



FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITOR'S REPORTS

June 30, 2017

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**TABLE OF CONTENTS**

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	<b><u>Page</u></b>
<b>Independent Auditor's Report</b>	1
<b>Management's Discussion and Analysis (MD&amp;A)</b>	3
<b>Financial Statements:</b>	
Statement of Net Position	15
Statement of Activities	16
Balance Sheet – Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Statement of Fiduciary Net Position – Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	22
Notes to Financial Statements	23
<b>Required Supplementary Information other than MD&amp;A:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	48
Schedule of Funding Progress for Other Postemployment Benefits (OPEB)	50
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability	51
Schedule of District Pension Contributions	52
<b>Other Supplementary Information:</b>	
Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund	53
Schedule of Project Expenditures and Financing Resources – Capital Projects Fund	54
Net Investment in Capital Assets	55
<b>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 <i>Government Auditing Standards</i></b>	56

## 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2017, 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.

## ***Emphasis of Matter***

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 77, *Tax Abatement Disclosures*, as of June 30, 2017. Our opinion is not modified with respect to this matter.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, 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 pension contributions on pages 3 through 14 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 17, 2017 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 17, 2017

**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, 2017 in comparison with the year ended June 30, 2016, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

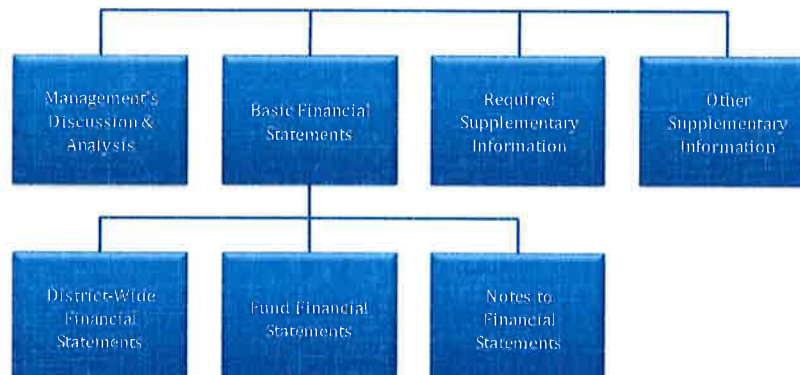
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2017 are as follows:

- On the district-wide financial statements, the District's total net position decreased by \$5,099,499 or 13.44% from the prior year.
- The liability for net other postemployment benefits obligation (OPEB) increased by \$9,655,604.
- On the district-wide financial statements, the District's expenses for the year totaled \$136,496,035. Of this amount, \$6,026,543 was offset by program charges for services and operating grants. General revenues of \$125,369,993 amount to 95.4% of total revenues.
- On the balance sheet, the general fund's unassigned fund balance at year end was \$5,393,650, and was at the 4% statutory limit.
- In May 2016, the District's voters authorized the establishment of a capital reserve and the District funded the 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 voters also authorized the District to expend the \$2,650,000 from the capital reserve during the 2016-17 fiscal year.
- In May 2017, the voters authorized the establishment of a capital reserve not to exceed \$6,500,000. The reserve was established to finance building, track and field and site improvement projects at various school buildings throughout the District and the administration building. Funding of the reserve has been provided from 2016-17 fund balance in the amount of \$3,600,479, and the transfer of \$2,899,521 from the insurance reserve.
- The District's 2016-17 budgeted property tax levy of \$98,937,594 was a \$175,099 or 0.18% increase over the 2016 tax levy, which was equal to the District's property tax cap.

**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 food service fund, debt service fund and capital projects fund; each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee and utilize the 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 decreased by \$5,099,499 between fiscal year 2017 and 2016. The decrease is due to expenses in excess of revenues based on the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>Assets</b>				
Current and Other Assets	\$ 55,735,876	\$ 51,490,534	\$ 4,245,342	8.24 %
Capital Assets, Net	33,073,743	35,157,699	(2,083,956)	(5.93)%
Net Pension Asset - Proportionate Share		<u>36,289,126</u>	<u>(36,289,126)</u>	(100.00)%
Total Assets	<u>88,809,619</u>	<u>122,937,359</u>	<u>(34,127,740)</u>	(27.76)%
<b>Deferred Outflows of Resources</b>	<u>38,346,331</u>	<u>12,582,917</u>	<u>25,763,414</u>	204.75 %
<b>Liabilities</b>				
Current and Other Liabilities	12,357,604	11,959,035	398,569	3.33 %
Long-Term Liabilities	10,771,480	13,855,995	(3,084,515)	(22.26)%
Net Other Postemployment Benefits Obligation	62,684,083	53,028,479	9,655,604	18.21 %
Net Pension Liability - Proportionate Share	<u>6,705,786</u>	<u>5,470,147</u>	<u>1,235,639</u>	22.59 %
Total Liabilities	<u>92,518,953</u>	<u>84,313,656</u>	<u>8,205,297</u>	9.73 %
<b>Deferred Inflows of Resources</b>	<u>1,801,179</u>	<u>13,271,303</u>	<u>(11,470,124)</u>	(86.43)%

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

	2017	2016	Increase (Decrease)	Percentage Change
<b>Net Position</b>				
Net Investment in Capital Assets	\$ 28,653,743	\$ 27,852,699	\$ 801,044	2.88 %
Restricted	31,104,611	27,765,848	3,338,763	12.02 %
Unrestricted (deficit)	<u>(26,922,536)</u>	<u>(17,683,230)</u>	<u>(9,239,306)</u>	52.25 %
 Total Net Position	 <u>\$ 32,835,818</u>	 <u>\$ 37,935,317</u>	 <u>\$ (5,099,499)</u>	 (13.44)%

Current and other assets increased by \$4,245,342, as compared to the prior year. This was primarily due to higher cash balances in the current year, offset partially by decreases in taxes receivable and amounts due from state and federal.

Capital assets, net decreased by \$2,083,956, 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 12 "Capital Assets" provides additional information.

Net pension asset – proportionate share decreased by \$36,289,126, as compared to the prior year. The prior year GASB 68 actuarial valuation yielded an asset for the District's share of the New York State Teachers' Retirement System's collective net pension asset at the measurement date. In the current year, this was determined to be a liability based on the actuarial valuation.

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 changes from a prior year's bond refunding that is being amortized over the remaining term of the bonds.

Current and other liabilities increased by \$398,569, as compared to the prior year. This increase is primarily due to increases in accounts payable, accrued liabilities and compensated absences payable, offset by a decrease in the amount due to teachers' retirement system.

Long-term liabilities decreased by \$3,084,515, as compared to the prior year. This decrease is the result of the current year's bond principal payments and amortization of a bond premium totaling \$3,103,168, and a decrease in workers' compensation liabilities of \$334,324, offset by an increase in compensated absences payable of \$352,977.

Net other postemployment benefits (OPEB) obligation increased by \$9,655,604, 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 18 "Postemployment Healthcare Benefits", provides additional information.

Net pension liability – proportionate share increased by \$1,235,639 in the current year. This liability represents the District's share of the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System's collective net pension liabilities at the measurement date of the respective year.



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

Deferred inflows of resources represents actuarial adjustments at the pension plan level that will be amortized in future years.

The net investment in capital assets in the amount of \$28,653,743 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 \$31,104,611 relates to the District's reserves. This number increased by \$3,338,763, as a result of interest earnings and transfers into the reserves authorized by the District's voters and the Board, offset by authorized appropriations from the reserves to pay for expenditures.

