

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
COLD SPRING HARBOR, NEW YORK
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
IN CONNECTION WITH OMB CIRCULAR A-133
FOR THE YEAR ENDED JUNE 30, 2011

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
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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 governmental activities, each major fund and the fiduciary funds of the Cold Spring Harbor Central School District (the "District"), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administration. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund as well as the fiduciary funds of the Cold Spring Harbor Central School District, as of June 30, 2011, and the respective changes in financial position, thereof 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 14, 2011, 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 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 should be considered in assessing the results of our audit.

Nawrocki Smith LLP

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of the administration about the methods of preparing the information and comparing the information for consistency with the administration's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cold Spring Harbor Central School District's financial statements as a whole. The accompanying supplemental information as listed in the table of contents is presented for purposes of additional analysis, is not a required part of the financial statements but is supplementary information required by the New York State Education Department. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the financial statements. The supplemental information and the schedule of expenditures of federal awards are the responsibility of the administration and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Melville, New York
September 14, 2011

Nawrocki Smith LLP

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011. 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 3.2% as a result of increased real property taxes and operating grants;
- The District continued to offer all programs, without reducing services, while maintaining adequate fund balances;
- The District funded the Capital Reserve with a current appropriation of \$845,674 to the Reserve; and
- In December 2010, the District advance refunded (refinanced) \$22,915,000 of outstanding bonds resulting in an economic gain of \$2,195,461 to the District.

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 decreased by 21.2% from the year before to a net assets balance of \$10,460,226, as detailed in Tables A-2 and A-3.

The investment in capital assets, net of related debt has been restated as of June 30, 2010 to give effect to the results of a recent physical inventory of fixed assets performed by a third party (see Note 13 to the accompanying financial statements).

The restricted net assets balance of \$8,686,697 represents assets that are restricted by external sources, imposed by laws through constitutional provisions or enabling legislation.

As of June 30, 2011, the District has an unrestricted net deficit of \$4,341,297. This deficit is primarily driven by the District's required recognition of its obligation for post-employment benefits which currently totals \$12,740,136. This obligation will continue to grow into the future (see Note 9 to the accompanying financial statements) resulting in a greater unrestricted net deficit.

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

	<u>6/30/10</u>		
	<u>As restated</u>	<u>6/30/11</u>	<u>% Change</u>
Current and other assets	\$ 16,429,135	\$ 17,089,425	4.0
Capital assets, net	<u>40,398,445</u>	<u>39,559,301</u>	(2.1)
Total assets	<u>\$ 56,827,580</u>	<u>\$ 56,648,726</u>	(0.3)
Current liabilities	\$ 5,271,452	\$ 5,809,507	10.2
Long-term liabilities	<u>38,279,870</u>	<u>40,378,993</u>	5.5
Total liabilities	<u>\$ 43,551,322</u>	<u>\$ 46,188,500</u>	6.1
Net assets:			
Investment in capital assets, net of related debt	\$ 10,738,445	\$ 12,207,515	13.7
Restricted	651,358	8,686,697	1,233.6
Unrestricted (deficit)	<u>1,886,455</u>	<u>(10,433,986)</u>	(653.1)
Total net assets	<u>\$ 13,276,258</u>	<u>\$ 10,460,226</u>	(21.2)

Changes in Net Assets

The District's fiscal year 2011 revenues totaled \$57,542,892 (See Table A-3). Property and other taxes and state sources accounted for most of the District's revenue by contributing 90 cents and 5 cents, respectively, of every dollar raised (See Table A-4). The remainder came from other charges for services and operating grants.

The District's fiscal year 2011 expenses totaled \$60,358,924 (See Table A-3). These expenses (82 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>6/30/10</u> <u>As restated</u>	<u>6/30/11</u>	<u>% Change</u>
Revenues			
Program revenues:			
Charges for services	\$ 847,994	\$ 890,142	5.0
Operating grants	667,736	1,339,472	100.6
General revenues:			
Property taxes and other tax items	50,098,294	52,019,460	3.8
State sources	2,940,766	2,780,393	(5.5)
Federal sources	658,414	-	(100.0)
Use of money and property	53,310	51,105	(4.1)
Miscellaneous	<u>491,900</u>	<u>462,320</u>	(6.0)
Total revenues	<u>55,758,414</u>	<u>57,542,892</u>	3.2
Expenses			
General support	8,398,840	9,093,038	8.3
Instruction	43,584,465	45,722,134	4.9
Pupil transportation	3,826,430	3,969,215	3.7
Debt service - interest	1,263,120	876,009	(30.6)
School lunch program	<u>761,322</u>	<u>698,528</u>	(8.2)
Total expenses	<u>57,834,177</u>	<u>60,358,924</u>	4.4
Decrease in net assets	<u>\$(2,075,763)</u>	<u>\$(2,816,032)</u>	35.7

