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, 2012

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### INDEPENDENT AUDITOR'S 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, 2012, 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, 2012, 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 August 8, 2012, 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 supplemental 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 supplemental information required by the New York State Education Department. 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.

Nawrocki Smith LLP

Melville, New York August 8, 2012

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012. 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 2.7% as a result of increased real property taxes offset by decreased 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 \$814,445 to the Reserve.
- The Proposed Tax Levy increase approved by the voters in May 2012 was within the tax levy limit as required by Chapter 97, Laws of 2011 Real Property Tax Cap.

### **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 supplemental 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 supplemental 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 Featur	res of the District-Wide and	nd Fund Financial Statements		
	District-Wide		ial Statements	
	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> <li>Statement of Net         Position     </li> <li>Statement of         Activities and         Change in Net         Position     </li> </ul>	<ul> <li>Balance Sheet</li> <li>Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>	<ul> <li>Statement of         Fiduciary Net         Position</li> <li>Statement of         Change in         Fiduciary Net         Position</li> </ul>	
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 Position 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 position* and how it has changed. Net position, 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 position 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 position decreased by 36.0% from the year before to a net position balance of \$6,690,800, as detailed in Tables A-2 and A-3.

The restricted net position balance of \$8,719,654 represents assets that are restricted by external sources, imposed by laws through constitutional provisions or enabling legislation.

As of June 30, 2012, the District has an unrestricted net deficit of \$14,960,725. This deficit is primarily driven by the District's required recognition of its obligation for post-employment benefits which currently totals \$17,286,500. This obligation will continue to grow into the future (see Note 10 to the accompanying financial statements) resulting in a greater unrestricted net deficit.

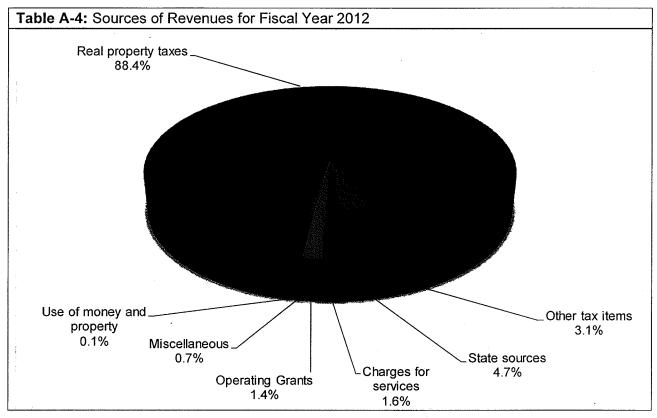
Table A-2: Condensed Statements o	f Net Position - Go	vernmental Activities	3
	6/30/12	<u>6/30/11</u>	% Change
Current and other assets Capital assets, net	\$ 18,400,045 38,135,443	\$ 17,089,425 39,559,301	7.7 (3.6)
Total assets	\$ 56,535,488	\$ 56,648,726	(0.2)
Current liabilities Long-term liabilities	\$ 6,560,138 43,284,550	\$ 5,809,507 40,378,993	12.9 7.2
Total liabilities	\$ 49,844,688	\$ 46,188,500	7.9
Net position:			
Net investment in capital assets	\$ 12,931,871	\$ 12,207,515	5.9
Restricted	8,719,654	8,686,697	0.4
Unrestricted (deficit)	(14,960,725)	(10,433,986)	43.4
Total net position	\$ 6,690,800	\$ 10,460,226	(36.0)

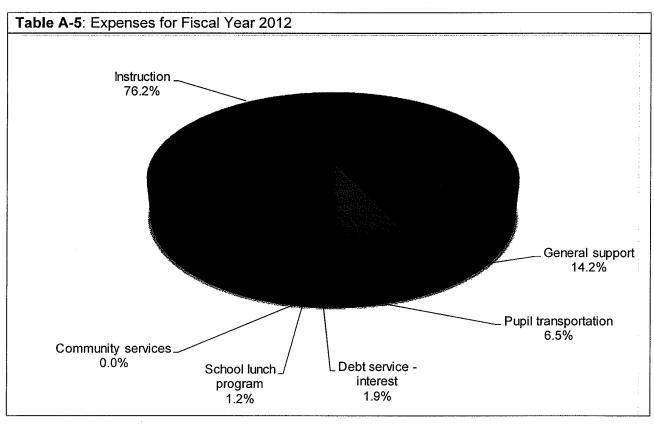
### **Changes in Net Position**

The District's fiscal year 2012 revenues totaled \$59,119,224 (See Table A-3). Property and other taxes and state sources accounted for most of the District's revenue by contributing 91 cents and 5 cents, respectively, of every dollar raised (See Table A-4). The remainder came from other charges for services, operating grants, miscellaneous, and use of money and property.

