

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
COLD SPRING HARBOR, NEW YORK
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
TABLE OF CONTENTS

| | <u>PAGE</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| Independent Auditors' Report On Financial Statements And Supplemental Information | 1 |
| Management's Discussion And Analysis | 2 |
| Financial Statements: | |
| District-Wide Financial Statements - | |
| Statement Of Net Assets | 11 |
| Statement Of Activities And Changes In Net Assets | 12 |
| Fund Financial Statements - | |
| Balance Sheet - Governmental Funds | 13 |
| Reconciliation Of Governmental Funds Balance Sheet To The Statement Of Net Assets | 14 |
| Fund Financial Statements - | |
| Statement Of Revenues, Expenditures And Changes In Fund Balance - Governmental Funds | 15 |
| Reconciliation Of Governmental Funds Statement Of Revenues, Expenditures And Changes In Fund Balance To The Statement Of Activities | 16 |
| Fund Financial Statements - | |
| Statement Of Fiduciary Net Assets - Fiduciary Funds | 17 |
| Statement Of Changes In Fiduciary Net Assets - Fiduciary Funds | 18 |
| Notes To Financial Statements | 19 |
| | |
| | <u>SUPPLEMENTAL SCHEDULE</u> |
| Supplemental Information: | |
| General Fund - | |
| Schedule Of Revenues, Expenditures And Changes In Fund Balance - Budget And Actual | 1 35 |
| Schedule Of Change From Adopted Budget To Revised Budget And Use Of Unreserved Fund Balance | 2 36 |
| Capital Projects Fund - | |
| Schedule Of Project Expenditures And Financing Sources | 3 37 |
| General Fund - | |
| Schedule Of Certain Revenues And Expenditures - Compared To ST-3 Data | 4 38 |
| Investment In Capital Assets, Net Of Related Debt | 5 39 |
| Extraclassroom Activity Funds | 40 |
| Independent Auditors' 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 | 44 |
| Schedule Of Findings And Questioned Costs | 46 |
| Summary Schedule Of Prior Audit Findings | 47 |
| Findings And Recommendations | 48 |



Nawrocki Smith LLP
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

To the Board of Education of the
Cold Spring Harbor Central School District
Cold Spring Harbor, New York:

We have audited the accompanying financial statements of the Cold Spring Harbor Central School District (the "District") as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the District's administration. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the administration, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cold Spring Harbor Central School District as of June 30, 2008 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2008, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of the administration regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Cold Spring Harbor Central School District's basic financial statements. The accompanying supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Melville, New York
September 22, 2008

Nawrocki Smith LLP

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The following is a discussion and analysis of the Cold Spring Harbor Central School District's (the "District") financial performance for the fiscal year ended June 30, 2008. This section is a summary of the District's financial activities based on currently known facts, decisions or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Revenues increased by 5.3% as a result of increased real property taxes, state sources and use of money and property;
- Student enrollment remained consistent; and
- The District continued to offer all programs, without reducing services, while maintaining adequate fund balances.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Table A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

| Table A-1: Major Features of the District-Wide and Fund Financial Statements | | | |
|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| | District-Wide Statements | Fund Financial Statements | |
| | | Governmental Funds | Fiduciary Funds |
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activity monies |
| Required financial statements | <ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance | <ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable | All additions and deductions during the year, regardless of when cash is received or paid |

District-Wide Statements

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

The two District-wide statements report the District's *net assets* and how they have changed. Net assets, the difference between the District's assets and liabilities, is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are shown as *governmental activities*; most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and State formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

- **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, reconciliations of the District-wide and governmental funds statements are provided which explain the relationship (or differences) between them.
- **Fiduciary funds:** The District is the trustee or fiduciary, for assets that belong to others, such as the scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net assets increased by 13.5% from the year before to \$26,222,384, as detailed in Tables A-2 and A-3.

The restricted net assets balance of \$1,609,598 represents the District's reserves for capital projects and repairs. These assets are restricted by external sources, imposed by laws through constitutional provisions or enabling legislation.

The unrestricted net asset balance of \$10,024,761 represents the District's fund balances and other reserves that are not restricted. The unrestricted net assets are all other assets that are not related to the District's investment in capital assets or those assets required to be reported as restricted as noted above.

Table A- 2: Condensed Statements of Net Assets - Governmental Activities

| | <u>6/30/07</u> | <u>6/30/08</u> | <u>% Change</u> |
|------------------------------------------------------------------------|----------------------|----------------------|-----------------|
| Current and other assets | \$ 14,690,859 | \$ 17,481,559 | 19.0 |
| Capital assets, net, as restated in 2007 | <u>48,696,560</u> | <u>47,878,025</u> | (1.7) |
| Total assets | <u>\$ 63,387,419</u> | <u>\$ 65,359,584</u> | 3.1 |
| Current liabilities | \$ 5,922,218 | \$ 6,589,367 | 11.3 |
| Long-term liabilities | <u>34,357,789</u> | <u>32,547,833</u> | (5.3) |
| Total liabilities | <u>\$ 40,280,007</u> | <u>\$ 39,137,200</u> | (2.8) |
| Net assets: | | | |
| Investment in capital assets, net of related debt, as restated in 2007 | \$ 13,701,560 | \$ 14,588,025 | 6.5 |
| Restricted | 2,252,402 | 1,609,598 | (28.5) |
| Unrestricted | <u>7,153,450</u> | <u>10,024,761</u> | 40.1 |
| Total net assets | <u>\$ 23,107,412</u> | <u>\$ 26,222,384</u> | 13.5 |

Changes in Net Assets

The District's fiscal year 2008 revenues totaled \$51,355,355 (See Table A-3). Property and other taxes and state sources accounted for most of the District's revenue by contributing 90 cents and 7 cents, respectively, of every dollar raised (See Table A-4). The remainder came from other charges for services and use of money and property.

The District's fiscal year 2008 expenses totaled \$48,240,383 (See Table A-3). These expenses (80 percent) are predominantly related to instruction and transporting students (See Table A-5). The District's administrative and business activities accounted for 15 percent of total costs.

Table A-3: Changes in Net Assets from Operating Results

| | <u>6/30/07</u> | <u>6/30/08</u> | <u>% Change</u> |
|------------------------------------|---------------------|---------------------|-----------------|
| Revenues | | | |
| Program revenues: | | | |
| Charges for services | \$ 646,885 | \$ 730,230 | 12.9 |
| Operating grants | 483,635 | 388,056 | (19.8) |
| General revenues: | | | |
| Property taxes and other tax items | 43,380,083 | 46,140,376 | 6.4 |
| State sources | 2,795,206 | 3,427,928 | 22.6 |
| Federal sources | 30,848 | 29,913 | (3.0) |
| Use of money and property | 1,348,408 | 548,335 | (59.3) |
| Other | <u>84,280</u> | <u>90,517</u> | 7.4 |
| Total revenues | <u>48,769,345</u> | <u>51,355,355</u> | 5.3 |
| Expenses | | | |
| General support | 6,959,078 | 7,317,924 | 5.1 |
| Instruction | 33,995,855 | 35,069,659 | 3.2 |
| Pupil transportation | 3,175,094 | 3,638,227 | 14.6 |
| Community services | 481 | 367 | (23.7) |
| Debt service | 1,718,452 | 1,627,841 | (5.3) |
| School lunch program | <u>526,501</u> | <u>586,365</u> | 11.4 |
| Total expenses | <u>46,375,461</u> | <u>48,240,383</u> | 4.0 |
| Increase in net assets | <u>\$ 2,393,884</u> | <u>\$ 3,114,972</u> | 30.1 |