Table A-4: Sources of Revenues for Fiscal Year 2011

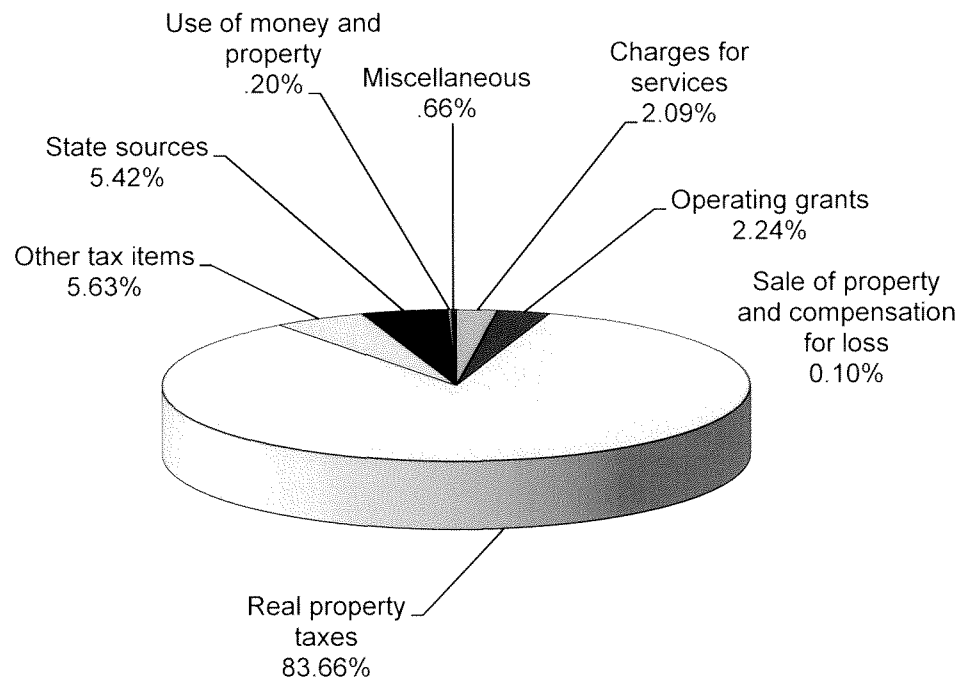
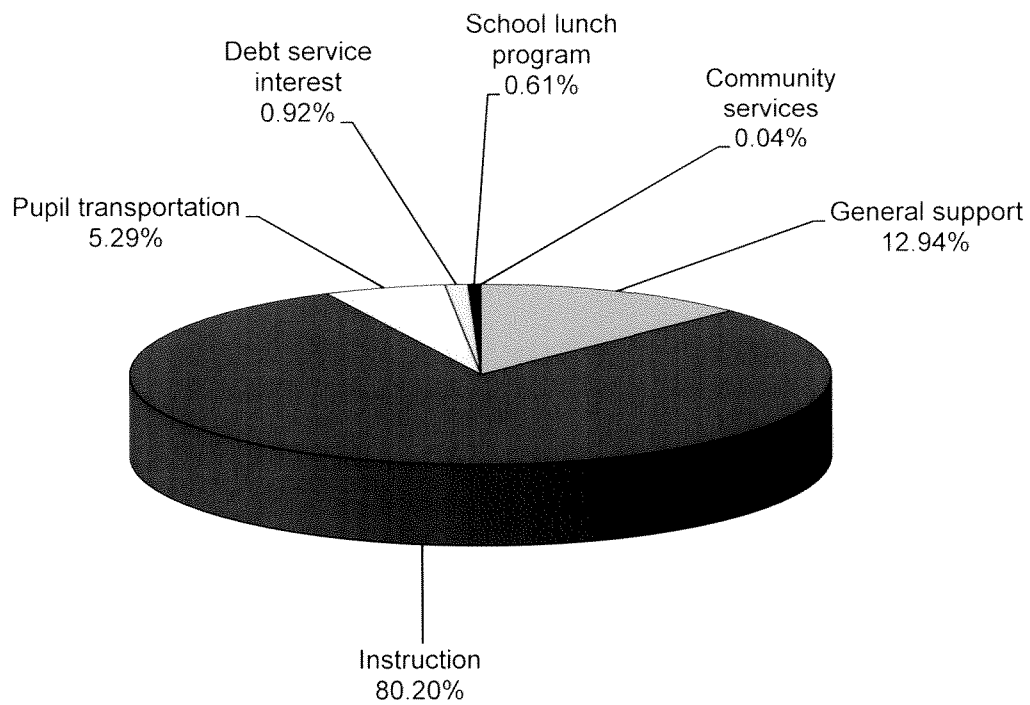


Table A-5: Expenses for Fiscal Year 2011



Governmental Activities

Revenues for the District's governmental activities totaled \$57,542,892 while total expenses were \$60,358,924. Therefore, the decrease in net assets for governmental activities was \$2,816,032 in 2011. The District's financial condition was negatively affected by:

- Continued recognition of the liability for benefits provided to retirees other than pensions (OPEB);

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 2011.

General Fund Budgetary Highlights

Reference is made to Supplemental Schedule 1 on page 40 which presents original and revised budget amounts, as well as actual results for the District's General Fund.

- Actual revenues were less than the revised budgeted revenues by approximately \$520,000.
- Actual expenditures were approximately \$2,000,000 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 2011, the District had invested \$39,559,301 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 conducting a variety of minor capital projects through its Capital Reserve Program. Capital assets, net of depreciation were restated as of June 30, 2010 to give effect to a physical inventory of fixed assets that was performed by a third party. (See Note 13 to the accompanying financial statements.)

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

<u>Category</u>	<u>6/30/10 As restated</u>	<u>6/30/11</u>	<u>% Change</u>
Land	\$ 125,075	\$ 125,075	0.0
Construction-in-progress	651,358	1,949,123	199.2
Buildings and building improvements	39,320,917	37,153,920	(5.5)
Furniture and equipment	<u>301,095</u>	<u>331,183</u>	10.0
Totals	<u>\$ 40,398,445</u>	<u>\$ 39,559,301</u>	(2.1)

Long-Term Debt

At year-end, the District had \$42,872,958 in general obligation bonds and other long-term debt. The District's obligation for post-employment benefits was restated as of June 30, 2010 to give effect to an updated actuarial valuation that was performed by a third party. (See Note 13 to the accompanying financial statements.)

Table A-7: Outstanding Long-Term Debt

<u>Category</u>	<u>6/30/10 As restated</u>	<u>6/30/11</u>	<u>% Change</u>
General obligation bonds	\$ 29,660,000	\$ 25,685,000	(13.4)
Bond issue premium	-	1,666,786	100.0
Workers' compensation claims payable	399,874	360,490	(9.8)
Post-employment benefits	8,534,148	12,740,136	49.3
Compensated absences	<u>1,849,848</u>	<u>2,420,546</u>	30.9
Totals	<u>\$ 40,443,870</u>	<u>\$ 42,872,958</u>	6.0

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 economy continues to have a negative impact on virtually every municipal budget. A result could be that State Aid to the District could be negatively impacted in amount and/or timing.
- The "Tax Levy Limitation Law" which was enacted on June 24, 2011 restricts the amount of property taxes that may be levied by or on behalf of a school district in a particular year. Although there are exceptions, exemptions and overrides to the limitation, the new Law is expected to make budgetary decisions more difficult.
- Significant increases in the cost of health insurance and contributions to the retirement systems continue to place a greater burden on the District's finances. The New York State Comptroller has announced that the employer contribution rate for the State's Retirement System will be higher in 2012. Contributions to the State Retirement Systems are one of the exemptions to the "Tax Levy Limitation Law".

