



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

**June 30, 2016**

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Hicksville Union Free School District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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 Hicksville Union Free School District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedules of funding progress – other postemployment benefits, the District's proportionate share of the net pension asset/liability, and District contributions on pages 3 through 13 and 48 through 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hicksville Union Free School District's basic financial statements. The other supplementary information on pages 53 through 55 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016 on our consideration of the Hicksville 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 Hicksville Union Free School District's internal control over financial reporting and compliance.

*Cullen & Danowski, LLP*

November 4, 2016

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

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The Hicksville Union Free School District's discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016 in comparison with the year ended June 30, 2015, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

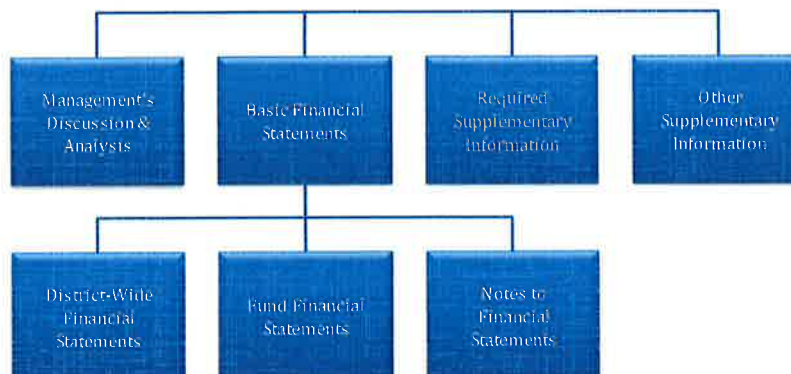
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2016 are as follows:

- On the district-wide financial statements, the District's total net position increased by \$3,915,815 or 11.51% over the prior year.
- The liability for other postemployment benefits (OPEB) increased by \$9,545,967.
- On the district-wide financial statements, the District's expenses for the year totaled \$125,618,848. Of this amount, \$5,738,898 was offset by program charges for services and operating grants. General revenues of \$123,795,765 amount to 95.6% of total revenues.
- On the balance sheet, the general fund's unassigned fund balance at year end was \$5,534,750, an increase of \$328,227.
- In May 2016, the District's voters authorized the establishment of a capital reserve in the amount of \$2,650,000 for the installation of bleachers and a press box, reconstruction of locker rooms, and installation of a turf field at the high school. The reserve is to be funded by balances remaining in the 2009 and 2011 capital reserves, excess budgetary appropriations for capital projects from 2009, and surplus from the 2015-16 fiscal year.
- The District's 2015-16 budgeted property tax levy of \$102,522,655 was a \$666,485 or 0.65% increase over the 2015 tax levy. The District's property tax cap was 0.65%. The 2015-16 tax levy was reduced by Nassau County in the amount of \$3,760,160, and billed to the Long Island Power Authority (LIPA) as PILOT (payment in lieu of taxes). As a result, the District's 2015-16 adjusted actual tax levy was \$98,762,495. As of June 30, 2016, the District has recognized \$3,723,546 of the \$3,760,160 LIPA PILOT as revenue. The balance of \$36,614 will be applied by LIPA as a credit against its future PILOT program.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

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



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

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**A. District-wide Financial Statements**

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

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

The Statement of Net Position

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

The Statement of Activities

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

**B. Fund Financial Statements**

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

Governmental Funds

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

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

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

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

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

Fiduciary Funds

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

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

**A. Net Position**

The District's total net position increased by \$3,915,815 between fiscal year 2016 and 2015. The increase is due to revenues in excess of expenses based on the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2016	2015	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 51,490,534	\$ 49,073,383	\$ 2,417,151	4.93 %
Capital Assets, Net	35,157,699	37,157,550	(1,999,851)	(5.38)%
Net Pension Asset - Proportionate Share	<u>36,289,126</u>	<u>38,696,725</u>	<u>(2,407,599)</u>	(6.22)%
Total Assets	<u>122,937,359</u>	<u>124,927,658</u>	<u>(1,990,299)</u>	(1.59)%
Deferred Outflows of Resources	<u>12,582,917</u>	<u>10,326,657</u>	<u>2,256,260</u>	21.85 %
Current and Other Liabilities	11,959,035	13,315,570	(1,356,535)	(10.19)%
Long-Term Liabilities	13,855,995	16,712,682	(2,856,687)	(17.09)%
Net Other Postemployment Benefits Obligation	53,028,479	43,482,512	9,545,967	21.95 %
Net Pension Liability - Proportionate Share	<u>5,470,147</u>	<u>1,115,681</u>	<u>4,354,466</u>	390.30 %
Total Liabilities	<u>84,313,656</u>	<u>74,626,445</u>	<u>9,687,211</u>	12.98 %
Deferred Inflows of Resources	<u>13,271,303</u>	<u>26,608,368</u>	<u>(13,337,065)</u>	(50.12)%
Net Investment in Capital Assets	27,852,699	26,603,882	1,248,817	4.69 %
Restricted	27,765,848	24,514,266	3,251,582	13.26 %
Unrestricted (deficit)	<u>(17,683,230)</u>	<u>(17,098,646)</u>	<u>(584,584)</u>	3.42 %
Total Net Position	<u>\$ 37,935,317</u>	<u>\$ 34,019,502</u>	<u>\$ 3,915,815</u>	11.51 %

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

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Current and other assets increased by \$2,417,151, as compared to the prior year. This was primarily due to higher cash balances in the current year.

Capital assets, net decreased by \$1,999,851, as compared to the prior year. This decrease is due to depreciation expense in excess of capital assets additions. The accompanying Notes to Financial Statements, Note 11 "Capital Assets" provides additional information.

Net pension asset – proportionate share decreased by \$2,407,599, as compared to the prior year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at the measurement date of the respective year.

Deferred outflows of resources represents contributions to the retirement plans subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years, as well as the amount of deferred charges from a prior year's bond refunding that is being amortized over the remaining term of the bonds.

Current and other liabilities decreased by \$1,356,535, as compared to the prior year. This decrease is primarily due to decreases in due to teachers' retirement system liabilities and due to other governments, offset by increases in accounts payable and accrued liabilities.

Long-term liabilities decreased by \$2,856,687, as compared to the prior year. This decrease is primarily the result of the current year's bond principal payments of \$2,775,000.

Net other postemployment benefits (OPEB) obligation increased by \$9,545,967, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 17 "Postemployment Healthcare Benefits", provides additional information.

Net pension liability – proportionate share increased by \$4,354,466 in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year.

Deferred inflows of resources represents the amount of LIPA PILOT receivable, which will be claimed by LIPA as a credit in the following year, and actuarial adjustments at the pension plan level that will be amortized in future years.

The net investment in capital assets in the amount of \$27,852,699 is the investment in capital assets at cost such as land, construction in progress, buildings & improvements, site improvements, and, furniture, vehicles & equipment, net of depreciation, and related outstanding debt.

The restricted amount of \$27,765,848 relates to the District's reserves for workers' compensation, unemployment insurance, retirement contribution, insurance, employee benefit accrued liability and capital. This number increased by \$3,251,582, as a result of interest earnings and transfers into the reserves authorized by the District's voters and the Board, offset partially by appropriations from the capital reserve to pay for expenditures, and the reduction of the tax certiorari reserve.

The unrestricted deficit amount of \$(17,683,230) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and



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

is not permitted to accumulate funds for the net OPEB obligation. This deficit increased over the prior year by \$584,584, and shows the effect of the unfunded addition to the OPEB liability offset by the change in the District's proportionate share of the collective pension expense of the state retirement plans.

The District's total net position increased by \$3,915,815 at June 30, 2016.

