lunch	Capital Projects	Debt Service	Total Governmental Funds
REVENUES						
Real property taxes	\$76,599,931					\$76,599,931
STAR reimbursement	4,880,716					4,880,716
PILOT - Payment in Lieu of Taxes	5,507,934					5,507,934
Charges for services	497,949					497,949
Use of money and property	495,103		\$586		\$486	496,175
Sale of property and compensation for loss	190,794					190,794
Miscellaneous	1,327,425		1,089			1,328,514
State sources	16,433,947	\$774,218	17,339			17,225,504
Federal sources	51,533	1,037,416	232,250			1,321,199
Surplus food			87,246			87,246
Sales			770,789			770,789
TOTAL REVENUES	105,985,332	1,811,634	1,109,299	-	486	108,906,751
EXPENDITURES						
General support	13,007,771					13,007,771
Instruction	54,982,597	1,765,624				56,748,221
Pupil transportation	6,230,107	306,766				6,536,873
Community service	81,755					81,755
Employee benefits	23,364,381					23,364,381
Debt service- principal					3,040,000	3,040,000
Debt service - interest	270,521				1,013,800	1,284,321
Cost of sales			1,103,238			1,103,238
Capital outlay				\$1,553,997		1,553,997
TOTAL EXPENDITURES	97,937,132	2,072,390	1,103,238	1,553,997	4,053,800	106,720,557
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,048,200	(260,756)	6,061	(1,553,997)	(4,053,314)	2,186,194
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in	227,730	260,756		450,000	3,924,891	4,863,377
Operating transfers (out)	(4,635,647)			(227,730)		(4,863,377)
TOTAL OTHER FINANCING SOURCES AND (USES)	(4,407,917)	260,756	-	222,270	3,924,891	-
NET CHANGE IN FUND BALANCES	3,640,283	-	6,061	(1,331,727)	(128,423)	2,186,194
FUND BALANCES - BEGINNING OF YEAR	28,454,521	-	996,492	1,764,330	538,074	31,753,417
FUND BALANCES - END OF YEAR	\$32,094,804	\$ -	\$1,002,553	\$432,603	\$409,651	\$33,939,611

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances	\$2,186,194
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Amounts reported for governmental activities in the Statement of Activities are different because:

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating expenses-compensated absences (vacation and sick days), are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. Compensated absences from June 30, 2016 to June 30, 2017 changed by:	(532,521)
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Claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, however the payable is recognized as it accrues regardless of when it is due. Claims payable from June 30, 2016 to June 30, 2017 changed by:	(2,752,975)
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Net other post employment benefits obligation in the Statement of Activities are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. Net other post employment benefits obligation payable for the year ended June 30, 2017 changed by:	(2,213,526)
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Long-Term Debt Differences

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	3,040,000
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Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statements of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2016 to June 30, 2017 changed by:	57,498
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Governmental funds may report the premiums, discounts, and similar items on the refunded bonds as revenues or expenditures in the year of issue. These amounts are deferred and amortized in the Statement of Activities.	159,336
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Capital Related Differences

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

Capital outlays	\$1,553,997	
Capital additions	313,084	
Depreciation expense	<u>(1,922,522)</u>	(55,441)

Pension Differences

Increases/decreases in the proportionate share of net pension asset/liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Teachers' retirement system	\$ 259,938	
Employees' retirement system	<u>(412,295)</u>	(152,357)

Change in Net Position	<u><u>(\$263,792)</u></u>
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**HAUPPAUGE UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2017**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents - restricted	\$555,014
TOTAL ASSETS	<u>\$555,014</u>
LIABILITIES	
Extra classroom activity balance	\$211,265
Other liabilities	343,701
Due to governmental funds	<u>48</u>
TOTAL LIABILITIES	<u>\$555,014</u>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Hauppauge Union Free School District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principals are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the District are described below:

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. The Board has authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. 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 and its component unit and other organizational entities determined to be includable in the District’s financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District’s reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of an entity that is included in the District’s reporting entity.

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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 as an agent for the Extraclassroom organizations in the Statement of Fiduciary Net Position – Fiduciary Fund. Separate audited financial statements of the Extraclassroom Activity Funds can be found at the District's business office.

B) Joint venture:

The District is a component district in the Board of Cooperative Educational Services of Eastern Suffolk, (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs, which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State 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 §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

C) Basis of presentation:

i) District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital specific grants, if applicable.

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The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ii) 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, each displayed in a separate column.

The District reports the following major governmental funds:

General Fund: This fund is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Aid Fund: This fund accounts 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 either by governments that provide the funds, or by outside parties.

School Lunch Fund: This fund is used to account for the activities of the District's food service operations.

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

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

The District reports the following fiduciary fund:

Fiduciary Fund: This fund is used to account for fiduciary activities. Fiduciary activities are those 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. The District has the following fiduciary fund:

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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.

D) Measurement focus and basis of accounting:

The District-Wide and Fiduciary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from 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.

The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, 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 six months after the end of the fiscal year including 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, net other post-employment benefits obligations, and net pension liabilities, 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:

i) Calendar

Real property taxes are levied annually by the Board of Education no later than October 1, and become a lien on December 1. The District's tax levy is collected by the Towns of Islip and Smithtown along with the respective Town and Suffolk County levies. Tax collections are remitted to the District and Town Comptrollers until their respective tax levies are satisfied in accordance with the Suffolk County Tax Act.

