



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

June 30, 2019

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

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis (MD&A)	3
Financial Statements:	
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
Required Supplementary Information other than MD&A:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	51
Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)	53
Schedule of District Pension Contributions	54
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	55
Other Supplementary Information:	
Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund	56
Schedule of Project Expenditures and Financing Resources – Capital Projects Fund	57
Net Investment in Capital Assets	58
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>	59

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, 2019, 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, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District's proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District's total OPEB liability and related ratios on pages 3 through 14 and 51 through 55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hicksville Union Free School District's basic financial statements. The other supplementary information on pages 56 through 58 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019 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 the effectiveness of the Hicksville Union Free School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hicksville Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

October 30, 2019

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

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, 2019 comparison with the year ended June 30, 2018, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

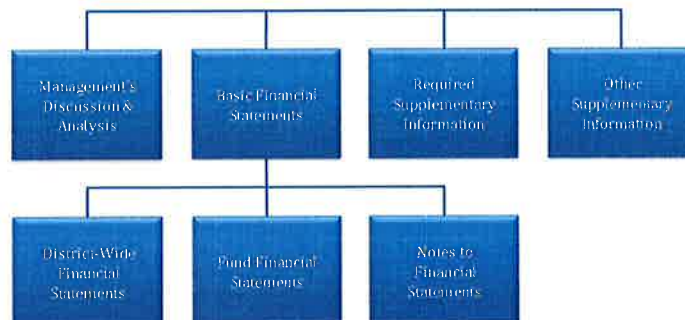
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2019 are as follows:

- On the district-wide financial statements, the District’s total net position (deficit) was \$(113,250,580) which increased by \$3,926,337 or 3.59% over the prior year.
- On the district-wide financial statements, the District’s expenses for the year totaled \$141,327,186. Of this amount, \$6,071,403 was offset by program charges for services and operating grants. General revenues of \$131,329,446 amount to 95.6% of total revenues.
- On the balance sheet, the general fund’s unassigned fund balance at year end was \$5,576,347, which was equal to the 4.00% statutory limit.
- Through careful planning and budgeting, and with voters’ authorizations, the District has been utilizing the general fund’s existing fund balance and reserves to help pay for programmatic and capital improvement needs while staying within the annual property tax cap. The District was able to lower its general fund’s total fund balance from 30.6% of actual expenditures as of June 30, 2013, to 19.2% as of June 30, 2019.
- For the year ended June 30, 2019, the general fund’s actual expenditures and outstanding encumbrances were 97.2% of the final budget.
- On January 15, 2019, the District issued \$16,317,000 in serial bonds, which bear interest at rates ranging from 3.0% to 4.0% and mature on January 15, 2034.
- The District established the teachers’ retirement system (TRS) reserve, which limits the annual contribution to 2% of the prior year’s covered TRS salaries. This reserve was funded during the 2018-2019 year in the amount of \$1,100,000.
- On May 21, 2019, the District’s voters authorized the establishment of a Phase III HVAC Capital Reserve in the amount of \$1,559,180, for the purpose of heating, ventilation and air conditioning (HVAC) system projects at various District buildings. The funding of this reserve was provided by a transfer of \$1,559,180 of unexpended surplus from the employees’ retirement system (ERS) reserve. This transfer of the reserve has no cost to the taxpayer. The estimated term of this HVAC project is up to three years.
- The District’s 2018-2019 budgeted property tax levy of \$102,299,710 was a \$1,897,682 or 1.89% increase over the 2018 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 financial statements. A graphic display of the relationship of these statements follows:



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

A. District-wide Financial Statements

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

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

The Statement of Net Position

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

The Statement of Activities

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

B. Fund Financial Statements

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

Governmental Funds

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period 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.

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, the reader may better

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

understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Fiduciary Funds

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position (deficit) increased by \$3,926,337 between fiscal year 2019 and 2018. The increase is due to expenses in excess of revenues based on the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Assets				
Current and Other Assets	\$ 65,181,941	\$ 52,275,685	\$ 12,906,256	24.69 %
Capital Assets, Net	40,103,285	36,824,704	3,278,581	8.90 %
Net Pension Asset - Proportionate Share	<u>6,214,964</u>	<u>2,565,147</u>	<u>3,649,817</u>	142.28 %
Total Assets	<u>111,500,190</u>	<u>91,665,536</u>	<u>19,834,654</u>	21.64 %
Deferred Outflows of Resources	<u>38,726,281</u>	<u>38,008,554</u>	<u>717,727</u>	1.89 %
Liabilities				
Current and Other Liabilities	12,041,529	11,649,215	392,314	3.37 %
Long-Term Liabilities	23,735,475	7,936,918	15,798,557	199.05 %
Net Pension Liability - Proportionate Share	2,258,270	1,098,669	1,159,601	105.55 %
Total OPEB Obligation	<u>186,499,207</u>	<u>206,693,333</u>	<u>(20,194,126)</u>	(9.77)%
Total Liabilities	<u>224,534,481</u>	<u>227,378,135</u>	<u>(2,843,654)</u>	(1.25)%
Deferred Inflows of Resources	<u>38,942,570</u>	<u>11,620,198</u>	<u>27,322,372</u>	235.13 %
Net Position (Deficit)				
Net Investment in Capital Assets	36,518,143	35,389,704	1,128,439	3.19 %
Restricted	25,513,259	27,810,575	(2,297,316)	(8.26)%
Unrestricted (deficit)	<u>(175,281,982)</u>	<u>(172,524,522)</u>	<u>(2,757,460)</u>	1.60 %
Total Net Position (Deficit)	<u>\$ (113,250,580)</u>	<u>\$ (109,324,243)</u>	<u>\$ (3,926,337)</u>	3.59 %

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

Current and other assets increased by \$12,906,256, as compared to the prior year. This was primarily due to an increase in cash of \$12,731,858 for the unspent balance of serial bonds issued during the year.

Capital assets, net increased by \$3,278,581, as compared to the prior year. This increase is due to capital asset additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 11 "Capital Assets" provides additional information.

Net pension asset – proportionate share has a balance of \$6,214,964, which increased \$3,649,817 over the prior year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 15, "Pension Plans – New York State", provides additional information.

Deferred outflows of resources represents contributions to the pension plans subsequent to the measurement dates, and actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

Current and other liabilities increased by \$392,314, as compared to the prior year. This increase is primarily due to an increase in accrued liabilities, due to teachers' retirement system and compensated absences payable, offset by a decrease in accounts payable.

Long-term liabilities increased by \$15,798,557, as compared to the prior year. During 2018-2019, the District issued a serial bond for \$16,317,000 and received a premium on this issuance of \$459,712. This long-term debt increase was offset by the repayment of outstanding serial bonds of \$1,435,000 and amortization of premiums of \$61,163. In addition, other long-term liabilities for compensated absences and workers' compensation increased by \$334,546 and \$183,462, respectively.

Net pension liability – proportionate share increased by \$1,159,601 in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's net pension liability, at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 15 "Pension Plans – New York State", provides additional information.

Total other postemployment benefits (OPEB) obligation decreased by \$20,194,126, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 17 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years. This category also includes an amount reserved for excess tax levy resulting from the receipt of unanticipated restored property taxes.

The net investment in capital assets in the amount of \$36,518,143 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 \$25,513,259 relates to the District's reserves. This number decreased by \$2,297,316, as authorized appropriations from the reserves to pay for expenditures exceeded interest earnings and transfers into the reserves authorized by the District's voters and the Board.

The unrestricted deficit amount of \$(175,281,982) relates to the balance of the District's net position (deficit), which is directly impacted by unfunded long-term liabilities, such as compensated absences payable and OPEB that do not require the use of current financial resources, but instead will mature over time. This

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

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 OPEB obligation.