**B. Changes in Net Position**

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 2,202,283	\$ 2,236,147	\$ (33,864)	(1.51)%
Operating Grants	3,536,615	3,852,183	(315,568)	(8.19)%
General Revenues				
Property Taxes and STAR	98,751,157	101,832,439	(3,081,282)	(3.03)%
State Sources	16,451,481	14,834,072	1,617,409	10.90 %
Other	<u>8,593,127</u>	<u>3,603,240</u>	<u>4,989,887</u>	138.48 %
Total Revenues	<u>129,534,663</u>	<u>126,358,081</u>	<u>3,176,582</u>	2.51 %
<b>Expenses</b>				
General Support	17,075,964	17,357,724	(281,760)	(1.62)%
Instruction	98,352,103	96,262,945	2,089,158	2.17 %
Pupil Transportation	7,910,758	7,952,187	(41,429)	(0.52)%
Community Service	406,093	382,043	24,050	6.30 %
Debt Service - Interest	127,646	248,144	(120,498)	(48.56)%
Food Service Program	<u>1,746,284</u>	<u>1,733,583</u>	<u>12,701</u>	0.73 %
Total Expenses	<u>125,618,848</u>	<u>123,936,626</u>	<u>1,682,222</u>	1.36 %
Increase in Net Position	<u>\$ 3,915,815</u>	<u>\$ 2,421,455</u>	<u>\$ 1,494,360</u>	61.71 %

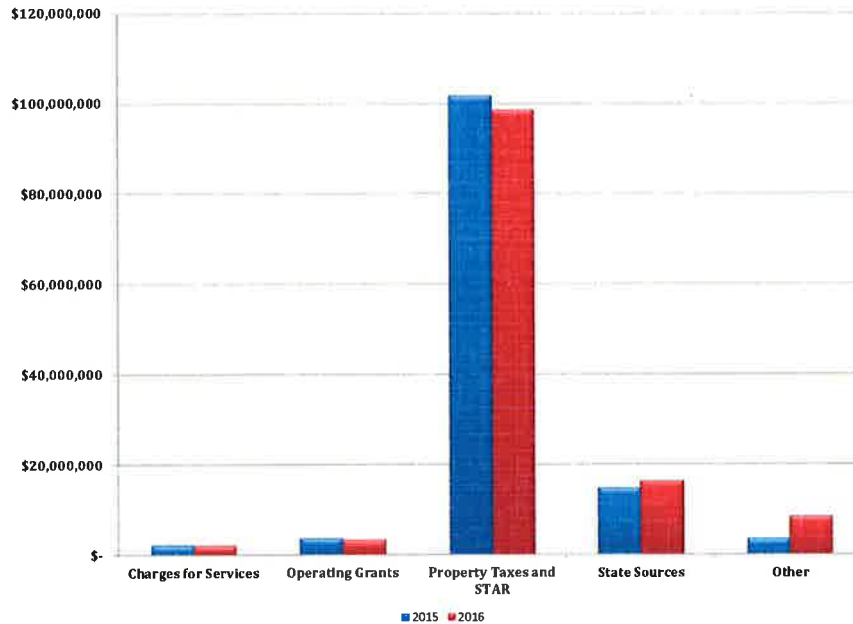
The District's revenues increased by \$3,176,582, as increased revenues from PILOT and state aid were offset by lower operating grants and property taxes. As discussed earlier, Nassau County removed LIPA-owned properties from the tax roll and re-billed them as PILOT, causing a shift of \$3,760,160 from property tax levy to PILOT revenues in 2015-16.

The District's expenses for the year increased by \$1,682,222 or 1.36%, primarily as a result of an increase in salaries.

As indicated on the graphs that follow, property taxes and STAR is the largest component of revenues recognized, at 76.2% and 80.6% for the years ended June 30, 2016 and 2015, respectively. Instruction expense is the largest category of expenses incurred, comprising 78.3% and 77.7% for the years ended June 30, 2016 and 2015.

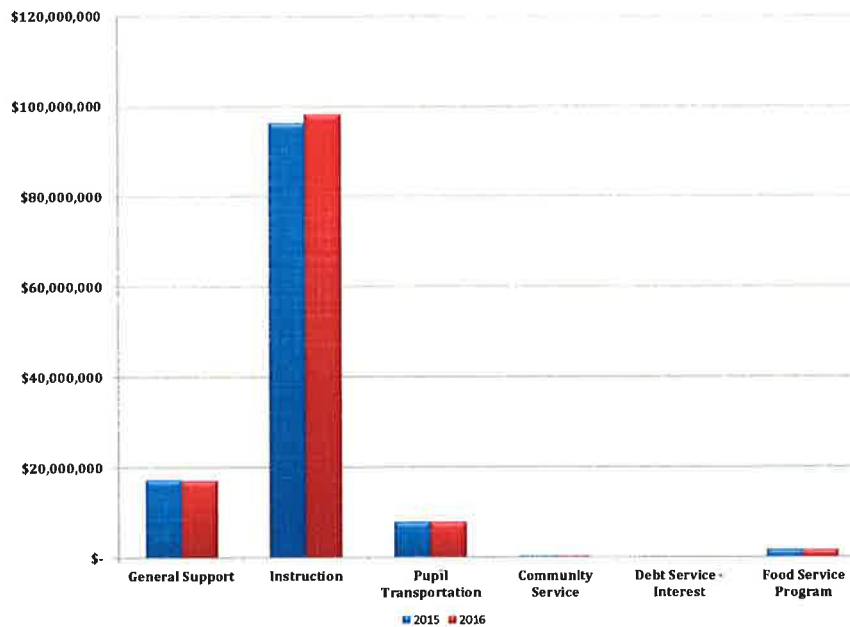
**HICKSVILLE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

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



	Charges for Services	Operating Grants	Property Taxes and STAR	State Sources	Other
<b>2015</b>	1.8%	3.0%	80.6%	11.7%	2.9%
<b>2016</b>	1.7%	2.7%	76.2%	12.7%	6.7%

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



	General Support	Instruction	Pupil Transportation	Community Service	Debt Service - Interest	Food Service Program
<b>2015</b>	14.0%	77.7%	6.4%	0.3%	0.2%	1.4%
<b>2016</b>	13.6%	78.3%	6.3%	0.3%	0.1%	1.4%

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

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

At June 30, 2016, the District's governmental funds reported a combined fund balance of \$38,712,030, which is an increase of \$3,729,686 over the prior year. This increase is due to an excess of revenues over expenditures based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2016	2015	Increase (Decrease)
<b>General Fund</b>			
Nonspendable: Prepaids	\$ 5,801	\$	\$ 5,801
Restricted:			
Workers' Compensation	2,960,263	2,306,112	654,151
Unemployment insurance	1,005,349	1,003,543	1,806
Retirement Contribution	12,355,144	10,835,241	1,519,903
Insurance	2,899,521	2,894,311	5,210
Tax certiorari		313,399	(313,399)
Employee Benefit Accrued Liability	3,690,816	3,334,813	356,003
Capital	2,663,370	2,218,764	444,606
Assigned:			
Appropriated fund balance	2,813,000	2,500,000	313,000
Unappropriated fund balance	181,295	749,840	(568,545)
Unassigned: Fund balance	5,534,750	5,206,523	328,227
	<u>34,109,309</u>	<u>31,362,546</u>	<u>2,746,763</u>
<b>School Lunch Fund</b>			
Nonspendable: Inventory	2,660	540	2,120
Assigned: Unappropriated fund balance	1,221,737	1,060,723	161,014
	<u>1,224,397</u>	<u>1,061,263</u>	<u>163,134</u>
<b>Capital Projects Fund</b>			
Restricted: Capital	2,191,385	1,608,083	583,302
Assigned: Unappropriated fund balance	1,186,939	950,452	236,487
	<u>3,378,324</u>	<u>2,558,535</u>	<u>819,789</u>
<b>Total Fund Balance</b>	<u>\$ 38,712,030</u>	<u>\$ 34,982,344</u>	<u>\$ 3,729,686</u>

**A. General Fund**

The general fund - fund balance increased by \$2,746,763, as compared to the prior year, as revenues exceeded expenditures.

Restricted reserves increased \$2,668,280 in total. This increase was the result of additional funding to certain reserves, including the new capital reserve, and interest earnings allocated to the reserves, which totaled \$5,187,073. This was offset by the authorized transfer of capital reserves in the amount of \$2,205,394, and the reduction of the tax certiorari reserve of \$313,399.