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ii) Enforcement:

Uncollected real property taxes are subsequently enforced by Suffolk County (the "County"). The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following July 1.

F) Restricted resources:

When an expense is incurred for purposes for which both restricted and unrestricted net position 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.

G) Interfund transactions:

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

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

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be 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.

Refer to Note 11 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) 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, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent items at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated

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absences, net pension asset/liability, other post-employment benefits, workers' compensation claims, potential contingent liabilities and useful lives of capital assets.

I) Cash and cash equivalents:

The District's cash and cash equivalents consist of cash on hand and demand deposits.

J) Receivables:

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K) Inventories and prepaid items:

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

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

A reserve for these non-liquid assets (inventories) has been recognized in the school lunch fund as non-spendable under GASB Statement No. 54 to signify that a portion of fund balance is not available for other subsequent expenditures.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District had no prepaid items at June 30, 2017.

L) Capital assets:

Capital assets are reported at actual cost for acquisitions subsequent to 20 years. For assets acquired prior to 20 years ago, estimated historical costs, based on appraisals conducted by independent third-party professionals are used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-Wide Financial Statements are as follows:

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	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building & building improvements	\$1,000	Straight-line	50 years
Land improvements	\$1,000	Straight-line	20 years
Furniture & equipment	\$1,000	Straight-line	5-20 years
Vehicles	\$1,000	Straight-line	8 years

M) Collections in advance:

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence 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 collections in advance is removed and revenues are recorded. Collections in advance consist of amounts received in advance for meals that have not yet been purchased in the school lunch fund, and summer program fees and rent collected in advance in the general fund.

N) Deferred outflows and inflows of resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. This amount, \$31,030,311, is related to pensions reported in the District-Wide Statement of Net Position. This represents the difference between expected and actual experience (ERS), changes of assumptions (ERS and TRS), the net difference between projected and actual earnings on pension plan investments (ERS and TRS), changes in proportion and differences between the District's contributions and proportionate share of contributions (ERS and TRS) and the District's contributions subsequent to the measurement date (ERS and TRS).

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The District has a deferred gain on refunding which resulted from the difference in carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District reported \$760,266 of deferred inflows of resources at June 30, 2017, representing the financial effect on the advance refunding of general obligation serial bonds. The District also reported \$1,435,298 of deferred inflows of resources at June 30, 2017 related to pensions reported in the Statement of Net Position. This represents the difference between expected and actual experience (ERS and TRS) and changes in proportion and differences between the District's contributions and proportionate share of contributions (ERS and TRS).

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A deferred inflow of resources in the Fund Financial Statements results when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the deferred inflow of resources is removed and revenues are recorded. In the general fund, \$162,533 for state aid that will not be available in the current period has been reported as a deferred inflow of resources. The District-Wide Financial Statements, however, report these deferred inflows of resources as revenues in accordance with the accrual basis of accounting and economic resources measurement focus.

O) Vested employee benefits:

Compensated absences:

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time:

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. Certain collectively bargained agreements require these termination payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

District employees are granted vacation in varying amounts, based primarily on length of service and service position. 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. These amounts are expensed on a pay-as-you go basis.

P) Other benefits:

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

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

In addition to providing pension benefits, the District provides postemployment 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

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benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the District-Wide Statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

Q) Short-term debt:

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

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of second fiscal year succeeding the year in which the note was issued.

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 dated.

The District issued and retired a \$24,500,000 TAN in the fiscal year ended June 30, 2017 (See Note 12 for further detail).

R) 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, compensated absences, net other post-employment obligations, and net pension liabilities that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the Fund Financial Statements when due.

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

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S) Equity classifications:

i) District-Wide Financial Statements:

In the District-Wide Financial Statements, there are three classes of net position:

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets, net of any unexpended proceeds and including any unamortized items (discounts, premiums, gain on refunding).

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

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

ii) Funds Financial Statements:

There are five classifications of fund balance as detailed below; however, in the Fund Financial Statements there are four classifications of fund balance presented:

- 1) Non-spendable fund balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund of \$692.
- 2) Restricted fund balance** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The District has classified the following as restricted:

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

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appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the general fund as restricted fund balance.

Insurance Reserve

Insurance reserve (GML §6-n), is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve, however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the general fund as restricted fund balance.

Repair Reserve

Repair reserve (GML §6-d), is used to pay the costs 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. This reserve is accounted for in the general fund as restricted fund balance.

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 restricted fund balance. This reserve is accounted for in the general fund as restricted fund balance.

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Retirement Contribution Reserve

Retirement contribution reserve (GML §6-r), must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the general fund as restricted fund balance.

Employee Benefit Accrued Liability Reserve

Employee benefit accrued liability reserve (GML §6-p), must be used for the payment of accrued employee benefits due to 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. This reserve is accounted for in the general fund as restricted fund balance.

Capital Reserve

Capital reserve (GML §3651), is used to pay the costs of capital improvements for which the District may issue bonds pursuant to Local Finance Law. A proposition indicating the purpose, ultimate amount, probable term, and funding source must be approved by the voters. Voter approval is also required before any funds may be expended for the specific purpose for which the reserve was established. Funds may be transferred with voter approval to other funds or the fund may be liquidated if the original purpose for which the fund was established is determined to be no longer needed. Upon liquidation, proceeds must first be applied to any outstanding bonded indebtedness with the remaining, if any, used to reduce the annual tax level. This reserve is accounted for in the general fund as restricted fund balance.