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, 2011

ASSETS

Current assets:

Cash:

Unrestricted \$ 15,831,081

Receivables:

State and federal aid 805,248

Taxes 332,443

Due from fiduciary funds 105,294

Other receivables 4,750

Inventories 10,609

Total current assets 17,089,425

Noncurrent assets:

Capital assets, net of accumulated depreciation
of \$22,151,592 39,559,301

Total assets \$ 56,648,726

LIABILITIES

Current liabilities:

Payables:

Accounts payable \$ 168,609

Accrued liabilities 194,006

Due to other governments 33,296

Accrued interest payable 338,279

Due to teachers' retirement system 2,384,393

Due to employees' retirement system 164,965

Deferred revenues 31,994

Long-term liabilities, due within one year:

Bonds payable 2,020,000

Bond issue premium 128,214

Compensated absences 345,751

Total current liabilities 5,809,507

Noncurrent liabilities:

Long-term liabilities, due after one year:

Bonds payable 23,665,000

Bond issue premium 1,538,572

Compensated absences 2,074,795

Workers' compensation claims payable 360,490

Other post-employment benefits 12,740,136

Total noncurrent liabilities 40,378,993

Total liabilities 46,188,500

NET ASSETS

Invested in capital assets, net of related debt 12,207,515

Restricted 8,686,697

Unrestricted (10,433,986)

Total net assets 10,460,226

Total liabilities and net assets \$ 56,648,726

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, 2011

	Expenses	Charges for Services	Program Revenues Operating Grants	Net (Expense) Revenue and Change in Net Assets
Functions and programs:				
General support	\$ 9,093,038	\$ -	\$ -	\$ (9,093,038)
Instruction	45,722,134	222,565	1,207,567	(44,292,002)
Pupil transportation	3,969,215	15,666	85,000	(3,868,549)
Debt service - interest	876,009	-	-	(876,009)
School lunch program	698,528	651,911	46,905	288
Total functions and programs	<u>\$ 60,358,924</u>	<u>\$ 890,142</u>	<u>\$ 1,339,472</u>	<u>(58,129,310)</u>
General revenues:				
Real property taxes				49,783,936
Other tax items				2,235,524
Use of money and property				51,105
State sources				2,780,393
Miscellaneous				462,320
Total general revenues				<u>55,313,278</u>
Change in net assets				(2,816,032)
Total net assets, beginning of year, as restated (see Note 13)				<u>13,276,258</u>
Total net assets, end of year				<u>\$ 10,460,226</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, 2011

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash:						
Unrestricted	\$ 14,499,845	\$ 21,838	\$ 195,309	\$ 647,647	\$ 466,442	\$ 15,831,081
Receivables:						
State and federal aid	374,177	427,946	3,125	-	-	805,248
Taxes	332,443	-	-	-	-	332,443
Due from other funds	470,931	-	-	-	1,482,681	1,953,612
Due from fiduciary funds	105,294	-	-	-	-	105,294
Other receivables	-	-	4,750	-	-	4,750
Inventories	-	-	10,609	-	-	10,609
Total assets	<u>\$ 15,782,690</u>	<u>\$ 449,784</u>	<u>\$ 213,793</u>	<u>\$ 647,647</u>	<u>\$ 1,949,123</u>	<u>\$ 19,043,037</u>
LIABILITIES						
Payables:						
Accounts payable	\$ 163,230	\$ 5,379	-	-	-	\$ 168,609
Accrued liabilities	192,926	427	653	-	-	194,006
Due to other funds	1,482,681	443,709	24,460	2,762	-	1,953,612
Due to other governments	33,237	-	59	-	-	33,296
Due to teachers' retirement system	2,384,393	-	-	-	-	2,384,393
Due to employees' retirement system	164,965	-	-	-	-	164,965
Deferred revenues	-	269	31,725	-	-	31,994
Compensated absences	2,420,546	-	-	-	-	2,420,546
Total liabilities	<u>6,841,978</u>	<u>449,784</u>	<u>56,897</u>	<u>2,762</u>	<u>-</u>	<u>7,351,421</u>
FUND BALANCE						
Fund balance:						
Nonspendable	-	-	10,609	-	-	10,609
Restricted	5,946,402	-	146,287	644,885	1,949,123	8,686,697
Assigned	951,444	-	-	-	-	951,444
Unassigned	2,042,866	-	-	-	-	2,042,866
Total fund balance	<u>8,940,712</u>	<u>-</u>	<u>156,896</u>	<u>644,885</u>	<u>1,949,123</u>	<u>11,691,616</u>
Total liabilities and fund balance	<u>\$ 15,782,690</u>	<u>\$ 449,784</u>	<u>\$ 213,793</u>	<u>\$ 647,647</u>	<u>\$ 1,949,123</u>	<u>\$ 19,043,037</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, 2011

Total Fund Balance - Governmental Funds	\$ 11,691,616
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Amounts reported for governmental activities in the Statement of Net Assets are different due to the following:

Capital assets less accumulated depreciation are included in the Statement of Net Assets:

Capital assets:

Non-depreciable	\$ 2,074,198	
Depreciable	59,636,695	
Accumulated depreciation	<u>(22,151,592)</u>	39,559,301

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported in the governmental fund financial statements. However, these liabilities are included in the Statement of Net Assets:

Bonds payable, inclusive of premiums, net of bond issuance costs	(27,351,786)	
Workers' compensation claims payable	(360,490)	
Other post-employment benefits	<u>(12,740,136)</u>	(40,452,412)

Interest payable applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported in the governmental fund financial statements. However, these liabilities are included in the Statement of Net Assets.