Table A-4: Sources of Revenues for Fiscal Year 2008

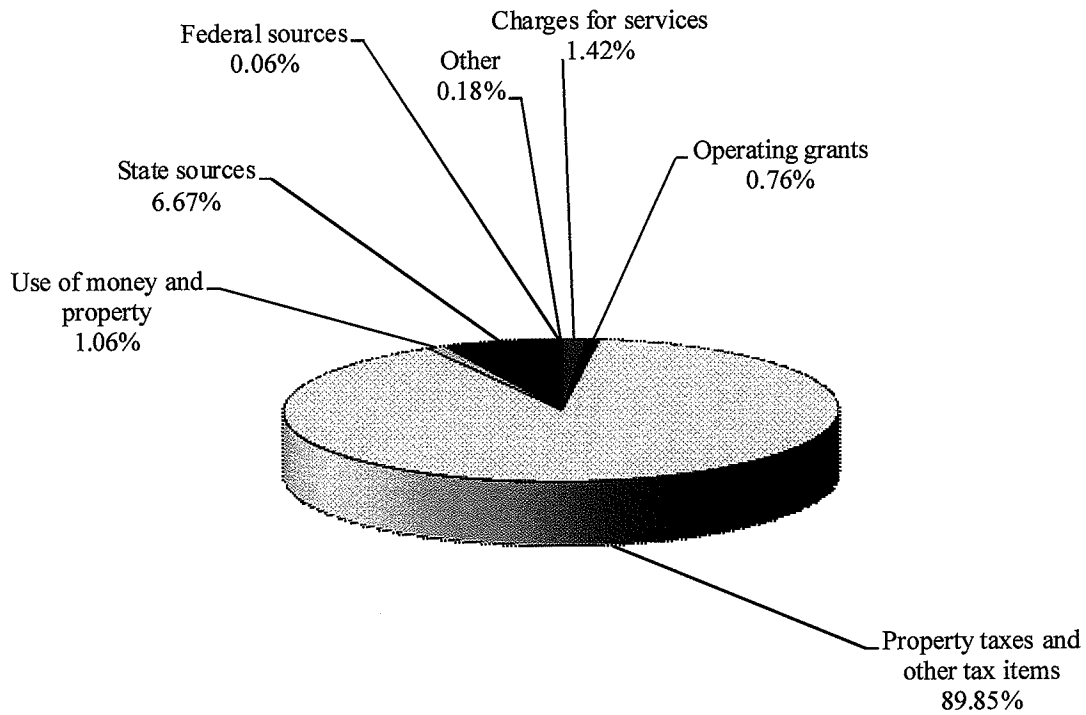
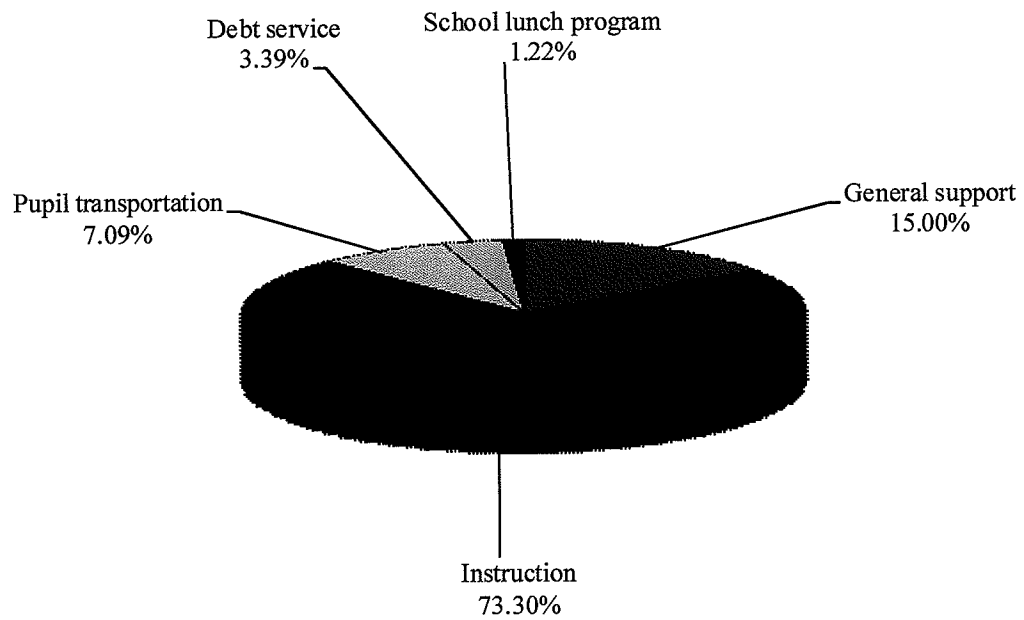


Table A-5: Expenses for Fiscal Year 2008



Governmental Activities

Revenues for the District's governmental activities totaled \$51,355,355 while total expenses equaled \$48,240,383. Therefore, the increase in net assets for governmental activities was \$3,114,972 in 2008. The District's financial condition was positively affected by:

- Approval of the District's proposed annual budget;
- Continued state aid; and
- Strategic use of services from the Western Suffolk Board of Cooperative Educational Services (BOCES).

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

No significant variances are reflected in the governmental fund financial statements for fiscal 2008.

General Fund Budgetary Highlights

Reference is made to Supplemental Schedule 1 on page 35 which presents original and revised budget amounts, as well as actual results for the District's General Fund.

- Actual revenues exceeded the revised budgeted revenues by approximately \$702,000.
- Actual expenditures were \$2,139,993 less than budget primarily due to lower than anticipated costs in the general support and employee benefits categories.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2008, the District had invested \$47,878,025, net of depreciation, in a broad range of capital assets, including school buildings, maintenance facilities, athletic facilities, computer and audio-visual equipment, and administrative offices. The District is in the middle of a multi-year capital projects campaign.

Table A-6: Capital Assets (net of depreciation)

| <u>Category</u> | <u>6/30/07</u> <u>(As restated)</u> | <u>6/30/08</u> | <u>% Change</u> |
|-------------------------------------|----------------------------------------|----------------------|-----------------|
| Land | \$ 125,075 | \$ 125,075 | - |
| Buildings and building improvements | 45,664,086 | 44,867,153 | (1.7) |
| Furniture and equipment | <u>2,907,399</u> | <u>2,885,797</u> | (.7) |
| Totals | <u>\$ 48,696,560</u> | <u>\$ 47,878,025</u> | (1.7) |

Long-Term Debt

At year-end, the District had \$33,290,000 in general obligation bonds. During the year, the District paid down its debt by retiring \$1,705,000 of outstanding bonds.

Table A-7: Outstanding Long-Term Debt

| <u>Category</u> | <u>6/30/07</u> | <u>6/30/08</u> | <u>% Change</u> |
|--------------------------|----------------------|----------------------|-----------------|
| General obligation bonds | <u>\$ 34,995,000</u> | <u>\$ 33,290,000</u> | (4.9) |

FACTORS BEARING ON THE FUTURE OF THE DISTRICT

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The national energy crisis will continue to have a negative impact on operating budgets. Higher fuel and electric costs have impacted our student transportation operations, and have increased the cost for maintaining our facilities and grounds.
- Significant increases over the past several years in the State health insurance plan and retirement insurance plan costs have placed a greater burden on the District's taxpayers.
- Recently issued GASB Statement 45 provides standards for the recognition and reporting of post-employment expenditures and liabilities in governmental financial statements. Currently, the District accounts for retiree health benefits on a pay-as-you-go basis. Effective for the fiscal year ending June 30, 2009, the District will be required to recognize such retiree health benefits over periods that approximate employees' years of active service. Implementation of the provisions of GASB Statement 45 will place a greater obligation on the District's taxpayers in the upcoming fiscal years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Cold Spring Harbor Central School District
District Offices
Attn: Interim Assistant Superintendent of Business
75 Goose Hill Road
Cold Spring Harbor, NY 11724
(631) 367-5928

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS

Current assets:

Cash:

| | |
|--------------|--------------|
| Unrestricted | \$ 7,623,843 |
| Restricted | 8,775,397 |

Receivables:

| | |
|----------------------------|---------|
| State and federal aid | 748,072 |
| Due from fiduciary funds | 44,306 |
| Due from other governments | 4,789 |
| Other receivables | 269,241 |

| | |
|-------------|--------|
| Inventories | 15,911 |
|-------------|--------|

| | |
|----------------------|------------|
| Total current assets | 17,481,559 |
|----------------------|------------|

Noncurrent assets:

| | |
|--------------------------------------------------------------------|------------|
| Capital assets, net of accumulated depreciation of \$16,195,964 | 47,878,025 |
|--------------------------------------------------------------------|------------|

| | |
|--------------|---------------|
| Total assets | \$ 65,359,584 |
|--------------|---------------|

LIABILITIES

Current liabilities:

Payables:

| | |
|-------------------------------------|------------|
| Accounts payable | \$ 266,210 |
| Accrued liabilities | 1,510,839 |
| Due to other governments | 15,245 |
| Accrued interest payable | 432,891 |
| Due to teachers' retirement system | 2,032,241 |
| Due to employees' retirement system | 117,441 |
| Deferred revenues | 17,652 |

Long-term liabilities, due within one year:

| | |
|--------------------------------------|-----------|
| Bonds payable | 1,780,000 |
| Compensated absences | 259,458 |
| Workers' compensation claims payable | 157,390 |

| | |
|---------------------------|-----------|
| Total current liabilities | 6,589,367 |
|---------------------------|-----------|

Noncurrent liabilities:

Long-term liabilities, due after one year:

| | |
|----------------------|------------|
| Bonds payable | 31,510,000 |
| Compensated absences | 1,037,833 |

| | |
|------------------------------|------------|
| Total noncurrent liabilities | 32,547,833 |
|------------------------------|------------|

| | |
|-------------------|------------|
| Total liabilities | 39,137,200 |
|-------------------|------------|

NET ASSETS

| | |
|-------------------------------------------------|------------|
| Invested in capital assets, net of related debt | 14,588,025 |
|-------------------------------------------------|------------|

Restricted for:

| | |
|--------------|------------|
| Capital | 1,609,598 |
| Unrestricted | 10,024,761 |

| | |
|------------------|------------|
| Total net assets | 26,222,384 |
|------------------|------------|

| | |
|----------------------------------|---------------|
| Total liabilities and net assets | \$ 65,359,584 |
|----------------------------------|---------------|

The accompanying notes to financial statements are an
integral part of this statement.