The unrestricted deficit amount of \$(26,922,536) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit increased over the prior year by \$8,570,483, and shows the effect of the unfunded addition to the OPEB liability.

**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, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 2,217,816	\$ 2,202,283	\$ 15,533	0.71 %
Operating Grants	3,808,727	3,536,615	272,112	7.69 %
General Revenues				
Property Taxes and STAR	98,939,574	98,751,157	188,417	0.19 %
State Sources	17,961,948	16,451,481	1,510,467	9.18 %
Other	8,468,471	8,593,127	(124,656)	(1.45)%
<b>Total Revenues</b>	<u>131,396,536</u>	<u>129,534,663</u>	<u>1,861,873</u>	1.44 %
<b>Expenses</b>				
General Support	18,199,673	17,075,964	1,123,709	6.58 %
Instruction	108,347,026	98,352,103	9,994,923	10.16 %
Pupil Transportation	7,833,781	7,910,758	(76,977)	(0.97)%
Community Service	398,035	406,093	(8,058)	(1.98)%
Debt Service - Interest	38,040	127,646	(89,606)	(70.20)%
Food Service Program	1,679,480	1,746,284	(66,804)	(3.83)%
<b>Total Expenses</b>	<u>136,496,035</u>	<u>125,618,848</u>	<u>10,877,187</u>	8.66 %
<b>Increase / (Decrease) in Net Position</b>	<u>\$ (5,099,499)</u>	<u>\$ 3,915,815</u>	<u>\$ (9,015,314)</u>	(230.23)%

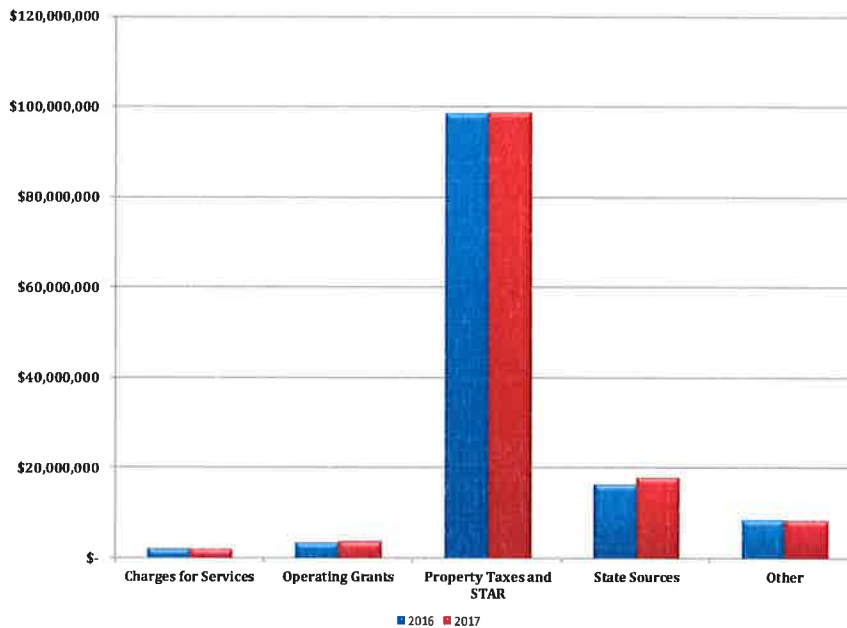
**HICKSVILLE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

The District's revenues increased by \$1,861,873, or 1.44%. The major factor that contributed to the increase was the District received more state aid and grant funding.

The District's expenses for the year increased by \$10,877,187 or 8.66%, primarily as a result of increases in employee benefits, particularly as it relates to the change in the pension expense resulting from the actuarial valuation by TRS, as well as increases in salaries, tuition and BOCES related expenses.

As indicated on the graphs that follow, property taxes and STAR is the largest component of revenues recognized, at 75.3% and 76.2% for the years ended June 30, 2017 and 2016, respectively. Instruction expense is the largest category of expenses incurred, comprising 79.5% and 78.3% for the years ended June 30, 2017 and 2016.

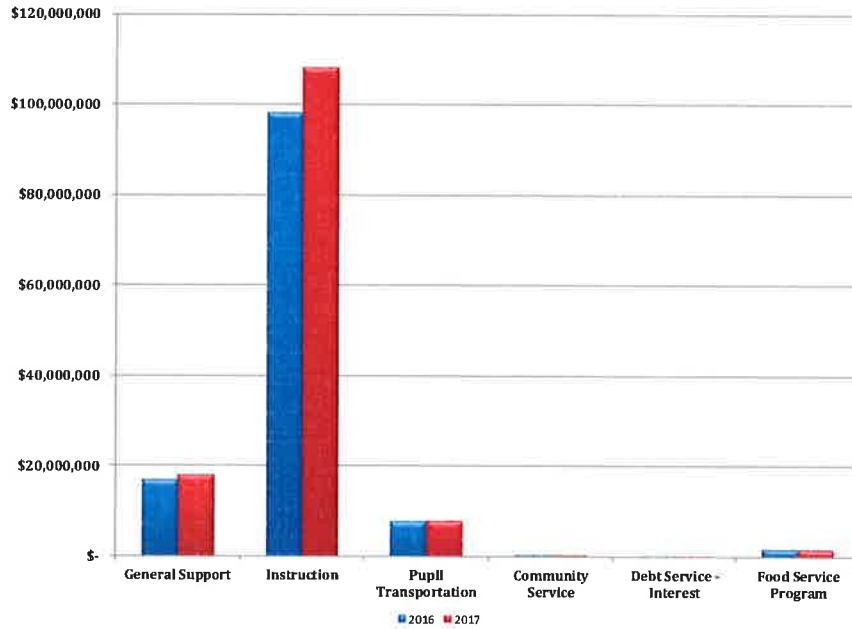
A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants	Property Taxes and STAR	State Sources	Other
<b>2016</b>	1.7%	2.7%	76.2%	12.7%	6.7%
<b>2017</b>	1.7%	2.9%	75.3%	13.7%	6.4%

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

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>2016</b>	13.6%	78.3%	6.3%	0.3%	0.1%	1.4%
<b>2017</b>	13.3%	79.5%	5.7%	0.3%	0.0%	1.2%

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

At June 30, 2017, the District's governmental funds reported a combined fund balance of \$42,565,789, which is an increase of \$3,853,759 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:

	2017	2016	Increase (Decrease)
<b>General Fund</b>			
Nonspendable: Prepays	\$ 16,450	\$ 5,801	\$ 10,649
Restricted:			
Workers' compensation	2,964,999	2,960,263	4,736
Unemployment insurance	984,227	1,005,349	(21,122)
Retirement contribution	12,919,441	12,355,144	564,297
Insurance		2,899,521	(2,899,521)
Employee benefit accrued liability	3,821,015	3,690,816	130,199
Capital	6,513,370	2,663,370	3,850,000
Assigned:			
Appropriated fund balance	2,751,493	2,813,000	(61,507)
Unappropriated fund balance	298,031	181,295	116,736
Unassigned: Fund balance	5,393,650	5,534,750	(141,100)
	<u>35,662,676</u>	<u>34,109,309</u>	<u>1,553,367</u>

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

	2017	2016	Increase (Decrease)
<b>School Food Service Fund</b>			
Nonspendable: Inventory	\$ 17,478	\$ 2,660	\$ 14,818
Assigned: Unappropriated fund balance	1,449,237	1,221,737	227,500
	1,466,715	1,224,397	242,318
<b>Capital Projects Fund</b>			
Restricted: Capital	3,901,559	2,191,385	1,710,174
Assigned: Unappropriated fund balance	1,534,839	1,186,939	347,900
	5,436,398	3,378,324	2,058,074
Total Fund Balance	\$ 42,565,789	\$ 38,712,030	\$ 3,853,759

**A. General Fund**

The net change in the general fund fund balance is an increase of \$1,553,367 compared to an increase of \$2,746,763 in the prior year, as revenues of \$126,771,622 exceeded expenditures and other uses of \$125,218,255. Revenues increased by \$1,281,691 (1.02%) over fiscal 2016 totals, primarily because of the increase in state aid of \$1,456,817. Expenditures and other uses increased \$2,475,087 (2.02%) over fiscal 2016 totals, primarily due to increases in general support (\$1,282,718), instruction (\$601,097) and operating transfers out (\$845,837).