(338,279)

Net Assets - Governmental Activities	<u>\$ 10,460,226</u>
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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, 2011

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 49,783,936	\$ -	\$ -	\$ -	-	\$ 49,783,936
Other tax items	2,235,524	-	-	-	-	2,235,524
Charges for services	238,055	-	176	-	-	238,231
Use of money and property	51,105	-	-	-	-	51,105
State sources	2,780,393	81,597	8,188	-	325,439	3,195,617
Federal sources	207,240	678,291	38,717	-	-	924,248
Sales	-	-	651,911	-	-	651,911
Miscellaneous	319,620	-	14,486	-	-	334,106
Total revenues	55,615,873	759,888	713,478	-	325,439	57,414,678
EXPENDITURES						
General support	6,560,908	-	412,196	-	-	6,973,104
Instruction	30,679,938	724,292	-	-	-	31,404,230
Pupil transportation	3,900,089	39,235	-	-	-	3,939,324
Employee benefits	10,496,625	16,174	27,761	-	-	10,540,560
Debt service -						
Principal	2,180,000	-	-	-	-	2,180,000
Interest	913,400	-	-	-	-	913,400
Cost of sales	-	-	258,571	-	-	258,571
Capital outlay	-	-	-	-	1,361,378	1,361,378
Total expenditures	54,730,960	779,701	698,528	-	1,361,378	57,570,567
Excess (deficiency) of revenues over (under) expenditures	884,913	(19,813)	14,950	-	(1,035,939)	(155,889)
OTHER FINANCING SOURCES (USES)						
Proceeds of refunding bonds	21,120,000	-	-	-	-	21,120,000
Premium on bonds issued	1,795,000	-	-	-	-	1,795,000
Payment to refunded bond escrow agent	(22,915,000)	-	-	-	-	(22,915,000)
Interfund transfers in	194,710	19,813	-	-	2,528,414	2,742,937
Interfund transfers out	(2,548,227)	-	-	-	(194,710)	(2,742,937)
Total other financing sources (uses)	(2,353,517)	19,813	-	-	2,333,704	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(1,468,604)	-	14,950	-	1,297,765	(155,889)
Fund balance, beginning of year	10,409,316	-	141,946	644,885	651,358	11,847,505
Fund balance, end of year	\$ 8,940,712	\$ -	\$ 156,896	\$ 644,885	\$ 1,949,123	\$ 11,691,616

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 EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balance	\$	(155,889)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation exceeds capital outlay in the current period is:

Capital outlay	\$ 1,447,139		
Depreciation expense	<u>(2,286,283)</u>		(839,144)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.

Issuance of bonds	(21,120,000)		
Premium on issuance of bonds	(1,666,786)		
Repayment of bond principal	<u>25,095,000</u>		2,308,214

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Other post-employment benefits	(4,205,988)		
Workers' compensation claims payable	39,384		
Accrued interest costs	<u>37,391</u>		<u>(4,129,213)</u>

Net change in net assets - governmental activities	\$	<u>(2,816,032)</u>
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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, 2011

	Scholarship Trust	Agency Funds
ASSETS		
Cash:		
Unrestricted	\$ 33,695	\$ -
Restricted	-	916,883
Total assets	<u>\$ 33,695</u>	<u>\$ 916,883</u>
LIABILITIES		
Due to other funds	\$ -	\$ 105,294
Extraclassroom activity balances	-	95,719
Other liabilities	-	715,870
Total liabilities	<u>-</u>	<u>\$ 916,883</u>
NET ASSETS		
Reserved for:		
Endowment scholarships	<u>33,695</u>	
Total net assets	<u>33,695</u>	
Total liabilities and net assets	<u>\$ 33,695</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, 2011

	Scholarship Trust
ADDITIONS	
Contributions	\$ 1,659
Investments earnings:	
Interest	93
Total additions	1,752
DEDUCTIONS	
Scholarships and awards	2,010
Total deductions	2,010
Change in net assets	(258)
Net assets, beginning of year	33,953
Net assets, end of year	\$ 33,695

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, 2011

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 \$1,541,452 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$374,900.

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

C. Basis of presentation

1. District-wide financial 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 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 and claims and judgments 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 September 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 8 for a detailed disclosure by individual fund for interfund receivables, payables, revenues and expenditures 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 may be 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 as 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 financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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 to 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 other post-employment benefits that will be paid from governmental funds, are reported as a liability in the funds financial statements. 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

In the fund basis statements there are five classifications of fund balance:

1. Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$10,609.
2. Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The District has established the following restricted fund balances:

Capital

According to Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. 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 under Restricted Fund Balance.

Debt Service

According to General Municipal Law §6-l, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of school district property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of school district property or capital improvement.

Employee Benefit Accrued Liability

According to General Municipal Law §6-p, must be used 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.

Unemployment Insurance

According to General Municipal Law §6-m, must be 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 school 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.

Workers' Compensation

According to General Municipal Law §6-j, such amounts must be 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.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

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 school 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. This is accounted for in the General Fund.

Restricted fund balance includes the following:

General Fund:

Capital	\$ 2,817,260
Employee Benefit Accrued Liability	2,049,093
Unemployment Insurance	159,911
Workers' Compensation	572,798
Tax Reduction	347,340
School Lunch Fund	146,287
Debt Service Fund	644,885
Capital Fund	<u>1,949,123</u>
Total restricted funds	<u>\$ 8,686,697</u>

3. Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school district's highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2011.
4. Assigned - Includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. Amounts appropriated for the subsequent year totaling \$660,000 and encumbrances of the General Fund totaling \$291,444 are classified as assigned fund balance in the General Fund.

5. Unassigned - Includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the District.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the school district's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Order of use of fund balance

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

T. New accounting standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable including the following which were effective for the year ended June 30, 2011:

- GASB Statement 51, Accounting and Reporting for Intangible Assets
- GASB Statement 52, Land and Other Real Estate Held as Investments by Endowments
- GASB Statement 53, Accounting and Financial Reporting for Derivative Instruments
- GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN 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 Sheets.

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 four 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 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.

The following supplemental appropriations occurred during the year:

Refunding of bonds payable	<u>\$ 22,915,000</u>
----------------------------	----------------------

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	\$ 17,912,949

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$95,719 in the fiduciary funds.

5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 125,075	\$ -	\$ -	\$ 125,075
Construction-in-progress	<u>651,358</u>	<u>1,297,765</u>	<u>-</u>	<u>1,949,123</u>
Total nondepreciable assets	<u>776,433</u>	<u>1,297,765</u>	<u>-</u>	<u>2,074,198</u>
Capital assets that are depreciated:				
Buildings and building improvements	58,257,228	63,613	-	58,320,841
Furniture and equipment	<u>1,230,093</u>	<u>85,761</u>	<u>-</u>	<u>1,315,854</u>
Total depreciable assets	<u>59,487,321</u>	<u>149,374</u>	<u>-</u>	<u>59,636,695</u>
Less accumulated depreciation:				
Buildings and building improvements	18,936,311	2,230,610	-	21,166,921
Furniture and equipment	<u>928,998</u>	<u>55,673</u>	<u>-</u>	<u>984,671</u>
Total accumulated depreciation	<u>19,865,309</u>	<u>2,286,283</u>	<u>-</u>	<u>22,151,592</u>
Total capital assets, net	<u>\$40,398,445</u>	<u>\$ (839,144)</u>	<u>\$ -</u>	<u>\$39,559,301</u>

Capital asset balances as of July 1, 2010 have been restated to reflect the results of an analysis performed by a third party (see Note 13).