The District transferred \$1,913,195 from its Building Improvement Capital Reserve, and \$292,199 from its District-wide Technology Capital Reserve to the capital projects fund, as authorized by the District's voters. In May 2016, the District's voters authorized the establishment of a new capital reserve for building improvements in the amount of \$2,650,000 to be funded by unspent balances in the 2009 and 2011 Capital Reserves, and surplus from the 2015-16 fiscal year.

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

Increases to the reserves include \$37,073 in accrued interest earnings, and funding of the following reserves as authorized by the Board of Education: \$1,500,000 to the retirement contribution reserve; \$350,000 to the employee benefit accrued liability reserve; and \$650,000 to the workers' compensation reserve.

The District expects to appropriate \$3,069,000 from its restricted reserves to partially fund the 2016-17 budget.

**B. School Lunch Fund**

The school lunch fund – fund balance increased by \$163,134, which was the operating profit of the food service program.

**C. Capital Projects Fund**

The net change in the capital projects fund – fund balance is an increase of \$819,789, as the interfund transfer from the capital reserve and the general fund exceeded capital outlays.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2015-16 Budget**

The District's general fund adopted budget for the year ended June 30, 2016 was \$130,163,135. This amount was increased by encumbrances carried forward from the prior year in the amount of \$749,840, and voter-authorized appropriations from the capital reserve totaling \$2,205,394, for a total final budget of \$133,118,369.

The budget was funded through a combination of estimated revenues, and appropriated fund balance and reserves. The majority of this funding source was \$102,522,655 in estimated property taxes, STAR and LIPA PILOT receipts.

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

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

Opening unassigned fund balance	\$ 5,206,523
Revenues over budget	895,796
Expenditures and encumbrances under budget	10,193,906
Unused appropriated reserves	(3,069,000)
Change in nonspendable fund balance	(5,801)
Increase in reserves	(5,187,073)
Decrease in reserve	313,399
Appropriated to fund the June 30, 2017 budget	<u>(2,813,000)</u>
Closing unassigned fund balance	<u>\$ 5,534,750</u>

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

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Opening, Unassigned Fund Balance

The \$5,206,523 shown in the table is the portion of the District's June 30, 2015 fund balance that was retained as unassigned. This was 4.00% of the 2015-16 budget and was at the statutory limit.

Revenues Over Budget

The 2015-16 final budget for revenues was \$124,594,135. The total actual revenues and other sources recognized for the year were \$125,489,931. The excess of actual revenues and other sources over estimated or budgeted revenues was \$895,796, and arose primarily from an excess of miscellaneous and state sources revenue over budget.

Expenditures and Encumbrances Under Budget

The 2015-16 final budget was \$133,118,369. Actual expenditures and other uses as of June 30, 2016 were \$122,743,168 and outstanding encumbrances were \$181,295. Combined, the expenditures and other uses plus encumbrances for 2015-16 were \$122,924,643. The final budget was under expended by \$10,193,906. The under expenditure of the 2015-16 budget arose primarily from balances in the general support (central services), teaching-regular school, programs for children with handicapping conditions, pupil transportation and employee benefits budget line items.

Unused Appropriated Reserve

In the 2015-16 budget, the District appropriated \$3,069,000 of the general fund's reserves towards expenditures. Due to lower than anticipated expenditures, none of the funding was needed and was returned to the reserves and is available for future use.

Change in Nonspendable Fund Balance

The increase of \$5,801 in nonspendable fund balance relates to prepaid expenditures and has the effect of decreasing unassigned fund balance.

Increase in Reserves

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

The \$5,187,073 increase in reserves shown in the table consists of \$2,500,000 in Board-authorized transfers to the reserves, a \$2,650,000 voter authorized establishment and funding of a capital reserve, and interest earnings allocated to the reserves amounting to \$37,073.

Decrease in Reserves

The decrease of reserves in the amount of \$313,399 is from the Board-authorized elimination of the tax certiorari reserve, which was no longer needed and was transferred back to the general fund unassigned fund balance.

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

Appropriated Fund Balance

The District has chosen to use \$2,813,000 of the available June 30, 2016 unassigned fund balance to partially fund the 2016-17 approved operating budget. As such, the unassigned portion of the June 30, 2016 fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the table, the unassigned fund balance at June 30, 2016 was \$5,534,750. This amount equals 4.18% of the 2016-17 budget.

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A. Capital Assets**

At June 30, 2016, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation of \$3,795,265 in excess of capital additions of \$1,795,414 recorded for the year ended June 30, 2016. A summary of the District's capital assets, net of depreciation at June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Land	\$ 520,209	\$ 520,209	\$ -
Construction in progress	1,818,075	1,360,207	457,868
Buildings and improvements	30,126,244	32,265,667	(2,139,423)
Site improvements	1,415,545	1,607,308	(191,763)
Furniture, vehicles and equipment	<u>1,277,626</u>	<u>1,404,159</u>	<u>(126,533)</u>
Capital assets, net	<u>\$ 35,157,699</u>	<u>\$ 37,157,550</u>	<u>\$ (1,999,851)</u>

**B. Debt Administration**

At June 30, 2016, the District had total bonds payable of \$7,305,000. The bonds were issued for the refunding of bonds originally issued for school building improvements. The decrease in outstanding debt represents principal payments made during the year ended June 30, 2016. A summary of the outstanding debt at June 30, 2016 and 2015 is as follows:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
11/28/12	2.0 - 4.0%	<u>\$ 7,305,000</u>	<u>\$ 10,080,000</u>	<u>\$ (2,775,000)</u>

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa2.

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

**A. Subsequent Year's Budget**

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 17, 2016 for the year ending June 30, 2017 is \$132,392,014. This is an increase of \$2,228,879 or 1.7% over the previous year's budget. The increase was needed to fund increased salaries and employee benefits in

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

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accordance with contractual commitments and state mandates. Budgeted revenues reflect a \$1,740,780 increase in non-tax revenues, primarily from anticipated increases in PILOT revenue and state aid, and an increase in property tax revenues of \$175,099 or 0.18%. The District has appropriated \$2,813,000 of its available fund balance and \$3,069,000 from its reserves as the estimated amounts applied to partially fund the 2016-17 budget.

**B. Tax Cap**

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's 2016-17 property tax levy of \$98,937,594 was an increase of 0.18%, which equaled the tax cap and did not require an override vote.

**C. Property Tax Freeze Credit and Property Tax Relief Credit**

New York State law provides a "Property Tax Freeze Credit" that effectively "freezes" property taxes for two years on the primary residences of homeowners with annual incomes at or below \$500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners receive a credit, which is distributed in the form of a check from New York State, up to the calculated amount of the tax cap. The program also requires the school districts and local governments, in the second year, to develop or participate in the development of a state approved government efficiency plan that will achieve savings for taxpayers. The program ends for school districts with the 2015-16 school year.

New York State enacted a new law that provides a "Property Tax Relief Credit" to eligible taxpayers for the 2016-17 through 2019-20 school years. To be eligible, a taxpayer, based on income tax return filings for the taxable two years prior, must be a New York State resident who owned and primarily resided in real property receiving the STAR exemption, and had adjusted gross income no greater than \$275,000. A taxpayer is ineligible for the tax credit if the real property is located in a school district that adopted a budget in excess of the tax levy limit. Eligible District taxpayers will receive a tax credit in the form of a check in the amount of \$130 in the first year. In subsequent years, the amount of the credit is a function of the basic STAR savings and the taxpayer's income.

These property tax credit programs provide an incentive for school districts to be tax cap compliant.