The District's fiscal year 2012 expenses totaled \$62,888,650 (See Table A-3). These expenses (83 percent) are predominantly related to instruction and transporting students (See Table A-5). The District's administrative and business activities accounted for 14 percent of total costs.

Table A-3: Changes in Net Position from Operating Results - Governmental Activities Only 6/30/12 6/30/11 % Change Revenues Program revenues: Charges for services 7.6 \$ 957,734 890,142 Operating grants 858,090 1,339,472 (35.9)General revenues: Real property taxes 52,264,205 49,783,936 5.0 Other tax items 1,827,962 2,235,524 (18.2)State sources 2,763,441 2,780,393 (0.6)Use of money and property 43,863 51,105 (14.2)Miscellaneous 403,929 462,320 (12.6)Total revenues 59,119,224 57,542,892 2.7 **Expenses** General support 8,901,422 9,093,038 (2.1)Instruction 47,934,872 45,722,134 4.8 Pupil transportation 4,089,036 3.0 3,969,215 Community services 483 100.0 Debt service - interest 1,213,833 876,009 38.6 School lunch program 749,004 698,528 7.2 Total expenses 62,888,650 60,358,924 4.2 Decrease in net position (3,769,426)\$ (2,816,032) 33.9





### **Governmental Activities**

Revenues for the District's governmental activities totaled \$59,119,224 while total expenses were \$62,888,650. Therefore, the decrease in net position for governmental activities was \$3,769,426 in 2012. 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 <u>current financial resources measurement focus</u> and the <u>modified accrual basis of accounting</u>. 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 2012.

### **General Fund Budgetary Highlights**

Reference is made to Supplemental Schedule 1 on page 41 which presents original and revised budget amounts, as well as actual results for the District's General Fund.

- Actual revenues were less than the final budgeted revenues by approximately \$390,000.
- Actual expenditures were approximately \$2,050,000 less than final (excluding interfund transfers) 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 2012, the District had invested \$38,135,443 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.

Table A-6: Capital Assets (net of depre	eciatio	on)		· · · · · · · · · · · · · · · · · · ·	
		6/30/12		<u>6/30/11</u>	% Change
Land	\$	125,075	\$	125,075	0.0
Construction-in-progress		2,902,706		1,949,123	48.9
Buildings and building improvements		34,765,597		37,153,920	(6.4)
Furniture and equipment	4	342,065		331,183	3.3
Totals	\$	38,135,443	\$_	39,559,301	(3.6)

### **Long-Term Debt**

At year-end, the District had \$45,675,658 in general obligation bonds and other long-term debt.

Table A-7: Outstanding Long-Term Deb	t			
Category		6/30/12	<u>6/30/11</u>	% Change
General obligation bonds	\$	23,665,000	\$ 25,685,000	(7.9)
Bond issue premium		1,538,572	1,666,786	(7.7)
Workers' compensation claims payable		323,021	360,490	(10.4)
Other post-employment benefits		17,286,500	12,740,136	35.7
Compensated absences		2,862,565	 2,420,546	18.3
Totals	<u>\$</u>	45,675,658	\$ 42,872,958	6.5

### 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 2013. 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 POSITION JUNE 30, 2012

### **ASSETS**

Current assets: Cash:		
Unrestricted Restricted	\$	10,139,064 6,781,550
Receivables: State and federal aid Taxes		880,257 450,515
Other receivables		459,515 128,496
Inventories		11,163
Total current assets		18,400,045
Noncurrent assets:		
Capital assets, net of accumulated depreciation of \$24,598,020		38,135,443
Total assets	\$	56,535,488
LIABILITIES		
Current liabilities:		
Payables:		
Accounts payable	\$	160,347
Accrued liabilities	,	181,657
Due to other governments		21,449
Accrued interest payable		409,595
Due to fiduciary funds		2,105
Due to teachers' retirement system		2,995,698
Due to employees' retirement system		359,944
Other liabilities		38,235
Long-term liabilities, due within one year:		
Bonds payable		1,900,000
Bond issue premium		128,214
Compensated absences		362,894
Total current liabilities		6,560,138
Noncurrent liabilities: Long-term liabilities, due after one year:		
Bonds payable		21,765,000
Bond issue premium		1,410,358
Compensated absences		2,499,671
Workers' compensation claims payable		323,021
Other post-employment benefits		17,286,500
Total noncurrent liabilities		43,284,550
Total liabilities		49,844,688
NET POSITION		
Net investment in capital assets		12,931,871
Restricted		8,719,654
Unrestricted	H	(14,960,725)
Total net position		6,690,800
Total liabilities and net position	\$	56,535,488

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 POSITION FOR THE YEAR ENDED JUNE 30, 2012