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

| | | Program Revenues | | Net (Expense) |
|-------------------------------------------------------------------|----------------------|-------------------|-------------------|----------------------|
| | | Charges for | Operating | Revenue and |
| | Expenses | Services | Grants | Change in |
| | | | | Net Assets |
| Functions and programs: | | | | |
| General support | \$ 7,317,924 | \$ - | \$ - | \$ (7,317,924) |
| Instruction | 35,069,659 | 121,280 | 328,343 | (34,620,036) |
| Pupil transportation | 3,638,227 | 9,893 | 26,783 | (3,601,551) |
| Community services | 367 | - | - | (367) |
| Debt service - interest | 1,627,841 | - | - | (1,627,841) |
| School lunch program | 586,365 | 599,057 | 32,930 | 45,622 |
| Total functions and programs | <u>\$ 48,240,383</u> | <u>\$ 730,230</u> | <u>\$ 388,056</u> | <u>(47,122,097)</u> |
| General revenues: | | | | |
| Real property taxes | | | | 44,119,025 |
| Other tax items | | | | 2,021,351 |
| Use of money and property | | | | 548,335 |
| State sources | | | | 3,427,928 |
| Federal sources | | | | 29,913 |
| Miscellaneous | | | | 90,517 |
| Total general revenues | | | | <u>50,237,069</u> |
| Change in net assets | | | | 3,114,972 |
| Total net assets, beginning of year, as restated (See Note 14) | | | | <u>23,107,412</u> |
| Total net assets, end of year | | | | <u>\$ 26,222,384</u> |

The accompanying notes to financial statements are an
integral part of this statement.

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

| | General | Special Aid | School Lunch | Debt Service | Capital Projects | Total Governmental Funds |
|------------------------------------------------|----------------------|-------------------|-------------------|-------------------|---------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash: | | | | | | |
| Unrestricted | \$ 6,431,579 | \$ - | \$ 297,639 | \$ 280,027 | \$ 614,598 | \$ 7,623,843 |
| Restricted | 7,270,537 | 34,641 | - | 397,279 | 1,072,940 | 8,775,397 |
| Receivables: | | | | | | |
| State and federal aid | 469,414 | 273,814 | 4,844 | - | - | 748,072 |
| Due from other funds | 429,298 | - | 617 | - | - | 429,915 |
| Due from fiduciary funds | 42,846 | - | 1,460 | - | - | 44,306 |
| Due from other governments | 4,789 | - | - | - | - | 4,789 |
| Other receivables | 262,800 | - | 6,441 | - | - | 269,241 |
| Inventories | - | - | 15,911 | - | - | 15,911 |
| Total assets | <u>\$ 14,911,263</u> | <u>\$ 308,455</u> | <u>\$ 326,912</u> | <u>\$ 677,306</u> | <u>\$ 1,687,538</u> | <u>\$ 17,911,474</u> |
| LIABILITIES | | | | | | |
| Payables: | | | | | | |
| Accounts payable | \$ 250,046 | \$ 42 | \$ 16,122 | \$ - | \$ - | \$ 266,210 |
| Accrued liabilities | 1,508,893 | - | 1,946 | - | - | 1,510,839 |
| Due to other funds | - | 304,609 | 14,945 | 32,421 | 77,940 | 429,915 |
| Due to other governments | 14,497 | - | 748 | - | - | 15,245 |
| Due to teachers' retirement system | 2,032,241 | - | - | - | - | 2,032,241 |
| Due to employees' retirement system | 117,441 | - | - | - | - | 117,441 |
| Deferred revenues | - | 3,804 | 13,848 | - | - | 17,652 |
| Compensated absences | 1,297,291 | - | - | - | - | 1,297,291 |
| Total liabilities | <u>5,220,409</u> | <u>308,455</u> | <u>47,609</u> | <u>32,421</u> | <u>77,940</u> | <u>5,686,834</u> |
| FUND BALANCE | | | | | | |
| Fund balance: | | | | | | |
| Reserve for encumbrances | 304,036 | - | - | - | 1,072,940 | 1,376,976 |
| Reserve for inventories | - | - | 15,911 | - | - | 15,911 |
| Reserve for employee benefit accrued liability | 2,190,738 | - | - | - | - | 2,190,738 |
| Reserve for unemployment insurance | 143,046 | - | - | - | - | 143,046 |
| Reserve for workers' compensation | 557,266 | - | - | - | - | 557,266 |
| Reserve for debt service | - | - | - | 397,279 | - | 397,279 |
| Reserve for tax reduction | 547,340 | - | - | - | - | 547,340 |
| Reserve for capital | 3,528,414 | - | - | - | - | 3,528,414 |
| Unreserved: | | | | | | |
| Designated for subsequent year's expenditures | 660,000 | - | - | - | - | 660,000 |
| Undesignated | 1,760,014 | - | 263,392 | 247,606 | 536,658 | 2,807,670 |
| Total fund balance | <u>9,690,854</u> | <u>-</u> | <u>279,303</u> | <u>644,885</u> | <u>1,609,598</u> | <u>12,224,640</u> |
| Total liabilities and fund balance | <u>\$ 14,911,263</u> | <u>\$ 308,455</u> | <u>\$ 326,912</u> | <u>\$ 677,306</u> | <u>\$ 1,687,538</u> | <u>\$ 17,911,474</u> |

The accompanying notes to financial statements are an
integral part of this statement.

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

| | Total Governmental Funds | Long-term Assets, Liabilities | Reclassifications and Eliminations | Statement of Net Assets Totals |
|--------------------------------------------------|-----------------------------------------|----------------------------------------------|---------------------------------------------------|-----------------------------------------------|
| ASSETS | | | | |
| Cash: | | | | |
| Unrestricted | \$ 7,623,843 | \$ - | \$ - | \$ 7,623,843 |
| Restricted | 8,775,397 | - | - | 8,775,397 |
| Receivables: | | | | |
| State and federal aid | 748,072 | - | - | 748,072 |
| Due from other funds | 429,915 | - | (429,915) | - |
| Due from fiduciary funds | 44,306 | - | - | 44,306 |
| Due from other governments | 4,789 | - | - | 4,789 |
| Other receivables | 269,241 | - | - | 269,241 |
| Inventories | 15,911 | - | - | 15,911 |
| Capital assets, net | - | 47,878,025 | - | 47,878,025 |
| Total assets | <u>\$ 17,911,474</u> | <u>\$ 47,878,025</u> | <u>\$ (429,915)</u> | <u>\$ 65,359,584</u> |
| LIABILITIES | | | | |
| Payables: | | | | |
| Accounts payable | \$ 266,210 | \$ - | \$ - | \$ 266,210 |
| Accrued liabilities | 1,510,839 | - | - | 1,510,839 |
| Due to other funds | 429,915 | - | (429,915) | - |
| Due to other governments | 15,245 | - | - | 15,245 |
| Accrued interest payable | - | 432,891 | - | 432,891 |
| Due to teachers' retirement system | 2,032,241 | - | - | 2,032,241 |
| Due to employees' retirement system | 117,441 | - | - | 117,441 |
| Deferred revenues | 17,652 | - | - | 17,652 |
| Bonds payable | - | 33,290,000 | - | 33,290,000 |
| Workers' compensation claims payable | - | 157,390 | - | 157,390 |
| Compensated absences | 1,297,291 | - | - | 1,297,291 |
| Total liabilities | <u>5,686,834</u> | <u>33,880,281</u> | <u>(429,915)</u> | <u>39,137,200</u> |
| FUND BALANCE/NET ASSETS | | | | |
| Fund balance/net assets | <u>12,224,640</u> | <u>13,997,744</u> | <u>-</u> | <u>26,222,384</u> |
| Total liabilities and fund balance/net assets | <u>\$ 17,911,474</u> | <u>\$ 47,878,025</u> | <u>\$ (429,915)</u> | <u>\$ 65,359,584</u> |

The accompanying notes to financial statements are an
integral part of this statement.

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

| | General | Special Aid | School Lunch | Debt Service | Capital Projects | Total Governmental Funds |
|-----------------------------------------------------------------------------------------------|---------------|----------------|-----------------|-----------------|---------------------|--------------------------------|
| REVENUES | | | | | | |
| Real property taxes | \$ 44,119,025 | \$ - | \$ - | \$ - | \$ - | \$ 44,119,025 |
| Other tax items | 2,021,351 | - | - | - | - | 2,021,351 |
| Charges for services | 131,173 | - | - | - | - | 131,173 |
| Use of money and property | 548,335 | - | - | - | - | 548,335 |
| State sources | 3,427,928 | - | 7,007 | - | - | 3,434,935 |
| Federal sources | 29,913 | 355,126 | 25,923 | - | - | 410,962 |
| Sales | - | - | 599,057 | - | - | 599,057 |
| Miscellaneous | 66,969 | - | 23,548 | - | - | 90,517 |
| Total revenues | 50,344,694 | 355,126 | 655,535 | - | - | 51,355,355 |
| EXPENDITURES | | | | | | |
| General support | 6,139,535 | - | - | - | - | 6,139,535 |
| Instruction | 26,352,995 | 391,698 | - | - | - | 26,744,693 |
| Pupil transportation | 3,609,864 | 10,023 | - | - | - | 3,619,887 |
| Community services | 367 | - | - | - | - | 367 |
| Employee benefits | 9,009,556 | 13,124 | 21,918 | - | - | 9,044,598 |
| Debt service - | | | | | | |
| Principal | 1,705,000 | - | - | - | - | 1,705,000 |
| Interest | 1,647,034 | - | - | - | - | 1,647,034 |
| Cost of sales | - | - | 564,447 | - | - | 564,447 |
| Capital outlay | - | - | - | - | 642,804 | 642,804 |
| Total expenditures | 48,464,351 | 414,845 | 586,365 | - | 642,804 | 50,108,365 |
| Excess (deficiency) of revenues over (under) expenditures | 1,880,343 | (59,719) | 69,170 | - | (642,804) | 1,246,990 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Interfund transfers in | - | 59,719 | - | - | - | 59,719 |
| Interfund transfers out | (59,719) | - | - | - | - | (59,719) |
| Total other financing sources (uses) | (59,719) | 59,719 | - | - | - | - |
| Excess (deficiency) of revenues and other sources over (under) expenditures and other uses | 1,820,624 | - | 69,170 | - | (642,804) | 1,246,990 |
| Fund balance, beginning of year | 7,870,230 | - | 210,133 | 644,885 | 2,252,402 | 10,977,650 |
| Fund balance, end of year | \$ 9,690,854 | \$ - | \$ 279,303 | \$ 644,885 | \$ 1,609,598 | \$ 12,224,640 |

The accompanying notes to financial statements are an
integral part of this statement.