Depreciation expense was charged to governmental functions as follows:

General support	\$ 300,760
Instruction	1,981,394
Pupil transportation	<u>4,129</u>
	<u>\$ 2,286,283</u>

6. 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	\$ 29,660,000	\$ 21,120,000	\$ (25,095,000)	\$ 25,685,000	\$ 2,020,000
Bond issue premium	-	1,795,000	(128,214)	1,666,786	128,214
Workers' compensation claims payable	399,874	-	(39,384)	360,490	-
Other post-employment benefits	8,534,148	4,205,988	-	12,740,136	-
Compensated absences	<u>1,849,848</u>	<u>570,698</u>	<u>-</u>	<u>2,420,546</u>	<u>345,751</u>
Total long-term liabilities	<u>\$ 40,443,870</u>	<u>\$ 27,691,686</u>	<u>\$ (25,262,598)</u>	<u>\$ 42,872,958</u>	<u>\$ 2,493,965</u>

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

On December 1, 2010, the District issued \$21,120,000 in serial bonds with an interest rate of 2.00% increasing to 5.00% to advance refund its outstanding 2002 Serial Bonds of \$7,140,000, 2003 Serial Bonds of \$7,700,000 and 2004 Serial Bonds of \$8,075,000. The net proceeds of which \$24,366,667 (after payment of \$148,523 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the District's financial statements. The bonds were called on December 1, 2010. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$2,195,461.

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

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 6/30/2011
Serial bonds	2002	2011	4.25 - 5.00%	\$ 545,000
Serial bonds	2003	2011	3.125-4.375%	605,000
Serial bonds	2004	2011	3.25-4.25%	645,000
Serial bonds	2004	2022	3.375-4.00%	3,020,000
Serial bonds	2011	2022	2.00 - 5.00%	20,870,000
				<u>\$ 25,685,000</u>

The following is a summary of maturing debt service requirements:

Year Ended June 30,	Principal	Interest	Total
2012	\$ 2,020,000	\$ 2,087,693	\$ 4,107,693
2013	1,900,000	1,053,006	2,953,006
2014	1,985,000	986,625	2,971,625
2015	2,080,000	908,556	2,988,556
2016	2,195,000	808,288	3,003,288
2017-2021	12,635,000	2,511,894	15,146,894
2022	<u>2,870,000</u>	<u>133,450</u>	<u>3,003,450</u>
Totals	<u>\$25,685,000</u>	<u>\$ 8,489,512</u>	<u>\$34,174,512</u>

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

Interest paid	\$ 913,400
Less interest accrued in the prior year	(375,670)
Plus interest accrued in the current year	<u>338,279</u>
Total expense	<u>\$ 876,009</u>

7. 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 New York State Teachers' Retirement Board administers NYSTRS. The System provides 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. NYSTRS 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 NYSTRS, 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. NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244.

The Systems are noncontributory for the employee who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined after January 1, 2010, employees in NYSERS contribute 3% of their salary throughout their active membership and those in NYSTRS contribute 3.5% throughout their active membership. 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. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The District is required to contribute at a rate determined actuarially by the Retirement Systems. The District contributions made to the Systems were equal to 100% of the contributions required for each year. Required contributions for the current and two preceding years were:

<u>Year</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2011	\$2,151,131	\$ 609,446
2010	1,475,208	412,848
2009	1,876,713	370,583

8. INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 576,225	\$ 1,482,681	\$ 194,710	\$ 2,548,227
Special Aid Fund	-	443,709	19,813	-
School Lunch Fund	-	24,460	-	-
Debt Service Fund	-	2,762	-	-
Capital Projects Fund	1,482,681	-	2,528,414	194,710
Fiduciary Funds	-	105,294	-	-
Totals	<u>\$ 2,058,906</u>	<u>\$ 2,058,906</u>	<u>\$ 2,742,937</u>	<u>\$ 2,742,937</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.

9. **OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Plan description and annual OPEB cost

The District provides post-employment (health insurance, life insurance etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions, requires the District to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

Currently, 159 retired employees receive health benefits from the District. Retirees contribute 0% to 25% for coverage depending on position held, date of hire, years of service, and fiscal year of retirement.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2011, the District recognized \$1,641,535 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of June 30, 2011 which indicates that the total liability for other post-employment benefits is \$65,778,297.

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution (ARC)* of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	For the Year Ended June 30, 2011
Annual required contribution	\$ 6,003,540
Interest on net OPEB obligation	<u>328,565</u>
Annual OPEB cost	6,332,105
Adjustment based on revised actuarial valuation	(484,582)
Contributions made	<u>1,641,535</u>
Increase in net OPEB obligation	4,205,988
Net OPEB obligation – beginning of year, as restated	<u>8,534,148</u>
Net OPEB obligation – end of year	<u>\$ 12,740,136</u>

The District's obligation for post-employment benefits was restated as of June 30, 2010 based on the most recent actuarial valuation performed as of June 30, 2011.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09	\$5,644,287	69.7%	\$ 3,934,133
6/30/10	5,847,523	27.4%	8,534,148
6/30/11	6,332,105	25.9%	12,740,136

Funded status and funding progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$65,778,297 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$65,778,297. The covered payroll (annual payroll of active employees covered by the plan) was \$31,580,347, and the ratio of the UAAL to the covered payroll was 208.3%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions

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

In the June 30, 2011 actuarial valuation, the projected unit actuarial cost method was used. The actuarial assumptions included a 3.85% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after 6 years. Both rates included a 3% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 was 27 years.

10. 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 participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its District property and liability insurance coverage. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events in excess of certain defined limits, and the District has essentially transferred all related risk to the pool.

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:

Claims activity is summarized below:

	<u>Beginning Balance</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
For the fiscal years ended June 30:				
2010	\$375,502	\$399,874	\$375,502	\$399,874
2011	\$399,874	\$360,490	\$399,874	\$360,490

There have been no significant reductions in insurance coverage as compared to the prior year, and there were no settlements in excess of coverage over the last three years.

