



FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS

June 30, 2018

HICKSVILLE UNION FREE SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Hicksville Union Free School District (District), as of and for the year ended June 30, 2018, 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, 2018, 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.

Changes in Accounting Principles

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, 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 15 and 52 through 56, 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 57 through 59 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2018 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

November 14, 2018

**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, 2018 comparison with the year ended June 30, 2017, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

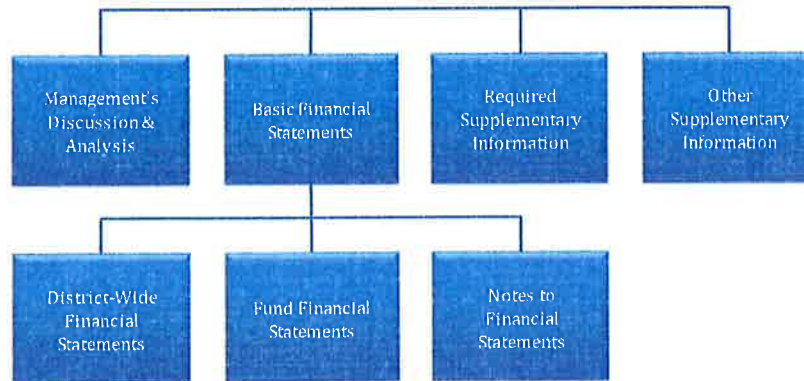
Key financial highlights for fiscal year 2018 are as follows:

- On the district-wide financial statements, the District's total net position deficit increased by \$6,415,281 or 6.23% over the prior year.
- The District's total net position at June 30, 2017 was restated and decreased by \$135,744,780 as a result of the required implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the 2018 fiscal year. This new GASB accounting standard has no impact on the governmental funds financial statements.
- The liability for net other postemployment benefits obligation (OPEB) increased by \$8,264,470.
- On the district-wide financial statements, the District's expenses for the year totaled \$140,986,737. Of this amount, \$5,712,472 was offset by program charges for services and operating grants. General revenues of \$128,858,984 amount to 95.8% of total revenues.
- On the balance sheet, the general fund's unassigned fund balance at year end was \$5,429,848, and was equal the 4.00% statutory limit.
- In May 2017, the voters authorized the establishment of a capital reserve not to exceed \$6,500,000 to finance building, track and field, and site improvements throughout the District and the administration building. The reserve was fully funded at June 30, 2017. The voters also authorized the District to expend these funds in the 2017-2018 fiscal year, which were transferred to the capital projects fund.
- 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" for a total of \$5,500,000, provided by a transfer from the retirement contribution reserve. The proposition 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 will be funded through the issuance of \$20,635,000 in serial bonds.
- On November 14, 2017, the voters 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, which will be funded entirely through the issuance of serial bonds.
- On May 15, 2018, the District's voters authorized the establishment of the District-wide Technology Capital Reserve and Districting funding of the reserve in the amount of \$1,721,030, for security upgrades and technology projects at various school buildings. Funding of the reserve has been provided from a transfer of \$1,000,000 of unexpended surplus from the workers' compensation reserve and \$721,030 from the surplus of unexpended unemployment reserve which is no cost to the taxpayer. The voters also authorized the District to expend the \$1,721,030 plus interest accruals in the 2018-2019 fiscal school year.
- The District's 2017-18 budgeted property tax levy of \$100,402,028 was a \$1,464,434 or 1.48% increase over the 2017 tax levy, which was equal to the District's property tax cap.

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

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:



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

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

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

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

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee and utilize the 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 \$6,415,281 between fiscal year 2018 and 2017. The June 30, 2017 net position has been decreased by \$135,744,780, resulting from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additionally, the June 30, 2017 balances reflect total OPEB liabilities in accordance with the new GASB Statement. A summary of the District's Statements of Net Position follows:

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

	2018	As Restated 2017	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 52,275,685	\$ 55,735,876	\$ (3,460,191)	(6.21)%
Capital Assets, Net	36,824,704	33,073,743	3,750,961	11.34 %
Net Pension Asset - Proportionate Share	<u>2,565,147</u>	<u>2,565,147</u>	<u>2,565,147</u>	100.00 %
Total Assets	<u>91,665,536</u>	<u>88,809,619</u>	<u>2,855,917</u>	3.22 %
Deferred Outflows of Resources	<u>38,008,554</u>	<u>38,346,331</u>	<u>(337,777)</u>	(0.88)%
Liabilities				
Current and Other Liabilities	11,649,215	12,357,604	(708,389)	(5.73)%
Long-Term Liabilities	7,936,918	10,771,480	(2,834,562)	(26.32)%
Net Pension Liability - Proportionate Share	1,098,669	6,705,786	(5,607,117)	(83.62)%
Total OPEB Obligation	<u>206,693,333</u>	<u>198,428,863</u>	<u>8,264,470</u>	4.16 %
Total Liabilities	<u>227,378,135</u>	<u>228,263,733</u>	<u>(885,598)</u>	(0.39)%
Deferred Inflows of Resources	<u>11,620,198</u>	<u>1,801,179</u>	<u>9,819,019</u>	545.14 %
Net Position (Deficit)				
Net Investment in Capital Assets	35,389,704	28,653,743	6,735,961	23.51 %
Restricted	27,810,575	31,104,611	(3,294,036)	(10.59)%
Unrestricted (deficit)	<u>(172,524,522)</u>	<u>(162,667,316)</u>	<u>(9,857,206)</u>	6.06 %
Total Net Position (Deficit)	<u>\$ (109,324,243)</u>	<u>\$ (102,908,962)</u>	<u>\$ (6,415,281)</u>	6.23 %

Current and other assets decreased by \$3,460,191, as compared to the prior year. This was primarily due to lower cash balances in the current year, offset partially by increases in amounts due from other governments and amounts due from fiduciary funds.

Capital assets, net increased by \$3,750,961, 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 12 "Capital Assets" provides additional information.

Net pension asset – proportionate share has a balance of \$2,565,147, as the New York State Teachers' Retirement System experienced a gain resulting in an ending balance that was an asset. The prior year balance was a liability.

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

Current and other liabilities decreased by \$708,389, as compared to the prior year. This decrease is primarily due to a decrease in accrued liabilities and due to teachers' retirement system, offset by an increase in accounts payable.

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

Long-term liabilities decreased by \$2,834,562, as compared to the prior year. This decrease is the result of the current year's bond principal payments and amortization of a bond premium totaling \$3,203,168, offset by increases in compensated absences payable of \$284,862 and workers' compensation liabilities of \$83,744.

Net pension liability – proportionate share decreased by \$5,607,117 in the current year. This liability represents the District's share of the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System's net pension liability at the measurement date of the respective year. The decrease is due to the shift of net pension liability to an asset for the TRS and a decrease in the pension liability for the ERS. The accompanying Notes to Financial Statements, Note 13 "Pension Plans – New York State", provides additional information.

Total other postemployment benefits (OPEB) obligation increased by \$8,264,470, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 18 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and other postemployment benefit 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 prior year property taxes during 2017-2018.

The net investment in capital assets in the amount of \$35,389,704 is the investment in capital assets at cost such as land, construction in progress, buildings & improvements, site improvements, and, furniture, vehicles & equipment, net of depreciation, and related outstanding debt.