Debt Service

Debt service accumulates funds from unused bond proceeds and interest earnings. The accumulated funds must be used to offset the cost of the bond principal and interest payments. This reserve is accounted for in the debt service fund, as restricted fund balance.

- 3) **Committed fund balance** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, (i.e., Board of Education). The District has no committed fund balances as of June 30, 2017.
- 4) **Assigned fund balance** – Includes 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

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represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year's budget and to fund insurance recoveries. Assigned fund balance also includes Board designations and encumbrances not classified as restricted or committed at the end of the fiscal year.

- 5) **Unassigned fund balance** –Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in assigned fund balance are also excluded from the 4% limitation.

Order of Use of Fund Balance

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves), the Board of Education will assess the current financial condition of the District and then determine the order of application expenditures to which fund balance classification will be charged.

T) New accounting standards:

The District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2017:

Statement No. 77, *Tax Abatement Disclosures*. This statement defines tax abatements and provides for increased disclosures including authority, eligibility criteria, dollar amount of taxes abated, and other information, and Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses issues in the previously issued pension statements regarding payroll related measures in the required supplementary information, the selection of assumptions and deviations from other guidance, and the treatment of employee (plan member) contributions

U) Future changes in accounting standards:

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the year ending June 30, 2018. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment*

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Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

These are the Statements that the District feels may have an impact on these financial statements and are not an all-inclusive list of GASB statements issued. The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS:

Due to the differences in the measurement focus and basis of accounting used in the Fund Financial Statements and the District-Wide Financial Statements, certain financial transactions are treated differently. The financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

A) Total fund balances of governmental funds vs. net position of governmental activities:

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

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of four broad categories. The amounts shown below represent:

i) 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.

ii) Capital related differences:

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

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statements and depreciation expense on those items as recorded in the Statement of Activities.

iii) Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

iv) Pension differences:

Pension difference occur as a result of changes in the District's proportion of the collective net pension asset/liability and difference between the District's contributions and its proportionate share of the total contributions to the pension systems.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted. 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), which 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. Supplemental appropriations that occurred during the fiscal year are shown on Supplemental Schedule #5.

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

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for

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external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

The amount that may be raised by the District for real property taxes (levy) in any fiscal year, is limited by the Constitution of the State of New York to the lesser of 2% or inflation with certain adjustments and exclusions for court ordered exclusions, local capital expenditures and pension exclusions.

B) Encumbrances:

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

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash:

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States 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 the State and its municipalities and districts.

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 Statement No. 40, *Deposit and Investment Risk Disclosures*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

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

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All of the District's aggregate bank balances were covered by depository insurance or were collateralized with securities held by the pledging financial institution in the District's name at year-end.

Restricted cash:

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amount required by statute to be reserved for various purposes. Restricted cash at June 30, 2017 included \$23,334,633 within the governmental funds for general reserve purposes and \$555,014 in the fiduciary fund.

B) Investments:

The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

NOTE 5 – PARTICIPATION IN BOCES:

During the year ended June 30, 2017, the District was billed \$4,896,980 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,006,279. The District also entered into a lease agreement with Eastern Suffolk BOCES, see Note 20B for further information. Financial statements for the Eastern Suffolk BOCES are available from the Eastern Suffolk BOCES administrative office at 201 Sunrise Highway, Patchogue, NY 11772.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 – STATE AND FEDERAL AID RECEIVABLE:

State and federal aid receivables at June 30, 2017 consisted of the following:

General Fund	
General aid - building aid	\$36,956
CRP tuition reimbursement	220,421
Excess cost aid	512,983
BOCES aid	533,843
Homeless aid	587,638
Medicaid	52,134
OMRDD tuition/transportation	97,542
Prior year excess cost aid	140,358
Prior year transportation aid	16,639
Prior year general aid	5,536
Total - General Fund	<u>2,204,050</u>
Special Aid Fund	
Federal aid	152,260
State and local aid	294,917
Total - Special Aid Fund	<u>447,177</u>
School Lunch Fund	
Federal aid	44,429
State aid	3,218
Total - School Lunch Fund	<u>47,647</u>
Total - All funds	<u><u>\$2,698,874</u></u>

District management has deemed these receivables as fully collectible.

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments at June 30, 2017 consisted of the following:

General Fund	
Payments In Lieu of Taxes	\$2,162,762
Tuition	326,288
E-Rate	36,276
Health Services	76,319
Miscellaneous	2,120
Total - General Fund	<u><u>\$2,603,765</u></u>

District management has deemed these receivables as fully collectible.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
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NOTE 8 – COLLECTIONS IN ADVANCE:

Collections in advance at June 30, 2017 consisted of the following:

General fund	
Summer program fees	\$13,600
Rent	10,780
School lunch fund	
Student prepaid meals	<u>37,116</u>
Total	<u>\$61,496</u>

NOTE 9 – DEFERRED INFLOWS OF RESOURCES - GENERAL FUND:

Deferred inflows of resources in the general fund at June 30, 2017 consisted of the following:

General state aid - prior years	\$22,175
Excess cost state aid - prior years	<u>140,358</u>
Total	<u>\$162,533</u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 10 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$1,869,776			\$1,869,776
Construction in progress	1,145,595	\$17,398	(\$1,145,595)	17,398
Total capital assets not being depreciated	<u>3,015,371</u>	<u>17,398</u>	<u>(1,145,595)</u>	<u>1,887,174</u>
Capital assets that are being depreciated:				
Building & building improvements	89,873,610	1,536,601	1,145,595	92,555,806
Land improvement	1,797,041			1,797,041
Furniture and equipment	6,105,833	207,154		6,312,987
Vehicles	1,508,147	105,926		1,614,073
Total capital assets being depreciated	<u>99,284,631</u>	<u>1,849,681</u>	<u>1,145,595</u>	<u>102,279,907</u>
Less accumulated depreciation:				
Building & building improvements	33,666,315	1,645,638		35,311,953
Land improvement	1,797,041			1,797,041
Furniture and equipment	5,092,806	203,276		5,296,082
Vehicles	1,179,925	73,606		1,253,531
Total accumulated depreciation	<u>41,736,087</u>	<u>1,922,520</u>	<u>-</u>	<u>43,658,607</u>
Total capital assets being depreciated, net	<u>57,548,544</u>	<u>(72,839)</u>	<u>1,145,595</u>	<u>58,621,300</u>
Capital assets, net	<u>\$60,563,915</u>	<u>(\$55,441)</u>	<u>\$ -</u>	<u>\$60,508,474</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$1,057,542
Instruction	805,422
Transportation	47,348
Food service program	12,208
	<u>\$1,922,520</u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 11 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$441,787	\$447,035	\$227,730	\$4,635,647
Special Aid Fund		441,739	260,756	
Debt Service Fund	409,651		3,924,891	
Capital projects Fund	447,035	409,651	450,000	227,730
Total governmental activities	1,298,473	1,298,425	4,863,377	4,863,377
Fiduciary Agency Fund		48		
Totals	<u>\$1,298,473</u>	<u>\$1,298,473</u>	<u>\$4,863,377</u>	<u>\$4,863,377</u>

The District typically transfers from the general fund to the special aid fund to fund the District's share of summer school handicap expenses required by New York State law and to fund the State Supported Section 4201 schools. The District transferred \$450,000 from the general fund to the capital projects fund to fund projects. The District also transferred \$3,924,891 to the debt service fund in accordance with the general fund budget. The District also transferred \$227,730 from the capital fund to the general fund for unspent funds on completed capital projects.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

NOTE 12 - SHORT-TERM DEBT:

On September 28, 2016, the District issued tax anticipation notes in the amount of \$24,500,000. This debt was issued for interim financing of general fund operations. Transactions in short-term debt for the year are summarized below:

Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
6/23/17	1.500%	\$ -	\$24,500,000	\$24,500,000	\$ -

Interest on short-term debt for the year was \$270,521.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 13 – LONG-TERM LIABILITIES:

Long-term liability balances and activity for the year ended June 30, 2017 are summarized below:

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Long-term debt:					
Serial bonds	\$28,020,000		(\$3,040,000)	\$24,980,000	\$3,150,000
Other long-term liabilities:					
Claims payable	1,174,551	\$3,606,947	(853,972)	3,927,526	
Compensated absences payable	15,087,093	1,189,297	(656,776)	15,619,614	411,723
Net other post-employment benefits obligation	18,970,997	3,806,608	(1,593,082)	21,184,523	
Net pension liab. - prop. share	4,894,814	7,361,067	(6,488,952)	5,766,929	
Total long-term liabilities	<u>\$68,147,455</u>	<u>\$15,963,919</u>	<u>(\$12,632,782)</u>	<u>\$71,478,592</u>	<u>\$3,561,723</u>

The general fund has typically been used to liquidate long-term liabilities such as bonds payable, claims payable, compensated absences payable, net other post-employment benefits obligation and net pension liability.

A) Bonds Payable

Existing serial bond obligations are comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Construction serial bond	1/15/2010	7/15/2024	2.00-4.00%	\$12,115,000
Construction serial bond	12/9/2010	12/1/2025	3.00-4.00%	6,725,000
Refunding bond	9/8/2011	8/1/2021	3.00-5.00%	6,140,000
				<u>\$24,980,000</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2018	\$3,150,000	\$912,044	\$4,062,044
2019	3,270,000	798,463	4,068,463
2020	3,405,000	666,350	4,071,350
2021	3,550,000	528,488	4,078,488
2022	3,410,000	387,019	3,797,019
2023-2026	8,195,000	552,856	8,747,856
	<u>\$24,980,000</u>	<u>\$3,845,220</u>	<u>\$28,825,220</u>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
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B) Long-Term Interest

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

	<u>Total</u>
Interest paid	\$1,013,800
Less interest accrued in the prior year	(402,019)
Plus interest accrued in the current year	344,521
Less amortization of gain on defeasance	<u>(159,336)</u>
Total expense	<u><u>\$796,966</u></u>

NOTE 14 – DEFERRED INFLOWS OF RESOURCES – GAIN ON DEFEASANCE:

The gain on defeasance pertaining to the 2011 and 2010 bond refunding recorded in the District-Wide Financial Statements as deferred inflows of resources at June 30, 2017 consisted of the following:

	<u>2010</u>	<u>2011</u>
Bond premium	\$245,727	673,875
Deferred amounts on refunding	<u>(28,909)</u>	<u>(130,427)</u>
Total Gain on defeasance	<u><u>\$216,818</u></u>	<u><u>\$543,448</u></u>

The gain on defeasance is being amortized on the District-Wide Financial Statements using the straight-line method over 10 years, the time to maturity on the refunded bonds, at the point of refunding, and is included as a reduction to interest expense.