The District has not purchased any annuity contracts.

11. LEASE COMMITMENTS

The District has entered into seventeen leases for rental of office equipment. The operating lease expense for the year ended June 30, 2011 was \$118,151. Future minimum payments are as follows:

Fiscal year ended June 30,	
2012	\$ 46,938
2013	7,466
2014	3,352
2015	<u>1,117</u>
	<u>\$ 58,873</u>

12. 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 September 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 Mellon, 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 September 15, 2024 semi-annual payment.

13. PRIOR PERIOD ADJUSTMENT

Net assets in the District-wide financial statements have been restated as of July 1, 2010 to give effect to adjustments to the District's net OPEB obligation and capital assets based upon recent analyses performed by third parties as follows:

Balance as of July 1, 2010, as reported	\$ 15,414,999
Add: adjustment to net OPEB obligation	4,245,759
Less: adjustment to reported capital assets, net	<u>(6,384,500)</u>
Balance as of July 1, 2010, as restated	<u>\$ 13,276,258</u>

14. SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after the Statement of Net Assets through the date of September 14, 2011, which is the date the financial statements were available to be issued.

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, 2011

	Original Budget	Revised Budget	Actual	Year-end Encumbrances	Variance Favorable (Unfavorable)
REVENUES					
Local sources:					
Real property taxes	\$ 52,045,304	\$ 52,045,304	\$ 49,783,936		\$ (2,261,368)
Other tax items	-	-	2,235,524		2,235,524
Charges for services	120,000	120,000	238,055		118,055
Use of money and property	275,000	275,000	51,105		(223,895)
Miscellaneous	515,794	515,794	319,620		(196,174)
Total local sources	52,956,098	52,956,098	52,628,240		(327,858)
State sources	3,149,892	2,942,652	2,780,393		(162,259)
Federal sources	30,000	237,240	207,240		(30,000)
Total revenues	56,135,990	56,135,990	55,615,873		(520,117)
OTHER FINANCING SOURCES					
Proceeds of refunding bonds	-	21,120,000	21,120,000		-
Premium on bond issuance	-	1,795,000	1,795,000		-
Interfund transfers	-	-	194,710		194,710
Appropriated reserves	660,000	870,707	-		(870,707)
Total revenues and other financing sources	56,795,990	79,921,697	78,725,583		(1,196,114)
EXPENDITURES					
General support:					
Board of Education	35,550	35,550	24,326	\$ -	11,224
Central administration	370,610	370,622	363,897	-	6,725
Finance	823,313	823,442	764,120	266	59,056
Staff	453,294	466,141	368,682	21,471	75,988
Central services	4,970,909	5,063,686	4,531,643	142,373	389,670
Special items	519,133	519,833	508,240	-	11,593
Total general support	7,172,809	7,279,274	6,560,908	164,110	554,256
Instruction:					
Instruction, administration and improvement	2,081,542	2,076,920	1,972,624	3,144	101,152
Teaching - regular school	19,962,123	20,063,629	20,402,141	25,645	(364,157)
Programs for children with handicapping conditions	3,794,125	3,855,705	3,286,501	75,014	494,190
Teaching - special school	24,000	24,000	14,871	-	9,129
Instructional media	1,135,477	1,191,095	1,131,845	2,866	56,384
Pupil services	3,987,770	3,916,777	3,871,956	20,665	24,156
Total instruction	30,985,037	31,128,126	30,679,938	127,334	320,854
Pupil transportation	4,022,374	4,022,374	3,900,089	-	122,285
Community services	1,250	1,250	-	-	1,250
Employee benefits	11,250,305	11,224,260	10,496,625	-	727,635
Debt service:					
Principal	1,930,000	1,930,000	2,180,000	-	(250,000)
Interest	1,409,215	1,396,413	913,400	-	483,013
Total expenditures	56,770,990	56,981,697	54,730,960	291,444	1,959,293
OTHER FINANCING USES					
Payment to refunded bond escrow agent	-	22,915,000	22,915,000	-	-
Interfund transfers	25,000	25,000	2,548,227	-	(2,523,227)
Total expenditures and other financing uses	56,795,990	79,921,697	80,194,187	\$ 291,444	(563,934)
Net change in fund balance	\$ -	\$ -	(1,468,604)		\$ (1,760,048)
Fund balance, beginning of year			10,409,316		
Fund balance, end of year			\$ 8,940,712		

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

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, 2011

Change from adopted budget to revised budget:

Adopted budget	\$ 56,795,990
Add:	
Prior year encumbrances	210,707
Add:	
Refunding of bonds payable	<u>22,915,000</u>
Revised budget	<u>\$ 79,921,697</u>
Next year's budget is a voter-approved budget	<u>\$ 58,420,903</u>

Use of unreserved fund balance:

Unreserved fund balance, beginning of year	\$ 2,511,144
Less:	
Designated fund balance used for levy of taxes - adopted budget	<u>660,000</u>
Undesignated fund balance, beginning of year	<u>\$ 1,851,144</u>

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

SCHEDULE

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING SOURCES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2011**