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenues				
Program Revenues				
Charges for Services	\$ 1,991,808	\$ 2,187,083	\$ (195,275)	(8.93)%
Operating Grants	4,079,595	3,525,389	554,206	15.72 %
General Revenues				
Property Taxes and STAR	102,299,710	100,402,028	1,897,682	1.89 %
State Sources	19,175,037	19,347,592	(172,555)	(0.89)%
Other	9,854,699	9,109,364	745,335	8.18 %
Total Revenues	<u>137,400,849</u>	<u>134,571,456</u>	<u>2,829,393</u>	<u>2.10 %</u>
Expenses				
General Support	19,419,620	18,342,236	1,077,384	5.87 %
Instruction	111,256,625	113,061,429	(1,804,804)	(1.60)%
Pupil Transportation	8,307,227	7,309,910	997,317	13.64 %
Community Service	360,413	403,102	(42,689)	(10.59)%
Debt Service - Interest	177,865	140,914	36,951	26.22 %
Food Service Program	1,805,436	1,729,146	76,290	4.41 %
Total Expenses	<u>141,327,186</u>	<u>140,986,737</u>	<u>340,449</u>	<u>0.24 %</u>
Decrease in Net Position	<u>\$ (3,926,337)</u>	<u>\$ (6,415,281)</u>	<u>\$ 2,488,944</u>	<u>(38.80)%</u>

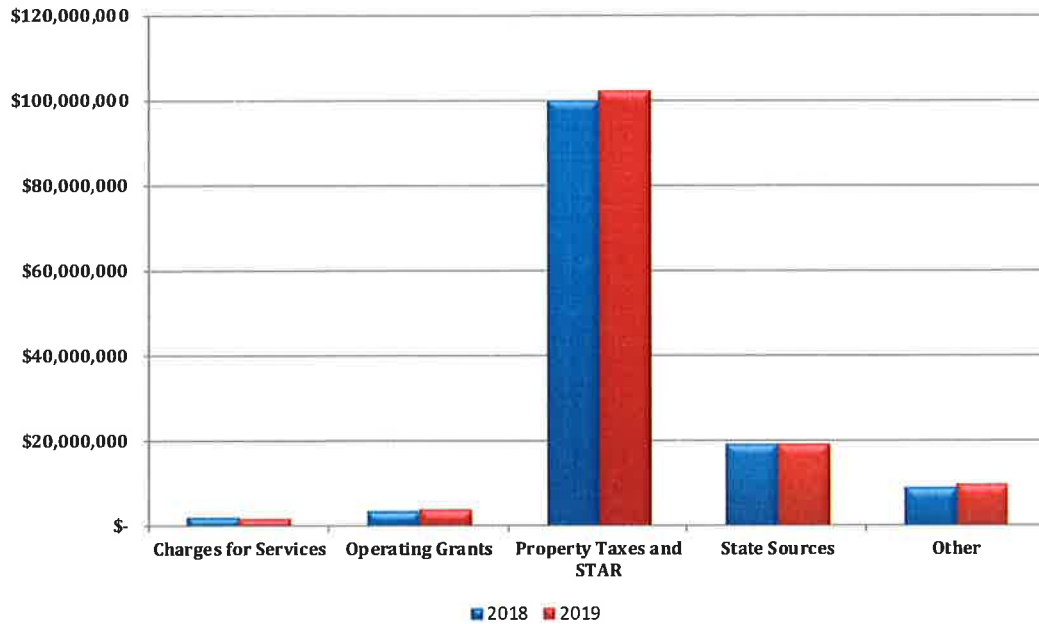
The District's revenues increased by \$2,829,393 or 2.10%. The major factors that contributed to the increase were the increases in property tax levy, other revenue and operating grants.

The District's expenses for the year increased by \$340,449 or 0.24%. The increased costs relate to salary increases per contractual terms, transportation costs for additional routes and general support for security measures. These increases were offset by a decrease in benefits related to the total OPEB obligation, resulting from the changes in assumptions and other inputs.

As indicated on the graphs that follow, property taxes and STAR is the largest component of revenues recognized, at 74.5% and 74.6% for the years ended June 30, 2019 and 2018, respectively. Instruction expense is the largest category of expenses incurred, comprising 78.7% and 80.2% for the years ended June 30, 2019 and 2018, respectively.

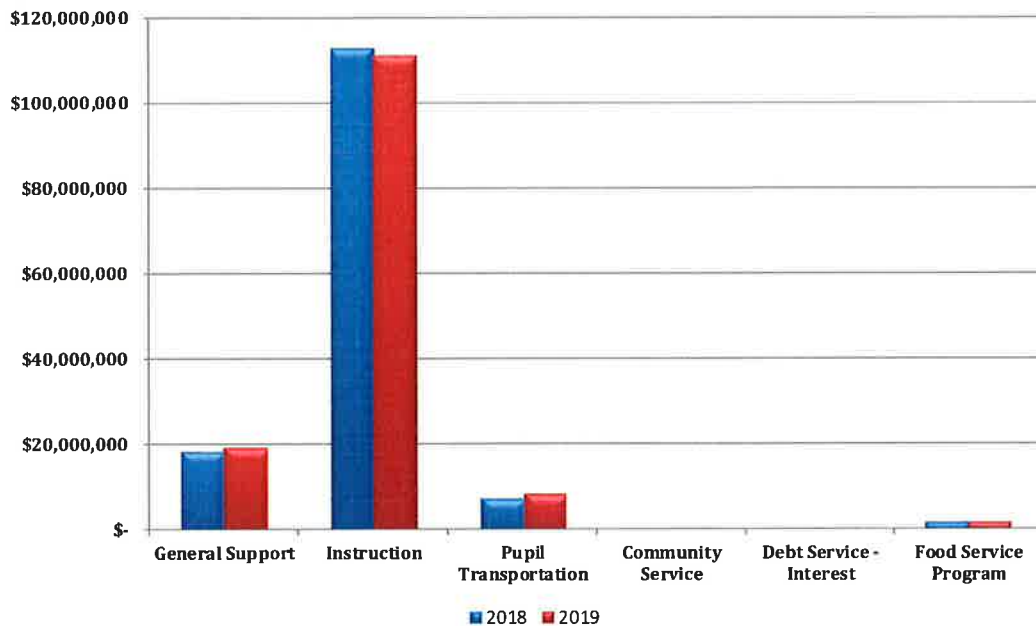
**HICKSVILLE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

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



	Charges for Services	Operating Grants	Property Taxes and STAR	State Sources	Other
2018	1.6%	2.6%	74.6%	14.4%	6.8%
2019	1.4%	3.0%	74.5%	14.0%	7.1%

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
2018	13.0%	80.2%	5.2%	0.3%	0.1%	1.2%
2019	13.7%	78.7%	5.9%	0.3%	0.1%	1.3%

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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2019, the District's governmental funds reported a combined fund balance of \$52,421,442, an increase of \$12,890,376 over the prior year. This increase is due to revenues exceeding expenditures based upon the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
General Fund			
Nonspendable: Prepays	\$ 29,400	\$ 36,758	\$ (7,358)
Restricted:			
Workers' compensation	2,154,606	2,630,328	(475,722)
Unemployment insurance	260,875	258,489	2,386
Retirement contribution			
Teachers' retirement system	1,100,000	-	1,100,000
Employees' retirement system	8,641,216	8,886,151	(244,935)
Employee benefit accrued liability	3,810,408	3,973,731	(163,323)
Capital	1,572,550	7,234,400	(5,661,850)
Assigned:			
Appropriated fund balance	1,700,000	2,800,000	(1,100,000)
Unappropriated fund balance	522,479	718,702	(196,223)
Unassigned: Fund balance	<u>5,576,347</u>	<u>5,429,848</u>	<u>146,499</u>
	<u>25,367,881</u>	<u>31,968,407</u>	<u>(6,600,526)</u>
School Food Service Fund			
Nonspendable: Inventories	15,963	8,200	7,763
Assigned: Unappropriated fund balance	<u>1,120,150</u>	<u>887,059</u>	<u>233,091</u>
	<u>1,136,113</u>	<u>895,259</u>	<u>240,854</u>
Debt Service Fund			
Restricted: Debt service	<u>565,686</u>	<u>-</u>	<u>565,686</u>
Capital Projects Fund			
Restricted:			
Capital reserve	7,867,630	4,827,476	3,040,154
Unspent bond proceeds	12,731,858	-	12,731,858
Assigned: Unappropriated fund balance	<u>4,752,274</u>	<u>1,839,924</u>	<u>2,912,350</u>
	<u>25,351,762</u>	<u>6,667,400</u>	<u>18,684,362</u>
 Total Fund Balance	 <u>\$ 52,421,442</u>	 <u>\$ 39,531,066</u>	 <u>\$ 12,890,376</u>