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

| | Total Governmental Funds | Long-term Revenues, Expenses | Capital Related Items | Long-term Debt Transactions | Reclassifications and Eliminations | Statement of Activities Totals |
|-----------------------------------------------------------------------------------------------|--------------------------------|------------------------------------|--------------------------|-----------------------------------|------------------------------------------|--------------------------------------|
| REVENUES | | | | | | |
| Real property taxes | \$ 44,119,025 | \$ - | \$ - | \$ - | \$ - | \$ 44,119,025 |
| Other tax items | 2,021,351 | - | - | - | - | 2,021,351 |
| Charges for services | 131,173 | - | - | - | 599,057 | 730,230 |
| Use of money and property | 548,335 | - | - | - | - | 548,335 |
| State sources | 3,434,935 | - | - | - | (7,007) | 3,427,928 |
| Federal sources | 410,962 | - | - | - | (381,049) | 29,913 |
| Sales | 599,057 | - | - | - | (599,057) | - |
| Operating grants | - | - | - | - | 388,056 | 388,056 |
| Miscellaneous | 90,517 | - | - | - | - | 90,517 |
| Total revenues | 51,355,355 | - | - | - | - | 51,355,355 |
| EXPENDITURES | | | | | | |
| General support | 6,139,535 | - | (59,300) | - | 1,237,689 | 7,317,924 |
| Instruction | 26,744,693 | - | (78,084) | - | 8,403,050 | 35,069,659 |
| Pupil transportation | 3,619,887 | - | - | - | 18,340 | 3,638,227 |
| Community services | 367 | - | - | - | - | 367 |
| Employee benefits | 9,044,598 | - | - | (962,324) | (8,082,274) | - |
| Debt service - | | | | | | |
| Principal | 1,705,000 | - | - | (1,705,000) | - | - |
| Interest | 1,647,034 | - | - | (19,193) | - | 1,627,841 |
| Cost of sales | 564,447 | - | - | - | (564,447) | - |
| School lunch program | - | - | - | - | 586,365 | 586,365 |
| Depreciation | - | - | 1,598,723 | - | (1,598,723) | - |
| Capital outlay | 642,804 | - | (642,804) | - | - | - |
| Total expenditures | 50,108,365 | - | 818,535 | (2,686,517) | - | 48,240,383 |
| Excess (deficiency) of revenues over (under) expenditures | 1,246,990 | - | (818,535) | 2,686,517 | - | 3,114,972 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Interfund transfers in | 59,719 | - | - | - | (59,719) | - |
| Interfund transfers out | (59,719) | - | - | - | 59,719 | - |
| Total other financing sources (uses) | - | - | - | - | - | - |
| Excess (deficiency) of revenues and other sources over (under) expenditures and other uses | 1,246,990 | - | (818,535) | 2,686,517 | - | 3,114,972 |
| Fund balance, beginning of year, as restated (See Note 14) | 10,977,650 | - | 48,696,560 | (36,566,798) | - | 23,107,412 |
| Fund balance, end of year | \$ 12,224,640 | \$ - | \$ 47,878,025 | \$ (33,880,281) | \$ - | \$ 26,222,384 |

The accompanying notes to financial statements are an
integral part of this statement.

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2008

| ASSETS | Scholarship Trust | Agency Funds |
|----------------------------------|------------------------------|-------------------------|
| Cash: | | |
| Unrestricted | \$ 34,790 | \$ 614,886 |
| Restricted | - | 150,758 |
| Receivables: | | |
| Due from other funds | - | 7,194 |
| Total assets | <u>\$ 34,790</u> | <u>\$ 772,838</u> |
| LIABILITIES | | |
| Due to governmental funds | \$ - | \$ 44,306 |
| Due to other funds | 7,194 | - |
| Extraclassroom activity balances | - | 150,758 |
| Other liabilities | - | 577,774 |
| Total liabilities | <u>7,194</u> | <u>\$ 772,838</u> |
| NET ASSETS | | |
| Reserved for: | | |
| Endowment scholarships | <u>27,596</u> | |
| Total net assets | <u>27,596</u> | |
| Total liabilities and net assets | <u>\$ 34,790</u> | |

The accompanying notes to financial statements are an
integral part of this statement.

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

| | Scholarship Trust |
|-------------------------------|------------------------------|
| ADDITIONS | |
| Contributions | \$ 14,702 |
| Investments earnings: | |
| Interest | <u>67</u> |
| Total additions | <u>14,769</u> |
| DEDUCTIONS | |
| Scholarships and awards | <u>2,800</u> |
| Total deductions | <u>2,800</u> |
| Change in net assets | 11,969 |
| Net assets, beginning of year | <u>15,627</u> |
| Net assets, end of year | <u><u>\$ 27,596</u></u> |

The accompanying notes to financial statements are an
integral part of this statement.

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Cold Spring Harbor Central School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are described below:

A. Reporting entity

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

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity, as amended by GASB Statement 39, Component Units. 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 is a brief description of certain entities included in the District's reporting entity:

1. 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. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found elsewhere in this report. The District accounts for assets held as an agent for various student organizations in an agency fund.

B. Joint venture

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

BOCES are organized under Section 1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by

their component member boards in accordance with provisions of Section 1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (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 New York State General Municipal Law.

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

During the year, the District was billed \$1,258,720 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$263,074.

Financial statements for the BOCES are available from the BOCES administrative office.

C. Basis of presentation

1. District-wide statements

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

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

2. Fund statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition and school store operations or other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

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

The District reports the following fiduciary funds:

Fiduciary Funds

Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

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.

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

D. Measurement focus and basis of accounting

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

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within a reasonable period of time 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, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Property taxes

Real property taxes for the Town of Oyster Bay residents are levied annually by the Board during the month of August and become a lien on October 1st and April 1st. This portion of the District's tax levy is collected by the Town of Oyster Bay and remitted to the District. Uncollected taxes are subsequently enforced by Nassau County.

Real property taxes for the Town of Huntington residents are levied annually by the Board no later than November 1st, and become a lien on December 1st. This portion of the District's tax levy is collected by the Town of Huntington along with the respective Town and Suffolk County levies. These tax collections are remitted to the District and Town Comptroller until their respective taxes are satisfied in accordance with the Suffolk County Tax Act. All subsequent tax collections, through June 30th, are remitted by the Town to Suffolk County which in turn is responsible for any uncollected taxes.

F. Restricted resources

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

G. Interfund transactions

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

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

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

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

I. Cash and investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

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

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Investments are stated at fair value.

J. Accounts receivable

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

K. Inventories and prepaid items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. 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 to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the statement of net assets or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A reserve for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

L. Other assets/restricted assets

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment may be classified as restricted assets in the District-wide financial statements and their use is limited by applicable bond covenants.

In the District-wide financial statements, bond issuance costs are capitalized and amortized over the life of the debt issue. In the funds statements these same costs are netted against bond proceeds and recognized in the period of issuance.

M. Capital assets

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 1975. For assets acquired prior to June 30, 1975, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

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

| | <u>Capitalization Threshold</u> | <u>Depreciation Method</u> | <u>Estimated Useful Life</u> |
|-------------------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Buildings and building improvements | \$ 15,000 | Straight line | 20-40 years |
| Site improvements | \$ 15,000 | Straight line | 20 years |
| Furniture and equipment | \$ 2,000 | Straight line | 5-20 years |

Certain infrastructure capital assets are accounted for using the modified approach permitted for eligible assets under GASB Statement 34. The modified approach requires that an asset management system be established which assures that an expenditure amount sufficient to preserve the assets in good condition for proper and efficient functioning is budgeted each year in lieu of depreciation. Accordingly, all expenditures made for those assets, other than additions and improvements that increase capacity or efficiency, are charged to expense in the period incurred instead of calculating depreciation. The District is required to conduct a condition assessment of these assets at least once every three years.

N. Deferred revenues

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

Many deferred revenues recorded in governmental funds are not recorded in the District-wide statements.

O. Vested employee benefits - compensated absences

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting/termination 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 funds statements, only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay as-you-go basis.