In May 2017, the District's voters authorized the establishment of a new capital reserve for building and site improvements in the amount of \$6,500,000 to be funded by a transfer from the insurance reserve in the amount of \$2,899,521, and fund balance from the 2016-17 fiscal year in the amount of \$3,600,479.

Total restricted reserves increased by the net amount of \$1,628,589. This increase was the result of funding to certain reserves, including the new 2017 capital reserve and interest earnings allocated to the reserves, which totaled \$6,594,024, offset by the voter-authorized appropriation from the 2016 capital reserve in the amount of \$2,650,000 to the capital projects fund, and the use of the workers' compensation, unemployment insurance, retirement contribution and employee benefit accrued liability reserves totaling \$2,315,435 to pay for expenditures.

The District expects to appropriate \$3,069,000 from its restricted reserves to partially fund the 2017-18 budget.

**B. School Food Service Fund**

The school food service fund – fund balance increased by \$242,318, 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 \$2,058,074, as the interfund transfers received from the 2016 capital reserve and the general fund operating budget exceeded capital outlays.

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

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2016-17 Budget**

The District's general fund adopted budget for the year ended June 30, 2017 was \$132,392,014. This amount was increased by encumbrances carried forward from the prior year in the amount of \$181,285, a budget revision of \$20,000 for instructional technology funded by state grant-in aid and voter-authorized appropriation from the 2016 capital reserve in the amount of \$2,650,000, for a total final budget of \$135,243,309.

The budget was funded through a combination of estimated revenues, and appropriated fund balance and reserves. The majority of this funding source was \$98,937,594 in estimated property taxes and STAR.

**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	\$ 5,534,750
Revenues over budget	241,608
Expenditures and encumbrances under budget	9,727,023
Unused appropriated reserves	(753,565)
Change in nonspendable fund balance	(10,649)
Increase in reserves	(6,594,024)
Appropriated to fund the June 30, 2018 budget	<u>(2,751,493)</u>
Closing unassigned fund balance	<u>\$ 5,393,650</u>

Opening, Unassigned Fund Balance

The \$5,534,750 shown in the table is the portion of the District's June 30, 2016 fund balance that was retained as unassigned. This was 4.18% of the District's 2016-17 approved operating budget of \$132,392,014.

Revenues Over Budget

The 2016-17 final budget for revenues was \$126,530,014. The total actual revenues recognized for the year were \$126,771,622. The excess of actual revenues over estimated or budgeted revenues was \$241,608, and arose primarily from an excess of sale of property and compensation for loss and state sources revenue over budget, offset partially by a deficiency of other tax items and charges for services revenue under budget.

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

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Expenditures and Encumbrances Under Budget

The 2016-17 final budget was \$135,243,309. Actual expenditures and other uses as of June 30, 2017 were \$125,218,255 and outstanding encumbrances were \$298,031. Combined, the expenditures and other uses plus encumbrances for 2016-17 were \$125,516,286. The final budget was under expended by \$9,727,023. The under expenditure of the 2016-17 budget arose primarily from balances in the general support (central services), teaching-regular school, programs for children with handicapping conditions and employee benefits budget line items.

Unused Appropriated Reserves

In the 2016-17 budget, the District appropriated \$3,069,000 of the general fund's reserves towards expenditures. Due to lower than anticipated expenditures, only \$2,315,435 of the budgeted appropriations were used; \$753,565 of the budgeted funding was not needed and was returned to the reserves to be available for future use.

Change in Nonspendable Fund Balance

The increase of \$10,649 in nonspendable fund balance relates to the increase in prepaid expenditures at year end 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 \$(6,594,024) increase in reserves shown in the table consists of \$2,961,527 in Board-authorized replenishments and transfers to the reserves, a voter-authorized establishment and funding of the 2017 capital reserve with \$3,600,479 from 2016-17 available fund balance, and interest earnings allocated to the reserves amounting to \$32,018.

Appropriated Fund Balance

The District has chosen to use \$2,751,493 of the available June 30, 2017 unassigned fund balance to partially fund the 2017-18 approved operating budget. As such, the unassigned portion of the June 30, 2017 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, 2017 was \$5,393,650. This amount equals 4.0% of the 2017-18 budget which is the statutory limit.

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

**A. Capital Assets**

At June 30, 2017, 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 \$3,871,278 in excess of capital additions of \$1,787,322 recorded for the year ended June 30, 2017. A summary of the District's capital assets, net of depreciation at June 30, 2017 and 2016 is as follows:

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

	2017	2016	Increase (Decrease)
Land	\$ 520,209	\$ 520,209	\$ -
Construction in progress	1,600,750	1,818,075	(217,325)
Buildings and improvements	28,268,039	30,126,244	(1,858,205)
Site improvements	1,223,947	1,415,545	(191,598)
Furniture, vehicles and equipment	1,460,798	1,277,626	183,172
Capital assets, net	<u>\$ 33,073,743</u>	<u>\$ 35,157,699</u>	<u>\$ (2,083,956)</u>

**B. Debt Administration**

At June 30, 2017, the District had total bonds payable of \$4,420,000. 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, 2017. A summary of the outstanding debt at June 30, 2017 and 2016 is as follows:

Issue Date	Interest Rate	2017	2016	Increase (Decrease)
11/28/12	2.0 - 4.0%	<u>\$ 4,420,000</u>	<u>\$ 7,305,000</u>	<u>\$ (2,885,000)</u>

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

**C. Other Long-Term Liabilities**

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

	2017	2016	Increase (Decrease)
Compensated absences payable	\$ 5,017,360	\$ 4,664,383	\$ 352,977
Workers' compensation liabilities	1,079,589	1,413,913	(334,324)
Net other postemployment benefits obligation	62,684,083	53,028,479	9,655,604
Net pension liability - proportionate share	6,705,786	5,470,147	1,235,639
	<u>\$ 75,486,818</u>	<u>\$ 64,576,922</u>	<u>\$ 10,909,896</u>

**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 16, 2017 for the year ending June 30, 2018 is \$132,841,267. This is an increase of \$2,449,253 or 1.85% 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 \$1,046,326 increase in non-tax revenues, primarily from anticipated increases in state aid, and an increase in property tax revenues of \$1,464,434 or 1.48%. The District has appropriated \$2,751,493 of its available fund balance and \$3,069,000 from its reserves as the estimated amounts applied to partially fund the 2017-18 budget.

**B. Future Budgets**

Significant increases in costs of health insurance, the property tax cap, fluctuations in retirement systems required contribution rates, and uncertainty in state aid and federal funds will continue to impact the District's future budgets.

**C. Approval of Capital Construction Bond Propositions**

On November 14, 2017, the District's voters approved two propositions, one authorizing \$26,885,000 of capital construction for various district-wide renovations and upgrades to be financed by the issuance of \$20,635,000 of bonds, \$5,500,000 from a new capital reserve, and \$750,000 from the school food service fund's fund balance, and the second proposition authorizing \$14,740,000 for the construction of an aquatic center at the High School to be financed by issuing bonds.