NOTE 15 – PENSION PLANS:

A) Plan Description and Benefits Provided:

i) Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability 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 System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future

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NOTES TO FINANCIAL STATEMENTS
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members only by enactment of a State statute. Additional information regarding the System may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

ii) Employees' Retirement System

The District participates in the New York State and Local Employees' Retirement System (ERS) (the System). This is a cost-sharing multiple –employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all new assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP) which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany NY 12244.

B) Funding Policies:

The Systems are noncontributory, except as follows:

1. New York State Teachers' Retirement System:
 - a. Employees who joined the system after July 27, 1976
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
 - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
 - i. Employees contribute 3.5% of their salary throughout active membership.
 - c. Employees who joined the system on or after April 1, 2012
 - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.
2. New York State Employees' Retirement System
 - a. Employees who joined the system after July 27, 1976

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NOTES TO FINANCIAL STATEMENTS
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- i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
- b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
 - i. Employees contribute 3% of their salary throughout active membership.
- c. Employees who joined the system on or after April 1, 2012
 - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

	<u>NYSERS</u>	<u>NYSTRS</u>
2017	\$ 1,389,760	\$ 5,111,339
2016	\$ 1,616,047	\$ 5,601,455
2015	\$ 1,812,720	\$ 7,273,639

C) Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions:

At June 30, 2017, the District reported the following liability for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of March 31, 2017 for ERS and June 30, 2016 for TRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Net pension liability	\$ 2,834,892	\$ 2,932,037
District's portion of the Plan's total net pension liability	0.0301705%	0.273756%
Change in proportion since the prior measurement date	-0.0003263%	-0.0008210%

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NOTES TO FINANCIAL STATEMENTS
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For the year ended June 30, 2017, the District recognized pension expense of \$1,802,055 for ERS and \$4,851,300 for TRS. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>		<u>Deferred Inflow of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 71,040		\$ 430,494	\$ 952,490
Changes of assumptions	968,503	\$ 16,702,751		
Net difference between projected and actual earnings on pension plan investments	566,243	6,592,761		
Changes in proportion and differences between the District's contributions and proportionate share of contributions	545,428	48,186	15,960	36,354
District's contributions subsequent to the measurement date	424,060	5,111,339		
	<u>\$ 2,575,274</u>	<u>\$ 28,455,037</u>	<u>\$ 446,454</u>	<u>\$ 988,844</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Plan Year Ended</u>	<u>ERS</u>	<u>TRS</u>
2017		\$ 2,041,949
2018	\$ 711,865	2,041,949
2019	711,865	7,162,070
2020	607,367	5,569,052
2021	(326,337)	2,555,565
Thereafter		2,984,269
	<u>\$ 1,704,760</u>	<u>\$ 22,354,854</u>

Actuarial Assumptions

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

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	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Interest rate	7.00%	7.50%
Salary scale	3.80%	1.90% - 4.72%
Cost of living adjustments	1.30% annually	1.50% annually
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.50%	2.50%

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

For ERS, the actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2015 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

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<u>Valuation Date</u>	<u>ERS</u>		<u>TRS</u>	
	<u>April 1, 2016</u>		<u>June 30, 2015</u>	
<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	36%	4.55%	37%	6.10%
International equity	14%	6.35%	18%	7.30%
Private equity	10%	7.75%	7%	9.20%
Real estate	10%	5.80%	10%	5.40%
Absolute return strategies	2%	4.00%		
Opportunistic portfolio	3%	5.89%		
Real assets	3%	5.54%		
Bonds and mortgages	17%	1.31%		
Cash	1%	-0.25%		
Inflation-indexed bonds	4%	1.50%		
Domestic fixed income securities			17%	1.00%
Global fixed income securities			2%	0.80%
Mortgages			8%	3.10%
Short-term			1%	0.10%
	<u>100%</u>		<u>100%</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.0% for ERS and 7.5% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.0% for ERS and 6.5% for TRS) or 1-percentage point higher (8.0% for ERS and 8.5% for TRS) than the current rate:

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ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset (liability)	(\$9,054,083)	(\$2,834,892)	\$2,423,423
TRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension asset (liability)	(\$38,255,089)	(\$2,932,037)	\$26,695,087

Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/(liability) of the employers as of the respective valuation dates, were as follows:

	(Dollars in Thousands)	
	<u>ERS</u>	<u>TRS</u>
Valuation date	April 1, 2016	June 30, 2015
Employers' total pension liability	(\$177,400,586)	(\$108,577,184)
Plan fiduciary net position	168,004,363	107,506,142
Employers' net pension liability	<u>(\$9,396,223)</u>	<u>(\$1,071,042)</u>
Ratio of plan fiduciary net position to the Employers' total pension liability	94.70%	99.01%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$424,060.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to \$5,266,655.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
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NOTE 16 – OTHER RETIREMENT PLANS:

A) Tax Sheltered Annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2017, totaled \$326,545 and \$2,787,721, respectively.

B) Deferred Compensation Plan:

The District has established a deferred compensation plan in accordance with Internal Revenue Code Section 457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2017 totaled \$154,090.