P. Other benefits

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become 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.

Q. Short-term debt

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

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

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

R. Accrued liabilities and long-term obligations

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

S. Equity classifications

District-wide statements

In the District-wide statements there are three classes of net assets:

Invested in capital assets, net of related debt: Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

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

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

Funds statements

Unreserved fund balance consists of two classifications. A designation of unreserved fund balance indicates the planned use of these resources in the subsequent year's budget. The undesignated portion reports remaining fund balance that has not been designated or reserved. NYS Real Property Tax Law 1318 restricts the unreserved, undesignated fund balance of the General Fund to an amount not greater than 4% of the District's budget for the ensuing fiscal year.

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. These reserve funds are available to school districts within the State of New York and are established through Board action or voter approval. A separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds, however, separate bank accounts are not necessary for each reserve fund. Fund balance reserves currently in use by the District include the following:

Reserve for Encumbrances

Reserve for Encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year.

Reserve for Inventories

Reserve for Inventories is used to restrict that portion of fund balance, which is not available for appropriation.

Reserve for Employee Benefit Accrued Liability

Reserve for Employee Benefit Accrued Liability (GML, § 6-p) is used to reserve funds for the payment of accrued employee benefit 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. This reserve is accounted for in the General Fund.

Unemployment Insurance Reserve

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

Reserve for Workers' Compensation (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. This reserve is accounted for in the General Fund.

Reserve for Debt Service

Mandatory Reserve for Debt Service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. This reserve is accounted for in the Debt Service Fund.

Reserve for Tax Reduction

Reserve for Tax Reduction (Education Law §1604(36) and §1709(37)) is used for the gradual use of the proceeds of the sale of school district real property where such proceeds are not required to be placed in a mandatory reserve for debt service. Specifically, the District is permitted to retain the proceeds of the sale for a period not to exceed ten years, and to use them during that period for tax reduction. The reserve is accounted for in the General Fund.

Reserve for Capital

Reserve for Capital (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 source of the funds. Expenditures 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. This reserve is accounted for in the General Fund.

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

Due to the differences in the measurement focus and basis of accounting used in the funds 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 focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

A. Total fund balances of governmental funds vs. net assets of governmental activities

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

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

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

1. Long-term revenue/expense differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital related differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on governmental 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 governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-term debt transaction differences

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

4. Reclassifications and eliminations

Reclassifications and eliminations arise because the Statement of Activities reports program revenues (either charges for services or operating grants) net of their direct expenses. All other revenues are categorized as general revenues. Certain expenses have been reclassified so that all identifiable program expenses are accounted for within their proper program, such as the allocation of employee benefits and depreciation expense. Governmental funds account for all revenues and expenses based on their function.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments are approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

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

Budgets are established and used for the individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

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

4. CASH AND CASH EQUIVALENTS - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these Notes. The District's aggregate bank balances disclosed in the financial statements, included balances not covered by depository insurance at year-end, collateralized as follows:

| | |
|------------------------------------------------------------------------------------------------------|--------------|
| Uncollateralized | \$ - |
| Collateralized with securities held by the pledging financial institution, in the District's name | \$17,363,719 |

5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2008 were as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements/ Reclassifications</u> | <u>Ending Balance</u> |
|------------------------------------------|------------------------------|------------------|-------------------------------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets that are not depreciated: | | | | |
| Land | \$ 125,075 | \$ - | \$ - | \$ 125,075 |
| Total nondepreciable assets | 125,075 | - | - | 125,075 |
| Capital assets that are depreciated: | | | | |
| Buildings and building Improvements | 58,109,102 | 642,804 | (1,162,440) | 57,589,466 |
| Furniture and equipment | 5,418,268 | 137,384 | 803,795 | 6,359,447 |
| Total depreciable assets | 63,527,370 | 780,188 | (358,645) | 63,948,913 |

Less accumulated depreciation:

| | | | | |
|-------------------------------------|----------------------|----------------------|---------------------|----------------------|
| Buildings and building improvements | 11,615,193 | 1,439,737 | (332,617) | 12,722,313 |
| Furniture and equipment | <u>4,371,397</u> | <u>158,986</u> | <u>(1,056,733)</u> | <u>3,473,650</u> |
| Total accumulated depreciation | <u>15,986,590</u> | <u>1,598,723</u> | <u>(1,389,350)</u> | <u>16,195,963</u> |
| Total capital assets, net | <u>\$ 47,665,855</u> | <u>\$ (818,535)</u> | <u>\$ 1,030,705</u> | <u>\$ 47,878,025</u> |

Capital asset balances as of July 1, 2007 have been restated to reflect the results of an analysis performed by a third party (see Note 14). Previously nonreported additions and deletions in capital asset balances prior to July 1, 2007 are reflected in the "reclassifications" column. Such additions and deletions were applied to the beginning balance in determining net capital assets as of June 30, 2007.

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------|---------------------|
| General support | \$ 204,856 |
| Instruction | 1,390,831 |
| Pupil transportation | <u>3,036</u> |
| | <u>\$ 1,598,723</u> |

6. SHORT-TERM DEBT

Short-term liability balances and activity for the year are summarized below:

| | <u>Beginning Balance</u> | <u>Issued</u> | <u>Redeemed</u> | <u>Ending Balance</u> |
|-----------------------------------|------------------------------|---------------------|---------------------|---------------------------|
| TAN matured 6/30/08 at 3.61-4.25% | <u>\$ -</u> | <u>\$ 8,500,000</u> | <u>\$ 8,500,000</u> | <u>\$ -</u> |

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

| | |
|-------------------------------------------|-------------------|
| Interest paid | \$ 252,160 |
| Less interest accrued in the prior year | - |
| Plus interest accrued in the current year | <u>-</u> |
| Total expense | <u>\$ 252,160</u> |

7. LONG-TERM DEBT OBLIGATIONS

Long-term liability balances and activity for the year are summarized below:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|--------------------------------------|------------------------------|-------------------|---------------------|---------------------------|--------------------------------------------|
| Governmental activities: | | | | | |
| Bonds payable | \$ 34,995,000 | \$ - | \$ 1,705,000 | \$ 33,290,000 | \$ 1,780,000 |
| Workers' compensation claims payable | 51,925 | 105,465 | - | 157,390 | 157,390 |
| Compensated absences | <u>1,333,813</u> | <u>-</u> | <u>36,522</u> | <u>1,297,291</u> | <u>259,458</u> |
| Total long-term liabilities | <u>\$ 36,380,738</u> | <u>\$ 105,465</u> | <u>\$ 1,741,522</u> | <u>\$ 34,744,681</u> | <u>\$ 2,196,848</u> |

Additions and deletions to compensated absences and workers' compensation claims payable are shown net since it is impractical to determine these amounts separately.

The following is a summary of the maturity of long-term indebtedness:

| Description of Issue | Issue Date | Final Maturity | Interest Rate | Outstanding at 6/30/08 |
|-------------------------|------------|----------------|---------------|---------------------------|
| Serial Bonds | 2002 | 2022 | 4.25-5.00% | \$ 9,180,000 |
| Serial Bonds | 2003 | 2022 | 3.125-4.375% | 9,975,000 |
| Serial Bonds | 2004 | 2022 | 3.25-4.25% | 10,495,000 |
| Serial Bonds | 2004 | 2022 | 3.375-4.00% | 3,640,000 |
| | | | | <u>\$ 33,290,000</u> |

The following is a summary of maturing debt service requirements:

| Fiscal year ended June 30, | Principal | Interest | Total |
|----------------------------|----------------------|----------------------|----------------------|
| 2009 | \$ 1,780,000 | \$ 1,335,199 | \$ 3,115,199 |
| 2010 | 1,850,000 | 1,272,264 | 3,122,264 |
| 2011 | 1,930,000 | 1,206,714 | 3,136,714 |
| 2012 | 2,015,000 | 1,136,218 | 3,151,218 |
| 2013 | 2,105,000 | 1,061,761 | 3,166,761 |
| 2014-2018 | 12,015,000 | 4,029,261 | 16,044,261 |
| 2019-2022 | <u>11,595,000</u> | <u>1,281,950</u> | <u>12,876,950</u> |
| Totals | <u>\$ 33,290,000</u> | <u>\$ 11,323,367</u> | <u>\$ 44,613,367</u> |

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

| | |
|-------------------------------------------|---------------------|
| Interest paid | \$ 1,394,874 |
| Less interest accrued in the prior year | (452,084) |
| Plus interest accrued in the current year | <u>432,891</u> |
| Total expense | <u>\$ 1,375,681</u> |

8. PENSION PLANS

The District participates in the New York State Employees' Retirement System (NYSERS) and the New York State Teachers' Retirement System (NYSTRS). These are cost-sharing, multiple-employer, public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

The District makes contributions to the NYSTRS, a cost-sharing, multiple-employer defined benefit pension plan administered by the New York State Teachers' Retirement Board. The System provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395.

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

Plan members who joined the Systems before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 who have less than 10 years of service or membership are required to contribute three percent of their annual salary. Employers are required to contribute at an actuarially determined rate. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS, currently 8.73% of the annual covered payroll for the fiscal year ended June 30, 2008. Rates applicable to the fiscal years ended June 30, 2007 and 2006 were respectively, 8.6% and 7.9%. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund.