**8. CONTACTING THE DISTRICT**

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

Ms. Marcy Tannenbaum  
Assistant Superintendent for Business  
Hicksville Union Free School District  
Administration Building  
200 Division Avenue  
Hicksville, NY 11801-4800

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Statement of Net Position**  
June 30, 2016

**ASSETS**

Cash	\$ 16,807,510
Unrestricted	27,765,848
Restricted	
Receivables	
Accounts receivable, net	516,213
Taxes receivable	1,838,890
Due from state and federal	3,789,451
Due from other governments	53,470
Other assets	710,691
Prepays	5,801
Inventories	2,660
Capital assets not being depreciated	2,338,284
Capital assets being depreciated, net of accumulated depreciation	32,819,415
Net pension asset - proportionate share	36,289,126
	<u>122,937,359</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charges from advance bond refunding	148,610
Pensions	12,434,307
	<u>12,582,917</u>

Total Deferred Outflows of Resources

**LIABILITIES**

Payables	
Accounts payable	3,102,061
Accrued liabilities	742,780
Due to fiduciary funds	8,047
Due to other governments	6,225
Due to teachers' retirement system	7,302,462
Due to employees' retirement system	405,736
Compensated absences payable	174,550
Other liabilities	139
Unearned credits	
Collections in advance	217,035
Long-term liabilities	
Due and payable within one year	
Bonds payable, net of unamortized premium	3,103,168
Compensated absences payable	200,000
Due and payable after one year	
Bonds payable, net of unamortized premium	4,674,531
Compensated absences payable	4,464,383
Workers' compensation liabilities	1,413,913
Net other postemployment benefits obligation	53,028,479
Net pension liability - proportionate share	5,470,147
	<u>84,313,656</u>

Total Liabilities

**DEFERRED INFLOWS OF RESOURCES**

Deferred revenues	36,614
Pensions	13,234,689
	<u>13,271,303</u>

Total Deferred Inflows of Resources

**NET POSITION**

Net investment in capital assets	27,852,699
Restricted	
Workers' compensation	2,960,263
Unemployment insurance	1,005,349
Retirement contribution	12,355,144
Insurance	2,899,521
Employee benefit accrued liability	3,690,816
Capital	4,854,755
	<u>27,765,848</u>
Unrestricted (deficit)	(17,683,230)
	<u>(17,683,230)</u>
Total Net Position	\$ 37,935,317



**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Statement of Activities**  
For The Year Ended June 30, 2016

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants	Revenue and Changes in Net Position
<b>PROGRAMS/FUNCTIONS</b>				
<b>Governmental Activities:</b>				
General support	\$ 17,075,964	\$	\$	\$ (17,075,964)
Instruction	98,352,103	1,371,163	2,458,175	(94,522,765)
Pupil transportation	7,910,758			(7,910,758)
Community service	406,093			(406,093)
Debt service - interest	127,646			(127,646)
Food service program	1,746,284	831,120	1,078,440	163,276
Total Governmental Activities	\$ 125,618,848	\$ 2,202,283	\$ 3,536,615	(119,879,950)
<b>GENERAL REVENUES</b>				
Real property taxes				88,131,734
Other tax items				17,716,464
Use of money and property				633,546
Sale of property and compensation for loss				81,617
Miscellaneous				702,475
State sources				16,451,481
Medicaid reimbursement				78,448
Total General Revenues				123,795,765
Change in Net Position				3,915,815
Total Net Position - Beginning of year				34,019,502
Total Net Position - End of year				\$ 37,935,317

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2016

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Cash						
Unrestricted	\$ 16,788,600	\$ 5,868	\$ 13,042	\$	\$	\$ 16,807,510
Restricted	26,277,496				1,488,352	27,765,848
Receivables						
Accounts receivable, net	447,437		68,776			516,213
Taxes receivable	1,838,890					1,838,890
Due from other funds	1,642,743	65,253	1,196,401		1,889,972	4,794,369
Due from state and federal	1,854,416	1,864,734	70,301			3,789,451
Due from other governments	53,470					53,470
Other assets	710,691					710,691
Prepays	5,801					5,801
Inventories			2,660			2,660
Total Assets	<u>\$ 49,619,544</u>	<u>\$ 1,935,855</u>	<u>\$ 1,351,180</u>	<u>\$ -</u>	<u>\$ 3,378,324</u>	<u>\$ 56,284,903</u>
<b>LIABILITIES</b>						
Payables						
Accounts payable	\$ 2,706,413	\$ 293,112	\$ 102,536	\$	\$	\$ 3,102,061
Accrued liabilities	644,024					644,024
Due to other funds	3,159,673	1,642,743				4,802,416
Due to other governments	6,225					6,225
Due to teachers' retirement system	7,302,462					7,302,462
Due to employees' retirement system	405,736					405,736
Compensated absences payable	174,550					174,550
Other liabilities			139			139
Unearned credits						
Collections in advance	192,927		24,108			217,035
Total Liabilities	<u>14,592,010</u>	<u>1,935,855</u>	<u>126,783</u>	<u>-</u>	<u>-</u>	<u>16,654,648</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred revenues	36,614					36,614
Unavailable revenues	881,611					881,611
Total Deferred Inflows of Resources	<u>918,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>918,225</u>
<b>FUND BALANCES</b>						
Nonspendable:						
Prepays	5,801					5,801
Inventory			2,660			2,660
Restricted:						
Workers' compensation	2,960,263					2,960,263
Unemployment insurance	1,005,349					1,005,349
Retirement contribution	12,355,144					12,355,144
Insurance	2,899,521					2,899,521
Employee benefit accrued liability	3,690,816					3,690,816
Capital	2,663,370				2,191,385	4,854,755
Assigned:						
Appropriated fund balance	2,813,000					2,813,000
Unappropriated fund balance	181,295		1,221,737		1,186,939	2,589,971
Unassigned: Fund balance	5,534,750					5,534,750
Total Fund Balances	<u>34,109,309</u>	<u>-</u>	<u>1,224,397</u>	<u>-</u>	<u>3,378,324</u>	<u>38,712,030</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 49,619,544</u>	<u>\$ 1,935,855</u>	<u>\$ 1,351,180</u>	<u>\$ -</u>	<u>\$ 3,378,324</u>	<u>\$ 56,284,903</u>

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
June 30, 2016

Total Governmental Fund Balances \$ 38,712,030

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	\$ 86,846,873	
Accumulated depreciation	<u>(51,689,174)</u>	35,157,699

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

Net pension asset - teachers' retirement system	36,289,126	
Deferred outflows of resources	12,434,307	
Net pension liability - employees' retirement system	(5,470,147)	
Deferred inflows of resources	<u>(13,234,689)</u>	30,018,597

Deferred charges on advance refunding of bonds are not reported on the Balance Sheet, but are reflected on the Statement of Net Position and amortized over the life of the related bonds. 148,610

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position. 881,611

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

Accrued interest on bonds payable	(98,756)	
Bonds payable, net of unamortized premium	(7,777,699)	
Compensated absences payable	(4,664,383)	
Workers' compensation liabilities	(1,413,913)	
Net other postemployment benefits obligation	<u>(53,028,479)</u>	(66,983,230)

Total Net Position \$ 37,935,317

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For The Year Ended June 30, 2016

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 88,131,734	\$	\$	\$	\$	\$ 88,131,734
Other tax items	17,716,464					17,716,464
Charges for services	1,371,163					1,371,163
Use of money and property	633,443		103			633,546
Sale of property and compensation for loss	81,617					81,617
Miscellaneous	683,064		174			683,238
State sources	16,505,131	464,049	39,616			17,008,796
Medicaid reimbursement	78,448					78,448
Federal sources		1,994,126	886,882			2,881,008
Surplus food			151,942			151,942
Sales - school lunch			830,946			830,946
<b>Total Revenues</b>	<b>125,201,064</b>	<b>2,458,175</b>	<b>1,909,663</b>	<b>-</b>	<b>-</b>	<b>129,568,902</b>
<b>EXPENDITURES</b>						
General support	12,428,442					12,428,442
Instruction	68,344,516	2,890,672				71,235,188
Pupil transportation	7,518,568	227,027				7,745,595
Community service	274,846					274,846
Employee benefits	27,756,128					27,756,128
Debt service						
Principal				2,775,000		2,775,000
Interest				318,850		318,850
Food service program			1,746,529			1,746,529
Capital outlay					1,558,638	1,558,638
<b>Total Expenditures</b>	<b>116,322,500</b>	<b>3,117,699</b>	<b>1,746,529</b>	<b>3,093,850</b>	<b>1,558,638</b>	<b>125,839,216</b>
Excess (Deficiency) of Revenues Over Expenditures	<b>8,878,564</b>	<b>(659,524)</b>	<b>163,134</b>	<b>(3,093,850)</b>	<b>(1,558,638)</b>	<b>3,729,686</b>
<b>OTHER FINANCING SOURCES AND (USES)</b>						
Operating transfers in	288,867	659,524		3,093,850	2,667,294	6,709,535
Operating transfers (out)	<b>(6,420,668)</b>				<b>(288,867)</b>	<b>(6,709,535)</b>
<b>Total Other Financing Sources and (Uses)</b>	<b>(6,131,801)</b>	<b>659,524</b>	<b>-</b>	<b>3,093,850</b>	<b>2,378,427</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>2,746,763</b>	<b>-</b>	<b>163,134</b>	<b>-</b>	<b>819,789</b>	<b>3,729,686</b>
<b>Fund Balances - Beginning of Year</b>	<b>31,362,546</b>		<b>1,061,263</b>		<b>2,558,535</b>	<b>34,982,344</b>
<b>Fund Balances - End of Year</b>	<b>\$ 34,109,309</b>	<b>\$ -</b>	<b>\$ 1,224,397</b>	<b>\$ -</b>	<b>\$ 3,378,324</b>	<b>\$ 38,712,030</b>

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
For The Year Ended June 30, 2016

Net Change in Fund Balances \$ 3,729,686

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 revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).