NOTE 17 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:

A) Plan Description:

The District provides medical, Medicare part B reimbursement, dental and wrap-around (the "Plan") to retired employees and their spouses in accordance with the provisions of various employment contracts. The Plan, for all except UPSEU members, is a single employer defined benefit healthcare plan primarily administered through New York State Health Insurance Program – Empire Plan. For UPSEU members, medical coverage is available through the Union where the District contributes a negotiated amount to the Union for benefits.

B) Funding Policy:

The District shares the cost 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, 2017, the District recognized a general fund expenditure of \$1,593,082 for insurance premiums for 209 currently enrolled retirees. Retirees contributed from 0% to 50% for individual coverage. All retirees whose dependents or spouses are covered contributed 0% to 65% toward the cost. 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. Therefore, there are no plan assets and no report is issued.

C) Annual OPEB Cost and Net OPEB Obligation:

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

determined in accordance with the 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District net OPEB obligation:

Annual required contribution	\$3,762,520
Interest on net OPEB obligation	758,840
Adjustment to Annual Required Contribution	(714,752)
Annual OPEB cost (expense)	<u>3,806,608</u>
Contributions made	<u>(1,593,082)</u>
Increase in net OPEB obligation	2,213,526
Net OPEB obligation-beginning of year	<u>18,970,997</u>
Net OPEB obligation-end of year	<u><u>\$21,184,523</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2017, and the preceding two years are as follows:

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution</u>	<u>Annual OPEB Cost</u>	<u>OPEB Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/17	\$3,762,520	\$3,806,608	\$1,593,082	42%	\$21,184,523
6/30/16	\$3,379,185	\$3,419,058	\$1,605,665	47%	\$18,970,997
6/30/15	\$3,238,901	\$3,274,514	\$1,441,076	44%	\$17,157,604

D) Funded Status and Funding Progress:

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$51,291,945, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$51,291,945. The covered payroll (annual payroll of active employees covered by the plan) was \$49,519,501 and the ratio of the UAAL to the covered payroll was 103.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the health care trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

trend information that shows 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 plan members) and include the types of benefits in force at the valuation date and the historical pattern of sharing benefit costs between the District and the 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, 2016, actuarial valuation prepared by an outside actuarial firm, the projected unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 4% and an annual healthcare cost trend rate of 5.60% initially, reduced by decrements to an ultimate rate of 3.94%. The UAAL is being amortized using the level dollar amortization method over an open period of 30 years.

NOTE 18 – RISK MANAGEMENT:

A) General:

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

B) Consortiums and Self Insured Plans:

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims which were incurred on or before year-end but not paid. Liabilities do not include an amount for reported claims which were incurred on or before year-end but not reported (IBNR), had an actuary valuation been performed the liability amount may significantly change. As of June 30, 2017, the District has recorded potential workers' compensation claims of \$3,927,526 and has a workers' compensation reserve balance of \$1,071,866 in the general fund.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The claims activity is follows:

	2017	2016
Unpaid claims at beginning of year	\$1,174,551	\$869,410
Incurred claims	3,606,947	930,119
Claims payments and adjustments	(853,972)	(624,978)
Claims payable	<u>\$3,927,526</u>	<u>\$1,174,551</u>

NOTE 19- TAX ABATEMENTS:

Suffolk County Industrial Development Agency and the Town of Islip Industrial Development Agency, established by Article 18-A of General Municipal Law of New York State, under the authority of New York State General Municipal Law Section 911-A, entered into various property tax abatement programs for the purpose of economic development, and general prosperity and economic welfare of the Town.

Related to agreements with the Town of Islip IDA, the District's property tax revenue was reduced by \$2,180,860 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$1,209,280 for these programs during the fiscal year.

Related to agreements with the Suffolk County IDA, the District's property tax revenue was reduced by \$196,967 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$196,967 for these programs during the fiscal year.

All IDA agreements in Smithtown are negotiated by the Suffolk County IDA with the Town acting merely as a collection agent for any PILOT payments. Related to these agreements the District's property tax revenue was reduced by \$5,149,620 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$4,079,554 for these programs during the fiscal year.

NOTE 20 – COMMITMENTS AND CONTINGENCIES:

A) Grants:

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

B) Operating Leases:

In June of 2014 the District entered into a 60-month non-cancelable operating lease with the Eastern Suffolk Board of Cooperative Educational Services (Eastern Suffolk BOCES) for 37 Xerox copiers to support administrative functions throughout the district. The total amount of the lease of \$1,029,570 is comprised of \$396,713 in hardware costs, \$556,593

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

in maintenance costs, and \$76,264 in additional BOCES fees. The following is a summary of obligations of government activities throughout the term of aforementioned operating lease:

Fiscal year ended June 30,	<u>Total</u>
2018	\$205,914
2019	<u>205,914</u>
Total lease payments	<u><u>\$411,828</u></u>

Lease expenditures were \$205,914 for the fiscal year ended June 30, 2017.

C) Litigation:

As of June 30, 2017, the District is unaware of any pending or threatened litigation or unasserted claims or assessment against the District which require disclosure.