The restricted amount of \$27,810,575 relates to the District's reserves. This number decreased by \$3,294,036, 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 \$(172,524,522) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit increased over the prior year by \$9,857,206, and primarily due to the effect of the unfunded addition to the OPEB liability.

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, 2018 and 2017 is as follows:

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

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenues				
Program Revenues				
Charges for Services	\$ 2,187,083	\$ 2,217,816	\$ (30,733)	(1.39)%
Operating Grants	3,525,389	3,808,727	(283,338)	(7.44)%
General Revenues				
Property Taxes and STAR	100,402,028	98,939,574	1,462,454	1.48 %
State Sources	19,347,592	17,961,948	1,385,644	7.71 %
Other	9,109,364	8,468,471	640,893	7.57 %
Total Revenues	<u>134,571,456</u>	<u>131,396,536</u>	<u>3,174,920</u>	2.42 %
Expenses				
General Support	18,342,236	18,199,672	142,564	0.78 %
Instruction	113,061,429	108,347,026	4,714,403	4.35 %
Pupil Transportation	7,309,910	7,833,781	(523,871)	(6.69)%
Community Service	403,102	398,035	5,067	1.27 %
Debt Service - Interest	140,914	38,040	102,874	270.44 %
Food Service Program	1,729,146	1,679,480	49,666	2.96 %
Total Expenses	<u>140,986,737</u>	<u>136,496,034</u>	<u>4,490,703</u>	3.29 %
Decrease in Net Position	<u>\$ (6,415,281)</u>	<u>\$ (5,099,498)</u>	<u>\$ (1,315,783)</u>	25.80 %

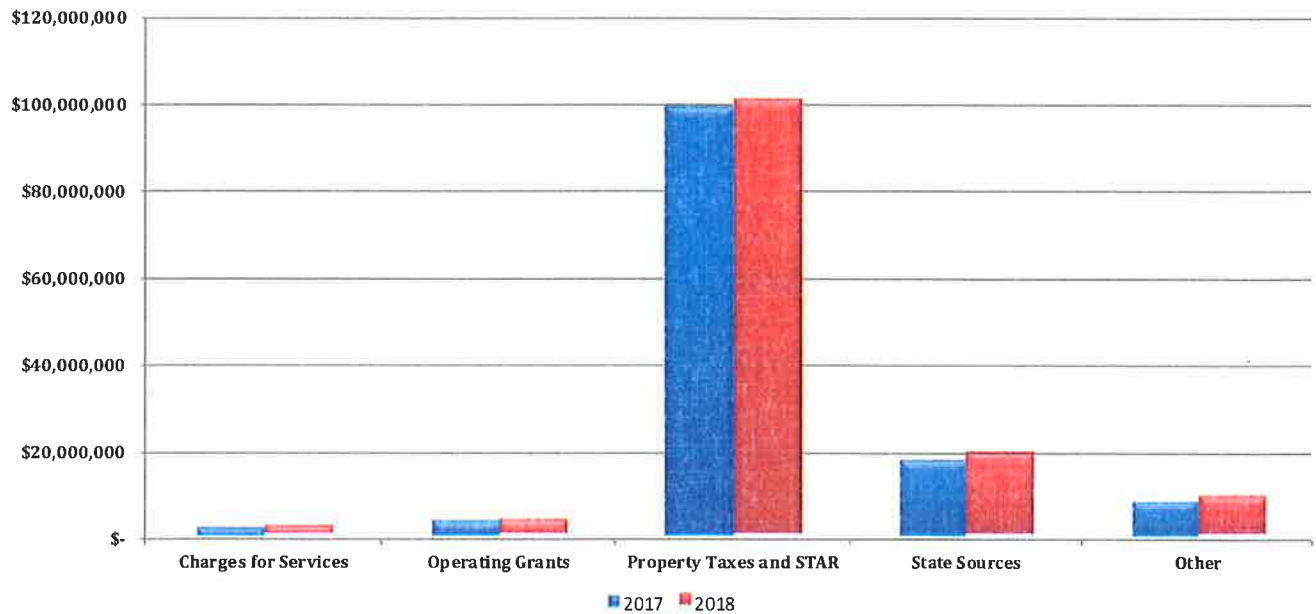
The District's revenues increased by \$3,174,920, or 2.42%. The major factors that contributed to the increase was the increased property tax levy and more state aid received in the current fiscal year.

The District's expenses for the year increased by \$4,490,703 or 3.29%, primarily as a result of increases in employee benefits, particularly as it relates to the change in the pension expense resulting from the actuarial valuation by TRS, as well as increases in salaries and BOCES related expenses.

As indicated on the graphs that follow, property taxes and STAR is the largest component of revenues recognized, at 74.6% and 75.3% for the years ended June 30, 2018 and 2017, respectively. Instruction expense is the largest category of expenses incurred, comprising 80.2% and 79.5% for the years ended June 30, 2018 and 2017, respectively.

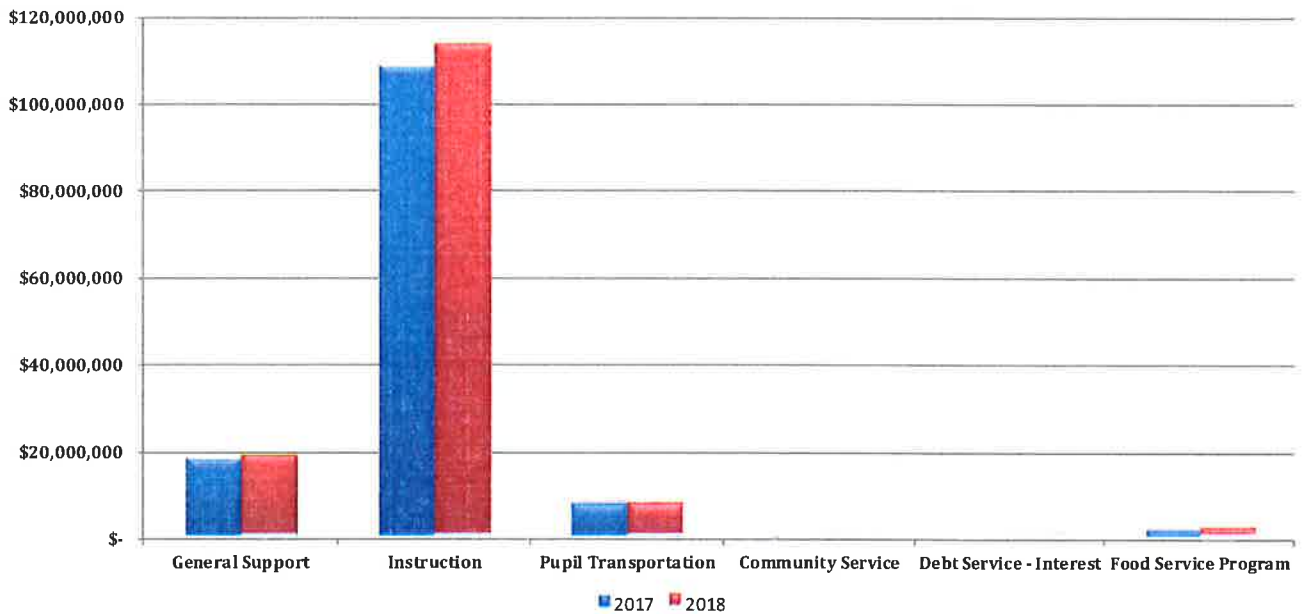
**HICKSVILLE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