A. General Fund

The net change in the general fund fund balance is a decrease of \$6,600,526 compared to a decrease of \$3,694,269 in the prior year, as expenditures and other uses of \$139,147,745 exceeded revenues of \$132,547,219. Revenues increased by \$2,514,470 or 1.93%, over fiscal 2018 totals, primarily because of the increase in real property taxes of \$2,196,570, use of money and property of \$400,229 and miscellaneous revenue of \$528,401, offset by decreases in other tax items of \$466,197 and charges for services of \$220,509. Expenditures and other uses increased \$5,420,727 or 4.05%, over fiscal 2018 totals, primarily due to

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

increases in general support of \$926,937, instruction of \$2,310,090, transportation of \$979,006 and employee benefits of \$1,302,537.

In May 2019, the District's voters authorized the establishment of a new HVAC capital reserve in the amount of \$1,559,180 to be funded by a transfer from unexpended surplus in the ERS reserve.

Total restricted reserves in the general fund decreased by the net amount of \$5,443,444. This decrease was primarily the result of transfers for the voter-authorized appropriation from the 2017-2018 Capital Reserve B Fund in the amount of \$5,500,000, the 2018 District-wide technology capital reserve of \$1,721,030 and for reserves appropriated to fund the 2018-2019 budget of \$1,700,000. This was offset by the funding to certain reserves and interest earnings allocated to the reserves, which totaled \$3,477,586.

The District expects to appropriate \$2,800,000 from its restricted reserves to partially fund the 2019-2020 budget.

B. School Food Service Fund

The school food service fund – fund balance increased by \$240,854, which was the operating profit of the food service program.

C. Debt Service Fund

The net change in the debt service fund-fund balance is an increase of \$565,686, which represents the premium received on the issuance of serial bonds of \$459,712 and interest earnings of \$105,974.

D. Capital Projects Fund

The net change in the capital projects fund-fund balance is an increase of \$18,684,362. The District issued serial bonds for \$16,317,000 and transferred \$9,518,444 from the general fund, including a voter approved transfer from the capital reserve of \$7,221,030. These increases were offset by expenditures for capital outlay of \$7,151,082.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2018-2019 Budget

The District's general fund adopted budget for the year ended June 30, 2019 was \$135,746,223. This amount was increased by encumbrances carried forward from the prior year in the amount of \$718,702, and budget revisions of \$7,231,530 for a total final budget of \$143,696,455.

The budget was funded through a combination of estimated revenues, and appropriated fund balance and reserves. The majority of this funding source was \$102,299,710 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:

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

Opening unassigned fund balance	\$ 5,429,848
Revenues over budget	1,290,496
Expenditures and encumbrances under budget	4,026,231
Change in nonspendable fund balance	7,358
Increase in reserves	(3,477,586)
Appropriated to Fund the June 30, 2020 Budget	<u>(1,700,000)</u>
Closing unassigned fund balance	<u>\$ 5,576,347</u>

Opening, Unassigned Fund Balance

The \$5,429,848 shown in the table is the portion of the District's June 30, 2018 fund balance that was retained as unassigned. This was 4.00% of the District's 2018-2019 approved operating budget of \$135,746,223.

Revenues Over Budget

The 2018-2019 final budget for revenues was \$131,256,723. The total actual revenues recognized for the fiscal year were \$132,547,219. The excess of actual revenues over estimated or budgeted revenues was \$1,290,496, and arose primarily from an excess of other tax items, use of money and property and miscellaneous revenue over budget, offset partially by a deficiency of charges for services revenue under budget.

Expenditures and Encumbrances Under Budget

The 2018-2019 final budget was \$143,696,455. Actual expenditures and other uses as of June 30, 2019 were \$139,147,745 and outstanding encumbrances were \$522,479. Combined, the expenditures and other uses plus encumbrances for 2018-2019 were \$139,670,224. The final budget was under expended by \$4,026,231. The under expenditure of the 2018-2019 budget arose primarily from balances in the teaching-regular school, programs for children with disabilities, pupil transportation, employee benefits and central services budget line items.

Change in Nonspendable Fund Balance

The decrease of \$7,358 in nonspendable fund balance relates to the increase in prepaid expenditures at year end and has the effect of increasing 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.

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

The \$3,477,586 increase in reserves shown in the table consists of \$3,332,226 in Board-authorized replenishments and funding of certain reserves and interest earnings allocated to the reserves amounting to \$145,360.

Appropriated Fund Balance

The District has chosen to use \$1,700,000 of the available June 30, 2019 unassigned fund balance to partially fund the 2019-2020 approved operating budget. As such, the unassigned portion of the June 30, 2019 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, 2019 was \$5,576,347. This amount equals 4.0% of the 2019- 2020 budget which is the statutory limit.

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

A. Capital Assets

At June 30, 2019, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to net capital additions of \$7,285,539 in excess of depreciation of \$4,006,958 recorded for the year ended June 30, 2019. A summary of the District's capital assets, net of depreciation at June 30, 2019 and 2018 is as follows:

	2019	2018	Increase (Decrease)
Land	\$ 520,209	\$ 520,209	\$ -
Construction in progress	9,240,059	2,839,624	6,400,435
Buildings and improvements	27,862,290	31,384,902	(3,522,612)
Site improvements	1,278,603	1,076,504	202,099
Furniture, vehicles and equipment	1,202,124	1,003,465	198,659
Capital assets, net	<u>\$ 40,103,285</u>	<u>\$ 36,824,704</u>	<u>\$ 3,278,581</u>

B. Debt Administration

At June 30, 2019, the District had total bonds payable of \$16,317,000. The District issued serial bonds for the construction of alterations and improvements to school buildings in the amount of \$16,317,000. The increase in outstanding debt represents the outstanding principal on the new bond issue, less principal payments made on the refunding bond, which matured during 2018-2019. A summary of the outstanding debt at June 30, 2019 and 2018 is as follows:

Issue Date	Interest Rate	2019	2018	Increase (Decrease)
1/15/19	3.0 - 4.0%	<u>\$ 16,317,000</u>	<u>\$ 1,435,000</u>	<u>\$ 14,882,000</u>

On November 14, 2017, the voters approved Bond Proposition #1, which authorized the construction of alterations and improvements to District buildings at an estimated total cost not to exceed \$26,885,000. The proposition vote authorized the establishment and funding of a reserve entitled "2017-2018 Capital Reserve Fund B" of \$5,500,000, provided by a transfer from the retirement contribution reserve. The proposition

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

vote also authorized the appropriation of \$750,000 from the school food service fund to the capital projects fund to pay a portion of the project costs. The balance of project funding will be through the issuance of \$20,635,000 in serial bonds. As of June 30, 2019, \$16,317,000 in long-term debt has been issued and the District has incurred \$3,585,142 to date, of related project costs, which are recorded in the capital projects fund.

On November 14, 2017, the voters also approved Bond Proposition #2, authorizing the construction of an aquatic center at the High School at an estimated total cost not to exceed \$14,740,000, funded entirely through the issuance of serial bonds. As of June 30, 2019, no long-term debt has been issued and the District has incurred \$489,770 to date, of related project costs, which are recorded in the capital projects fund.