The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

| <u>Year</u> | <u>NYSTRS</u> | <u>NYSERS</u> |
|-------------|---------------|---------------|
| 2008 | \$ 1,725,222 | \$ 396,246 |
| 2007 | 1,722,195 | 359,594 |
| 2006 | 1,546,901 | 367,626 |

9. INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

| | <u>Interfund</u> | | <u>Interfund</u> | |
|-----------------------|-------------------|-------------------|------------------|---------------------|
| | <u>Receivable</u> | <u>Payable</u> | <u>Revenues</u> | <u>Expenditures</u> |
| General Fund | \$ 472,144 | \$ - | \$ - | \$ 59,719 |
| Special Aid Fund | - | 304,609 | 59,719 | - |
| School Lunch Fund | 2,077 | 14,945 | - | - |
| Debt Service Fund | - | 32,421 | - | - |
| Capital Projects Fund | - | 77,940 | - | - |
| Fiduciary Funds | - | 44,306 | - | - |
| Totals | <u>\$ 474,221</u> | <u>\$ 474,221</u> | <u>\$ 59,719</u> | <u>\$ 59,719</u> |

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Assets.

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

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

10. POST-EMPLOYMENT BENEFITS

The District provides post-employment health insurance (life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts which aggregated \$1,362,484 for approximately 154 retired employees for the 2008 fiscal year.

11. RISK MANAGEMENT

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

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 claims and do not include claims which were incurred on or before year end but not reported (IBNR). Claims activity is summarized below:

| | Balance at Beginning of Year | Current Year Claims and Changes in Estimates | Claims Payments | Balance at End of Year |
|------------------------------------------------------------------|------------------------------------|-------------------------------------------------------|--------------------|------------------------------|
| Incurred but not reported for the fiscal years ended June 30: | | | | |
| 2007 | \$ 25,274 | \$ 57,845 | \$ 31,194 | \$ 51,925 |
| 2008 | 51,925 | 157,390 | 51,925 | 157,390 |

12. LEASE COMMITMENTS

The District has entered into sixteen leases for rental of office equipment. The operating lease expense for the year ended June 30, 2008 was \$101,626. Future minimum payments are as follows:

| | |
|----------------------------|-------------------|
| Fiscal year ended June 30, | |
| 2009 | \$ 101,049 |
| 2010 | 96,357 |
| 2011 | 96,357 |
| 2012 | 43,586 |
| 2013 | 4,114 |
| | <u>\$ 341,463</u> |

13. CONTINGENCIES AND COMMITMENTS

Government 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 years' experience, the District's administration believes disallowances, if any, would be immaterial.

Library indebtedness

On August 1, 2004, the District entered into a tax pledge agreement with the Cold Spring Harbor Village Improvement Society Library and The Bank of New York, as trustee, in connection with issuance of \$9,500,000 of civic facility revenue bonds for the acquisition and construction of a library facility. Under the terms of the agreement, the District has agreed to cause to be levied on behalf of the Library the aggregate annual amount necessary to pay the debt service on the bonds; said payment to be remitted directly from the District to the trustee according to a time schedule established in the agreement. The annual debt service approximates \$700,000 and will be satisfied in full with the August 15, 2024 semi-annual payment.

14. PRIOR PERIOD ADJUSTMENT

Net assets have been restated as of July 1, 2007 to give effect to the recording of capital assets based upon an analysis performed by a third party as follows:

| | |
|------------------------------------------------|----------------------|
| Balance as of July 1, 2007, as reported | \$ 22,076,707 |
| Add: previously unreported capital assets, net | <u>1,030,705</u> |
| Balance as of July 1, 2007, as restated | <u>\$ 23,107,412</u> |

SUPPLEMENTAL
SCHEDULE 1

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

| | Original Budget | Revised Budget | Actual | Year-end Encumbrances | Variance Favorable (Unfavorable) |
|----------------------------------------------------|--------------------|-------------------|---------------|--------------------------|----------------------------------------|
| REVENUES | | | | | |
| Local sources: | | | | | |
| Real property taxes | \$ 46,045,545 | \$ 46,045,545 | \$ 44,119,025 | | \$ (1,926,520) |
| Other tax items | - | - | 2,021,351 | | 2,021,351 |
| Charges for services | 125,000 | 125,000 | 131,173 | | 6,173 |
| Use of money and property | 306,300 | 306,300 | 548,335 | | 242,035 |
| Miscellaneous | 54,750 | 54,750 | 66,969 | | 12,219 |
| Total local sources | 46,531,595 | 46,531,595 | 46,886,853 | | 355,258 |
| State sources | 3,077,480 | 3,077,480 | 3,427,928 | | 350,448 |
| Federal sources | 33,000 | 33,000 | 29,913 | | (3,087) |
| Total revenues | 49,642,075 | 49,642,075 | 50,344,694 | | 702,619 |
| OTHER FINANCING SOURCES | | | | | |
| Appropriated reserves | 660,000 | 1,326,024 | - | | (1,326,024) |
| Total revenues and other financing sources | 50,302,075 | 50,968,099 | 50,344,694 | | (623,405) |
| EXPENDITURES | | | | | |
| General support: | | | | | |
| Board of Education | 29,600 | 28,711 | 20,612 | \$ 439 | 7,660 |
| Central administration | 362,942 | 362,942 | 351,648 | 987 | 10,307 |
| Finance | 850,671 | 871,232 | 796,095 | 3,414 | 71,723 |
| Staff | 525,959 | 584,896 | 532,123 | 27,586 | 25,187 |
| Central services | 4,419,372 | 4,506,612 | 4,080,572 | 142,113 | 283,927 |
| Special items | 393,014 | 394,848 | 358,485 | 100 | 36,263 |
| Total general support | 6,581,558 | 6,749,241 | 6,139,535 | 174,639 | 435,067 |
| Instruction: | | | | | |
| Instruction, administration and improvement | 1,689,328 | 1,700,621 | 1,600,823 | 7,053 | 92,745 |
| Teaching - regular school | 17,048,239 | 17,114,577 | 17,368,108 | 37,492 | (291,023) |
| Programs for children with handicapping conditions | 3,256,345 | 3,149,703 | 3,258,716 | 53,329 | (162,342) |
| Teaching - special school | 20,000 | 22,187 | 21,915 | 270 | 2 |
| Instructional media | 741,450 | 842,007 | 861,746 | 6,118 | (25,857) |
| Pupil services | 3,414,563 | 3,423,608 | 3,241,687 | 24,385 | 157,536 |
| Total instruction | 26,169,925 | 26,252,703 | 26,352,995 | 128,647 | (228,939) |
| Pupil transportation | 3,316,428 | 3,664,784 | 3,609,864 | 301 | 54,619 |
| Community services | 1,500 | 750 | 367 | - | 383 |
| Employee benefits | 10,707,790 | 10,898,079 | 9,009,556 | 449 | 1,888,074 |
| Debt service: | | | | | |
| Principal | 1,705,000 | 1,705,000 | 1,705,000 | - | - |
| Interest | 1,799,874 | 1,677,542 | 1,647,034 | - | 30,508 |
| Total expenditures | 50,282,075 | 50,948,099 | 48,464,351 | 304,036 | 2,179,712 |
| OTHER FINANCING USES | | | | | |
| Interfund transfers | 20,000 | 20,000 | 59,719 | - | (39,719) |
| Total expenditures and other financing uses | 50,302,075 | 50,968,099 | 48,524,070 | \$ 304,036 | 2,139,993 |
| Net change in fund balance | - | - | 1,820,624 | | \$ 1,516,588 |
| Fund balance, beginning of year | - | - | 7,870,230 | | |
| Fund balance, end of year | \$ - | \$ - | \$ 9,690,854 | | |

The accompanying notes to financial statements should be
read in conjunction with this schedule.

SUPPLEMENTAL
SCHEDULE 2

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET
AND USE OF UNRESERVED FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

Change from adopted budget to revised budget:

| | |
|-----------------------------------------------|----------------------|
| Adopted budget | \$ 50,302,075 |
| Add: | |
| Prior year encumbrances | 665,936 |
| Add: | |
| Budget revisions | <u>88</u> |
| Revised budget | <u>\$ 50,968,099</u> |
| Next year's budget is a voter-approved budget | <u>\$ 53,251,707</u> |

Use of unreserved fund balance:

| | |
|--------------------------------------------------------------------|---------------------|
| Unreserved fund balance, beginning of year | \$ 2,834,104 |
| Less: | |
| Designated fund balance used for levy of taxes - adopted budget | <u>660,000</u> |
| Undesignated fund balance, beginning of year | <u>\$ 2,174,104</u> |

The accompanying notes to financial statements should be
read in conjunction with this schedule.