**D. 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 2017-18 property tax levy of \$100,402,028 was an increase of 1.48%, which equaled the tax cap and did not require an override vote.

**E. Property Tax Relief Credit**

New York State law 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. This program provides 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, 2017

**ASSETS**

Cash	
Unrestricted	\$ 17,929,003
Restricted	31,104,611
Receivables	
Accounts receivable, net	660,163
Taxes receivable	1,730,719
Due from state and federal	3,349,759
Due from other governments	219,830
Other assets	707,863
Prepays	16,450
Inventories	17,478
Capital assets not being depreciated	2,120,959
Capital assets being depreciated, net of accumulated depreciation	<u>30,952,784</u>
Total Assets	<u>88,809,619</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charges from advance bond refunding	80,021
Pensions	<u>38,266,310</u>
Total Deferred Outflows of Resources	<u>38,346,331</u>

**LIABILITIES**

Payables	
Accounts payable	3,289,768
Accrued liabilities	1,632,721
Due to fiduciary funds	43,822
Due to other governments	10,075
Due to teachers' retirement system	6,571,636
Due to employees' retirement system	374,137
Compensated absences payable	220,225
Other liabilities	124
Unearned credits	
Collections in advance	215,096
Long-term liabilities	
Due and payable within one year	
Bonds payable, net of unamortized premium	3,203,168
Compensated absences payable	200,000
Due and payable after one year	
Bonds payable, net of unamortized premium	1,471,363
Compensated absences payable	4,817,360
Workers' compensation liabilities	1,079,589
Net other postemployment benefits obligation	62,684,083
Net pension liability - proportionate share	<u>6,705,786</u>
Total Liabilities	<u>92,518,953</u>

**DEFERRED INFLOWS OF RESOURCES**

Pensions	<u>1,801,179</u>
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**NET POSITION**

Net investment in capital assets	<u>28,653,743</u>
Restricted	
Workers' compensation	2,964,999
Unemployment insurance	984,227
Retirement contribution	12,919,441
Employee benefit accrued liability	3,821,015
Capital	<u>10,414,929</u>
	<u>31,104,611</u>
Unrestricted (deficit)	<u>(26,922,536)</u>
Total Net Position	<u>\$ 32,835,818</u>

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Statement of Activities**  
For The Year Ended June 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
<b>PROGRAMS/FUNCTIONS</b>				
<b>Governmental Activities:</b>				
General support	\$ 18,199,673	\$	\$	\$ (18,199,673)
Instruction	108,347,026	1,398,920	2,721,295	(104,226,811)
Pupil transportation	7,833,781			(7,833,781)
Community service	398,035			(398,035)
Debt service - interest	38,040			(38,040)
Food service program	1,679,480	818,896	1,087,432	226,848
	<u>1,679,480</u>	<u>818,896</u>	<u>1,087,432</u>	<u>226,848</u>
Total Governmental Activities	<u>\$ 136,496,035</u>	<u>\$ 2,217,816</u>	<u>\$ 3,808,727</u>	<u>(130,469,492)</u>
<b>GENERAL REVENUES</b>				
Real property taxes				88,810,010
Other tax items				17,215,498
Use of money and property				719,981
Sale of property and compensation for loss				209,424
Miscellaneous				341,859
State sources				17,961,948
Medicaid reimbursement				111,273
				<u>125,369,993</u>
Total General Revenues				<u>125,369,993</u>
Change in Net Position				(5,099,499)
Total Net Position - Beginning of year				<u>37,935,317</u>
Total Net Position - End of year				<u>\$ 32,835,818</u>

**HICKSVILLE UNION FREE SCHOOL DISTRICT**

**Balance Sheet - Governmental Funds**

June 30, 2017

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Cash						
Unrestricted	\$ 17,905,895	\$ 15,574	\$ 7,534	\$ -	\$ -	\$ 17,929,003
Restricted	30,545,982				558,629	31,104,611
Receivables						
Accounts receivable, net	630,453		29,710			660,163
Taxes receivable	1,730,719					1,730,719
Due from other funds	1,875,058	69,993	1,474,540		4,957,022	8,376,613
Due from state and federal	1,278,246	2,012,516	58,997			3,349,759
Due from other governments	219,830					219,830
Other assets	707,863					707,863
Prepays	16,450					16,450
Inventories			17,478			17,478
Total Assets	<u>\$ 54,910,496</u>	<u>\$ 2,098,083</u>	<u>\$ 1,588,259</u>	<u>\$ -</u>	<u>\$ 5,515,651</u>	<u>\$ 64,112,489</u>
<b>LIABILITIES</b>						
Payables						
Accounts payable	\$ 2,896,146	\$ 223,025	\$ 91,344	\$ -	\$ 79,253	\$ 3,289,768
Accrued liabilities	1,566,421					1,566,421
Due to other funds	6,545,377	1,875,058				8,420,435
Due to other governments	10,075					10,075
Due to teachers' retirement system	6,571,636					6,571,636
Due to employees' retirement system	374,137					374,137
Compensated absences payable	220,225					220,225
Other liabilities			124			124
Unearned credits						
Collections in advance	<u>185,020</u>		<u>30,076</u>			<u>215,096</u>
Total Liabilities	<u>18,369,037</u>	<u>2,098,083</u>	<u>121,544</u>	<u>-</u>	<u>79,253</u>	<u>20,667,917</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues	<u>878,783</u>					<u>878,783</u>
<b>FUND BALANCES</b>						
Nonspendable:						
Prepays	16,450					16,450
Inventory			17,478			17,478
Restricted:						
Workers' compensation	2,964,999					2,964,999
Unemployment insurance	984,227					984,227
Retirement contribution	12,919,441					12,919,441
Employee benefit accrued liability	3,821,015					3,821,015
Capital	6,513,370				3,901,559	10,414,929
Assigned:						
Appropriated fund balance	2,751,493					2,751,493
Unappropriated fund balance	298,031		1,449,237		1,534,839	3,282,107
Unassigned: Fund balance	<u>5,393,650</u>					<u>5,393,650</u>
Total Fund Balances	<u>35,662,676</u>	<u>-</u>	<u>1,466,715</u>	<u>-</u>	<u>5,436,398</u>	<u>42,565,789</u>
Total Liabilities and Fund Balances	<u>\$ 54,910,496</u>	<u>\$ 2,098,083</u>	<u>\$ 1,588,259</u>	<u>\$ -</u>	<u>\$ 5,515,651</u>	<u>\$ 64,112,489</u>

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
June 30, 2017

Total Governmental Fund Balances \$ 42,565,789

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

The costs 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	\$ 88,457,065	
Accumulated depreciation	<u>(55,383,322)</u>	33,073,743

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.		80,021
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Proportionate share of long-term 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.