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 pension liability – proportionate share and net other postemployment benefits obligation. 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.

	2019	2018	Increase (Decrease)
Compensated absences payable	\$ 5,636,768	\$ 5,302,222	\$ 334,546
Workers' compensation liabilities	1,346,795	1,163,333	183,462
Net pension liability - proportionate share	2,258,270	1,098,669	1,159,601
Total OPEB obligation	186,499,207	206,693,333	(20,194,126)
	\$ 195,741,040	\$ 214,257,557	\$ (18,516,517)

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 21, 2019 for the year ending June 30, 2020 is \$139,408,682. This is an increase of \$3,662,459 or 2.70% over the previous year's budget. The increase was needed to fund increased salaries and employee benefits in accordance with contractual commitments and state mandates. Budgeted revenues reflect a \$1,628,121 increase in non-tax revenues, primarily from anticipated increases in payments in lieu of taxes and state aid, plus an increase in property tax revenues of \$2,034,338 or 1.99%. The District has appropriated \$1,700,000 of its available fund balance and has budgeted the use of \$2,800,000 from its reserves to partially fund the 2019-2020 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.

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

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. 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 2019-2020 property tax levy of \$104,334,048 was an increase of 1.99%, which equaled the tax cap and did not require an override vote.

D. Property Tax Relief Credit

New York State law provides a "Property Tax Relief Credit" to eligible taxpayers through the 2019-2020 school year. 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. The amount of the credit (check) is a function of the basic STAR savings and the taxpayer's income. This program provides an incentive for the District 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, 2019

ASSETS

Cash	
Unrestricted	\$ 14,149,158
Restricted	38,704,829
Receivables	
Accounts receivable, net	552,914
Taxes receivable	1,989,338
Due from fiduciary funds	4,934,607
Due from state and federal	3,961,309
Due from other governments	214,143
Other assets	630,280
Prepays	29,400
Inventories	15,963
Capital assets not being depreciated	9,760,268
Capital assets being depreciated, net of accumulated depreciation	30,343,017
Net pension asset - proportionate share	6,214,964
Total Assets	<u>111,500,190</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	35,082,193
Other postemployment benefits	3,644,088
Total Deferred Outflows of Resources	<u>38,726,281</u>

LIABILITIES

Payables	
Accounts payable	3,920,965
Accrued liabilities	503,268
Due to fiduciary funds	91,828
Due to other governments	61,500
Due to teachers' retirement system	6,562,936
Due to employees' retirement system	437,068
Compensated absences payable	335,981
Other liabilities	157
Unearned credits - Collections in advance	127,826
Long-term liabilities	
Due and payable within one year	
Bonds payable, net of unamortized premium	977,456
Compensated absences payable	225,000
Due and payable after one year	
Bonds payable, net of unamortized premium	15,774,456
Compensated absences payable	5,411,768
Workers' compensation liabilities	1,346,795
Net pension liability - proportionate share	2,258,270
Total other postemployment benefits obligation	186,499,207
Total Liabilities	<u>224,534,481</u>

DEFERRED INFLOWS OF RESOURCES

Reserve for excess property tax levy	262,125
Pensions	9,037,713
Other postemployment benefits	29,642,732
Total Deferred Inflows of Resources	<u>38,942,570</u>

NET POSITION (Deficit)

Net investment in capital assets	<u>36,518,143</u>
Restricted	
Workers' compensation	2,154,606
Unemployment insurance	260,875
Retirement contribution	
Teachers' retirement system	1,100,000
Employees' retirement system	8,641,216
Employee benefit accrued liability	3,810,408
Capital	9,440,180
Debt service	105,974
Total Restricted	<u>25,513,259</u>
Unrestricted (deficit)	<u>(175,281,982)</u>
Total Net Position (Deficit)	<u>\$ (113,250,580)</u>

HICKSVILLE UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2019

		Program Revenues		Net (Expense)
Expenses	Charges for Services	Operating Grants	Revenue and Changes in Net Position	
PROGRAMS/FUNCTIONS				
Governmental Activities:				
General support	\$ 19,419,620	\$	\$	\$ (19,419,620)
Instruction	111,256,625	1,148,084	2,942,470	(107,166,071)
Pupil transportation	8,307,227			(8,307,227)
Community service	360,413			(360,413)
Debt service - interest	177,865			(177,865)
Food service program	1,805,436	843,724	1,137,125	175,413
Total Governmental Activities	\$ 141,327,186	\$ 1,991,808	\$ 4,079,595	(135,255,783)
GENERAL REVENUES				
Real property taxes				92,673,913
Other tax items				16,937,256
Use of money and property				1,414,991
Sale of property and compensation for loss				143,991
Miscellaneous				822,885
State sources				19,175,037
Medicaid reimbursement				161,373
Total General Revenues				131,329,446
Change in Net Position				(3,926,337)
Total Net Position (Deficit) - Beginning of year				(109,324,243)
Total Net Position (Deficit) - End of year				\$ (113,250,580)

HICKSVILLE UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2019

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 13,974,947	\$ 50,367	\$ 123,844	\$	\$	\$ 14,149,158
Restricted	24,663,675				14,041,154	38,704,829
Receivables						
Accounts receivable, net	552,914					552,914
Taxes receivable	1,989,338					1,989,338
Due from other funds	15,552,982	3,855,507	2,548,774	565,686	16,737,040	39,259,989
Due from state and federal	1,369,162	2,391,868	200,279			3,961,309
Due from other governments	214,143					214,143
Other assets	630,280					630,280
Prepays	29,400					29,400
Inventories			15,963			15,963
Total Assets	<u>\$ 58,976,841</u>	<u>\$ 6,297,742</u>	<u>\$ 2,888,860</u>	<u>\$ 565,686</u>	<u>\$ 30,778,194</u>	<u>\$ 99,507,323</u>
LIABILITIES						
Payables						
Accounts payable	\$ 1,968,068	\$ 244,477	\$ 319,167	\$	\$ 1,389,253	\$ 3,920,965
Accrued liabilities	280,920	1,927				282,847
Due to other funds	22,942,862	6,037,169	1,400,000		4,037,179	34,417,210
Due to other governments	61,500					61,500
Due to teachers' retirement system	6,562,936					6,562,936
Due to employees' retirement system	437,068					437,068
Compensated absences payable	335,981					335,981
Other liabilities			157			157
Unearned credits - Collections in advance	80,234	14,169	33,423			127,826
Total Liabilities	<u>32,669,569</u>	<u>6,297,742</u>	<u>1,752,747</u>	<u>-</u>	<u>5,426,432</u>	<u>46,146,490</u>
DEFERRED INFLOWS OF RESOURCES						
Reserve for excess property tax levy	262,125					262,125
Unavailable revenues	677,266					677,266
Total Deferred Inflows of Resources	<u>939,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>939,391</u>
FUND BALANCES						
Nonspendable:						
Prepays	29,400					29,400
Inventories			15,963			15,963
Restricted:						
Workers' compensation	2,154,606					2,154,606
Unemployment insurance	260,875					260,875
Retirement contribution						
Teachers' retirement system	1,100,000					1,100,000
Employees' retirement system	8,641,216					8,641,216
Employee benefit accrued liability	3,810,408					3,810,408
Capital	1,572,550				7,867,630	9,440,180
Debt service				565,686		565,686
Unspent bond proceeds					12,731,858	12,731,858
Assigned:						
Appropriated fund balance	1,700,000					1,700,000
Unappropriated fund balance	522,479		1,120,150		4,752,274	6,394,903
Unassigned: Fund balance	<u>5,576,347</u>					<u>5,576,347</u>
Total Fund Balances	<u>25,367,881</u>	<u>-</u>	<u>1,136,113</u>	<u>565,686</u>	<u>25,351,762</u>	<u>52,421,442</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 58,976,841</u>	<u>\$ 6,297,742</u>	<u>\$ 2,888,860</u>	<u>\$ 565,686</u>	<u>\$ 30,778,194</u>	<u>\$ 99,507,323</u>

HICKSVILLE UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Total Governmental Fund Balances \$ 52,421,442

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	\$ 102,651,168	
Accumulated depreciation	<u>(62,547,883)</u>	40,103,285

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

Net pension asset - teachers' retirement system	6,214,964	
Deferred outflows of resources	35,082,193	
Net pension liability - employees' retirement system	(2,258,270)	
Deferred inflows of resources	<u>(9,037,713)</u>	30,001,174

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

Deferred outflows of resources	3,644,088	
Total other postemployment benefits obligation	(186,499,207)	
Deferred inflows of resources	<u>(29,642,732)</u>	(212,497,851)

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.