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
2017	1.7%	2.9%	75.3%	13.7%	6.4%
2018	1.6%	2.6%	74.6%	14.4%	6.8%

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
2017	13.3%	79.5%	5.7%	0.3%	0.0%	1.2%
2018	13.0%	80.2%	5.2%	0.3%	0.1%	1.2%

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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2018, the District's governmental funds reported a combined fund balance of \$39,531,066, which is a decrease of \$3,034,723 from the prior year. This decrease is due to expenditures exceeding revenues 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>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
General Fund			
Nonspendable: Prepaids	\$ 36,758	\$ 16,450	\$ 20,308
Restricted:			
Workers' compensation	2,630,328	2,964,999	(334,671)
Unemployment insurance	258,489	984,227	(725,738)
Retirement contribution	8,886,151	12,919,441	(4,033,290)
Employee benefit accrued liability	3,973,731	3,821,015	152,716
Capital	7,234,400	6,513,370	721,030
Assigned:			
Appropriated fund balance	2,800,000	2,751,493	48,507
Unappropriated fund balance	718,702	298,031	420,671
Unassigned: Fund balance	<u>5,429,848</u>	<u>5,393,650</u>	<u>36,198</u>
	<u>31,968,407</u>	<u>35,662,676</u>	<u>(3,694,269)</u>
School Food Service Fund			
Nonspendable: Inventory	8,200	17,478	(9,278)
Assigned: Unappropriated fund balance	<u>887,059</u>	<u>1,449,237</u>	<u>(562,178)</u>
	<u>895,259</u>	<u>1,466,715</u>	<u>(571,456)</u>
Capital Projects Fund			
Restricted: Capital	4,827,476	3,901,559	925,917
Assigned: Unappropriated fund balance	<u>1,839,924</u>	<u>1,534,839</u>	<u>305,085</u>
	<u>6,667,400</u>	<u>5,436,398</u>	<u>1,231,002</u>
 Total Fund Balance	 <u>\$ 39,531,066</u>	 <u>\$ 42,565,789</u>	 <u>\$ (3,034,723)</u>

A. General Fund

The net change in the general fund fund balance is a decrease of \$3,694,269 compared to an increase of \$1,553,367 in the prior year, as expenditures and other uses of \$133,727,018 exceeded revenues of \$130,032,749. Revenues increased by \$3,261,127 (2.57%) over fiscal 2017 totals, primarily because of the increase in real property taxes of \$1,667,333 and state aid of \$1,385,644. Expenditures and other uses increased \$8,508,763 (6.80%) over fiscal 2017 totals, primarily due to increases in instruction (\$3,771,312), employee benefits (\$541,946) and operating transfers out (\$4,385,935).

In November 2017, the District's voters approved Bond Proposition #1, which authorized the District to establish a capital reserve fund entitled the "2017-2018 Capital Reserve Fund B" in the amount of \$5,500,000, to be provided from funds appropriated from the general fund and/or the retirement contribution reserve. The District provided all of the funding in 2017-2018 through a transfer from the retirement contribution reserve.

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

In May 2018, the District's voters authorized the establishment of a new District-wide technology capital reserve in the amount of \$1,721,030 to be funded by transfers from unexpended surplus in the workers' compensation and unemployment insurance reserves in the amount of \$1,000,000 and \$721,030 respectively.

Total restricted reserves in the general fund decreased by the net amount of \$4,219,953. This decrease was primarily the result of a voter-authorized appropriation from the 2017 capital reserve in the amount of \$6,500,000 to the capital projects fund, and the use of the unemployment insurance and employee benefit accrued liability reserves totaling \$226,836 to pay for expenditures, offset by the funding to certain reserves and interest earnings allocated to the reserves, which totaled \$2,506,883.

The District expects to appropriate \$1,700,000 from its restricted reserves to partially fund the 2018-19 budget.

B. School Food Service Fund

The school food service fund – fund balance decreased by \$571,456, as the \$750,000 transfer out to capital projects fund as part of the 2017 Bond Proposition #1 exceeded the operating profit of the food service program in the amount of \$178,544. The use of available fund balance for capital improvements in the cafeteria area was also part of a state-approved plan to reduce fund balance in the school food service fund.

C. Capital Projects Fund

The net change in the capital projects fund – fund balance is an increase of \$1,231,002, as the interfund transfers received from the 2017 capital reserve, the general fund operating budget and transfer from the food service program as part of the November 2017 Bond Proposition #1 exceeded capital outlays.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2017-2018 Budget

The District's general fund adopted budget for the year ended June 30, 2018 was \$134,841,267. This amount was increased by encumbrances carried forward from the prior year in the amount of \$298,031, and a budget revision of \$6,500,000 for voter-authorized appropriation from the 2017 capital reserve for a total final budget of \$141,639,298.

The budget was funded through a combination of estimated revenues, and appropriated fund balance and reserves. The majority of this funding source was \$100,402,028 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	\$ 5,393,650
Revenues over budget	1,011,975
Expenditures and encumbrances under budget	7,193,578
Unused appropriated reserves	(2,842,164)
Change in nonspendable fund balance	(20,308)
Increase in reserves	(2,506,883)
Appropriated to fund the June 30, 2019 budget	<u>(2,800,000)</u>
Closing unassigned fund balance	<u>\$ 5,429,848</u>

Opening, Unassigned Fund Balance

The \$5,393,650 shown in the table is the portion of the District's June 30, 2017 fund balance that was retained as unassigned. This was 4.00% of the District's 2017-2018 approved operating budget of \$134,841,267.

Revenues Over Budget

The 2017-2018 final budget for revenues was \$129,020,774. The total actual revenues recognized for the fiscal year were \$130,032,749. The excess of actual revenues over estimated or budgeted revenues was \$1,011,975, and arose primarily from an excess of other tax items, use of money and property and state sources revenue over budget, offset partially by a deficiency of charges for services revenue under budget.

Expenditures and Encumbrances Under Budget

The 2017-2018 final budget was \$141,639,298. Actual expenditures and other uses as of June 30, 2018 were \$133,727,018 and outstanding encumbrances were \$718,702. Combined, the expenditures and other uses plus encumbrances for 2017-2018 were \$134,445,720. The final budget was under expended by \$7,193,578. The under expenditure of the 2017-2018 budget arose primarily from balances in the teaching-regular school, programs for children with disabilities, pupil transportation and employee benefits budget line items.

Unused Appropriated Reserves

In the 2017-2018 budget, the District appropriated \$3,069,000 of the general fund's reserves towards expenditures. Due to lower than anticipated expenditures, only \$226,836 of the budgeted appropriations were used; \$2,842,164 of the budgeted funding was not needed and was returned to the reserves to be available for future use.

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

Change in Nonspendable Fund Balance

The increase of \$20,308 in nonspendable fund balance relates to the increase in prepaid expenditures at year end and has the effect of decreasing unassigned fund balance.

Increase in Reserves

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

The \$(2,506,883) increase in reserves shown in the table consists of \$2,399,916 in Board-authorized replenishments and funding of certain reserves and interest earnings allocated to the reserves amounting to \$106,967.