Change in unavailable revenues \$ (34,239)

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

Decrease in workers' compensation claims liabilities 172,978

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

Increase in compensated absences payable (309,459)  
Increase in net other postemployment benefits obligation (9,545,967) (9,716,687)

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 expenses in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays in the period.

Capital outlays 1,795,414  
Depreciation expense (3,795,265) (1,999,851)

Long-Term Debt Transactions Differences

The amortization of the deferred premium, net of the amortization of the deferred charges on the advance refunding of bonds, decreases interest expense in the Statement of Activities.

149,579

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

2,775,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount amount by which accrued interest decreased from June 30, 2015 to June 30, 2016.

41,625 2,966,204

Pension Differences

The decrease in the proportionate share of the collective pension expense of the state retirement plans reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.

Teachers' retirement system 9,404,455  
Employees' retirement system (467,992) 8,936,463

Change in Net Position of Governmental Activities \$ 3,915,815

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Funds**  
June 30, 2016

	Agency	Private Purpose Trust
<b>ASSETS</b>		
Cash		
Unrestricted	\$ 316,680	\$
Restricted		107,394
Accounts receivable	16,973	
Due from governmental funds	73,300	
Total Assets	\$ 406,953	107,394
 <b>LIABILITIES</b>		
Extraclassroom activity balances	\$ 87,230	
Due to governmental funds	65,253	
Other liabilities	254,470	
Total Liabilities	\$ 406,953	-
 <b>NET POSITION</b>		
Restricted for scholarships		\$ 107,394

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position -**  
**Fiduciary Funds**  
For The Year Ended June 30, 2016

	<u>Private Purpose Trust</u>
<b>ADDITIONS</b>	
Contributions	\$ 42,975
Investment earnings	
Interest	<u>153</u>
Total Additions	<u>43,128</u>
 <b>DEDUCTIONS</b>	
Scholarships and awards	<u>53,475</u>
Change in Net Position	(10,347)
Net Position - Beginning of year	<u>117,741</u>
Net Position - End of Year	<u>\$ 107,394</u>

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

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

Extraclassroom Activity Funds

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

**B. Joint Venture**

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



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

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

**C. Basis of Presentation**

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

**Debt Service Fund** - is used to account for the accumulation of resources and the payment of principal and interest on long-term obligation debt of governmental activities.

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

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

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

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

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

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

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

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

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

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

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**E. Real Property Taxes**

Calendar

Real property taxes are levied annually by the Board in August and become a lien on October 1<sup>st</sup> and April 1<sup>st</sup>. Taxes are collected by the Town of Oyster Bay during the periods October 1<sup>st</sup> through November 10<sup>th</sup>, and April 1<sup>st</sup> through May 10<sup>th</sup> without penalty and remitted to the District.

Enforcement

Uncollected real property taxes are subsequently enforced by the County of Nassau.

**F. Restricted Resources**

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

**G. Interfund Transactions**

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

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

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

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

**H. Use of Estimates**

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

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

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**I. Cash**

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

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

**J. Receivables**

Receivables are shown net of an allowance for uncollectible amounts.

**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. These inventories are accounted for on the consumption method.

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments reflect costs applicable to future accounting periods and are recorded as assets on the Statement of Net Position and Balance Sheet using the consumption method.

Under the consumption method, a current asset for the inventory and/or prepaid item is recorded at the time of receipt and/or and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that inventories and prepaids do not constitute available spendable resources.

**L. Capital Assets**

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

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 25,000	30 - 50 years
Site improvements	25,000	20 years
Furniture and equipment	1,000	5-20 years

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

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**M. Deferred Outflows**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has three items that qualify for reporting in this category. First is the unamortized amount of deferred charges from a prior year's refunding of bonds that is being amortized as a component of interest expense over the remaining life of the debt. The second item is related to pensions and represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The third item is the District's contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

**N. Collections in Advance**

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

**O. Deferred Inflows of Resources**

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables of certain state aid allocations and split dollar life insurance receivables. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is PILOT monies recorded before the period for which the resources apply. The amounts will be recognized as revenue in the period they apply. The third item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, and the net difference between projected and actual earnings on pension plan investments.

**P. Employee Benefits – Compensated Absences**

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

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

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

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

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

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

**Q. Other Benefits**

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

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

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

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

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

**S. Equity Classifications**

District-Wide Statements

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

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

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

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

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

**Fund Statements**

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

*Nonspendable* – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventories and prepaids.

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

*Workers' Compensation Reserve*

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

*Unemployment Insurance Reserve*

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

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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*Retirement Contribution Reserve*

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

*Insurance Reserve*

Insurance Reserve 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. The reserve is accounted for in the general fund.

*Tax Certiorari*

Tax Certiorari Reserve (Education Law §3651.1a) is used to establish a reserve fund for tax certiorari claims. School districts may expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of these monies. In accordance with Education Law, this reserve was liquidated during the 2015-16 school year. The reserve was accounted for in the general fund.

*Employee Benefit Accrued Liability Reserve*

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

*Capital Reserve*

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



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

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

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

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

Fund Balance Classification

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

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

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the Board will assess the current financial condition of the district and then determine the order of application of expenditures to which fund balance classification will be charged.

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

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences and other postemployment benefits.

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension Differences

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

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year.

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

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Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

Voter authorized appropriations from capital reserves	<u>\$ 2,205,394</u>
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Budgets are adopted annually on a basis consistent with GAAP.

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

**B. Encumbrances**

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned fund balance, unless classified as restricted 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.

**C. Unassigned Fund Balance**

The District's general fund unassigned fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The District is in the process of formulating a plan to reduce the unassigned fund balance to be within the permissible limit. This plan will address funding its reserves to a fiscally prudent level and addressing the capital needs of the District.

**D. Interfund Transfers**

The District made interfund transfers to the special aid fund during the year that exceeded amounts provided in the District's budget. The general fund budget in total was not over expended.

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

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

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

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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- A. Uncollateralized,
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

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

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

**5. PARTICIPATION IN BOCES**

During the year ended June 30, 2016, the District was billed \$7,263,189 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,079,695. Financial statements for the BOCES are available from the BOCES administrative offices at Nassau BOCES Administrative Center, 71 Clinton Road, Garden City, New York 11530.

**6. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2016, including an allowance for uncollectible accounts, are as follows:

	Fund		Total
	General	School Lunch	
Accounts receivable	\$ 457,437	\$ 68,776	\$ 526,213
Less: Allowance for Uncollectible accounts	(10,000)		(10,000)
	\$ 447,437	\$ 68,776	\$ 516,213

Accounts receivable in the general fund consists of tuition and health services billings due from other school districts, and a facility rental receivable. Accounts receivable in the school lunch fund consists of charged student meal receivables.