677,266

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	(220,421)	
Bonds payable, plus unamortized premium	(16,751,912)	
Compensated absences payable	(5,636,768)	
Workers' compensation liabilities	<u>(1,346,795)</u>	(23,955,896)

Total Net Position (Deficit)		<u>\$ (113,250,580)</u>
------------------------------	--	-------------------------

HICKSVILLE UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2019

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 92,673,913	\$	\$	\$	\$	\$ 92,673,913
Other tax items	16,937,256					16,937,256
Charges for services	1,148,084					1,148,084
Use of money and property	1,307,142		1,875	105,974		1,414,991
Sale of property and compensation for loss	197,325					197,325
Miscellaneous	822,885					822,885
State sources	19,299,241	764,790	36,489			20,100,520
Medicaid reimbursement	161,373					161,373
Federal sources		2,177,680	1,100,636			3,278,316
Sales			843,724			843,724
Total Revenues	132,547,219	2,942,470	1,982,724	105,974	-	137,578,387
EXPENDITURES						
General support	14,950,809	18,971				14,969,780
Instruction	75,027,015	3,101,748				78,128,763
Pupil transportation	7,823,268	352,589				8,175,857
Community service	276,406					276,406
Employee benefits	29,502,642					29,502,642
Debt service						
Principal				1,435,000		1,435,000
Interest				28,700		28,700
Food service program			1,796,493			1,796,493
Capital outlay					7,151,082	7,151,082
Total Expenditures	127,580,140	3,473,308	1,796,493	1,463,700	7,151,082	141,464,723
Excess (Deficiency) of Revenues Over Expenditures	4,967,079	(530,838)	186,231	(1,357,726)	(7,151,082)	(3,886,336)
OTHER FINANCING SOURCES AND (USES)						
Proceeds of long-term debt					16,317,000	16,317,000
Premium on obligation				459,712		459,712
Operating transfers in		530,838	54,623	1,463,700	9,518,444	11,567,605
Operating transfers (out)	(11,567,605)					(11,567,605)
Total Other Financing Sources and (Uses)	(11,567,605)	530,838	54,623	1,923,412	25,835,444	16,776,712
Net Change in Fund Balances	(6,600,526)	-	240,854	565,686	18,684,362	12,890,376
Fund Balances - Beginning of Year	31,968,407		895,259		6,667,400	39,531,066
Fund Balances - End of Year	\$ 25,367,881	\$ -	\$ 1,136,113	\$ 565,686	\$ 25,351,762	\$ 52,421,442

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, 2019

Net Change in Fund Balances \$ 12,890,376

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

Long-Term Revenue and Expense Differences

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

Change in unavailable revenues \$ (177,538)

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 (334,546)

Increase in workers' compensation claims liabilities (183,462)

(695,546)

Capital Related Differences

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

Capital outlays 7,285,539

Depreciation expense (4,006,958)

3,278,581

Long-Term Debt Transactions Differences

Proceeds and premium from the issuance of bonds are other funding sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.

Proceeds of long-term debt (16,317,000)

Premium on obligation (459,712)

The amortization of the deferred charges on the advance refunding of bonds, increases interest expense in the Statement of Activities. (11,432)

The amortization of bond premiums decreases interest earnings in the Statement of Activities. 61,163

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. 1,435,000

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 increased from June 30, 2018 to June 30, 2019.

(198,896)

(15,490,877)

Pension and Other Postemployment Benefits Differences

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

Teachers' retirement system 1,337,529

Employees' retirement system (161,865)

Other postemployment benefits (5,084,535)

(3,908,871)

Change in Net Position of Governmental Activities

\$ (3,926,337)

HICKSVILLE UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2019

	Agency	Private Purpose Trust
ASSETS		
Cash		
Unrestricted	\$ 5,144,348	\$
Restricted		114,146
Other assets	16,859	
Due from governmental funds	91,829	
Total Assets	\$ 5,253,036	114,146
 LIABILITIES		
Extraclassroom activity balances	\$ 92,745	
Due to governmental funds	4,934,608	
Other liabilities	225,683	
Total Liabilities	\$ 5,253,036	-
 NET POSITION		
Restricted for scholarships		\$ 114,146

HICKSVILLE UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2019

	<u>Private Purpose Trust</u>
ADDITIONS	
Contributions	\$ 44,875
Investment earnings-interest	<u>1,743</u>
Total Additions	46,618
DEDUCTIONS	
Scholarships and awards	<u>49,075</u>
Change in Net Position	(2,457)
Net Position - Beginning of year	<u>116,603</u>
Net Position - End of Year	<u><u>\$ 114,146</u></u>

HICKSVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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)

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.

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:

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

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 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 1st and April 1st. Taxes are collected by the Town of Oyster Bay during the periods October 1st through November 10th, and April 1st through May 10th without penalty and remitted to the District.

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.

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

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.

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.

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

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

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

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

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

L. Capital Assets

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

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

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

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

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. The first 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 second item is the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The third item is related to OPEB reported in the district-wide statement of net position and represents changes in the total other postemployment benefits obligation not included in the OPEB expense.

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 four 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 the reserve for excess property tax levy, which is associated with unanticipated restored property taxes received from the Town in excess of the District's tax levy. The money will be used to reduce tax levy in a future year and does not meet the applicability criterion for recognition in the current period. The third item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The fourth item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

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.

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

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

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

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

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 economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

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.

The District did not issue any short-term debt during the 2018-2019 fiscal year.

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

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

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

excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is accounted for in the general fund.

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State Teachers' Retirement System and 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. Effective April 1, 2019, a board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. These reserves are 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 Debt Service

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

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

Restricted – Unspent Bond Proceeds

Unspent long-term bond proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the 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.

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.

T. New Accounting Standard

Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, became effective for the year ended June 30, 2019. This statement improves the information that is disclosed in the notes to financial statements related to debt.

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

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension and Other Postemployment Benefits Differences

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

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

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

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

Appropriations are 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 reserve	\$ 7,221,030
Miscellaneous revenues for instructional support	500
Supplemental state aid for instructional support	<u>10,000</u>
	<u>7,231,530</u>

Budgets are adopted annually on a basis consistent with GAAP.

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

B. Encumbrances

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

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

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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

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

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

5. PARTICIPATION IN BOCES

During the year ended June 30, 2019, the District was billed \$7,919,663 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,538,472. Financial statements for the BOCES are available from the BOCES administrative offices at Nassau BOCES Administrative Center, 71 Clinton Road, Garden City, New York 11530.

6. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019, including an allowance for uncollectible accounts, are as follows:

	<u>General</u>
Accounts receivable	\$ 562,914
Less: Allowance for Uncollectible accounts	<u>(10,000)</u>
	<u>\$ 552,914</u>

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

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

7. TAXES RECEIVABLE

Taxes receivable at June 30, 2019 consisted of:

General Fund	
Nassau County-School Tax	<u>\$ 1,989,338</u>

8. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2019 consisted of:

General Fund	
New York State - excess cost aid	\$ 514,588
BOCES aid	<u>854,574</u>
	1,369,162
Special Aid Fund	
Federal and State grants	2,391,868
School Food Service Fund	
Federal and state food service program reimbursements	<u>200,279</u>
	<u>\$ 3,961,309</u>

9. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2019 consisted of:

General Fund	
Nassau County - Payments in lieu of taxes	<u>\$ 214,143</u>

10. OTHER ASSETS

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

At June 30, 2019, total cash surrender value for these policies amounted to \$630,280, 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.