Deferred outflows of resources	38,266,310	
Net pension liability - teachers' retirement system	(3,659,353)	
Net pension liability - employees' retirement system	(3,046,433)	
Deferred inflows of resources	<u>(1,801,179)</u>	29,759,345

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.		878,783
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Accrued interest on bonds payable	(66,300)	
Bonds payable, net of unamortized premium	(4,674,531)	
Compensated absences payable	(5,017,360)	
Workers' compensation liabilities	(1,079,589)	
Net other postemployment benefits obligation	<u>(62,684,083)</u>	<u>(73,521,863)</u>

Total Net Position		<u>\$ 32,835,818</u>
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**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For The Year Ended June 30, 2017

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 88,810,010	\$	\$	\$	\$	\$ 88,810,010
Other tax items	17,215,498					17,215,498
Charges for services	1,398,920					1,398,920
Use of money and property	719,862		119			719,981
Sale of property and compensation for loss	209,424					209,424
Miscellaneous	344,687					344,687
State sources	17,961,948	634,069	35,022			18,631,039
Medicaid reimbursement	111,273					111,273
Federal sources		2,087,226	1,052,410			3,139,636
Sales			818,896			818,896
<b>Total Revenues</b>	<b>126,771,622</b>	<b>2,721,295</b>	<b>1,906,447</b>	<b>-</b>	<b>-</b>	<b>131,399,364</b>
<b>EXPENDITURES</b>						
General support	13,711,160					13,711,160
Instruction	68,945,613	2,824,666				71,770,279
Pupil transportation	7,349,579	315,871				7,665,450
Community service	287,239					287,239
Employee benefits	27,658,159					27,658,159
Debt service						
Principal				2,885,000		2,885,000
Interest				220,075		220,075
Food service program			1,664,129			1,664,129
Capital outlay					1,684,114	1,684,114
<b>Total Expenditures</b>	<b>117,951,750</b>	<b>3,140,537</b>	<b>1,664,129</b>	<b>3,105,075</b>	<b>1,684,114</b>	<b>127,545,605</b>
Excess (Deficiency) of Revenues Over Expenditures	8,819,872	(419,242)	242,318	(3,105,075)	(1,684,114)	3,853,759
<b>OTHER FINANCING SOURCES AND (USES)</b>						
Operating transfers in		419,242		3,105,075	3,742,188	7,266,505
Operating transfers (out)	(7,266,505)					(7,266,505)
<b>Total Other Financing Sources and (Uses)</b>	<b>(7,266,505)</b>	<b>419,242</b>	<b>-</b>	<b>3,105,075</b>	<b>3,742,188</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>1,553,367</b>	<b>-</b>	<b>242,318</b>	<b>-</b>	<b>2,058,074</b>	<b>3,853,759</b>
Fund Balances - Beginning of Year	34,109,309		1,224,397		3,378,324	38,712,030
Fund Balances - End of Year	<b>\$ 35,662,676</b>	<b>\$ -</b>	<b>\$ 1,466,715</b>	<b>\$ -</b>	<b>\$ 5,436,398</b>	<b>\$ 42,565,789</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, 2017

Net Change in Fund Balances \$ 3,853,759

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 \$ (2,828)

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 334,324

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 (352,977)  
Increase in net other postemployment benefits obligation (9,655,604)

(9,677,085)

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 1,787,322  
Depreciation expense (3,871,278)

(2,083,956)

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.

2,885,000

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, 2016 to June 30, 2017.

32,456

3,067,035

Pension Differences

The change 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 156,932  
Employees' retirement system (416,184)

(259,252)

Change in Net Position of Governmental Activities

\$ (5,099,499)

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Funds**  
June 30, 2017

	Agency	Private Purpose Trust
<b>ASSETS</b>		
Cash		
Unrestricted	\$ 262,312	\$
Restricted		113,415
Accounts receivable	16,859	
Due from governmental funds	43,822	
Total Assets	\$ 322,993	113,415
 <b>LIABILITIES</b>		
Extraclassroom activity balances	\$ 91,700	
Other liabilities	231,293	
Total Liabilities	\$ 322,993	-
 <b>NET POSITION</b>		
Restricted for scholarships		\$ 113,415

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position -**  
**Fiduciary Funds**  
For The Year Ended June 30, 2017

	<u>Private Purpose Trust</u>
<b>ADDITIONS</b>	
Contributions	\$ 50,778
Investment earnings-interest	<u>218</u>
Total Additions	50,996
<b>DEDUCTIONS</b>	
Scholarships and awards	<u>44,975</u>
Change in Net Position	6,021
Net Position - Beginning of year	<u>107,394</u>
Net Position - End of Year	<u><u>\$ 113,415</u></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 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.

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

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**C. Basis of Presentation**

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

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

**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.

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

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Enforcement

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

Payments in Lieu of Taxes (PILOT)

The District reports payments in lieu of taxes (PILOT) revenues in the general fund as part of other tax items revenue. These PILOT revenues are often the results of tax abatements granted by industrial development agencies of the town and/or the County to help promote local economic development. Property owners make PILOT payments to the government agencies, which in turn remit the collected PILOT to the District.

The District's PILOT revenues also include payments from the Long Island Power Authority (LIPA) remitted by Nassau County. Beginning in the 2015-16 fiscal year, the Nassau County Legislature removed properties owned by LIPA from the assessment and tax rolls and instead, allowed LIPA to make payments in lieu of taxes with annual increases of no more than 2% in response to the New York State Public Authorities Law Section 1020-q (the "LIPA Reform Act") enacted by the state in 2013. These LIPA PILOT payments are not the result of tax abatement agreements as defined by GASB Statement No 77, "Tax Abatement Disclosures", under which an entity receiving a reduction in tax revenues promises to take specific action that contributes to economic development or otherwise benefits the governments or residents of the governments.

**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.

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

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**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 contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of long-lived assets.

**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 food service 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 inventorable 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 acquisition value at the date of donation.

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

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:

	Capitalization Threshold	Estimated Useful Life
Buildings and improvements	\$ 25,000	15 - 50 years
Site improvements	25,000	20 years
Furniture and equipment	1,000	5-20 years

**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 consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The third item is the District's contributions to the pension systems (TRS and ERS) 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 two 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 related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense.

**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.

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

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

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.

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

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**S. Equity Classifications**

District-Wide Statements

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

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

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

*Unrestricted* – Reports 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, which are recorded in the school food service fund and prepaids, which are recorded in the general fund.

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

*Workers' Compensation Reserve*

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

*Unemployment Insurance Reserve*

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



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

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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.

*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.

*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 of available resources. NYS Real Property Tax Law §1318 restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year's budget.

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

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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. CHANGES IN ACCOUNTING PRINCIPLES**

For the fiscal year ended June 30, 2017, the District implemented GASB Statement No. 77, *Tax Abatement Disclosures*, which requires the District to disclose information about tax abatement agreements impacting real property tax revenues.

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

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

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

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

**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.

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

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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 recognizing pension costs under the modified accrual basis of accounting (whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan) versus the accrual basis of accounting (whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan).

**4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

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

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

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

Voter authorized appropriation from capital reserves	\$ 2,650,000
Instructional technology funded by state grant-in aid	<u>20,000</u>
	<u>\$ 2,670,000</u>

Budgets are adopted annually on a basis consistent with GAAP.

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

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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.

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

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

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

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

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

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

**6. PARTICIPATION IN BOCES**

During the year ended June 30, 2017, the District was billed \$7,780,012 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,008,453. 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.

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

**7. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2017, including an allowance for uncollectible accounts, are as follows:

	Fund		Total
	General	School Food Service	
Accounts receivable	\$ 640,453	\$ 29,710	\$ 670,163
Less: Allowance for Uncollectible accounts	(10,000)		(10,000)
	\$ 630,453	\$ 29,710	\$ 660,163

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 food service fund consists of charged student meal receivables.