Project Title	Expenditures				Methods of Financing				Fund Balance June 30, 2011		
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Aid		Local Sources	Total
Bonds (Feb. 6, 2002 proposition) Phase 5											
Reconstruction Old Library Goosehill	\$ 787,779	\$ 879,576	\$ 876,626	\$ 2,950	\$ 879,576	\$ -	\$ 879,576	\$ -	\$ -	\$ 879,576	\$ -
2006/2007 Capital Reserve Interfund Transfers and EXCEL Projects											
Goosehill Roof Replacement	597,080	506,354	502,372	3,982	506,354	-	-	-	506,354	506,354	
West Side Masonry/Windows, Roof	289,572	190,514	194,896	(4,382)	190,514	-	-	151,512	39,002	190,514	
Lloyd Harbor Masonry/Paving/Curbs	329,277	193,919	166,024	27,895	193,919	-	-	172,870	21,049	193,919	
High School Bathrooms/Water Main/Septic	948,720	901,958	582,752	272,994	855,746	46,212	-	311,520	590,438	901,958	46,21
2008/2009 Capital Reserve Projects Interfund Transfers											
Field House Lighting and Painting	-	61,914	49,327	12,587	61,914	-	-	-	61,914	61,914	-
2009/2010 Capital Reserve Interfund Transfers											
Goosehill Roof Boiler Room HVAC	177,000	28,915	-	-	-	28,915	-	-	28,915	28,915	28,91
West Side Art Room/Bathrooms	182,900	130,822	2,445	89,225	91,670	39,152	-	-	130,822	130,822	39,15
Lloyd Harbor Science Wood Trim Exterior	38,000	38,000	-	31,047	31,047	6,953	-	-	38,000	38,000	6,95
High School Roof/Dock/Paving/Bleachers	767,000	977,900	28,783	893,325	922,108	55,792	-	-	977,900	977,900	55,79
High School Catch Basins	14,200	14,200	8,365	(8,365)	-	14,200	-	-	14,200	14,200	14,20
2006 Capital Reserve /EXCEL - Undesignated Projects - Interfund Transfer											
	-	445,630	-	-	-	445,630	-	-	445,630	445,630	445,63
2010/2011 Capital Reserve Interfund Transfers											
Goosehill Roof Top Fans/Ventilation	160,000	160,000	9,873	6,276	16,149	143,851	-	-	160,000	160,000	143,85
Lloyd Harbor Science/Music Rooms/HVAC	550,718	550,718	5,148	24,868	30,036	520,682	-	-	550,718	550,718	520,68
High School Clocks/Doors/Windows	150,000	150,000	-	8,956	8,956	141,044	-	-	150,000	150,000	141,04
2009 Capital Reserve II - Undesignated Projects - Interfund Transfer											
	-	506,692	-	-	-	506,692	-	-	506,692	506,692	506,69
Totals	\$ 4,992,246	\$ 5,737,112	\$ 2,426,611	\$ 1,361,378	\$ 3,787,989	\$ 1,949,123	\$ 879,576	\$ 635,902	\$ 4,221,634	\$ 5,737,112	\$ 1,949,12

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, 2011

	<u>Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
REVENUES			
Real property taxes	A-1001	\$ 49,783,936	\$ 49,783,936
Non-property taxes	AT-1199	-	-
State aid	AT-3999	2,780,393	2,780,393
Federal aid	AT-4999	207,240	207,240
Total revenues and other financing sources	AT-5999	78,725,583	78,725,583
EXPENDITURES			
General support	AT-1999	6,560,908	6,560,908
Pupil transportation	AT-5599	3,900,089	3,900,089
Debt service - principal	AT-9798.6	2,180,000	2,180,000
Debt service - interest	AT-9798.7	913,400	913,400
Total expenditures and other uses	AT-9999	80,194,187	80,194,187

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, 2011

Capital assets, net			\$ 39,559,301
Deduct:			
Short-term portion of bond issue premium, net	\$	128,214	
Long-term portion of bond issue premium, net		1,538,572	
Short-term portion of bonds payable		2,020,000	
Long-term portion of bonds payable		<u>23,665,000</u>	<u>27,351,786</u>
Investment in capital assets, net of related debt			<u>\$ 12,207,515</u>

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

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
FOR THE YEAR ENDED JUNE 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2009	\$ -	\$ 55,661,244	\$ 55,661,244	\$ -	\$ 29,084,185	191.4%
6/30/2010	-	70,643,617	70,643,617	-	30,823,540	229.2%
6/30/2011	-	65,778,297	65,778,297	-	31,580,347	208.3%

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

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
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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, 2011. 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, 2011 on the basis of accounting described in Note 1.

Melville, New York
September 14, 2011

Nawrocki Smith LLP

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	Cash Balances June 30, 2010	Receipts	Disbursements	Cash Balances June 30, 2011
High School:				
Class of 2010	\$ 4,995	\$ -	\$ 4,995	\$ -
Class of 2011	11,944	28,117	29,411	10,650
Class of 2012	1,138	85,688	83,227	3,599
Class of 2013	120	2,273	-	2,393
Class of 2014	-	296	-	296
Amnesty International	960	-	960	-
Animal Rescue Club	-	720	-	720
Aviation Club	2,196	1,960	2,988	1,168
Brainstormers	114	542	650	6
Cheerleaders	180	305	-	485
Cheerleaders (Jr. Varsity)	-	176	-	176
Cooking for a Cause	886	716	550	1,052
Drama Club	871	1	-	872
Environmental Club	1,329	57	1,069	317
Fashion Club	7,425	1	7,426	-
French Club	774	2,215	2,025	964
Friends of Rachel	215	-	215	-
Gay/Straight Alliance	541	-	-	541
History Club	260	-	-	260
Holocaust Project	79	882	612	349
H.O.P.E. Committee	696	202	-	898
International Club	1,513	-	1,513	-
Jr. High Student Organization	4,179	14,800	10,944	8,035
Jr. High Yearbook	1,505	4,787	1,353	4,939
Kids For Wish Kids	302	1,119	1,416	5
Knitting for the Needy	176	259	-	435
Latin Club	202	-	202	-
Literary Magazine	2,437	3,093	5,442	88
Locks of Love	3,038	3,961	5,706	1,293
Model Congress	1,802	-	1,802	-
Model United Nations	253	4,255	3,901	607
Music Activities	826	-	826	-
Musical Club (Jr. High)	7,364	13,241	13,638	6,967
Musical Club (Sr. High)	3,910	12,856	16,751	15
Musical Club (Stage Crew)	401	-	401	-
Natural Helpers	620	-	220	400
Newspaper	400	516	-	916
Outreach	77	-	15	62
Political Science Club	341	-	1	340
S.A.D.D.	194	497	350	341
S.W.W.A.T.: Other	1,141	1,178	2,075	244
Science Club	176	-	176	-
Speech & Debate Club	3,103	5,045	5,164	2,984
Sr. High Art Club	1,739	11,785	7,677	5,847
Student Booster Club	209	-	-	209
Student Organization	523	9,440	2,495	7,468
Technology Club	4,514	7,245	9,212	2,547
Varsity Club	858	-	543	315
Yearbook	18,594	96,941	88,619	26,916
Total High School	\$ 95,120	\$ 315,169	\$ 314,570	\$ 95,719

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, 2011

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 States of America, and which may be material in amount, are not recognized in the accompanying financial statements.