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

11. CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, 2019 were as follows:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 520,209	\$	\$	\$ 520,209
Construction in progress	<u>2,839,624</u>	<u>6,403,540</u>	<u>(3,105)</u>	<u>9,240,059</u>
Total capital assets not being depreciated	<u>3,359,833</u>	<u>6,403,540</u>	<u>(3,105)</u>	<u>9,760,268</u>
Capital assets being depreciated				
Buildings and improvements	81,834,311	67,788		81,902,099
Site improvements	4,144,655	351,827		4,496,482
Furniture, vehicles and equipment	<u>6,238,026</u>	<u>465,489</u>	<u>(211,196)</u>	<u>6,492,319</u>
Total capital assets being depreciated	<u>92,216,992</u>	<u>885,104</u>	<u>(211,196)</u>	<u>92,890,900</u>
Less accumulated depreciation for:				
Buildings and improvements	50,449,409	3,590,400		54,039,809
Site improvements	3,068,151	149,728		3,217,879
Furniture, vehicles and equipment	<u>5,234,561</u>	<u>266,830</u>	<u>(211,196)</u>	<u>5,290,195</u>
Total accumulated depreciation	<u>58,752,121</u>	<u>4,006,958</u>	<u>(211,196)</u>	<u>62,547,883</u>
Total capital assets, being depreciated, net	<u>33,464,871</u>	<u>(3,121,854)</u>	<u>-</u>	<u>30,343,017</u>
Capital assets, net	<u>\$ 36,824,704</u>	<u>\$ 3,281,686</u>	<u>\$ (3,105)</u>	<u>\$ 40,103,285</u>

Depreciation expense was allocated to governmental functions as follows:

General support	\$ 33,410
Instruction	3,952,726
Pupil transportation	7,426
Food service program	<u>13,396</u>
Total depreciation expense	<u>\$ 4,006,958</u>

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

12. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2019, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 15,552,982	\$ 22,942,862	\$	\$ 11,567,605
Special Aid Fund	3,855,507	6,037,169	530,838	
School Food Service Fund	2,548,774	1,400,000	54,623	
Debt Service Fund	565,686		1,463,700	
Capital Projects Fund	16,737,040	4,037,179	9,518,444	
Total Governmental Funds	<u>39,259,989</u>	<u>34,417,210</u>	<u>\$ 11,567,605</u>	<u>\$ 11,567,605</u>
Agency Fund	<u>91,829</u>	<u>4,934,608</u>		
Total	<u>\$ 39,351,818</u>	<u>\$ 39,351,818</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. The transfer to the school food service fund was to provide support. In addition, the District also transfers from the general fund to the debt service fund and capital projects fund in accordance with the general fund budget. An additional transfer to the capital projects fund during the year also included \$1,721,030 from the district-wide technology capital reserve as authorized by the voters on May 14, 2018, and \$5,500,000 from the capital reserve fund B established at the bond resolution vote in November 2017. Interfund payable balances are expected to be repaid within one year.

13. DEFERRED INFLOWS OF RESOURCES

Deferred inflows in the general fund at June 30, 2019 consisted of:

Reserve for excess property tax levy	<u>\$ 262,125</u>
Unavailable Revenues	
Split dollar life insurance receivable	630,280
State aid	46,716
Miscellaneous	<u>270</u>
	<u>677,266</u>
	<u>\$ 939,391</u>

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

14. LONG-TERM LIABILITIES

A. Changes

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

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 1,435,000	16,317,000	(1,435,000)	\$ 16,317,000	\$ 927,000
Add:					
Premium on obligation		459,712	(24,800)	434,912	50,456
Deferred premium on refunding	36,363		(36,363)	-	
	<u>1,471,363</u>	<u>16,776,712</u>	<u>(1,496,163)</u>	<u>16,751,912</u>	<u>977,456</u>
Other long-term liabilities:					
Compensated absences	5,302,222	334,546		5,636,768	225,000
Workers' compensation	1,163,333	561,220	(377,758)	1,346,795	-
	<u>\$ 7,936,918</u>	<u>\$ 17,672,478</u>	<u>\$ (1,873,921)</u>	<u>\$ 23,735,475</u>	<u>\$ 1,202,456</u>

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

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2019
Serial Bonds	1/15/19	1/15/34	3.0 - 4.0%	<u>\$ 16,317,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2020	\$ 927,000	\$ 480,919	\$ 1,407,919
2021	940,000	466,850	1,406,850
2022	955,000	438,650	1,393,650
2023	975,000	410,000	1,385,000
2024	1,000,000	380,750	1,380,750
2025-2029	5,365,000	1,423,450	6,788,450
2030-2034	6,155,000	564,750	6,719,750
	<u>\$ 16,317,000</u>	<u>\$ 4,165,369</u>	<u>\$ 20,482,369</u>

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

C. Premium on Bond Issuance

The District received a \$459,712 premium on the January 15, 2019 bond issuance. The premium amount is being amortized as a component of interest expense on a weighted average basis as follows:

Year Ending June 30,	Amortization of Premium
2020	\$ (50,456)
2021	(46,881)
2022	(46,021)
2023	(43,015)
2024	(39,946)
2025-2029	(149,341)
2030-2034	(59,252)
	\$ (434,912)

D. Interest Expense

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

Interest paid	\$ 28,700
Less interest accrued in the prior year	(21,525)
Plus interest accrued in the current year	220,421
Less: Net amortization of premiums and deferred charge	(49,731)
Total interest expense on long-term debt	\$ 177,865

E. Issued and Unissued Debt

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. On January 15, 2019, the District issued \$16,317,000 of serial bonds. The remaining amount of unissued debt at June 30, 2019 is \$19,058,000.

15. PENSION PLANS - NEW YORK STATE

A. General Information

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

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

B. Provisions and Administration

Teachers' Retirement System

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

Employees' Retirement System

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

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 9.80% of covered payroll for the TRS' fiscal year ended June 30, 2018. The District's average contribution rate was 14.21% of covered payroll for the ERS' fiscal year ended March 31, 2019.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2019, was \$6,191,583 for TRS and \$1,541,107 for ERS.

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

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

At June 30, 2019, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2018, for TRS and March 31, 2019 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2018	March 31, 2019
District's proportionate share of the net pension asset/(liability)	\$ 6,214,964	\$ (2,258,270)
District's portion of the Plan's total net pension asset/(liability)	0.3436980%	0.0318726%
Change in proportion since the prior measurement date	0.0062230	(0.0021688)

For the year ended June 30, 2019, the District recognized pension expense of \$4,856,903 for TRS and \$1,697,835 for ERS. At June 30, 2019, 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	\$ 4,644,392	\$ 444,701	\$ 841,281	\$ 151,593
Changes of assumptions	21,725,376	567,637		
Net difference between projected and actual earnings on pension plan investments			6,899,083	579,597
Changes in proportion and differences between the District's contributions and proportionate share of contributions	519,981	551,455	444,536	121,623
District's contributions subsequent to the measurement date	6,191,583	437,068		
Total	<u>\$ 33,081,332</u>	<u>\$ 2,000,861</u>	<u>\$ 8,184,900</u>	<u>\$ 852,813</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, 2020. 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 June 30,	TRS	ERS
2020	\$ 6,262,958	\$ 629,942
2021	4,262,937	(317,435)
2022	479,531	59,065
2023	4,248,295	339,408
2024	2,845,121	
Thereafter	606,007	
	<u>\$ 18,704,849</u>	<u>\$ 710,980</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, 2018	March 31, 2019
Actuarial valuation date	June 30, 2017	April 1, 2018
Inflation	2.25%	2.50%
Salary increases	1.90-4.72%	4.20%
Investment rate of return (net of investment expense, including inflation)	7.25%	7.00%
Cost of living adjustments	1.50%	1.30%

For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on 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.