**7. TAXES RECEIVABLE**

Taxes receivable at June 30, 2016 consisted of:

General Fund	
Nassau County School Tax	\$ 1,834,521
Town of Oyster Bay	4,369
	\$ 1,838,890

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

**8. DUE FROM STATE AND FEDERAL**

Due from state and federal at June 30, 2016 consisted of:

General Fund	
New York State - excess cost aid	\$ 977,872
New York State - general aid	44,178
BOCES aid	832,366
	<u>1,854,416</u>
Special Aid Fund	
Federal and State grants	1,864,734
School Lunch Fund	
Federal and State food service program reimbursements	70,301
	<u>\$ 3,789,451</u>

**9. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2016 consisted of:

General Fund	
Nassau County - Payments in lieu of taxes	<u>\$ 53,470</u>

**10. OTHER ASSETS**

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

At June 30, 2016, total cash surrender value for these policies amounted to \$710,691, which was recorded as other assets in the general fund. The corresponding revenue to this receivable is included in unavailable revenues and will be recognized in the year that the proceeds are received.

**11. CAPITAL ASSETS**

Capital assets balances and activity for the year ended June 30, 2016 were as follows:

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 520,209	\$	\$	\$ 520,209
Construction in progress	<u>1,360,207</u>	<u>1,558,638</u>	<u>(1,100,770)</u>	<u>1,818,075</u>
Total capital assets not being depreciated	<u>1,880,416</u>	<u>1,558,638</u>	<u>(1,100,770)</u>	<u>2,338,284</u>
Capital assets being depreciated				
Buildings and improvements	73,039,344	1,100,770		74,140,114
Site improvements	4,142,418			4,142,418
Furniture, vehicles and equipment	<u>6,063,181</u>	<u>236,776</u>	<u>(73,900)</u>	<u>6,226,057</u>
Total capital assets being depreciated	<u>83,244,943</u>	<u>1,337,546</u>	<u>(73,900)</u>	<u>84,508,589</u>

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

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
Less accumulated depreciation for:				
Buildings and improvements	\$ 40,773,677	\$ 3,240,193	\$	\$ 44,013,870
Site improvements	2,535,110	191,763		2,726,873
Furniture, vehicles and equipment	4,659,022	363,309	(73,900)	4,948,431
Total accumulated depreciation	<u>47,967,809</u>	<u>3,795,265</u>	<u>(73,900)</u>	<u>51,689,174</u>
Capital assets, net	<u>\$ 37,157,550</u>	<u>\$ (899,081)</u>	<u>\$ (1,100,770)</u>	<u>\$ 35,157,699</u>

Depreciation expense was allocated to governmental functions as follows:

General support	\$ 38,519
Instruction	3,737,278
Food service program	19,468
Total depreciation expense	<u>\$ 3,795,265</u>

**12. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2016, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,642,743	\$ 3,159,673	\$ 288,867	\$ 6,420,668
Special Aid Fund	65,253	1,642,743	659,524	
School Lunch Fund	1,196,401			
Debt Service Fund			3,093,850	
Capital Projects Fund	1,889,972		2,667,294	288,867
Total Governmental Funds	<u>4,794,369</u>	<u>4,802,416</u>	<u>6,709,535</u>	<u>6,709,535</u>
Agency Fund	73,300	65,253		
Total	<u>\$ 4,867,669</u>	<u>\$ 4,867,669</u>	<u>\$ 6,709,535</u>	<u>\$ 6,709,535</u>

The District typically transfers from the general fund to the special aid fund for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools, and the debt service fund and capital projects fund in accordance with the general fund budget. The transfer from the capital projects fund to the general fund was to return unexpended funding from completed capital projects.

**13. DEFERRED INFLOWS OF RESOURCES**

Deferred inflows in the general fund at June 30, 2016 consisted of:

Deferred Revenues	
LIPA PILOT	<u>\$ 36,614</u>
Unavailable Revenues	
Split dollar life insurance receivable	710,691
State aid	170,920
	<u>881,611</u>
	<u>\$ 918,225</u>

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**14. LONG-TERM LIABILITIES**

**A. Changes**

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

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 10,080,000	\$	\$ (2,775,000)	\$ 7,305,000	\$ 2,885,000
Add: Deferred premium on refunding	690,867		(218,168)	472,699	218,168
	<u>10,770,867</u>	-	<u>(2,993,168)</u>	<u>7,777,699</u>	<u>3,103,168</u>
Other long-term liabilities:					
Compensated absences	4,354,924	523,790	(214,331)	4,664,383	200,000
Workers' compensation	1,586,891	228,715	(401,693)	1,413,913	
	<u>\$ 16,712,682</u>	<u>\$ 752,505</u>	<u>\$ (3,609,192)</u>	<u>\$ 13,855,995</u>	<u>\$ 3,303,168</u>

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

**B. Bonds Payable**

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2016
Serial Bonds				
Bond refunding	11/28/12	8/15/18	2.0 - 4.0%	<u>\$ 7,305,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 2,885,000	\$ 220,075	\$ 3,105,075
2018	2,985,000	117,100	3,102,100
2019	1,435,000	28,700	1,463,700
	<u>\$ 7,305,000</u>	<u>\$ 365,875</u>	<u>\$ 7,670,875</u>

**C. Advance Refunding**

In November 2012, the District advance refunded serial bonds, which resulted in a deferred charge and a refunding bond premium. These amounts are being amortized as a component of interest expense on a straight-line basis over the life of the bonds in the district-wide statements as follows:

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

Fiscal Year Ending June 30,	Amortization of Deferred Outflows	Amortization of Premium	Total
2017	\$ 68,589	\$ (218,168)	\$ (149,579)
2018	68,589	(218,168)	(149,579)
2019	11,432	(36,363)	(24,931)
	\$ 148,610	\$ (472,699)	\$ (324,089)

**D. Interest Expense**

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

Interest paid	\$ 318,850
Less interest accrued in the prior year	(140,381)
Plus interest accrued in the current year	98,756
Plus amortization of deferred charges on refunding	68,589
Less amortization of premium	(218,168)
Total interest expense on long-term debt	\$ 127,646

**15. PENSION PLANS - NEW YORK STATE**

**A. General Information**

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

**B. Provisions and Administration**

Teachers' Retirement System

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



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

Employees' Retirement System

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

**C. Funding Policies**

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30<sup>th</sup>, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years.

The District's share of the required contributions, based on covered payroll paid for the District's year ended June 30<sup>th</sup>, for the current year and two preceding years was:

Year	TRS	ERS
2016	\$ 6,990,941	\$ 1,576,803
2015	9,199,946	1,746,400
2014	8,338,597	2,067,463

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**D. Pension Assets/Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of June 30, 2015, for TRS and March 31, 2016 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2015	March 31, 2016
District's proportionate share of the net pension asset/(liability)	\$ 36,289,126	\$ (5,470,147)
District's portion of the Plan's total net pension asset/(liability)	0.3493770%	0.0340813%
Change in proportion since the prior measurement date	0.0019900	0.0010558

For the year ended June 30, 2016, the District recognized pension expense (credit) of \$(2,414,241) for TRS and \$2,044,794 for ERS. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$	\$ 27,642	\$ 1,005,727	\$
Changes of assumptions		1,458,723		
Net difference between projected and actual earnings on pension plan investments		3,245,191	11,471,182	
Changes in proportion and differences between the District's contributions and proportionate share of contributions		306,074	109,385	648,395
District's contributions subsequent to the measurement date	6,990,941	405,736		
Total	<u>\$ 6,990,941</u>	<u>\$ 5,443,366</u>	<u>\$ 12,586,294</u>	<u>\$ 648,395</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ended	TRS	ERS
2017	\$ (4,641,062)	\$ 1,124,360
2018	(4,641,062)	1,124,360
2019	(4,641,062)	1,124,360
2020	1,893,423	1,016,155
2021	(139,646)	
Thereafter	(416,885)	
	<u>\$ (12,586,294)</u>	<u>\$ 4,389,235</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:

	TRS	ERS
Measurement date	June 30, 2015	March 31, 2016
Actuarial valuation date	June 30, 2014	April 1, 2015
Interest rate	8.0%	7.0%
Salary scale	4.01-10.91%	3.8%
Decrement tables	July 1, 2005 - June 30, 2010 System's Experience	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	3.0%	2.5%

For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale AA. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' MP-2014.