**SUPPLEMENTAL
SCHEDULE 3**

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING SOURCES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2008**

| Project Title | Expenditures | | | | | Methods of Financing | | | | | Fund Balance June 30, 2008 |
|-----------------------------------------|---------------------------|--------------------------|----------------------|-------------------|----------------------|-----------------------|----------------------------|-------------|---------------------|----------------------|----------------------------------|
| | Original Appropriation | Revised Appropriation | Prior Years | Current Year | Total | Unexpended Balance | Proceeds of Obligations | State Aid | Local Sources | Total | |
| 1997-1998 Interfund Transfers | | | | | | | | | | | |
| Athletic Fields | \$ 569,823 | \$ 569,823 | \$ 280,837 | \$ - | \$ 280,837 | \$ 288,986 | \$ - | \$ - | \$ 569,823 | \$ 569,823 | \$ 288,986 |
| 1999-2000 Interfund Transfers | | | | | | | | | | | |
| Lloyd Harbor Windows | 143,000 | 143,000 | 132,880 | - | 132,880 | 10,120 | - | - | 143,000 | 143,000 | 10,120 |
| Goosehill Heating | 156,000 | 156,320 | - | - | - | 156,320 | - | - | 156,320 | 156,320 | 156,320 |
| West Side Roof | 151,000 | 151,000 | 128,927 | - | 128,927 | 22,073 | - | - | 151,000 | 151,000 | 22,073 |
| West Side Windows | 55,000 | 55,000 | 51,136 | - | 51,136 | 3,864 | - | - | 55,000 | 55,000 | 3,864 |
| High School Labs | 233,000 | 233,000 | 226,695 | - | 226,695 | 6,305 | - | - | 233,000 | 233,000 | 6,305 |
| Athletic Fields Comfort Station | 115,000 | 115,000 | 147,052 | - | 147,052 | (32,052) | - | - | 115,000 | 115,000 | (32,052) |
| Field House | 155,000 | 155,000 | 149,740 | - | 149,740 | 5,260 | - | - | 155,000 | 155,000 | 5,260 |
| 2000-2001 Interfund Transfers | | | | | | | | | | | |
| Goose Hill Addition | 976,140 | 976,140 | 973,662 | - | 973,662 | 2,478 | - | - | 976,140 | 976,140 | 2,478 |
| High School Roof | 135,400 | 135,400 | 105,945 | - | 105,945 | 29,455 | - | - | 135,400 | 135,400 | 29,455 |
| High School Intercom | 148,700 | 148,700 | 100,980 | - | 100,980 | 47,720 | - | - | 148,700 | 148,700 | 47,720 |
| 2001-2002 Interfund Transfers | | | | | | | | | | | |
| Athletic Fields Phase #2 | 839,543 | 839,543 | 789,482 | - | 789,482 | 50,061 | - | - | 839,543 | 839,543 | 50,061 |
| Goose Hill Misc. | 72,954 | 72,954 | 161,258 | - | 161,258 | (88,304) | - | - | 72,954 | 72,954 | (88,304) |
| RPZ | 109,944 | 109,944 | 80,774 | - | 80,774 | 29,170 | - | - | 109,944 | 109,944 | 29,170 |
| West Side Misc. | 46,980 | 46,980 | 37,217 | - | 37,217 | 9,763 | - | - | 46,980 | 46,980 | 9,763 |
| Lloyd Harbor Fire Alarm | 67,392 | 67,392 | 64,234 | - | 64,234 | 3,158 | - | - | 67,392 | 67,392 | 3,158 |
| High School Locker/Science Room | 81,000 | 81,000 | 199,279 | - | 199,279 | (118,279) | - | - | 81,000 | 81,000 | (118,279) |
| Districtwide Technology | 118,454 | 118,454 | 113,063 | - | 113,063 | 5,391 | - | - | 118,454 | 118,454 | 5,391 |
| Bonds (Feb. 6, 2002 proposition) | 40,888,509 | 40,888,509 | 39,897,860 | 624,631 | 40,522,491 | 366,018 | 40,888,509 | - | - | 40,888,509 | 366,018 |
| 2002-2003 Interfund Transfers | 489,600 | 489,600 | 302,042 | - | 302,042 | 187,558 | - | - | 489,600 | 489,600 | 187,558 |
| 2003-2004 Interfund Transfers | 55,062 | 55,062 | 43,553 | - | 43,553 | 11,509 | - | - | 55,062 | 55,062 | 11,509 |
| 2004-2005 Interfund Transfers | 75,000 | 75,000 | 57,353 | - | 57,353 | 17,647 | - | - | 75,000 | 75,000 | 17,647 |
| 2005-2006 Interfund Transfers | | | | | | | | | | | |
| Conversion of Former Library Space | - | 130,000 | - | - | - | 130,000 | - | - | 130,000 | 130,000 | 130,000 |
| Renovation of Guidance Suite | - | 20,000 | 10,976 | - | 10,976 | 9,024 | - | - | 20,000 | 20,000 | 9,024 |
| Lloyd Harbor Fire Restoration | - | 1,290,208 | 817,202 | - | 817,202 | 473,006 | - | - | 1,123,746 | 1,123,746 | 306,544 |
| 2006-2007 Interfund Transfers | 8,538 | 8,538 | 7,018 | 18,173 | 25,191 | (16,653) | - | - | 175,000 | 175,000 | 149,809 |
| Totals | \$ 45,691,039 | \$ 47,131,567 | \$ 44,879,165 | \$ 642,804 | \$ 45,521,969 | \$ 1,609,598 | \$ 40,888,509 | \$ - | \$ 6,243,058 | \$ 47,131,567 | \$ 1,609,598 |

The accompanying notes to financial statements should be
read in conjunction with this schedule.

**SUPPLEMENTAL
SCHEDULE 4**

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES
COMPARED TO ST-3 DATA - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

| | <u>Code</u> | <u>ST-3 Amount</u> | <u>Audited Amount</u> |
|--------------------------------------------|-------------|--------------------|---------------------------|
| REVENUES | | | |
| Real property taxes | A-1001 | \$ 44,119,025 | \$ 44,119,025 |
| Non-property taxes | AT-1199 | - | - |
| State aid | AT-3999 | 3,427,928 | 3,427,928 |
| Federal aid | AT-4999 | 29,913 | 29,913 |
| Total revenues and other financing sources | AT-5999 | 50,344,694 | 50,344,694 |
| EXPENDITURES | | | |
| General support | AT-1999 | 6,139,535 | 6,139,535 |
| Pupil transportation | AT-5599 | 3,609,864 | 3,609,864 |
| Debt service - principal | AT-9798.6 | 1,705,000 | 1,705,000 |
| Debt service - interest | AT-9798.7 | 1,647,034 | 1,647,034 |
| Total expenditures and other uses | AT-9999 | 48,524,070 | 48,524,070 |

The accompanying notes to financial statements should be
read in conjunction with this schedule.

**SUPPLEMENTAL
SCHEDULE 5**

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2008

| | | |
|---------------------------------------------------|-------------------|-----------------------------|
| Capital assets, net | | \$ 47,878,025 |
| Deduct: | | |
| Short-term portion of bonds payable | \$ 1,780,000 | |
| Long-term portion of bonds payable | <u>31,510,000</u> | <u>33,290,000</u> |
| Investment in capital assets, net of related debt | | <u><u>\$ 14,588,025</u></u> |

The accompanying notes to financial statements should be
read in conjunction with this schedule.

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
EXTRACLASROOM ACTIVITY FUNDS
TABLE OF CONTENTS

| | |
|--------------------------------------------------------------------------------------|----|
| Independent Auditors' Report On Extraclassroom Activity Funds Financial Statement | 41 |
| Financial Statement: | |
| Cash Receipts And Disbursements: | |
| High School | 42 |
| Note To Financial Statement | 43 |



Nawrocki Smith LLP
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON EXTRACLASSROOM
ACTIVITY FUNDS FINANCIAL STATEMENT**

To the Board of Education of the
Cold Spring Harbor Central School District
Cold Spring Harbor, New York:

We have audited the accompanying statement of cash receipts and disbursements of the various Extraclassroom Activity Funds of the Cold Spring Harbor Central School District (the "District") for the year ended June 30, 2008. This financial statement is the responsibility of the District's administration. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of cash receipts and disbursements. An audit also includes assessing the accounting principles used and significant estimates made by the administration, as well as evaluating the overall presentation of the statement of cash receipts and disbursements. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the statement of cash receipts and disbursements referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Extraclassroom Activity Funds of the Cold Spring Harbor Central School District for the year ended June 30, 2008 on the basis of accounting described in Note 1.