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

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

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

produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2018		March 31, 2019
Asset type				
Domestic equity	33.0%	5.80%	36.0%	4.55%
International equity	16.0%	7.30%	14.0%	6.35%
Global equity	4.0%	6.70%		
Real estate	11.0%	4.90%	10.0%	5.55%
Private equities	8.0%	8.90%	10.0%	7.50%
Alternative investments			8.0%	3.75-5.68%
Domestic fixed income securities	16.0%	1.30%		
Global fixed income securities	2.0%	0.90%		
High-yield fixed income securities	1.0%	3.50%		
Bonds and mortgages	8.0%	2.80-6.80%	17.0%	1.31%
Short-term	1.0%	0.30%		
Cash			1.0%	(0.25)%
Inflation indexed bonds			4.0%	1.25%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.3% for TRS and 2.5% for ERS.

Discount Rate

The discount rate used to measure the total pension asset/(liability) was 7.25% for TRS and 7.0% for ERS. 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 asset/(liability).

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

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

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

TRIS	1% Decrease (6.25)%	Current Assumption (7.25)%	1% Increase (8.25)%
District's proportionate share of the net pension asset (liability)	\$ (42,697,816)	\$ 6,214,964	\$ 47,190,281
ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	\$ (9,873,515)	\$ (2,258,270)	\$ 4,139,077

Pension Plan Fiduciary Net Position

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

	TRIS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2018	March 31, 2019
Employers' total pension liability	\$ (118,107,254)	\$ (189,803,429)
Plan fiduciary net position	<u>119,915,518</u>	<u>182,718,124</u>
Employers' net pension asset/(liability)	<u>\$ 1,808,264</u>	<u>\$ (7,085,305)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	101.53%	96.27%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019, are paid to the system in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019, represent employer and employee contributions for the fiscal year ended June 30, 2019, 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, 2019 amounted to \$6,191,583 of employer contributions and \$371,353 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2019, represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$437,068 of employer contributions. Employee contributions are remitted monthly.

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

16. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. Contributions made by the employees for the year ended June 30, 2019, totaled \$3,923,214.

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, 2019 totaled \$193,075.

17. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District’s defined benefit OPEB plan, provides OPEB for most retired employees and their survivors. The plan is a single-employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The District provides healthcare benefits for retirees and their eligible survivors. The benefit terms are dependent on the provisions in each contract which the employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms – At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	710
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>645</u>
	<u><u>1,355</u></u>

B. Total OPEB Liability

The District’s total OPEB liability of \$186,499,207 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018. Update procedures were used to roll forward the total OPEB liability to the measurement date.

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

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

Inflation	2.60%	
Salary increases	2.60%	average, including inflation
Discount rate	3.50%	
Healthcare cost trend rates	6.10%	decreasing to an ultimate rate of 4.1% in 57 years
Retirees' share of benefit-related costs	50-80%	of projected health insurance premiums for retirees

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table, projected to the valuation date with Scale MP-2016.

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

C. Changes in the Total OPEB Liability

Balance at June 30, 2018	<u>\$ 206,693,333</u>
Changes for the year	
Service cost	8,552,911
Interest	6,378,772
Changes of benefit terms	(2,066)
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(29,843,713)
Benefit payments	<u>(5,280,030)</u>
	<u>(20,194,126)</u>
Balance at June 30, 2019	<u>\$ 186,499,207</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.00% in 2018 to 3.50% in 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current discount rate:

OPEB	1% Decrease (2.50)%	Discount Rate (3.50)%	1% Increase (4.50)%
Total OPEB liability	<u>\$ (219,456,778)</u>	<u>\$ (186,499,207)</u>	<u>\$ (160,225,543)</u>

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

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.10%) or 1 percentage point higher (7.10%) than the current healthcare cost trend rate:

	1% Decrease (5.10% decreasing to 3.10%)	Healthcare Cost Trend Rates (6.10% decreasing to 4.10%)	1% Increase (7.10% increasing to 5.10%)
<u>OPEB</u>			
Total OPEB liability	<u>\$ (156,852,789)</u>	<u>\$ (186,499,207)</u>	<u>\$ (228,698,458)</u>

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

For the year ended June 30, 2019, the District recognized negative OPEB expense of \$10,364,565. At June 30, 2019, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred</u>	
	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,644,088	\$ 609,216
Changes of assumptions		29,033,516
District’s contributions subsequent to the measurement date		
Total	<u>\$ 3,644,088</u>	<u>\$ 29,642,732</u>

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ (4,565,052)
2021	(4,565,052)
2022	(4,565,052)
2023	(4,565,052)
2024	(4,565,052)
Thereafter	<u>(3,173,384)</u>
	<u>\$(25,998,644)</u>

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

18. RISK MANAGEMENT

A. General Information

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

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:

	2018	2019
Unpaid claims at beginning of year	\$ 1,079,589	\$ 1,163,333
Incurred claims and claim adjustment expenses	473,079	561,220
Claim payments	(389,335)	(377,758)
Unpaid claims at year end	\$ 1,163,333	\$ 1,346,795

19. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2019 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2020.

Workers' Compensation	\$ 750,000
Unemployment Insurance	10,000
Retirement Contributions	1,815,000
Employee Benefit Accrued Liability	225,000
	\$ 2,800,000

20. ASSIGNED: APPROPRIATED FUND BALANCE

The District has appropriated \$1,700,000 from the general fund's fund balance as the estimated amount applied to partially fund the budget for the year ending June 30, 2020.

21. 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 2018-2019 property tax revenue abated was \$5,128,386. The District recorded payments in lieu of taxes (PILOT) payments totaling \$3,153,666, including amounts receivable at June 30, 2019 recorded in due from other government.

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

The District also recognized \$4,086,109 in LIPA PILOT revenue. As indicated in Note 1.E., these LIPA PILOT payments are not the result of tax abatement agreements as defined by GASB Statement No. 77, *Tax Abatement Disclosures*.

22. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2019, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:

General Fund	
General support	\$ 394,622
Instruction	120,393
Community services	7,464
	522,479
Capital Projects Fund	
Capital projects	18,170,141
	\$ 18,692,620

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 \$288,008. The minimum remaining operating lease payments are as follows:

Year Ending June 30,	Amount
2020	\$ 356,725
2021	282,481
2022	282,729
2023	284,335
2024	77,096
	\$ 1,283,366

23. SUBSEQUENT EVENTS

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

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, 2019

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 102,299,710	\$ 92,673,913	\$ 92,673,913	\$ -
Other tax items	7,098,384	16,724,181	16,937,256	213,075
Charges for services	1,500,000	1,500,000	1,148,084	(351,916)
Use of money and property	765,000	765,000	1,307,142	542,142
Sale of property and compensation for loss	75,000	75,000	197,325	122,325
Miscellaneous	215,500	216,000	822,885	606,885
Total Local Sources	111,953,594	111,954,094	113,086,605	1,132,511
State Sources	19,192,629	19,202,629	19,299,241	96,612
Medicaid reimbursement	100,000	100,000	161,373	61,373
Total Revenues	131,246,223	131,256,723	132,547,219	\$ 1,290,496
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	2,800,000	2,800,000		
Prior Year's Encumbrances	718,702	718,702		
Appropriated Reserves	1,700,000	8,921,030		
Total Appropriated Fund Balance	5,218,702	12,439,732		
Total Revenues and Appropriated Fund Balance	\$ 136,464,925	\$ 143,696,455		