For TRS, the actuarial assumptions used in the June 30, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010. For ERS, the actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

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

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

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2015		March 31, 2016
Asset type				
Domestic equity	37.0%	6.50%	38.0%	7.30%
International equity	18.0%	7.70%	13.0%	8.55%
Real estate	10.0%	4.60%	8.0%	8.25%
Alternative investments	7.0%	9.90%	19.0%	6.75-11.00%
Domestic fixed income securities	17.0%	2.10%		
Global fixed income securities	2.0%	1.90%		
Bonds and mortgages	8.0%	3.40%	18.0%	4.00%
Short-term	1.0%	1.20%		
Cash			2.0%	2.25%
Inflation indexed bonds			2.0%	4.00%
	100.0%		100.0%	

Discount Rate

The discount rate used to calculate the total pension liability was 8.0% for TRS and 7.0% for ERS (the discount rate used by the ERS at the prior year's measurement date of March 31, 2015, was 7.5%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 8.0% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (7.0% for TRS and 6.0% for ERS) or 1 percentage point higher (9.0% for TRS and 8.0% for ERS) than the current rate:

TRS	1% Decrease (7.00)%	Current Assumption (8.00)%	1% Increase (9.00)%
District's proportionate share of the net pension asset (liability)	\$ (2,475,386)	\$ 36,289,126	\$ 69,347,115
ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	\$ (12,334,784)	\$ (5,470,147)	\$ 330,178

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Pension Plan Fiduciary Net Position

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

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2015	March 31, 2016
Employers' total pension liability	\$ (99,332,104)	\$ (172,303,544)
Plan fiduciary net position	109,718,917	156,253,265
Employers' net pension asset/(liability)	\$ 10,386,813	\$ (16,050,279)
Ratio of plan fiduciary net position to the employers' total pension liability	110.46%	90.68%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016, are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016, represent employer and employee contributions for the fiscal year ended June 30, 2016, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$6,990,941 of employer contributions and \$311,521 of employee contributions.

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2016, represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$405,736 of employer contributions. Employee contributions are remitted monthly.

**16. PENSION PLANS - OTHER**

**A. Tax Sheltered Annuities**

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. Contributions made by the employees for the year ended June 30, 2016, totaled \$3,318,460.

**B. Deferred Compensation Plan**

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2016 totaled \$81,480.

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**17. POSTEMPLOYMENT HEALTHCARE BENEFITS**

**A. Plan Description**

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

**B. Funding Policy**

The District assumes between 50% to 100% of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). As of the July 2014 actuarial valuation, there were 553 enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the “pay as you go” method.

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

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

Annual required contribution (ARC)	\$ 14,060,442
Interest on net OPEB obligation	1,739,300
Adjustment to ARC	<u>(2,418,382)</u>
Annual OPEB cost (expense)	13,381,360
Contributions made	<u>(3,835,393)</u>
Increase in net OPEB obligation	9,545,967
Net OPEB obligation - beginning of year	<u>43,482,512</u>
Net OPEB obligation - end of year	<u><u>\$ 53,028,479</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 and the preceding two years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 13,381,360	28.7%	\$ 53,028,479
June 30, 2015	13,287,675	36.8%	43,482,512
June 30, 2014	11,151,716	43.0%	35,085,087

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**D. Funded Status and Funding Progress**

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$143,415,930 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$143,415,930. The covered payroll (annual payroll of active employees covered by the plan) was \$64,945,206, and the ratio of the UAAL to the covered payroll was 221%.

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

**E. Actuarial Methods and Assumptions**

The valuation for the year ended June 30, 2016 is an update derived from estimates from the July 1, 2014 actuarial valuation, based on the fact that there were no material changes to any benefit packages and cost-sharing structures or the census information.

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

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate and an annual healthcare cost trend rate of 9% initially, reduced by decrements of 0.5% annually to an ultimate rate of 5% after eight years. The UAAL is being amortized as a level dollar amount over a 30 year period.

**18. RISK MANAGEMENT**

**A. General Information**

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

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

**B. Risk Retention**

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

	2015	2016
Unpaid claims at beginning of year	\$ 2,074,292	\$ 1,586,891
Incurred claims and claim adjustment expenses	(226,947)	228,715
Claim payments	(260,454)	(401,693)
Unpaid claims at year end	\$ 1,586,891	\$ 1,413,913

**19. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES**

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2016 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2017.

Workers' Compensation	\$ 662,000
Unemployment Insurance	70,000
Retirement Contributions	1,987,000
Employee Benefit Accrued Liability	350,000
	\$ 3,069,000

**20. ASSIGNED: APPROPRIATED FUND BALANCE**

The District has appropriated \$2,813,000 from the general fund's fund balance as the estimated amount applied to partially fund the budget for the year ending June 30, 2017.

**21. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2016, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:	
General Fund	
General support	\$ 89,154
Instruction	75,574
Pupil transportation	2,894
Community service	7,468
Employee benefits	6,205
	181,295
Capital Projects Fund	
Capital projects	654,018
	\$ 835,313



**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**B. Grants**

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

**C. Litigation**

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

**D. Operating Leases**

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was approximately \$218,076. The minimum remaining operating lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 215,742
2018	202,711
2019	58,050
2020	<u>58,050</u>
	<u><u>\$ 534,553</u></u>

**22. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through November 4, 2016, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements.

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
For The Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
<b>Local Sources</b>				
Real property taxes	\$ 102,522,655	\$ 88,131,734	\$ 88,131,734	\$ -
Other tax items	3,369,598	17,760,519	17,716,464	(44,055)
Charges for services	1,540,500	1,540,500	1,371,163	(169,337)
Use of money and property	675,000	675,000	633,443	(41,557)
Sale of property and compensation for loss	75,000	75,000	81,617	6,617
Miscellaneous	285,000	285,000	683,064	398,064
<b>Total Local Sources</b>	<b>108,467,753</b>	<b>108,467,753</b>	<b>108,617,485</b>	<b>149,732</b>
State Sources	16,091,382	16,091,382	16,505,131	413,749
Medicaid reimbursement	35,000	35,000	78,448	43,448
<b>Total Revenues</b>	<b>124,594,135</b>	<b>124,594,135</b>	<b>125,201,064</b>	<b>606,929</b>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in			288,867	288,867
<b>Total Revenues and Other Sources</b>	<b>124,594,135</b>	<b>124,594,135</b>	<b>125,489,931</b>	<b>\$ 895,796</b>
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	2,500,000	2,500,000		
Prior Year's Encumbrances	749,840	749,840		
Appropriated Reserves	3,069,000	5,274,394		
<b>Total Appropriated Fund Balance</b>	<b>6,318,840</b>	<b>8,524,234</b>		
<b>Total Revenues, Other Sources and Appropriated Fund Balance</b>	<b>\$ 130,912,975</b>	<b>\$ 133,118,369</b>		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
For The Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
<b>General Support</b>					
Board of education	\$ 101,941	\$ 107,113	\$ 100,938	\$ 4,256	\$ 1,919
Central administration	342,731	350,035	340,964	65	9,006
Finance	1,011,777	1,014,710	991,217	1,118	22,375
Staff	1,197,806	1,196,065	934,521	5,565	255,979
Central services	10,237,799	10,273,268	8,586,397	78,150	1,608,721
Special items	1,502,390	1,500,070	1,474,405		25,665
<b>Total General Support</b>	<b>14,394,444</b>	<b>14,441,261</b>	<b>12,428,442</b>	<b>89,154</b>	<b>1,923,665</b>
<b>Instruction</b>					
Administration & improvement	6,283,244	6,206,653	6,017,274	3,498	185,881
Teaching - regular school	40,299,521	40,361,905	38,364,630	45,719	1,951,556
Programs for children with handicapping conditions	17,436,934	17,263,630	15,710,743	2,487	1,550,400
Occupational education	452,724	307,128	108,158		198,970
Teaching - special schools	317,822	358,724	295,423		63,301
Instructional media	3,063,330	3,325,766	3,156,550	15,831	153,385
Pupil services	5,017,615	5,080,418	4,691,738	8,039	380,641
<b>Total Instruction</b>	<b>72,871,190</b>	<b>72,904,224</b>	<b>68,344,516</b>	<b>75,574</b>	<b>4,484,134</b>
Pupil Transportation	8,625,319	8,533,817	7,518,568	2,894	1,012,355
Community Services	323,486	324,464	274,846	7,468	42,150
Employee Benefits	30,457,786	30,648,816	27,756,128	6,205	2,886,483
<b>Debt Service</b>					
Interest	185,000	4,643	-		4,643
<b>Total Expenditures</b>	<b>126,857,225</b>	<b>126,857,225</b>	<b>116,322,500</b>	<b>181,295</b>	<b>10,353,430</b>
<b>OTHER USES</b>					
Operating transfers out	4,055,750	6,261,144	6,420,668		(159,524)
<b>Total Expenditures and Other Uses</b>	<b>\$ 130,912,975</b>	<b>\$ 133,118,369</b>	<b>122,743,168</b>	<b>\$ 181,295</b>	<b>\$ 10,193,906</b>
<b>Net Change in Fund Balance</b>			<b>2,746,763</b>		
<b>Fund Balance - Beginning of Year</b>			<b>31,362,546</b>		
<b>Fund Balance - End of Year</b>			<b>\$ 34,109,309</b>		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Schedule of Funding Progress for Other Postemployment Benefits (OPEB)**  
 June 30, 2016