Appropriated Fund Balance

The District has chosen to use \$2,800,000 of the available June 30, 2018 unassigned fund balance to partially fund the 2018-2019 approved operating budget. As such, the unassigned portion of the June 30, 2018 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, 2018 was \$5,429,848. This amount equals 4.0% of the 2018- 2019 budget which is the statutory limit.

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

A. Capital Assets

At June 30, 2018, 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 capital additions of \$7,678,464 in excess of depreciation of \$3,927,503 recorded for the year ended June 30, 2018. A summary of the District's capital assets, net of depreciation at June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Land	\$ 520,209	\$ 520,209	\$ -
Construction in progress	2,839,624	1,600,750	1,238,874
Buildings and improvements	31,384,902	28,268,039	3,116,863
Site improvements	1,076,504	1,223,947	(147,443)
Furniture, vehicles and equipment	<u>1,003,465</u>	<u>1,460,798</u>	<u>(457,333)</u>
Capital assets, net	<u>\$ 36,824,704</u>	<u>\$ 33,073,743</u>	<u>\$ 3,750,961</u>

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

B. Debt Administration

At June 30, 2018, the District had total bonds payable of \$1,435,000. The bonds were issued for the refunding of bonds originally issued for school building improvements. The decrease in outstanding debt represents principal payments made during the year ended June 30, 2018. A summary of the outstanding debt at June 30, 2018 and 2017 is as follows:

Issue Date	Interest Rate	2018	2017	Increase (Decrease)
11/28/12	2.0 - 4.0%	\$ 1,435,000	\$ 4,420,000	\$ (2,985,000)

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 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, 2018, no long-term debt has been issued and the District incurred \$226,148 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, 2018, no long-term debt has been issued and the District incurred \$249,830 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.

	2018	As Restated 2017	Increase (Decrease)
Compensated absences payable	\$ 5,302,222	\$ 5,017,360	\$ 284,862
Workers' compensation liabilities	1,163,333	1,079,589	83,744
Net pension liability - proportionate share	1,098,669	6,705,786	(5,607,117)
Total OPEB obligation	<u>206,693,333</u>	<u>198,428,863</u>	<u>8,264,470</u>
	<u>\$ 214,257,557</u>	<u>\$ 211,231,598</u>	<u>\$ 3,025,959</u>

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

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 15, 2018 for the year ending June 30, 2019 is \$135,746,223. This is an increase of \$904,956 or 0.67% 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 \$327,767 increase in non-tax revenues, primarily from anticipated increases in state aid, and an increase in property tax revenues of \$1,897,682 or 1.89%. The District has appropriated \$2,800,000 of its available fund balance and \$1,700,000 from its reserves as the estimated amounts applied to partially fund the 2018-2019 budget.

B. Future Budgets

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

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's 2018 -2019 property tax levy of \$102,299,710 was an increase of 1.89%, 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 2019-20 school years. To be eligible, a taxpayer, based on income tax return filings for the taxable two years prior, must be a New York State resident who owned and primarily resided in real property receiving the STAR exemption, and had adjusted gross income no greater than \$275,000. A taxpayer is ineligible for the tax credit if the real property is located in a school district that adopted a budget in excess of the tax levy limit. Eligible District taxpayers will receive a tax credit in the form of a check. 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, 2018

ASSETS

Cash		
Unrestricted	\$	11,546,747
Restricted		28,286,552
Receivables		
Accounts receivable, net		644,340
Taxes receivable		2,071,214
Due from fiduciary funds		2,355,298
Due from state and federal		3,681,067
Due from other governments		2,961,895
Other assets		683,614
Prepays		36,758
Inventories		8,200
Capital assets not being depreciated		3,359,833
Capital assets being depreciated, net of accumulated depreciation		33,464,871
Net pension asset - proportionate share		2,565,147
		<u>91,665,536</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charges from advance bond refunding		11,432
Pensions		37,997,122
		<u>38,008,554</u>

LIABILITIES

Payables		
Accounts payable		4,695,729
Accrued liabilities		203,229
Due to other governments		73,740
Due to teachers' retirement system		5,826,092
Due to employees' retirement system		442,991
Compensated absences payable		217,039
Other liabilities		106
Unearned credits		
Collections in advance		190,289
Long-term liabilities		
Due and payable within one year		
Bonds payable, net of unamortized premium		1,471,363
Compensated absences payable		200,000
Due and payable after one year		
Compensated absences payable		5,102,222
Workers' compensation liabilities		1,163,333
Net pension liability - proportionate share		1,098,669
Total other postemployment benefits obligation		206,693,333
		<u>227,378,135</u>

DEFERRED INFLOWS OF RESOURCES

Reserve for excess property tax levy		262,125
Pensions		10,638,090
Other postemployment benefits obligation		719,983
		<u>11,620,198</u>

NET POSITION (Deficit)

Net investment in capital assets		<u>35,389,704</u>
Restricted		
Workers' compensation		2,630,328
Unemployment insurance		258,489
Retirement contribution		8,886,151
Employee benefit accrued liability		3,973,731
Capital		12,061,876
		<u>27,810,575</u>
Unrestricted (deficit)		<u>(172,524,522)</u>
Total Net Position (Deficit)		<u>\$ (109,324,243)</u>

HICKSVILLE UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2018

		Program Revenues		
Expenses		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position
PROGRAMS/FUNCTIONS				
Governmental Activities:				
General support	\$ 18,342,236	\$	\$	\$ (18,342,236)
Instruction	113,061,429	1,368,593	2,445,322	(109,247,514)
Pupil transportation	7,309,910			(7,309,910)
Community service	403,102			(403,102)
Debt service - interest	140,914			(140,914)
Food service program	1,729,146	818,490	1,080,067	169,411
Total Governmental Activities	\$ 140,986,737	\$ 2,187,083	\$ 3,525,389	(135,274,265)
GENERAL REVENUES				
Real property taxes				90,477,343
Other tax items				17,403,453
Use of money and property				1,125,720
Sale of property and compensation for loss				116,861
Miscellaneous				294,754
State sources				19,347,592
Medicaid reimbursement				93,261
Total General Revenues				128,858,984
Change in Net Position				(6,415,281)
Total Net Position (Deficit) - Beginning of year, as Restated				(102,908,962)
Total Net Position (Deficit) - End of year				\$ (109,324,243)