Nawrocki Smith LLP

Melville, New York
September 22, 2008

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
EXTRACLASROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

| | Cash Balances June 30, 2007 | Receipts | Disbursements | Cash Balances June 30, 2008 |
|-------------------------------|-----------------------------------|-------------------|-------------------|-----------------------------------|
| High School: | | | | |
| Class of 2007 | \$ 7,242 | \$ 7,675 | \$ 14,917 | \$ - |
| Class of 2008 | 3,737 | 25,148 | 24,887 | 3,998 |
| Class of 2009 | 3,105 | 81,757 | 72,790 | 12,072 |
| Class of 2010 | 1,509 | 3,155 | 2,000 | 2,664 |
| Class of 2011 | - | 3,576 | 1,500 | 2,076 |
| Amnesty International | 1,057 | 1,012 | 1,100 | 969 |
| Brainstormers | 258 | - | 145 | 113 |
| Cheerleaders | 179 | - | - | 179 |
| Drama Club | 1,724 | 1,719 | 2,581 | 862 |
| Environmental Club | 390 | 115 | - | 505 |
| French Club | 1,269 | 21,215 | 21,252 | 1,232 |
| Friends of Rachel | - | 249 | 247 | 2 |
| Gay/Straight Alliance | 174 | 582 | 600 | 156 |
| History Club | 124 | - | - | 124 |
| Holocaust Project | 2,851 | 5,431 | 4,252 | 4,030 |
| Home Economics Club | 592 | 120 | 136 | 576 |
| International Club | 661 | 1,060 | 679 | 1,042 |
| Jr. High Art Club | 357 | 1,450 | 1,807 | - |
| Jr. High Student Organization | 32,457 | 43,376 | 49,152 | 26,681 |
| Jr. High Yearbook | 2,381 | 2,526 | 2,579 | 2,328 |
| Kids For Wish Kids | 6 | 1,623 | 1,492 | 137 |
| Knitty for the Needy | 738 | 704 | 1,267 | 175 |
| Latin Club | 625 | 8 | 277 | 356 |
| Literary Magazine | 4,636 | 7,539 | 11,318 | 857 |
| Locks of Love | 2,421 | 8,688 | 7,354 | 3,755 |
| Model Congress | 1,864 | 1,820 | 1,835 | 1,849 |
| Music Activities | 2,081 | 9,183 | 8,575 | 2,689 |
| Musical Club (Jr. High) | - | 9,681 | 2,722 | 6,959 |
| Musical Club (Sr. High) | 3,320 | 11,762 | 14,334 | 748 |
| Musical Club (Stage Crew) | - | 400 | - | 400 |
| National Honor Society | 142 | - | - | 142 |
| Newspaper | 1,135 | 3,600 | 4,473 | 262 |
| Outreach | - | 235 | 37 | 198 |
| Political Science Club | 340 | - | - | 340 |
| S.A.D.D. | 621 | 759 | 989 | 391 |
| S.W.W.A.T.: Kidz Kare | 776 | 990 | 1,452 | 314 |
| S.W.W.A.T.: Other | 1,092 | 1,326 | 1,100 | 1,318 |
| Science Club | 312 | 469 | 373 | 408 |
| Spanish Club | 2,904 | 3,942 | 3,900 | 2,946 |
| Speech & Debate Club | 10,417 | 29,162 | 28,546 | 11,033 |
| Sr. High Art Club | 2,949 | 4,299 | 4,767 | 2,481 |
| Student Booster Club | 101 | - | 56 | 45 |
| Student Organization(Other) | 21,092 | 31,188 | 37,278 | 15,002 |
| Student Organization(Leader) | 243 | 3,086 | 3,327 | 2 |
| Technology Club | 2,828 | 8,598 | 8,012 | 3,414 |
| Varsity Club | 17,221 | 31,877 | 42,930 | 6,168 |
| Yearbook | 7,646 | 85,489 | 64,375 | 28,760 |
| Total High School | <u>\$ 145,577</u> | <u>\$ 456,594</u> | <u>\$ 451,413</u> | <u>\$ 150,758</u> |

The accompanying note is an integral
part of this financial statement.

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
EXTRAClassroom Activity Funds
NOTE TO FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Cold Spring Harbor Central School District.

The accounts of the Extraclassroom Activity Funds of the District are maintained on a cash basis, and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under accounting principles generally accepted in the United State of America, and which may be material in amount, are not recognized in the accompanying financial statements.



Nawrocki Smith LLP
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' 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 of the
Cold Spring Harbor Central School District
Cold Spring Harbor, New York:

We have audited the financial statements of the Cold Spring Harbor Central School District (the "District") as of and for the year ended June 30, 2008, and have issued our report thereon dated September 22, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Nawrocki Smith LLP

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 an instance of noncompliance that is described in the Schedule of Findings and Questioned Costs section of this report as item 08-01.

We noted certain matters that we have reported in the Findings and Recommendations section of this report.

This report is intended solely for the information and use of the Board of Education, Audit Committee, administration and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

Melville, New York
September 22, 2008

Nawrocki Smith LLP

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

08-01 The submission of the Annual Financial Report on Form ST-3 to the New York State Education Department did not occur until subsequent to the filing deadline.

Condition: The District did not fulfill its annual reporting requirement to the New York State Education Department in accordance with the requisite due date.

Criteria: The New York State Education Department required that the District submit its Annual Financial Report on Form ST-3 by September 2, 2008.

Effect: The District did not fulfill its New York State Education Department reporting requirement as of the required submission date.

Cause: Information necessary to complete the submission was not readily available, therefore, the Annual Financial Report on Form ST-3 was not prepared on a timely basis.

Recommendation: The District should implement procedures to ensure sufficient time to comply with New York State Education Department reporting requirements.

Response: The District is in agreement with this finding and will ensure policies and procedures are in effect to comply with such reporting requirements in the future.

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

07-01 Recommendation - It was recommended that the District should implement procedures to monitor fund balance throughout the year to comply with New York State requirements.

Status - We noted this recommendation was implemented.

07-02 Recommendation - It was recommended that the District should implement procedures to ensure sufficient time to comply with New York State Education Department reporting requirements in regards to the District's Annual Financial Report on Form ST-3.

Status - We noted this recommendation was not implemented.

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008

This section presents findings and recommendations noted during the audit of the financial statements of the Cold Spring Harbor Central School District as of and for the year ended June 30, 2008, as well as the status of recommendations made in connection with prior audits of the financial statements.

CURRENT YEAR RECOMMENDATIONS:

1. **Systems permissions and privileges**

We noted that numerous employees have access to modules of the Finance Manager System. This can result in permissions and privileges that may be incompatible with maintaining a proper segregation of duties among employees.

We recommend that systems permissions and privileges be updated and reviewed on a quarterly basis to ensure incompatible duties are appropriately addressed. In this manner, a proper segregation of duties may be achieved with the data processing system.

2. **Segregation of payroll responsibilities**

We noted that the Payroll Department is responsible for entering new employee information into the Finance Manager accounting system, as well as the employees' demographic information and salary data. This lack of segregation of duties increases the risk of improper activities in the payroll area.

We recommend that the Personnel Department be responsible for entering new employee information into the Finance Manager accounting system. In this manner, internal control over payroll may be enhanced.

3. **Budget transfers**

We noted that under District policy, budget transfers over \$5,000 require Board of Education approval. However, we noted budget transfers are posted to the Finance Manager System prior to approval.

We recommend that the District adhere to the Board approved policy on budget transfers. In this manner, internal control over budget transfers may be properly maintained.

4. **Physical observation of fixed assets**

During our work performed in the fixed assets area, we noted that capital assets were not properly tagged with serial numbers. Although the District had an appraisal performed during the year and new serial numbers were provided, the absence of this control made it difficult to identify the capital assets during physical observation testing.

We recommend that the District tag all capital assets with the appropriate serial numbers to ensure that all assets are accounted for. In this manner, internal control over capital assets may be enhanced.

5. Financial reporting timetable

Over the past several years, the year end financial reporting requirements have become more involved and stringent as a result of increased governance, changes in auditing standards and tight reporting deadlines. Achievement of regulatory reporting requirements, while satisfying appropriate levels of communications of audit results, is becoming increasingly difficult.

We recommend that the District establish a formal financial reporting timetable. Such a timetable may be determined in connection with the year end closing, and will be an invaluable tool for monitoring the proper presentation of audit results through the various tiers of the reporting process.

STATUS OF PRIOR YEAR RECOMMENDATIONS:

1. Recommendation - It was recommended that the District consider increasing the capitalization threshold for fixed assets.

Status - We noted that this recommendation was implemented.

2. Recommendation - It was recommended that:
- A single standardized form be used for expense reimbursements.
 - A policy be adopted regarding tip reimbursement.
 - Itemized receipts be submitted as support for all reimbursements.
 - The District not pay New York State sales tax.
 - The District only reimburse those items covered by Board policy.

Status - We noted that this recommendation is in the process of being implemented.

3. Recommendation - It was recommended that the District consider the utilization of a request for approval of overtime form for planned overtime.

Status - We noted that this recommendation is in the process of being implemented.

4. Recommendation - It was recommended that the District review the fixed assets report to ensure completeness.

Status - We noted that this recommendation was implemented.

5. Recommendation - It was recommended that:
- The District continue to explore ways to have the School Lunch Program operate at a breakeven point.
 - The inventory count be done at the end of each month, and that the inventory control list be provided to the Business Office.
 - All adult meals sold be charged sales tax.
 - All reports prepared by the School Lunch Director be mathematically correct, and reflect all transactions.
 - Cash collections per the cashier's reports agree with the daily deposit.
 - Cash be second counted and that this be indicated on the cashier's report.

Status - We noted that this recommendation is in the process of being implemented.

6. Recommendation - It was recommended that the District consider reviewing the Trust and Agency activities and account balances to determine if they should be part of the General Fund or maintained by an outside organization.

Status - We noted that this recommendation is in the process of being implemented.

7. Recommendation - It was recommended that:
- Club advisors anticipate the cost of extraclassroom events and have same paid for with a District check.
 - The District determines if a club with no financial activity is active.

Status - We noted that this recommendation is in the process of being implemented.