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2010	-	\$ 104,513,789	\$ 104,513,789	0%	\$ 55,756,526	187.4%
July 1, 2012	-	125,688,469	125,688,469	0%	57,435,064	218.8%
July 1, 2014	-	143,415,930	143,415,930	0%	64,945,206	220.8%

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Asset/Liability**  
June 30, 2016

***Teachers' Retirement System***

	2016	2015
District's proportion of the net pension asset	0.3493770%	0.3473870%
District's proportionate share of the net pension asset	\$ 36,289,126	\$ 38,696,725
District's covered payroll	\$ 55,955,268	\$ 54,329,716
District's proportionate share of the net pension asset as a percentage of its covered payroll	64.85 %	71.23 %
Plan fiduciary net position as a percentage of the total pension liability	110.46%	111.48%

***Employees' Retirement System***

	2016	2015
District's proportion of the net pension liability	0.0340813%	0.0330255%
District's proportionate share of the net pension liability	\$ 5,470,147	\$ 1,115,681
District's covered payroll	\$ 9,731,646	\$ 10,015,546
District's proportionate share of the net pension liability as a percentage of its covered payroll	56.21 %	11.14 %
Plan fiduciary net position as a percentage of the total pension liability	90.68%	97.95%

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Schedule of District Contributions**  
June 30, 2016

*Teachers' Retirement System*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 6,990,941	\$ 9,199,946	\$ 8,338,597	\$ 5,822,941	\$ 5,449,985	\$ 4,291,882	\$ 3,216,595	\$ 3,833,425	\$ 3,844,666	\$ 3,609,880
Contributions in relation to the contractually required contribution	6,990,941	9,199,946	8,338,597	5,822,941	5,449,985	4,291,882	3,216,595	3,833,425	3,844,666	3,609,880
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 54,076,492	\$ 55,955,268	\$ 54,329,716	\$ 52,427,877	\$ 51,572,187	\$ 52,290,590	\$ 51,735,026	\$ 49,459,628	\$ 45,694,920	<i>Not Available</i>
Contributions as a percentage of covered payroll	13%	16%	15%	11%	11%	8%	6%	8%	8%	

*Employees' Retirement System*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 1,576,803	\$ 1,746,400	\$ 2,067,463	\$ 1,630,577	\$ 1,638,745	\$ 1,180,464	\$ 730,372	\$ 671,127	\$ 772,939	\$ 865,028
Contributions in relation to the contractually required contribution	1,576,803	1,746,400	2,067,463	1,630,577	1,638,745	1,180,464	730,372	671,127	772,939	865,028
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 10,624,476	\$ 10,129,886	\$ 9,998,740	\$ 9,841,347	\$ 9,668,856	\$ 10,024,224	\$ 9,599,073	\$ 8,988,104	\$ 8,677,090	\$ 8,735,082
Contributions as a percentage of covered payroll	15%	17%	21%	17%	17%	12%	8%	7%	9%	10%

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Schedules of Change from Adopted Budget to Final Budget**  
**and the Real Property Tax Limit - General Fund**  
For The Year Ended June 30, 2016

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget		\$ 130,163,135
Additions:		
Prior year's encumbrances		<u>749,840</u>
Original Budget		130,912,975
Budget revisions		<u>2,205,394</u>
Final Budget		<u><u>\$ 133,118,369</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2016-17 voter-approved expenditure budget		<u>\$ 132,392,014</u>
Maximum allowed (4% of 2016-17 budget)		<u><u>\$ 5,295,681</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 2,994,295	
Unassigned fund balance	<u>5,534,750</u>	
		\$ 8,529,045
Less:		
Appropriated fund balance	2,813,000	
Encumbrances	<u>181,295</u>	
Total adjustments		<u>2,994,295</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		<u><u>\$ 5,534,750</u></u>
Actual Percentage		4.18%

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Schedule of Project Expenditures -**  
**Capital Projects Fund**  
For The Year Ended June 30, 2016

PROJECT TITLE	Budget June 30, 2015	Budget June 30, 2016	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2016
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
2008-2009 Capital Reserve	\$ 2,504,000	\$ 2,504,000	\$ 2,423,446	\$	\$ 2,423,446	\$ 80,554	\$	\$	\$ 2,504,000	\$ 2,504,000	\$ 80,554 *
2008-2009 Interfund Transfer	80,000	80,000	64,234		64,234	15,766			80,000	80,000	15,766 *
2008-2009 Excel Projects	1,650,766	1,650,766	1,650,766		1,650,766	-		1,650,766		1,650,766	-
2009-2010 Interfund Transfers	80,000	80,000	79,988		79,988	12			80,000	80,000	12
2010-2011 Capital Reserve	978,000	978,000	785,453		785,453	192,547			978,000	978,000	192,547 *
2012-2013 Interfund Transfers	1,142,865	1,142,865	1,107,219		1,107,219	35,646			1,142,865	1,142,865	35,646
2012-2013 Hurricane Sandy Project	202,560	202,560	202,427		202,427	133			202,560	202,560	133
2013-2014 Interfund Transfer	1,113,601	1,113,601	1,001,903	115,561	1,117,464	(3,863)			1,113,601	1,113,601	(3,863)
2014-2015 Capital Reserve	1,380,000	1,380,000	45,017	1,131,665	1,176,682	203,318			1,380,000	1,380,000	203,318
2014-2015 Capital Reserve - DW Tech	152,137	152,137	152,137		152,137	-			152,137	152,137	-
2014-2015 Interfund Transfer	809,695	809,695	22,499	94,085	116,584	693,111			809,695	809,695	693,111
2015-2016 Capital Reserve		1,913,195		1,250	1,250	1,911,945			1,913,195	1,913,195	1,911,945
2015-2016 Capital Reserve - DW Tech		292,199		216,077	216,077	76,122			292,199	292,199	76,122
2015-2016 Interfund Transfer		461,900				461,900			461,900	461,900	461,900
<b>Totals</b>	<b>\$ 10,093,624</b>	<b>\$ 12,760,918</b>	<b>\$ 7,535,089</b>	<b>\$ 1,558,638</b>	<b>\$ 9,093,727</b>	<b>\$ 3,667,191</b>	<b>\$ -</b>	<b>\$ 1,650,766</b>	<b>\$ 11,110,152</b>	<b>\$ 12,760,918</b>	<b>3,667,191</b>
									Transfer to general fund		(288,867) *
									<b>Total Fund Balance</b>		<b>\$ 3,378,324</b>



**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Net Investment in Capital Assets**  
June 30, 2016

Capital assets, net		<u>\$ 35,157,699</u>
Deduct:		
Short-term portion of bonds payable	(2,885,000)	
Long-term portion of bonds payable	<u>(4,420,000)</u>	
		<u>(7,305,000)</u>
Net investment in capital assets		<u><u>\$ 27,852,699</u></u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Hicksville Union Free School District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 4, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Hicksville 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 Hicksville Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hicksville Union Free School District's internal control.

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

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

## **Compliance and Other Matters**

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Hicksville Union Free School District in a separate letter dated November 4, 2016.

## **Purpose of this Report**

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

*Cullen & Danowski, LLP*

November 4, 2016