HICKSVILLE UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2018

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 11,432,551	\$ 23,059	\$ 10,662	\$	\$ 80,475	\$ 11,546,747
Restricted	27,816,962				469,590	28,286,552
Receivables						
Accounts receivable, net	616,167		28,173			644,340
Taxes receivable	2,071,214					2,071,214
Due from other funds	4,883,850	417,960	1,715,437		7,510,143	14,527,390
Due from state and federal	1,433,770	2,247,297				3,681,067
Due from other governments	2,961,895					2,961,895
Other assets	683,614					683,614
Prepays	36,758					36,758
Inventories			8,200			8,200
Total Assets	<u>\$ 51,936,781</u>	<u>\$ 2,688,316</u>	<u>\$ 1,762,472</u>	<u>\$ -</u>	<u>\$ 8,060,208</u>	<u>\$ 64,447,777</u>
LIABILITIES						
Payables						
Accounts payable	\$ 3,063,213	\$ 159,764	\$ 79,944	\$	\$ 1,392,808	\$ 4,695,729
Accrued liabilities	181,704					181,704
Due to other funds	8,893,540	2,528,552	750,000			12,172,092
Due to other governments	73,740					73,740
Due to teachers' retirement system	5,826,092					5,826,092
Due to employees' retirement system	442,991					442,991
Compensated absences payable	217,039					217,039
Other liabilities			106			106
Unearned credits						
Collections in advance	153,126		37,163			190,289
Total Liabilities	<u>18,851,445</u>	<u>2,688,316</u>	<u>867,213</u>	<u>-</u>	<u>1,392,808</u>	<u>23,799,782</u>
DEFERRED INFLOWS OF RESOURCES						
Reserve for excess property tax levy	262,125					262,125
Unavailable revenues	854,804					854,804
Total Deferred Inflows of Resources	<u>1,116,929</u>					<u>1,116,929</u>
FUND BALANCES						
Nonspendable:						
Prepays	36,758					36,758
Inventory			8,200			8,200
Restricted:						
Workers' compensation	2,630,328					2,630,328
Unemployment insurance	258,489					258,489
Retirement contribution	8,886,151					8,886,151
Employee benefit accrued liability	3,973,731					3,973,731
Capital	7,234,400				4,827,476	12,061,876
Assigned:						
Appropriated fund balance	2,800,000					2,800,000
Unappropriated fund balance	718,702		887,059		1,839,924	3,445,685
Unassigned: Fund balance	5,429,848					5,429,848
Total Fund Balances	<u>31,968,407</u>	<u>-</u>	<u>895,259</u>	<u>-</u>	<u>6,667,400</u>	<u>39,531,066</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 51,936,781</u>	<u>\$ 2,688,316</u>	<u>\$ 1,762,472</u>	<u>\$ -</u>	<u>\$ 8,060,208</u>	<u>\$ 64,447,777</u>

HICKSVILLE UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

Total Governmental Fund Balances \$ 39,531,066

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	\$ 95,576,825	
Accumulated depreciation	<u>(58,752,121)</u>	36,824,704

Deferred charges on advance refunding of bonds are not reported on the Balance Sheet, but are reflected on the Statement of Net Position and amortized over the life of the related bonds.		11,432
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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	2,565,147	
Deferred outflows of resources	37,997,122	
Net pension liability - employees' retirement system	(1,098,669)	
Deferred inflows of resources	<u>(10,638,090)</u>	28,825,510

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.

Total other postemployment benefits obligation	(206,693,333)	
Deferred inflows of resources	<u>(719,983)</u>	(207,413,316)

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.		854,804
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Accrued interest on bonds payable	(21,525)	
Bonds payable, net of unamortized premium	(1,471,363)	
Compensated absences payable	(5,302,222)	
Workers' compensation liabilities	<u>(1,163,333)</u>	<u>(7,958,443)</u>

Total Net Position		<u>\$ (109,324,243)</u>
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HICKSVILLE UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2018

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 90,477,343	\$	\$	\$	\$	\$ 90,477,343
Other tax items	17,403,453					17,403,453
Charges for services	1,368,593					1,368,593
Use of money and property	906,913		639			907,552
Sale of property and compensation for loss	141,110					141,110
Miscellaneous	294,484		42			294,526
State sources	19,347,592	494,023	35,038			19,876,653
Medicaid reimbursement	93,261					93,261
Federal sources		1,951,299	1,045,029			2,996,328
Sales			818,448			818,448
Total Revenues	130,032,749	2,445,322	1,899,196	-	-	134,377,267
EXPENDITURES						
General support	14,023,872					14,023,872
Instruction	72,716,925	2,830,792				75,547,717
Pupil transportation	6,844,262	342,595				7,186,857
Community service	289,414					289,414
Employee benefits	28,200,105					28,200,105
Debt service						
Principal				2,985,000		2,985,000
Interest				117,100		117,100
Food service program			1,720,652			1,720,652
Capital outlay					7,341,273	7,341,273
Total Expenditures	122,074,578	3,173,387	1,720,652	3,102,100	7,341,273	137,411,990
Excess (Deficiency) of Revenues Over Expenditures	7,958,171	(728,065)	178,544	(3,102,100)	(7,341,273)	(3,034,723)
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in		728,065		3,102,100	8,572,275	12,402,440
Operating transfers (out)	(11,652,440)		(750,000)			(12,402,440)
Total Other Financing Sources and (Uses)	(11,652,440)	728,065	(750,000)	3,102,100	8,572,275	-
Net Change in Fund Balances	(3,694,269)	-	(571,456)	-	1,231,002	(3,034,723)
Fund Balances - Beginning of Year	35,662,676		1,466,715		5,436,398	42,565,789
Fund Balances - End of Year	<u>\$ 31,968,407</u>	<u>\$ -</u>	<u>\$ 895,259</u>	<u>\$ -</u>	<u>\$ 6,667,400</u>	<u>\$ 39,531,066</u>

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, 2018

Net Change in Fund Balances \$ (3,034,723)

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

Long-Term Revenue and Expense Differences

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

Change in unavailable revenues \$ (23,979)

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 (284,862)

Increase in workers' compensation claims liabilities (83,744)

(392,585)

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 7,678,464

Depreciation expense (3,927,503)

3,750,961

Long-Term Debt Transactions Differences

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

(68,589)

The amortization of the deferred premium on the advance refunding bonds, increases interest earnings in the Statement of Activities.

218,168

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

2,985,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount amount by which accrued interest decreased from June 30, 2017 to June 30, 2018.

44,775

3,179,354

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 (1,076,838)

Employees' retirement system 143,003

Other postemployment benefits (8,984,453)

(9,918,288)

Change in Net Position of Governmental Activities

\$ (6,415,281)

HICKSVILLE UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2018

	Agency	Private Purpose Trust
ASSETS		
Cash		
Unrestricted	\$ 2,668,319	\$
Restricted		116,603
Accounts receivable	17,439	
Total Assets	\$ 2,685,758	116,603
 LIABILITIES		
Extraclassroom activity balances	\$ 108,698	
Due to governmental funds	2,355,298	
Other liabilities	221,762	
Total Liabilities	\$ 2,685,758	-
 NET POSITION		
Restricted for scholarships		\$ 116,603

HICKSVILLE UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2018

	Private Purpose Trust
ADDITIONS	
Contributions	\$ 54,104
Investment earnings-interest	859
Total Additions	54,963
DEDUCTIONS	
Scholarships and awards	51,775
Change in Net Position	3,188
Net Position - Beginning of year	113,415
Net Position - End of Year	\$ 116,603

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,

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

because their resources do not belong to the District, and are not available to be used to finance District operations. The following are the District's fiduciary funds:

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

Payments in Lieu of Taxes (PILOT)

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

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

F. Restricted Resources

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

G. Interfund Transactions

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

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

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

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

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

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

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

I. Cash

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

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

J. Receivables

Receivables are shown net of an allowance for uncollectible amounts.

K. Inventories and Prepaid Items

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

Purchases of 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:

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

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

M. Deferred Outflows

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

N. Collections in Advance

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

O. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has 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.

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

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

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

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

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 and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The reserve is accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

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

Capital Reserve

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

Restricted for Scholarships

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

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

Unassigned – Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending of available resources. NYS Real Property Tax Law §1318 restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year's budget.

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

Fund Balance Classification

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

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

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

2. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the Statement requires the District to report other postemployment benefits liabilities, expenses, deferred outflows of resources and deferred inflows of resources on the full accrual basis.