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Education</u>			
Passed - Through New York State Department of Education:			
Special Education Cluster:			
IDEA, Part B, Section 611, Special Education Grants to States	84.027A	0032 - 0425	\$ 328,677
IDEA, Part B, Section 611, ARRA, Special Education Grants to States	84.391A	5032-10-0428	254,459
IDEA, Part B, Section 619, Special Education Preschool Grants	84.173A	0033 - 0425	8,166
IDEA, Part B, Section 619, ARRA, Special Education Preschool Grants	84.392A	5033-10-0428	9,363
			<hr/> 600,665
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021 - 1535	26,673
ESEA, Title II, Part A, Improving Teacher Quality State Grants	84.367A	0147 - 1535	45,609
ESEA, Title IV, Part A, Safe and Drug-Free Schools	84.186A	0180-1545	5,344
State Fiscal Stabilization Fund, ARRA	84.394		207,240
			<hr/> 885,531
<u>U.S. Department of Agriculture</u>			
Passed - Through New York State Office of General Services			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	548
National School Lunch Program	10.555	N/A	38,169
			<hr/> 38,717
TOTAL FEDERAL EXPENDITURES			<hr/> \$ 924,248 <hr/>

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

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the Cold Spring Harbor Central School District (the "District"), an entity as defined in Note 1 to the District's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed-through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. Basis of Accounting

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the financial statements.

3. Indirect Costs

Indirect costs may be included in the reported expenditures to the extent they are included in the federal financial reports used as the source of the data presented.

4. Matching Costs

Matching costs (i.e., the District's share of certain program costs) are not included in the reported expenditures.

5. Major Program Determination

The District has determined that all federal programs with expenditures of \$300,000 or more are Type A Programs for purposes of determining Major Programs.



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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 governmental activities, each major fund and the fiduciary funds of the Cold Spring Harbor Central School District (the "District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 14, 2011. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

Nawrocki Smith LLP

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, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Melville, New York
September 14, 2011

Nawrocki Smith LLP

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the Cold Spring Harbor Central School District's (the "District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's administration. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The administration of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Nawrocki Smith LLP

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Melville, New York
September 14, 2011

Nawrocki Smith LLP

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

A. Summary Of Auditor's Results:

1. The auditors' report expresses an unqualified opinion on the financial statements.
2. No deficiencies or material weaknesses were disclosed during the audit of the financial statements.
3. No instances of noncompliance were disclosed during the audit.
4. No deficiencies or material weaknesses were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs that are required to be reported in accordance with section 510(a) of OMB Circular A-133, were disclosed during the audit.
7. The programs tested as a major program included:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
	<u>U.S. Department of Education-</u>
84.027A	IDEA, Part B, Section 611, Special Education Grants to States
84.173A	IDEA, Part B, Section 619, Special Education Preschool Grants
84.391A	IDEA, Section 611 - ARRA, Special Education Grants to States
84.392A	IDEA, Section 619 - ARRA, Special Education Preschool Grants
84.394	State Fiscal Stabilization Fund, ARRA

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Auditee was determined to be a low-risk auditee.

B. Findings - Financial Statement Audit

None reported.

C. Findings And Questioned Costs - Major Federal Award Programs Audit

None reported.

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Findings - Financial Statement Audit

None reported.

Findings And Questioned Costs - Major Federal Award Programs Audit

None reported.

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2011

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, 2011, as well as the status of recommendations made in connection with prior audits of the financial statements.

CURRENT YEAR RECOMMENDATIONS:

1. **Reporting of inappropriate activities**

In view of the current operating environment of local governments, it is important for the District to provide employees with a confidential procedure for reporting any inappropriate activities which they may observe in the District.

We recommend that the District give consideration to establishing formal procedures for employees to report any inappropriate activities on a strictly confidential basis. In this manner, communication of such activities to the proper authorities is facilitated.

2. **Capital asset physical inventory reconciliation**

During our work performed on capital assets, we noted the District does not reconcile the third party physical inventory report to internal records.

We recommend that the detailed capital asset listings be maintained on a current basis and be periodically reconciled to annual activity and third party physical inventories. In this manner, financial data may be more accurate and internal control over capital assets may be enhanced.

3. **Compensated absences**

We noted that the District has formal procedures to recognize the obligation for compensated absences (both current and long-term), however, this obligation is not tracked on a current basis. In addition, we noted various discrepancies in the calculation of compensated absences.

We recommend that the District update its compensated absence records on a current basis, and establish a procedure to ensure this calculation is being reviewed by someone independent of the preparer. In this manner, accounting for compensated absences may be more accurate.

4. **Confirming purchase orders**

In connection with work performed during "expenditure testing," we noted several instances where purchase orders were dated after the corresponding invoices.

We recommend that controls and procedures be in place to ensure that all purchases are reviewed for accuracy, completeness and agreement with purchase orders and that purchase orders are completed on a timely basis. In this manner, internal control over expenditures may be enhanced.

STATUS OF PRIOR YEAR RECOMMENDATIONS:

1. Recommendation

It was recommended that an administrator who is independent of the Personnel and Payroll Departments review the salary information entered into the Finance Manager System and document this review via signature and date.

Status - We noted that this recommendation has been implemented.

2. Recommendation

We recommended that the Board of Education formally accept the claims audit reports.

Status - We noted that this recommendation has been implemented.

3. Recommendation

We recommended that the Board of Education be provided with more timely Treasurer's reports.

Status - We noted that this recommendation has been implemented.

4. Recommendation

We recommended that policies and procedures be enforced to ensure all employee reimbursements have sufficient documentation to identify the business purpose.

Status - We noted that this recommendation has been implemented.

5. Recommendation

We recommended that formal, documented approval of the Superintendent be obtained prior to entry of budget transfers into the Finance Manager System.

Status - We noted that this recommendation has been implemented.

6. Recommendation

We recommended that the District review and formally close out completed projects and redirect the fund balances as deemed appropriate.

Status - We noted that this recommendation has been implemented.

7. Recommendation

We recommended that the District develop policies and procedures to include the following:

- (1) Performing periodic reviews of the vendor database to ensure consistency and appropriateness of stored data.

- (2) Periodically reviewing any changes or deletions to vendor data listed in the existing vendor master file.
- (3) Limiting the amount of time a vendor can remain in an “active” status but not be used.

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

8. Recommendation

We recommended that the District perform a detailed review of all fund balance reserve accounts and develop policies and procedures to comply with all New York State requirements with respect to balances maintained.

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

9. Recommendation

We 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.