D) Encumbrances:

All encumbrances are classified as assigned or restricted fund balance. At June 30, 2017, the District had encumbered the following amounts:

General fund for:	
General support	\$193,318
Instruction	<u>6,650</u>
Total General Fund	<u><u>\$199,968</u></u>
Capital projects fund for:	
Capital projects	<u><u>\$422,591</u></u>

NOTE 21 – SUBSEQUENT EVENTS:

The District issued \$24,000,000 in tax anticipation notes on September 27, 2017, maturing on June 22, 2018 for the following:

<u>Amount</u>	<u>Rate</u>	<u>Premium</u>	<u>Effective Interest Cost</u>
\$24,000,000	2.000%	\$182,640	0.9662%

SUPPLEMENTARY INFORMATION

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local Sources				
Real property taxes	\$81,478,064	\$76,597,348	\$76,599,931	\$2,583
STAR reimbursement		4,880,716	4,880,716	-
PILOT - payment in lieu of taxes	5,031,117	5,031,117	5,507,934	476,817
Charges for services	460,000	460,000	497,949	37,949
Use of money and property	324,970	324,970	495,103	170,133
Sale of property and compensation for loss			190,794	190,794
Miscellaneous	295,000	295,000	1,327,425	1,032,425
State sources				
Basic formula	12,977,416	12,977,416	10,847,659	(2,129,757)
Excess cost aid	576,656	576,656	2,121,372	1,544,716
Lottery aid			934,935	934,935
BOCES aid	858,974	858,974	1,006,279	147,305
Tuition aid	500,000	500,000	566,037	66,037
Textbook aid	225,240	225,240	224,321	(919)
Computer software aid	67,114	67,114	65,607	(1,507)
Library aid	21,306	21,306	23,500	2,194
Other state aid		75,000	644,237	569,237
Federal sources			<u>51,533</u>	<u>51,533</u>
Other financing sources				-
Transfers from other funds			<u>227,730</u>	<u>227,730</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>102,815,857</u>	<u>102,890,857</u>	<u>106,213,062</u>	<u>\$3,322,205</u>
Appropriated fund balance	4,250,000	4,250,000		
Appropriated reserves	<u>1,094,677</u>	<u>1,157,839</u>		
TOTAL REVENUES, OTHER FINANCING SOURCES & APPROPRIATED FUND BALANCE	<u>\$108,160,534</u>	<u>\$108,298,696</u>		

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.

**IIAUPPAUGE UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual and Encumbrances</u>
EXPENDITURES					
General support					
Board of education	\$68,259	\$68,259	\$52,000		\$16,259
Central administration	370,897	370,897	336,142		34,755
Finance	1,381,471	1,381,471	1,298,838	\$18,750	63,883
Staff	903,996	903,996	760,144		143,852
Central services	9,829,246	10,043,546	9,434,528	174,568	434,450
Special items	1,206,173	1,206,173	1,126,119		80,054
Instructional					
Instruction, adm. & imp.	5,210,793	5,181,863	5,048,108	231	133,524
Teaching - regular school	30,780,276	30,757,132	29,566,763	3,898	1,186,471
Programs for children with handicapping conditions	13,667,446	13,662,221	13,242,974		419,247
Occupational education	283,207	283,207	278,170		5,037
Special schools	80,000	81,700	81,097		603
Instructional media	1,954,420	2,137,642	1,981,207	2,008	154,427
Pupil services	5,026,877	4,960,502	4,784,278	513	175,711
Pupil transportation	6,494,583	6,494,928	6,230,107		264,821
Community services	98,000	98,000	81,755		16,245
Employee benefits	25,489,849	25,608,229	23,364,381		2,243,848
Debt service					
Debt service interest	673,750	417,639	270,521		147,118
TOTAL EXPENDITURES	<u>103,519,243</u>	<u>103,657,405</u>	<u>97,937,132</u>	<u>199,968</u>	<u>5,520,305</u>
Other financing uses					
Transfers to other funds	4,641,291	4,641,291	4,635,647		5,644
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$108,160,534</u>	<u>\$108,298,696</u>	<u>102,572,779</u>	<u>\$199,968</u>	<u>\$5,525,949</u>
Net change in fund balances			3,640,283		
Fund balances - beginning of year			28,454,521		
Fund balances - end of year			<u>\$32,094,804</u>		

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.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST
EMPLOYMENT BENEFITS (OPEB)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Valuation Date	Actuarial		Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
July 1, 2012	-	\$ 42,849,009	\$ 42,849,009	0%	\$ 49,674,390	86.3%
July 1, 2014	-	\$ 43,807,653	\$ 43,807,653	0%	\$ 46,394,346	94.4%
July 1, 2016	-	\$ 51,291,945	\$ 51,291,945	0%	\$ 49,519,501	103.6%

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY)
FOR THE FISCAL YEARS ENDED JUNE 30, ***

NYSERS Pension Plan				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension asset (liability)	0.0301705%	0.0304968%	0.0308284%	0.0308284%
District's proportionate share of the net pension asset (liability)	(\$2,834,892)	(\$4,894,814)	(\$1,041,458)	(\$1,393,091)
District's covered payroll	\$10,563,688	\$9,946,998	\$9,713,389	\$9,894,086
District's proportionate share of the net pension asset (liability) as a percentage of its covered -employee payroll	26.84%	49.21%	10.72%	14.08%
Plan fiduciary net position as a percentage of the total pension asset (liability)	94.70%	90.68%	97.95%	97.20%
NYSTRS Pension Plan				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension asset (liability)	0.273756%	0.274577%	0.273437%	0.273437%
District's proportionate share of the net pension asset (liability)	(\$2,932,037)	\$28,519,759	\$30,459,170	1,792,642
District's covered payroll	\$43,835,149	\$42,885,592	\$42,027,173	41,535,727
District's proportionate share of the net pension asset (liability) as a percentage of its covered -employee payroll	6.69%	66.50%	72.47%	4.32%
Plan fiduciary net position as a percentage of the total pension asset (liability)	99.01%	110.46%	111.48%	100.70%