**8. TAXES RECEIVABLE**

Taxes receivable at June 30, 2017 consisted of:

General Fund	
Nassau County-School Tax	\$ 1,730,719

**9. DUE FROM STATE AND FEDERAL**

Due from state and federal at June 30, 2017 consisted of:

General Fund	
New York State - excess cost aid	\$ 762,728
BOCES aid	515,518
	1,278,246
Special Aid Fund	
Federal and State grants	2,012,516
School Food Service Fund	
Federal and State food service program reimbursements	58,997
	\$ 3,349,759

**10. DUE FROM OTHER GOVERNMENTS**

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

General Fund	
Nassau County -	
Payments in lieu of taxes	\$ 161,020
BOCES - credit refunds	58,810
	\$ 219,830

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

**11. 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, 2017, total cash surrender value for these policies amounted to \$707,863, which was recorded as other assets in the general fund. The corresponding revenue to this receivable is included in deferred inflows of resources-unavailable revenues and will be recognized in the year that the proceeds are received.

**12. CAPITAL ASSETS**

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

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 520,209	\$	\$	\$ 520,209
Construction in progress	<u>1,818,075</u>	<u>1,600,750</u>	<u>(1,818,075)</u>	<u>1,600,750</u>
Total capital assets not being depreciated	<u>2,338,284</u>	<u>1,600,750</u>	<u>(1,818,075)</u>	<u>2,120,959</u>
Capital assets being depreciated				
Buildings and improvements	74,140,114	1,447,879	(120,459)	75,467,534
Site improvements	4,142,418	1,982		4,144,400
Furniture, vehicles and equipment	<u>6,226,057</u>	<u>554,786</u>	<u>(56,671)</u>	<u>6,724,172</u>
Total capital assets being depreciated	<u>84,508,589</u>	<u>2,004,647</u>	<u>(177,130)</u>	<u>86,336,106</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 44,013,870	\$ 3,306,084	\$ (120,459)	\$ 47,199,495
Site improvements	2,726,873	193,580		2,920,453
Furniture, vehicles and equipment	<u>4,948,431</u>	<u>371,614</u>	<u>(56,671)</u>	<u>5,263,374</u>
Total accumulated depreciation	<u>51,689,174</u>	<u>3,871,278</u>	<u>(177,130)</u>	<u>55,383,322</u>
Capital assets, net	<u>\$ 35,157,699</u>	<u>\$ (265,881)</u>	<u>\$ (1,818,075)</u>	<u>\$ 33,073,743</u>

Depreciation expense was allocated to governmental functions as follows:

General support	\$ 30,233
Instruction	3,820,895
Food service program	<u>20,150</u>
Total depreciation expense	<u>\$ 3,871,278</u>

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

**13. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2017, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,875,058	\$ 6,545,377	\$	\$ 7,266,505
Special Aid Fund	69,993	1,875,058	419,242	
School Food Service Fund	1,474,540			
Debt Service Fund			3,105,075	
Capital Projects Fund	4,957,022		3,742,188	
Total Governmental Funds	<u>8,376,613</u>	<u>8,420,435</u>	<u>\$ 7,266,505</u>	<u>\$ 7,266,505</u>
Agency Fund	43,822			
Total	<u>\$ 8,420,435</u>	<u>\$ 8,420,435</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 to the capital projects fund also included a \$2,650,000 transfer from the capital reserve as authorized by the voters.

**14. DEFERRED INFLOWS OF RESOURCES**

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

Unavailable Revenues	
Split dollar life insurance receivable	\$ 707,863
State aid	<u>170,920</u>
	<u>\$ 878,783</u>

**15. 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			Balance June 30, 2017	Amounts Due Within One Year
	June 30, 2016	Additions	Reductions		
Long-term debt:					
Bonds payable	\$ 7,305,000	\$	\$ (2,885,000)	\$ 4,420,000	\$ 2,985,000
Add: Deferred premium on refunding	472,699		(218,168)	254,531	218,168
	<u>7,777,699</u>	-	<u>(3,103,168)</u>	4,674,531	3,203,168
Other long-term liabilities:					
Compensated absences	4,664,383	561,881	(208,904)	5,017,360	200,000
Workers' compensation	1,413,913		(334,324)	1,079,589	
	<u>\$ 13,855,995</u>	<u>\$ 561,881</u>	<u>\$ (3,646,396)</u>	<u>\$ 10,771,480</u>	<u>\$ 3,403,168</u>

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

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

**B. Bonds Payable**

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2017
Serial Bonds				
Bond refunding	11/28/12	8/15/18	2.0 - 4.0%	<u>\$ 4,420,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 2,985,000	\$ 117,100	\$ 3,102,100
2019	<u>1,435,000</u>	<u>28,700</u>	<u>1,463,700</u>
	<u>\$ 4,420,000</u>	<u>\$ 145,800</u>	<u>\$ 4,565,800</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:

Fiscal Year Ending June 30,	Amortization of Deferred Outflows	Amortization of Premium	Interest Expense Increase / (Decrease)
2018	\$ 68,589	\$ (218,168)	\$ (149,579)
2019	<u>11,432</u>	<u>(36,363)</u>	<u>(24,931)</u>
	<u>\$ 80,021</u>	<u>\$ (254,531)</u>	<u>\$ (174,510)</u>

**D. Interest Expense**

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

Interest paid	\$ 220,075
Less interest accrued in the prior year	(98,756)
Plus interest accrued in the current year	66,300
Plus amortization of deferred charges on refunding	68,589
Less amortization of premium	<u>(218,168)</u>
Total interest expense on long-term debt	<u>\$ 38,040</u>



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

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**16. 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.

Employees' Retirement System

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

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

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. The District's contribution rate was 13.26% of covered payroll for the TRS' fiscal year ended June 30, 2016. The District's average contribution rate was 13.43% of covered payroll for the ERS' fiscal year ended March 31, 2017.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2017, was \$6,267,704 for TRS and \$1,444,593 for ERS.

**D. Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

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

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2016	March 31, 2017
District's proportionate share of the net pension liability	\$ (3,659,353)	\$ (3,046,433)
District's portion of the Plan's total net pension liability	0.3416630%	0.0324219%
Change in proportion since the prior measurement date	(0.0077140)	(0.0016622)

For the year ended June 30, 2017, the District recognized pension expense of \$6,110,745 for TRS and \$1,860,777 for ERS. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$	\$ 76,341	\$ 1,188,763	\$ 462,618
Changes of assumptions	20,846,003	1,040,773		
Net difference between projected and actual earnings on pension plan investments	8,228,149	608,496		
Changes in proportion and differences between the District's contributions and proportionate share of contributions	452,737	371,970	95,772	54,026
District's contributions subsequent to the measurement date	6,267,704	374,137		
Total	<u>\$ 35,794,593</u>	<u>\$ 2,471,717</u>	<u>\$ 1,284,535</u>	<u>\$ 516,644</u>

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

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

Year Ending	TRS	ERS
2018	\$ 2,604,413	\$ 692,341
2019	2,604,413	692,341
2020	8,994,621	579,684
2021	7,006,442	(383,430)
2022	3,245,435	
Thereafter	3,787,030	
	<u>\$ 28,242,354</u>	<u>\$ 1,580,936</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, 2016	March 31, 2017
Actuarial valuation date	June 30, 2015	April 1, 2016
Inflation	2.5%	2.5%
Salary increases	1.90-4.72%	3.8%
Investment rate of return (net of investment expense, including inflation)	7.5%	7.0%
Cost of living adjustments	1.5%	1.3%

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

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

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.