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

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

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

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

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

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

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.

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.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

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

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

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	<u>\$ 6,500,000</u>
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Budgets are adopted annually on a basis consistent with GAAP.

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

B. Encumbrances

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

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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

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

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

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

6. PARTICIPATION IN BOCES

During the year ended June 30, 2018, the District was billed \$8,406,402 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,231,196. 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.

7. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, including an allowance for uncollectible accounts, are as follows:

	Fund		Total
	General	School Food Service	
Accounts receivable	\$ 626,167	\$ 28,173	\$ 654,340
Less: Allowance for Uncollectible accounts	(10,000)		(10,000)
	\$ 616,167	\$ 28,173	\$ 644,340

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

8. TAXES RECEIVABLE

Taxes receivable at June 30, 2018 consisted of:

General Fund	
Nassau County-School Tax	\$ 2,071,214

9. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2018 consisted of:

General Fund	
New York State - excess cost aid	\$ 733,063
General Aid	10,487
BOCES aid	690,220
	1,433,770
Special Aid Fund	
Federal and State grants	2,247,297
	\$ 3,681,067

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

10. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2018 consisted of:

General Fund	
Nassau County -	
Payments in lieu of taxes	<u>\$ 2,961,895</u>

11. OTHER ASSETS

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

At June 30, 2018, total cash surrender value for these policies amounted to \$683,614, which was recorded as other assets in the general fund. The corresponding revenue to this receivable is included in deferred inflows of resources-unavailable revenues and will be recognized in the year that the proceeds are received.

12. CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, 2018 were as follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 520,209	\$	\$	\$ 520,209
Construction in progress	<u>1,600,750</u>	<u>2,839,624</u>	<u>(1,600,750)</u>	<u>2,839,624</u>
Total capital assets not being depreciated	<u>2,120,959</u>	<u>2,839,624</u>	<u>(1,600,750)</u>	<u>3,359,833</u>
Capital assets being depreciated				
Buildings and improvements	75,467,534	6,388,317	(21,540)	81,834,311
Site improvements	4,144,400	255		4,144,655
Furniture, vehicles and equipment	<u>6,724,172</u>	<u>51,018</u>	<u>(537,164)</u>	<u>6,238,026</u>
Total capital assets being depreciated	<u>86,336,106</u>	<u>6,439,590</u>	<u>(558,704)</u>	<u>92,216,992</u>
Less accumulated depreciation for:				
Buildings and improvements	47,199,495	3,271,454	(21,540)	50,449,409
Site improvements	2,920,453	147,698		3,068,151
Furniture, vehicles and equipment	<u>5,263,374</u>	<u>508,351</u>	<u>(537,164)</u>	<u>5,234,561</u>
Total accumulated depreciation	<u>55,383,322</u>	<u>3,927,503</u>	<u>(558,704)</u>	<u>58,752,121</u>
Capital assets, net	<u>\$ 33,073,743</u>	<u>\$ 5,351,711</u>	<u>\$ (1,600,750)</u>	<u>\$ 36,824,704</u>

HICKSVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Depreciation expense was allocated to governmental functions as follows:

General support	\$ 35,290
Instruction	3,875,425
Pupil transportation	3,891
Food service program	<u>12,897</u>
 Total depreciation expense	 <u><u>\$ 3,927,503</u></u>

13. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2018, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 4,883,850	\$ 8,893,540	\$	\$ 11,652,440
Special Aid Fund	417,960	2,528,552	728,065	
School Food Service Fund	1,715,437	750,000		750,000
Debt Service Fund			3,102,100	
Capital Projects Fund	<u>7,510,143</u>		<u>8,572,275</u>	
Total Governmental Funds	<u>14,527,390</u>	<u>12,172,092</u>	<u>\$ 12,402,440</u>	<u>\$ 12,402,440</u>
Agency Fund		<u>2,355,298</u>		
 Total	 <u><u>\$ 14,527,390</u></u>	 <u><u>\$ 14,527,390</u></u>		

The District typically transfers from the general fund to the special aid fund for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools, and the debt service fund and capital projects fund in accordance with the general fund budget. The transfer to the capital projects fund also included \$6,500,000 from the capital reserve as authorized by the voters on May 16, 2017. The transfer of \$750,000 from the school lunch fund was to the capital projects fund in accordance with the November 14, 2017 Bond Proposition #1, and was part of the District's state-approved plan to utilize excess fund balance. Interfund payable balances are expected to be repaid within one year.

14. DEFERRED INFLOWS OF RESOURCES

Deferred inflows in the general fund at June 30, 2018 consisted of:

Reserve for excess property tax levy	<u>\$ 262,125</u>
 Unavailable Revenues	
Split dollar life insurance receivable	683,614
State aid	<u>171,190</u>
	<u>854,804</u>
	 <u><u>\$ 1,116,929</u></u>

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

A. Changes

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

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 4,420,000	\$	\$ (2,985,000)	\$ 1,435,000	\$ 1,435,000
Add: Deferred premium on refunding	254,531		(218,168)	36,363	36,363
	<u>4,674,531</u>	-	<u>(3,203,168)</u>	<u>1,471,363</u>	<u>1,471,363</u>
Other long-term liabilities:					
Compensated absences	5,017,360	486,477	(201,615)	5,302,222	200,000
Workers' compensation	<u>1,079,589</u>	<u>473,079</u>	<u>(389,335)</u>	<u>1,163,333</u>	
	<u>\$ 10,771,480</u>	<u>\$ 959,556</u>	<u>\$ (3,794,118)</u>	<u>\$ 7,936,918</u>	<u>\$ 1,671,363</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, 2018
Serial Bonds				
Bond refunding	11/28/12	8/15/18	2.0 - 4.0%	<u>\$ 1,435,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2019	<u>\$ 1,435,000</u>	<u>\$ 28,700</u>	<u>\$ 1,463,700</u>

C. Advance Refunding

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

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

Year Ending June 30,	Amortization of Deferred Outflows	Amortization of Premium
2019	<u>\$ 11,432</u>	<u>\$ (36,363)</u>

D. Interest Expense

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

Interest paid	\$ 117,100
Less interest accrued in the prior year	(66,300)
Plus interest accrued in the current year	21,525
Plus amortization of deferred charges on refunding	<u>68,589</u>
 Total interest expense on long-term debt	 <u>\$ 140,914</u>

E. 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. As of June 30, 2018, no debt has been issued.

16. PENSION PLANS - NEW YORK STATE

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

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

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

Employees' Retirement System

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the Fund and is the administrative head of the ERS. 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 11.72% of covered payroll for the TRS' fiscal year ended June 30, 2017. The District's average contribution rate was 14.75% of covered payroll for the ERS' fiscal year ended March 31, 2018.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2018, was \$5,486,484 for TRS and \$1,653,270 for ERS.

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

At June 30, 2018, 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, 2017, for TRS and March 31, 2018 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.

HICKSVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2017	March 31, 2018
District's proportionate share of the net pension asset/(liability)	\$ 2,565,147	\$ (1,098,669)
District's portion of the Plan's total net pension asset/(liability)	0.3374750%	0.0340414%
Change in proportion since the prior measurement date	(0.0041880)	0.0016195

For the year ended June 30, 2018, the District recognized pension expense of \$6,563,744 for TRS and \$1,510,266 for ERS. At June 30, 2018, 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	\$ 2,110,486	\$ 391,860	\$ 1,000,121	\$ 323,818
Changes of assumptions	26,100,869	728,508		
Net difference between projected and actual earnings on pension plan investments		1,595,730	6,041,663	3,149,810
Changes in proportion and differences between the District's contributions and proportionate share of contributions	634,823	505,371	82,158	40,520
District's contributions subsequent to the measurement date	5,486,484	442,991		
Total	<u>\$ 34,332,662</u>	<u>\$ 3,664,460</u>	<u>\$ 7,123,942</u>	<u>\$ 3,514,148</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>TRS</u>	<u>ERS</u>
2019	\$ 708,264	\$ 417,224
2020	7,020,149	301,753
2021	5,056,338	(707,759)
2022	1,341,429	(303,897)
2023	5,041,960	
Thereafter	2,554,096	
	<u>\$ 21,722,236</u>	<u>\$ (292,679)</u>

HICKSVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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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, 2017	March 31, 2018
Actuarial valuation date	June 30, 2016	April 1, 2017
Inflation	2.50%	2.50%
Salary increases	1.90-4.72%	3.80%
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 produce the long-term expected rate of return by weighing 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:

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

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2017		March 31, 2018
Asset type				
Domestic equity	35.0%	5.90%	36.0%	4.55%
International equity	18.0%	7.40%	14.0%	6.35%
Real estate	11.0%	4.30%	10.0%	5.55%
Private equities	8.0%	9.00%	10.0%	7.50%
Alternative investments			8.0%	3.75-5.68%
Domestic fixed income securities	16.0%	1.60%		
Global fixed income securities	2.0%	1.30%		
High-yield fixed income securities	1.0%	3.90%		
Bonds and mortgages	8.0%	2.80%	17.0%	1.31%
Short-term	1.0%	0.60%		
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 2.2% for TRS and 2.5% for ERS.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for TRS and 7.0% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2016, was 7.5%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 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:

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NOTES TO FINANCIAL STATEMENTS
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TRRS	1% Decrease (6.25)%	Current Assumption (7.25)%	1% Increase (8.25)%
District's proportionate share of the net pension asset (liability)	\$ (44,189,883)	\$ 2,565,147	\$ 41,720,163
ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	\$ (8,312,825)	\$ (1,098,669)	\$ 5,004,219

Pension Plan Fiduciary Net Position

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

	TRRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2017	March 31, 2018
Employers' total pension liability	\$ (114,708,261)	\$ (183,400,590)
Plan fiduciary net position	<u>115,468,360</u>	<u>180,173,145</u>
Employers' net pension asset/(liability)	<u>\$ 760,099</u>	<u>\$ (3,227,445)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	100.66%	98.24%

Payables to the Pension Plan

For TRRS, employer and employee contributions for the fiscal year ended June 30, 2018, are paid to the system in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018, represent employer and employee contributions for the fiscal year ended June 30, 2018, based on paid TRRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRRS. Accrued retirement contributions as of June 30, 2018 amounted to \$5,486,484 of employer contributions and \$339,608 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, 2018, represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$442,991 of employer contributions. Employee contributions are remitted monthly.

HICKSVILLE UNION FREE SCHOOL DISTRICT
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17. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. Contributions made by the employees for the year ended June 30, 2018, totaled \$3,631,832.

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, 2018 totaled \$166,248.

18. 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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	552
Inactive employees entitled to but not yet receiving benefit payments	
Active employees	<u>623</u>
	<u>1,175</u>

B. Total OPEB Liability

The District’s total OPEB liability of \$206,693,333 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2016.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

HICKSVILLE UNION FREE SCHOOL DISTRICT
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Inflation	2.60%
Salary increases	2.60% average, including inflation
Discount rate	3.00%
Healthcare cost trend rates	7.50% for 2016, decreasing 0.5% per year to an ultimate rate of 4.5% in 2022
Retirees' share of benefit-related costs	50-80% of projected health insurance premiums for retirees

The discount rate was based on the July 1, 2018 S&P Municipal Bond 20 Year High Grade Rate 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, 2017	<u>\$ 198,428,863</u>
Changes for the year	
Service cost	7,861,441
Interest	6,116,017
Changes of benefit terms	
Differences between expected and actual experience	(830,750)
Changes in assumptions or other inputs	
Benefit payments	<u>(4,882,238)</u>
	<u>8,264,470</u>
Balance at June 30, 2018	<u><u>\$ 206,693,333</u></u>

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 (2.00%) or 1 percentage point higher (4.00%) than the current discount rate:

OPEB	1% Decrease (2.00)%	Discount Rate (3.00)%	1% Increase (4.00)%
Total OPEB liability	<u>\$ (245,596,737)</u>	<u>\$ (206,693,333)</u>	<u>\$ (176,062,540)</u>

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NOTES TO FINANCIAL STATEMENTS
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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 (6.50%) or 1 percentage point higher (8.50%) than the current healthcare cost trend rate:

OPEB	1% Decrease (6.50)%	Healthcare Cost Trend Rates (7.50)%	1% Increase (8.50)%
Total OPEB liability	<u>\$ (171,645,576)</u>	<u>\$ (206,693,333)</u>	<u>\$ (256,673,955)</u>

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

For the year ended June 30, 2018, the District recognized negative OPEB expense of \$13,866,691. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$	\$ (719,983)
Changes of assumptions		
District’s contributions subsequent to the measurement date		
Total	<u>\$ -</u>	<u>\$ (719,983)</u>

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

Year Ending June 30,	Amount
2019	\$ (110,767)
2020	(110,767)
2021	(110,767)
2022	(110,767)
2023	(110,767)
Thereafter	(166,148)
	<u>\$ (719,983)</u>

HICKSVILLE UNION FREE SCHOOL DISTRICT
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19. RISK MANAGEMENT

A. General Information

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

B. Risk Retention

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

	2017	2018
Unpaid claims at beginning of year	\$ 1,413,913	\$ 1,079,589
Incurred claims and claim adjustment expenses	(80,140)	473,079
Claim payments	(254,184)	(389,335)
Unpaid claims at year end	\$ 1,079,589	\$ 1,163,333

20. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2018 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2019.

Workers' Compensation	\$ 500,000
Retirement Contributions	1,000,000
Employee Benefit Accrued Liability	200,000
	\$ 1,700,000

21. ASSIGNED: APPROPRIATED FUND BALANCE

The District has appropriated \$2,800,000 from the general fund's fund balance as the estimated amount applied to partially fund the budget for the year ending June 30, 2019.

22. RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75. The implementation of Statement No. 75 resulted in the reporting of a change in the liability for other postemployment benefits obligation and a deferred outflow of resources. The District's net position has been restated as follows:

HICKSVILLE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Net position beginning of year, as previously stated	<u>\$ 32,835,818</u>
GASB Statement No. 75 implementation	
Beginning total other postemployment benefits obligation	(198,428,863)
Less: Net other postemployment benefits obligation under GASB Statement No. 45	<u>62,684,083</u>
	<u>(135,744,780)</u>
Net position (deficit) beginning of year, as restated	<u><u>\$ (102,908,962)</u></u>

23. 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 2017-18 property tax revenue abated was \$4,746,471. The District recorded payments in lieu of taxes (PILOT) payments totaling \$3,304,720, including amounts receivable at June 30, 2018 recorded in due from other government.