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, 2019

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 128,427	\$ 133,059	\$ 115,116	\$	\$ 17,943
Central administration	341,506	352,693	348,277	269	4,147
Finance	1,283,973	1,301,313	1,087,889	47,058	166,366
Staff	1,322,784	1,460,559	1,358,184	4,205	98,170
Central services	10,630,593	11,467,569	10,575,501	342,805	549,263
Special items	1,581,673	1,497,525	1,465,842	285	31,398
Total General Support	<u>15,288,956</u>	<u>16,212,718</u>	<u>14,950,809</u>	<u>394,622</u>	<u>867,287</u>
Instruction					
Administration & improvement	6,931,471	6,707,391	6,610,450	10,757	86,184
Teaching - regular school	42,723,996	42,887,042	41,762,947	78,170	1,045,925
Programs for children with disabilities	17,206,236	16,925,411	16,575,128	10,356	339,927
Occupational education	696,122	696,122	686,133		9,989
Teaching - special schools	418,253	356,922	281,134	833	74,955
Instructional media	3,551,366	4,005,991	3,780,219	4,533	221,239
Pupil services	5,274,659	5,482,350	5,331,004	15,744	135,602
Total Instruction	<u>76,802,103</u>	<u>77,061,229</u>	<u>75,027,015</u>	<u>120,393</u>	<u>1,913,821</u>
Pupil Transportation	<u>8,430,561</u>	<u>8,259,794</u>	<u>7,823,268</u>		<u>436,526</u>
Community Services	<u>315,387</u>	<u>312,042</u>	<u>276,406</u>	<u>7,464</u>	<u>28,172</u>
Employee Benefits	<u>31,331,804</u>	<u>30,283,066</u>	<u>29,502,642</u>		<u>780,424</u>
Debt Service					
Interest	<u>85,000</u>	<u>-</u>	<u>-</u>		<u>-</u>
Total Expenditures	<u>132,253,811</u>	<u>132,128,849</u>	<u>127,580,140</u>	<u>522,479</u>	<u>4,026,230</u>
OTHER USES					
Operating Transfers Out	<u>4,211,114</u>	<u>11,567,606</u>	<u>11,567,605</u>		<u>1</u>
Total Expenditures and Other Uses	<u>\$ 136,464,925</u>	<u>\$ 143,696,455</u>	<u>139,147,745</u>	<u>\$ 522,479</u>	<u>\$ 4,026,231</u>
Net Change in Fund Balance			(6,600,526)		
Fund Balance - Beginning of Year			<u>31,968,407</u>		
Fund Balance - End of Year			<u>\$ 25,367,881</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 the District's Proportionate Share of the Net Pension Asset/(Liability)
 Last Five Fiscal years

Teachers' Retirement System

	2019	2018	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.3436980%	0.3374750%	0.3416630%	0.3493770%	0.3473870%
District's proportionate share of the net pension asset	\$ 6,214,964	\$ 2,565,147	\$ (3,659,353)	\$ 36,289,126	\$ 38,696,725
District's covered payroll	\$ 55,984,527	\$ 53,478,703	\$ 54,076,492	\$ 55,955,268	\$ 54,329,716
District's proportionate share of the net pension asset as a percentage of its covered payroll	11.10 %	4.80 %	6.77 %	64.85 %	71.23 %
Plan fiduciary net position as a percentage of the total pension liability	101.53%	100.66%	99.01%	110.46%	111.48%

Employees' Retirement System

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0318726%	0.0340414%	0.0324219%	0.0340841%	0.0330255%
District's proportionate share of the net pension liability	\$ (2,258,270)	\$ (1,098,669)	\$ (3,046,433)	\$ (5,470,147)	\$ (1,115,681)
District's covered payroll	\$ 10,343,046	\$ 10,744,677	\$ 10,884,925	\$ 9,731,646	\$ 10,015,546
District's proportionate share of the net pension liability as a percentage of its covered payroll	(21.83)%	(10.23)%	(27.99)%	(56.21)%	(11.14)%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.68%	97.95%

An additional year of historical information will be added each year, subsequent to the year of implementation until 10 years of historical data is available.

Note to Required Supplementary Information

Teachers' Retirement System

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

Employees' Retirement System

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

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

Teachers' Retirement System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 6,191,583	\$ 5,486,484	\$ 6,267,704	\$ 6,990,941	\$ 9,199,946	\$ 8,338,597	\$ 5,822,941	\$ 5,449,985	\$ 4,291,882	\$ 3,216,595
Contributions in relation to the contractually required contribution	6,191,583	5,486,484	6,267,704	6,990,941	9,199,946	8,338,597	5,822,941	5,449,985	4,291,882	3,216,595
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 59,842,757	\$ 55,984,527	\$ 53,478,703	\$ 54,076,492	\$ 55,955,268	\$ 54,329,716	\$ 52,427,877	\$ 51,572,187	\$ 52,290,590	\$ 51,735,026
Contributions as a percentage of covered payroll	10%	10%	12%	13%	16%	15%	11%	11%	8%	6%

Employees' Retirement System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 1,541,107	\$ 1,653,270	\$ 1,444,593	\$ 1,576,803	\$ 1,746,400	\$ 2,067,463	\$ 1,630,577	\$ 1,638,745	\$ 1,180,464	\$ 730,372
Contributions in relation to the contractually required contribution	1,541,107	1,653,270	1,444,593	1,576,803	1,746,400	2,067,463	1,630,577	1,638,745	1,180,464	730,372
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 10,842,860	\$ 10,774,114	\$ 10,492,621	\$ 10,624,476	\$ 10,129,886	\$ 9,998,740	\$ 9,841,347	\$ 9,668,856	\$ 10,024,224	\$ 9,599,073
Contributions as a percentage of covered payroll	14%	15%	14%	15%	17%	21%	17%	17%	12%	8%

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

	2019	2018
Total OPEB liability		
Service cost	\$ 8,552,911	\$ 7,861,441
Interest	6,378,772	6,116,017
Changes in benefit terms	(2,066)	-
Differences between expected and actual experience	-	(830,750)
Changes of assumptions or other inputs	(29,843,713)	-
Benefit payments	(5,280,030)	(4,882,238)
Net change in total OPEB liability	(20,194,126)	8,264,470
Total OPEB liability, beginning	206,693,333	198,428,863
Total OPEB liability, ending	\$ 186,499,207	\$ 206,693,333
Covered employee payroll	\$ 62,719,868	\$ 63,673,365
Total OPEB liability as a percentage of covered employee payroll	297.35%	324.62%

An additional year of historical information will be added each year, subsequent to the year of implementation until 10 years of historical data is available.

Notes to Required Supplementary Information

The discount rate increased from 3.00% to 3.50% as reflected in 2018 and 2019 above.

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, 2019

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 135,746,223
Additions:	
Prior year's encumbrances	<u>718,702</u>
Original Budget	136,464,925
Budget revisions	<u>7,231,530</u>
Final Budget	<u><u>\$ 143,696,455</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-2020 voter-approved expenditure budget	<u>\$ 139,408,682</u>
Maximum allowed (4% of 2019-2020 budget)	<u><u>\$ 5,576,347</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 2,222,479
Unassigned fund balance	<u>5,576,347</u>
	\$ 7,798,826
Less:	
Appropriated fund balance	1,700,000
Encumbrances	<u>522,479</u>
Total adjustments	<u>2,222,479</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u><u>\$ 5,576,347</u></u>
Actual Percentage	4.00%

HICKSVILLE UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2019

Capital assets, net		\$ 40,103,285
Deduct:		
Short-term portion of bonds payable	\$ (927,000)	
Long-term portion of bonds payable	(15,390,000)	
Less: Unspent bond proceeds	<u>12,731,858</u>	
		<u>(3,585,142)</u>
Net investment in capital assets		<u>\$ 36,518,143</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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 30, 2019.

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 October 30, 2019.

Purpose of this Report

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

Cullen & Danowski, LLP

October 30, 2019