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

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

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2016		March 31, 2017
Asset type				
Domestic equity	37.0%	6.10%	36.0%	4.55%
International equity	18.0%	7.30%	14.0%	6.35%
Real estate	10.0%	5.40%	10.0%	5.80%
Alternative investments	7.0%	9.20%	18.0%	4.00-7.75%
Domestic fixed income securities	17.0%	1.00%		
Global fixed income securities	2.0%	0.80%		
Bonds and mortgages	8.0%	3.10%	17.0%	1.31%
Short-term	1.0%	0.10%		
Cash			1.0%	-0.25%
Inflation indexed bonds			4.0%	1.50%
	100.0%		100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 7.5% for TRS and 7.0% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2015, was 8.0%). 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 liability calculated using the discount rate of 7.5% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5% for TRS and 6.0% for ERS) or 1 percentage point higher (8.5% for TRS and 8.0% for ERS) than the current rate:

TRS	1% Decrease (6.50)%	Current Assumption (7.50)%	1% Increase (8.50)%
District's proportionate share of the net pension asset (liability)	<u>\$ (47,744,575)</u>	<u>\$ (3,659,353)</u>	<u>\$ 33,317,020</u>
ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	<u>\$ (9,729,705)</u>	<u>\$ (3,046,433)</u>	<u>\$ 2,604,260</u>

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

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2016	March 31, 2017
Employers' total pension liability	\$ (108,577,184)	\$ (177,400,586)
Plan fiduciary net position	107,506,142	168,004,363
Employers' net pension liability	\$ (1,071,042)	\$ (9,396,223)
Ratio of plan fiduciary net position to the employers' total pension liability	99.01%	94.70%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017, are paid to the system in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017, represent employer and employee contributions for the fiscal year ended June 30, 2017, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2017 amounted to \$6,267,704 of employer contributions and \$303,932 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, 2017, represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$374,137 of employer contributions. Employee contributions are remitted monthly.

**17. 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, 2017, totaled \$3,437,166.

**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, 2017 totaled \$134,000.

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

**18. 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 2016 actuarial valuation, there were 552 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)	\$ 14,297,489
Interest on net OPEB obligation	1,590,854
Adjustment to ARC	<u>(2,626,472)</u>
Annual OPEB cost (expense)	13,261,871
Contributions made	<u>(3,606,267)</u>
Increase in net OPEB obligation	9,655,604
Net OPEB obligation - beginning of year	<u>53,028,479</u>
Net OPEB obligation - end of year	<u><u>\$ 62,684,083</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, 2017 and the preceding two years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$ 13,261,871	27.2%	\$ 62,684,083
June 30, 2016	13,381,360	28.7%	53,028,479
June 30, 2015	13,287,675	36.8%	43,482,512

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

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**D. Funded Status and Funding Progress**

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$190,291,274 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$190,291,274. The covered payroll (annual payroll of active employees covered by the plan) was \$60,487,144, and the ratio of the UAAL to the covered payroll was 314.6%.

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

**E. Actuarial Methods and Assumptions**

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

In the July 1, 2016 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3% discount rate and an annual healthcare cost trend rate of 7.5% initially, reduced by decrements of 0.5% annually to an ultimate rate of 4.5% as of June 30, 2022 and a 2.6% inflation rate. In the previous actuarial valuation, the projected unit credit actuarial cost method was used with a 4% discount rate and an annual healthcare cost trend rate of 9% initially. The UAAL is being amortized as a level percentage of projected payrolls.

**19. RISK MANAGEMENT**

**A. General Information**

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

**B. Risk Retention**

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unreported claims which were incurred on or before year end but not reported (IBNR) with a 3% discount rate. Claims activity is summarized below:

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

	2016	2017
Unpaid claims at beginning of year	\$ 1,586,891	\$ 1,413,913
Incurred claims and claim adjustment expenses	228,715	(80,140)
Claim payments	(401,693)	(254,184)
Unpaid claims at year end	\$ 1,413,913	\$ 1,079,589

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

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2017 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2018.

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

**21. ASSIGNED: APPROPRIATED FUND BALANCE**

The District has appropriated \$2,751,493 from the general fund's fund balance as the estimated amount applied to partially fund the budget for the year ending June 30, 2018.

**22. TAX ABATEMENTS**

The Nassau County Industrial Development Agency enters into various property tax abatement programs for the purpose of economic development under New York State Real Property Tax Law §412-a. The District's 2016-17 property tax revenue abated was \$4,863,352. The District recorded payments in lieu of taxes (PILOT) payments totaling \$3,286,281, including amounts receivable at June 30, 2017 recorded in Due From Other Government.

The District also recognized \$3,799,652 in LIPA PILOT revenue. As indicated in Note 1E., these LIPA PILOT payments are not the result of tax abatement agreements as defined by GASB Statement No. 77, *Tax Abatement Disclosures*.

**23. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

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



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

Restricted Fund Balance:	
Capital Projects Fund	
Capital projects	\$ 1,946,163
Assigned: Unappropriated Fund Balance:	
General Fund	
General support	88,240
Instruction	205,915
Pupil transportation	2,878
Community services	998
	298,031
Capital Projects Fund	
Capital projects	780,660
	\$ 3,024,854

**B. Grants**

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

**C. Litigation**

The District is involved in lawsuits arising from the normal conduct of its affairs. The District believes that the outcome of any 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 \$215,742. The minimum remaining operating lease payments are as follows:

Fiscal Year Ending June 30,	Amount
2018	\$ 213,405
2019	63,991
2020	58,050
	\$ 335,446

**24. SUBSEQUENT EVENTS**

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

**Approval of Capital Construction Bond Propositions**

On November 14, 2017, the District's voters approved two propositions, one authorizing \$26,885,000 of capital construction for various district-wide renovations and upgrades to be financed by the issuance of \$20,635,000 of bonds, \$5,500,000 from a new capital reserve, and \$750,000 from the school fund service fund's fund balance, and the second proposition authorizing \$14,740,000 for the construction of an aquatic center at the High School to be financed by issuing bonds.