The District also recognized \$4,174,713 in LIPA PILOT revenue. As indicated in Note 1E., these LIPA PILOT payments are not the result of tax abatement agreements as defined by GASB Statement No. 77, *Tax Abatement Disclosures*.

24. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2018, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:	
General Fund	
General support	\$ 557,127
Instruction	152,401
Community services	<u>9,174</u>
	<u>718,702</u>
Capital Projects Fund	
Capital projects	<u>3,585,237</u>
	<u><u>\$ 4,303,939</u></u>

B. Grants

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

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

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 \$213,405. The minimum remaining operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 63,991
2020	<u>58,050</u>
	<u>\$ 122,041</u>

25. 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, 2018

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 100,402,028	\$ 90,477,343	\$ 90,477,343	\$ -
Other tax items	7,092,518	17,017,203	17,403,453	386,250
Charges for services	1,550,500	1,550,500	1,368,593	(181,907)
Use of money and property	700,000	700,000	906,913	206,913
Sale of property and compensation for loss	75,000	75,000	141,110	66,110
Miscellaneous	205,000	205,000	294,484	89,484
Total Local Sources	110,025,046	110,025,046	110,591,896	566,850
State Sources	18,915,728	18,915,728	19,347,592	431,864
Medicaid reimbursement	80,000	80,000	93,261	13,261
Total Revenues	129,020,774	129,020,774	130,032,749	\$ 1,011,975
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	2,751,493	2,751,493		
Prior Year's Encumbrances	298,031	298,031		
Appropriated Reserves	3,069,000	9,569,000		
Total Appropriated Fund Balance	6,118,524	12,618,524		
Total Revenues and Appropriated Fund Balance	\$ 135,139,298	\$ 141,639,298		

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, 2018

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 151,742	\$ 162,738	\$ 144,519	\$ 824	\$ 17,395
Central administration	343,342	365,856	365,546	21	289
Finance	1,079,455	1,079,199	1,029,139	663	49,397
Staff	1,203,353	1,250,561	1,117,671	6,396	126,494
Central services	9,945,002	10,579,915	9,869,773	549,148	160,994
Special items	1,581,598	1,576,598	1,497,224	75	79,299
Total General Support	<u>14,304,492</u>	<u>15,014,867</u>	<u>14,023,872</u>	<u>557,127</u>	<u>433,868</u>
Instruction					
Administration & improvement	6,696,575	6,683,610	6,459,921	374	223,315
Teaching - regular school	41,858,323	42,139,846	40,299,428	121,573	1,718,845
Programs for children with disabilities	18,150,639	17,214,326	16,236,936	2,900	974,490
Occupational education	527,647	527,647	510,301		17,346
Teaching - special schools	335,288	405,362	373,852	3,314	28,196
Instructional media	3,329,203	4,160,605	4,036,096	13,130	111,379
Pupil services	5,063,990	4,918,487	4,800,391	11,110	106,986
Total Instruction	<u>75,961,665</u>	<u>76,049,883</u>	<u>72,716,925</u>	<u>152,401</u>	<u>3,180,557</u>
Pupil Transportation	<u>8,221,736</u>	<u>8,195,031</u>	<u>6,844,262</u>		<u>1,350,769</u>
Community Services	<u>319,226</u>	<u>319,226</u>	<u>289,414</u>	<u>9,174</u>	<u>20,638</u>
Employee Benefits	<u>31,222,804</u>	<u>30,320,316</u>	<u>28,200,105</u>		<u>2,120,211</u>
Debt Service					
Interest	<u>185,000</u>	<u>87,535</u>	-		<u>87,535</u>
Total Expenditures	<u>130,214,923</u>	<u>129,986,858</u>	<u>122,074,578</u>	<u>718,702</u>	<u>7,193,578</u>
OTHER USES					
Operating Transfers Out	<u>4,924,375</u>	<u>11,652,440</u>	<u>11,652,440</u>		-
Total Expenditures and Other Uses	<u>\$ 135,139,298</u>	<u>\$ 141,639,298</u>	<u>133,727,018</u>	<u>\$ 718,702</u>	<u>\$ 7,193,578</u>
Net Change in Fund Balance			(3,694,269)		
Fund Balance - Beginning of Year			<u>35,662,676</u>		
Fund Balance - End of Year			<u>\$ 31,968,407</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 Four Fiscal years

Teachers' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension asset/(liability)	0.3374750%	0.3416630%	0.3493770%	0.3473870%
District's proportionate share of the net pension asset	\$ 2,565,147	\$ (3,659,353)	\$ 36,289,126	\$ 38,696,725
District's covered payroll	\$ 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	4.80 %	6.77 %	64.85 %	71.23 %
Plan fiduciary net position as a percentage of the total pension liability	100.66%	99.01%	110.46%	111.48%

Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0340414%	0.0324219%	0.0340841%	0.0330255%
District's proportionate share of the net pension liability	\$ (1,098,669)	\$ (3,046,433)	\$ (5,470,147)	\$ (1,115,681)
District's covered payroll	\$ 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	(10.23)%	(27.99)%	(56.21)%	(11.14)%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.68%	97.95%

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2008
Contractually required contribution	\$ 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	\$ 3,844,666
Contributions in relation to the contractually required contribution	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	3,844,666
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 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	\$ 45,694,920
Contributions as a percentage of covered payroll	10%	12%	13%	16%	15%	11%	11%	8%	6%	8%

Employees' Retirement System

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2008
Contractually required contribution	\$ 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	\$ 772,939
Contributions in relation to the contractually required contribution	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	772,939
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 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	\$ 8,677,090
Contributions as a percentage of covered payroll	15%	14%	15%	17%	21%	17%	17%	12%	8%	9%

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

	2018
Total OPEB liability	
Service cost	\$ 7,861,441
Interest	6,116,017
Changes in benefit terms	-
Differences between expected and actual experience	(830,750)
Changes of assumptions or other inputs	-
Benefit payments	(4,882,238)
Net change in total OPEB liability	8,264,470
Total OPEB liability, beginning	198,428,863
Total OPEB liability, ending	\$ 206,693,333
Covered employee payroll	\$ 63,673,365
Total OPEB liability as a percentage of covered employee payroll	324.62%

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, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 134,841,267
Additions:	
Prior year's encumbrances	298,031
Original Budget	135,139,298
Budget revisions	
Voter authorized appropriation from capital reserve	6,500,000
Final Budget	\$ 141,639,298

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 voter-approved expenditure budget	\$ 135,746,223
Maximum allowed (4% of 2018-19 budget)	\$ 5,429,849
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 3,518,702
Unassigned fund balance	5,429,848
	\$ 8,948,550
Less:	
Appropriated fund balance	2,800,000
Encumbrances	718,702
Total adjustments	3,518,702
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	\$ 5,429,848
Actual Percentage	4.00%

HICKSVILLE UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2018

Capital assets, net	\$ 36,824,704
Deduct:	
Short-term portion of bonds payable	<u>(1,435,000)</u>
Net investment in capital assets	<u>\$ 35,389,704</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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 14, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Hicksville Union Free School District in a separate letter dated November 14, 2018.

Purpose of this Report

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

Cullen & Danowski, LLP

November 14, 2018