* The amounts presented for each fiscal year were determined as of the measurement dates of the plans.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE FISCAL YEARS ENDED JUNE 30,**

NYSERS Pension Plan										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$1,389,760	\$1,616,047	\$1,812,720	\$1,877,608	\$1,760,597	\$1,428,316	\$1,249,334	\$729,019	\$613,116	\$731,751
Contributions in relation to the contractually required contribution	1,389,760	1,616,047	1,812,720	1,877,608	1,760,597	1,428,316	1,249,334	729,019	613,116	731,751
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$10,271,340	\$10,122,291	\$9,997,494	\$9,922,530	\$9,596,977	\$9,532,366	\$9,254,719	\$9,103,325	\$8,861,924	\$8,134,686
Contributions as a percentage of covered employee payroll	13.53%	15.97%	18.13%	18.92%	18.35%	14.98%	13.50%	8.01%	6.92%	9.00%

NYSTRS Pension Plan										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$5,111,339	\$5,601,455	\$7,273,639	\$6,563,520	\$4,723,082	\$4,327,387	\$3,441,854	\$2,447,125	\$2,864,883	\$3,122,954
Contributions in relation to the contractually required contribution	5,111,339	5,601,455	7,273,639	6,563,520	4,723,082	4,327,387	3,441,854	2,447,125	2,864,883	3,122,954
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$44,240,121	\$43,835,149	\$42,885,592	\$42,027,173	\$41,535,727	\$40,886,780	\$42,093,484	\$41,261,157	\$39,327,806	\$38,296,976
Contributions as a percentage of covered employee payroll	11.55%	12.78%	16.96%	15.62%	11.37%	10.58%	8.18%	5.93%	7.28%	8.15%

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$107,965,857
Add: Prior year's encumbrances		<u>194,677</u>
Original Budget		108,160,534
Budget Revisions:		
Gym floor repairs - appropriation of insurance reserve	\$63,162	
Equipment - bullet aid	<u>75,000</u>	
		<u>138,162</u>
Final Budget		<u><u>\$108,298,696</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-2018 voter approved expenditure budget		<u><u>\$110,626,357</u></u>
Maximum fund balance allowed (4% of 2017-2018 budget)		<u><u>\$4,425,054</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$4,744,768	
Unassigned fund balance	<u>4,425,054</u>	
Total unrestricted fund balance		\$9,169,822
Less:		
Appropriated fund balance	4,544,800	
Encumbrances	<u>199,968</u>	
Total adjustments		<u>4,744,768</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u><u>\$4,425,054</u></u>
Actual percentage of 2017-2018 budget		<u><u>4.00%</u></u>

HAUPPAUGE UNION FREE SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
AS OF JUNE 30, 2017

		Expenditures to Date						Methods of Financing				Fund	
		Original	Revised					Unexpended	Proceeds	Budgetary	Capital	Balance	
Project Title	Project #	Appropriation	Appropriation	Prior Year's	Current Year	Transfer to GF	Total	Balance	of Obligations	Appropriation	Reserve	Total	June 30, 2017
14/15 WH Window Replacement	004-018	\$665,000	\$665,000	\$530,898	\$67,100	\$67,002	\$665,000	-			\$665,000	\$665,000	-
14/15 MS Tech Wiring	002-028	200,000	261,814	166,889		94,925	261,814	-		\$261,814		261,814	-
14/15 IIS VAT/Turf	008-046	1,700,000	1,700,000	449,192	1,250,742	66	1,700,000	-		1,700,000		1,700,000	-
15/16 WH Boiler	004-019	450,000	450,000	165,505	218,758	65,737	450,000	-		450,000		450,000	-
16/17 MS Science Lab	002-029	450,000	450,000		17,397		17,397	\$432,603		450,000		450,000	\$432,603
TOTAL		\$3,465,000	\$3,526,814	\$1,312,484	\$1,553,997	\$227,730	\$3,094,211	\$432,603	\$ -	\$2,861,814	\$665,000	\$3,526,814	\$432,603

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NET INVESTMENT IN CAPITAL ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Capital assets, net		\$60,508,474
Deduct:		
Gain on defeasance, net	\$760,266	
Short-term portion of bonds payable	3,150,000	
Long-term portion of bonds payable	<u>21,830,000</u>	<u>25,740,266</u>
 Net investment in capital assets		 <u><u>\$34,768,208</u></u>



R.S. ABRAMS & CO., LLP

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Marianne E. Van Duyne, CPA
Alexandria M. Battaglia, CPA

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

To the Board of Education
Hauppauge Union Free School District

We have audited, 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, the financial statements of the governmental activities, each major fund, and the fiduciary fund of the Hauppauge Union Free School District, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Hauppauge Union Free School District's basic financial statements, and have issued our report thereon dated October 12, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

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

Purpose of this Report

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

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 12, 2017