**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, 2017

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 98,937,594	\$ 88,810,010	\$ 88,810,010	\$ -
Other tax items	7,232,351	17,359,935	17,215,498	(144,437)
Charges for services	1,550,500	1,550,500	1,398,920	(151,580)
Use of money and property	700,000	700,000	719,862	19,862
Sale of property and compensation for loss	75,000	75,000	209,424	134,424
Miscellaneous	285,000	285,000	344,687	59,687
<b>Total Local Sources</b>	<b>108,780,445</b>	<b>108,780,445</b>	<b>108,698,401</b>	<b>(82,044)</b>
State Sources	17,694,569	17,714,569	17,961,948	247,379
Medicaid reimbursement	35,000	35,000	111,273	76,273
<b>Total Revenues</b>	<b>126,510,014</b>	<b>126,530,014</b>	<b>126,771,622</b>	<b>\$ 241,608</b>
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	2,813,000	2,813,000		
Prior Year's Encumbrances	181,295	181,295		
Appropriated Reserves	3,069,000	5,719,000		
<b>Total Appropriated Fund Balance</b>	<b>6,063,295</b>	<b>8,713,295</b>		
<b>Total Revenues and Appropriated Fund Balance</b>	<b>\$ 132,573,309</b>	<b>\$ 135,243,309</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 Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 109,349	\$ 111,908	\$ 105,953	\$ 309	\$ 5,646
Central administration	337,165	352,276	351,457		819
Finance	1,029,709	1,053,139	984,604		68,535
Staff	1,218,392	1,279,283	1,003,142		276,141
Central services	10,251,480	11,002,796	9,719,325	87,931	1,195,540
Special items	1,550,100	1,614,399	1,546,679		67,720
Total General Support	<u>14,496,195</u>	<u>15,413,801</u>	<u>13,711,160</u>	<u>88,240</u>	<u>1,614,401</u>
Instruction					
Administration & improvement	6,462,128	6,440,383	6,223,436	10,416	206,531
Teaching - regular school	40,672,992	40,447,778	38,726,523	165,317	1,555,938
Programs for children with handicapping conditions	17,456,419	17,188,777	15,852,050	4,632	1,332,095
Occupational education	222,189	222,189	212,331		9,858
Teaching - special schools	433,540	427,899	302,445	249	125,205
Instructional media	3,236,824	3,068,082	2,879,626	17,013	171,443
Pupil services	5,285,193	5,189,790	4,749,202	8,288	432,300
Total Instruction	<u>73,769,285</u>	<u>72,984,898</u>	<u>68,945,613</u>	<u>205,915</u>	<u>3,833,370</u>
Pupil Transportation	<u>7,637,234</u>	<u>7,667,066</u>	<u>7,349,579</u>	<u>2,878</u>	<u>314,609</u>
Community Services	<u>343,749</u>	<u>351,039</u>	<u>287,239</u>	<u>998</u>	<u>62,802</u>
Employee Benefits	<u>31,444,583</u>	<u>31,379,878</u>	<u>27,658,159</u>		<u>3,721,719</u>
Debt Service					
Interest	<u>185,000</u>	<u>99,364</u>	<u>-</u>		<u>99,364</u>
Total Expenditures	<u>127,876,046</u>	<u>127,896,046</u>	<u>117,951,750</u>	<u>298,031</u>	<u>9,646,265</u>
<b>OTHER USES</b>					
Operating Transfers Out	<u>4,697,263</u>	<u>7,347,263</u>	<u>7,266,505</u>		<u>80,758</u>
Total Expenditures and Other Uses	<u>\$ 132,573,309</u>	<u>\$ 135,243,309</u>	<u>125,218,255</u>	<u>\$ 298,031</u>	<u>\$ 9,727,023</u>
Net Change in Fund Balance			1,553,367		
Fund Balance - Beginning of Year			<u>34,109,309</u>		
Fund Balance - End of Year			<u>\$ 35,662,676</u>		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Schedule of Funding Progress for Other Postemployment Benefits (OPEB)**  
 June 30, 2017

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2012	-	\$ 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%
July 1, 2016	-	190,291,274	190,291,274	0%	60,487,144	314.6%

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Asset/Liability**  
**Last Three Fiscal years**

***Teachers' Retirement System***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension asset (liability)	0.3416630%	0.3493770%	0.3473870%
District's proportionate share of the net pension asset (liability)	\$ (3,659,353)	\$ 36,289,126	\$ 38,696,725
District's covered payroll	\$ 54,076,492	\$ 55,955,268	\$ 54,329,716
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	(6.77)%	64.85 %	71.23 %
Plan fiduciary net position as a percentage of the total pension liability	99.01%	110.46%	111.48%

***Employees' Retirement System***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0324219%	0.0340841%	0.0330255%
District's proportionate share of the net pension liability	\$ (3,046,433)	\$ (5,470,147)	\$ (1,115,681)
District's covered payroll	\$ 9,731,646	\$ 9,731,646	\$ 10,015,546
District's proportionate share of the net pension liability as a percentage of its covered payroll	(31.30)%	(56.21)%	(11.14)%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.68%	97.95%

**Note to Required Supplementary Information**

**Teachers' Retirement System**

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

**Employees' Retirement System**

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

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

*Teachers' Retirement System*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 6,267,704	\$ 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
Contributions in relation to the contractually required contribution	<u>6,267,704</u>	<u>6,990,941</u>	<u>9,199,946</u>	<u>8,338,597</u>	<u>5,822,941</u>	<u>5,449,985</u>	<u>4,291,882</u>	<u>3,216,595</u>	<u>3,833,425</u>	<u>3,844,666</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$53,478,703	\$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
Contributions as a percentage of covered payroll	12%	13%	16%	15%	11%	11%	8%	6%	8%	8%

*Employees' Retirement System*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 1,444,593	\$ 1,576,803	\$ 1,746,400	\$ 2,067,463	\$ 1,630,577	\$ 1,638,745	\$ 1,180,464	\$ 730,372	\$ 671,127	\$ 772,939
Contributions in relation to the contractually required contribution	<u>1,444,593</u>	<u>1,576,803</u>	<u>1,746,400</u>	<u>2,067,463</u>	<u>1,630,577</u>	<u>1,638,745</u>	<u>1,180,464</u>	<u>730,372</u>	<u>671,127</u>	<u>772,939</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$10,492,621	\$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
Contributions as a percentage of covered payroll	14%	15%	17%	21%	17%	17%	12%	8%	7%	9%

**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, 2017

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget		\$ 132,392,014
Additions:		
Prior year's encumbrances		181,295
Original Budget		132,573,309
Budget revisions		
Voter authorized appropriation from capital reserves	\$ 2,650,000	
Instructional technology funded by state grant-in aid	20,000	
		2,670,000
Final Budget		\$ 135,243,309

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

2017-18 voter-approved expenditure budget		\$ 134,841,267
Maximum allowed (4% of 2017-18 budget)		\$ 5,393,651
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 3,049,524	
Unassigned fund balance	5,393,650	
		\$ 8,443,174
Less:		
Appropriated fund balance	2,751,493	
Encumbrances	298,031	
Total adjustments		3,049,524
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		\$ 5,393,650
Actual Percentage		4.00%

**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Schedule of Project Expenditures and Financing Resources - Capital Projects Fund**  
For The Year Ended June 30, 2017

PROJECT TITLE	Budget June 30, 2016	Budget June 30, 2017	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2017
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	
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
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	1,117,464	(3,863)	1,113,601	-		1,113,601	1,113,601	-
2014-2015 Capital Reserve	1,380,000	1,380,000	1,176,682	(11,491)	1,165,191	214,809		1,380,000	1,380,000	214,809
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	116,584	637,447	754,031	55,664		809,695	809,695	55,664
2015-2016 Capital Reserve	1,913,195	1,913,195	1,250	798,943	800,193	1,113,002		1,913,195	1,913,195	1,113,002
2015-2016 Capital Reserve - DW Tech	292,199	292,199	216,077	73,017	289,094	3,105		292,199	292,199	3,105
2015-2016 Interfund Transfer	461,900	461,900		19,462	19,462	442,438		461,900	461,900	442,438
2016-2017 Capital Reserve		2,650,000		79,357	79,357	2,570,643		2,650,000	2,650,000	2,570,643
2016-2017 Interfund Transfer		1,092,188		91,242	91,242	1,000,946		1,092,188	1,092,188	1,000,946
<b>Totals</b>	<b>\$ 9,198,918</b>	<b>\$ 12,941,106</b>	<b>\$ 5,820,594</b>	<b>\$ 1,684,114</b>	<b>\$ 7,504,708</b>	<b>\$ 5,436,398</b>	<b>\$ -</b>	<b>\$ 12,941,106</b>	<b>\$ 12,941,106</b>	<b>\$ 5,436,398</b>



**HICKSVILLE UNION FREE SCHOOL DISTRICT**  
**Net Investment in Capital Assets**  
June 30, 2017

Capital assets, net		\$ 33,073,743
Deduct:		
Short-term portion of bonds payable	\$ (2,985,000)	
Long-term portion of bonds payable	<u>(1,435,000)</u>	
		<u>(4,420,000)</u>
Net investment in capital assets		<u>\$ 28,653,743</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, 2017, 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 17, 2017.

**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 17, 2017.

## **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 17, 2017