				9			S G	Net (Expense)
				riogiam Revenues	Neveriu Neveriu	25	ž	Revenue and
			<u></u>	Charges for	Ō	Operating	O	Changes in
		Expenses	S	Services		Grants	Ž	Net Position
Functions and programs:								
General support	↔	8,901,422	↔	ı	θ	•	₩	(8.901.422)
Instruction		47,934,872		197,418		760,095		(46,977,359)
Pupil transportation		4,089,036		13,729		53,503		(4.021.804)
Community services		483				, <b>'</b>		(483)
Debt service - interest		1,213,833		ı		ı		(1,213,833)
School lunch program		749,004		746,587		44,492		42,075
Total functions and programs	S	62,888,650	·ω	957,734	ь	858,090		(61,072,826)
General revenues:								
Real property taxes								52,264,205
Other tax items								1.827,962
Use of money and property								43,863
State sources								2,763,441
Miscellaneous								403,929
Total general revenues							i	57,303,400
						-		
Change in net position								(3,769,426)
Total net position, beginning of year								10,460,226
Total net position, end of year							မာ	6,690,800

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, 2012

\$ 10,087,836 5,767,252
501,343 459,515 437,759 127,539
\$ 17,381,244
\$ 153,522
1, 992, 903
2,105
21,378
2,995,698
359,944
1 000
2,862,565
8,566,764
•
5,767,252
930,363
2,116,865
8,814,480
\$ 17,381,244

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 POSITION JUNE 30, 2012

Total Fund Balance - Governmental Funds		\$	11,778,045
Amounts reported for governmental activities in the Statement of Net Position are different due to the following:			
Capital assets less accumulated depreciation are included in the Statement of Net Position:  Capital assets:			
Non-depreciable	\$ 3,027,781		
Depreciable	59,705,682		
Accumulated depreciation	 (24,598,020)		38,135,443
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 Position:  Bonds payable, inclusive of premiums, net of bond issuance costs Workers' compensation claims payable Other post-employment benefits	(25,203,572) (323,021) (17,286,500)		(42,813,093)
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 Position.			(409,595)
Net Position - Governmental Activities		_\$_	6,690,800

# COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2012

DEVENITES	General	Special Aid	School	Debt Service	Capital Projects	Total Governmental Funds
Real property taxes Other tax items Charges for services Use of money and property State sources Federal sources Sales Miscellaneous	\$ 52,264,205 1,827,962 211,147 43,325 2,763,441 785	98,340	\$ - - 538 7,905 36,587 746,587 15,109			\$ 52,264,205 1,827,962 211,147 43,863 2,869,686 751,845 746,587 275,715
Total revenues	57,371,471	812,813	806,726	'	ı	58,991,010
EXPENDITURES General support Instruction Pupil transportation Community services Employee benefits	6,425,305 31,110,657 4,021,506 483 11,646,827	771,263 33,843 - 27,520	433,465			6,858,770 31,881,920 4,055,349 483 11,704,198
Debt service - Principal Interest Cost of sales Capital outlay	2,020,000	1 1 1 1	285,688	1 1 1 1	955,656	2,020,000 1,142,517 285,688 955,656
Total expenditures	56,367,295	832,626	749,004	•	955,656	58,904,581
Excess (deficiency) of revenues over (under) expenditures	1,004,176	(19,813)	57,722	P	(922,656)	86,429
OTHER FINANCING SOURCES (USES) Operating transfers in Operating transfers out	(1,130,408)	19,813			1,110,595	1,130,408
Total other financing sources (uses)	(1,130,408)	19,813	1	1	1,110,595	1
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(126,232)	•	57,722	•	154,939	86,429
Fund balance, beginning of year	8,940,712		156,896	644,885	1,949,123	11,691,616
Fund balance, end of year	\$ 8,814,480	\$	\$ 214,618	\$ 644,885	\$ 2,104,062	\$ 11,778,045

The accompanying notes to financial statements are an integral part of this statement.
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### COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

Net Change in Fund Balance - Governmental Funds		\$ 86,429
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  Depreciation expense	\$ 1,022,570 (2,446,428)	(1,423,858)
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 position.  Premium on issuance of bonds  Repayment of bond principal	128,214 2,020,000	2,148,214
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  Workers' compensation claims payable Accrued interest costs	(4,546,364) 37,469 (71,316)	(4,580,211)
Net Change in Net Position - Governmental Activities		\$ (3,769,426)

### COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS JUNE 30, 2012

		Scholarship Trusts		Agency Funds
ASSETS	***************************************			
Cash: Unrestricted Restricted Due from other funds	\$	33,972 - -	\$	- 789,076 2,105
Total assets		33,972	\$	791,181
LIABILITIES				
Extraclassroom activity balances Other liabilities	\$	<u>-</u>	\$	136,680 654,501
Total liabilities			\$	791,181
NET POSITION				
Restricted: Endowment scholarships		33,972		
Total net position		33,972		
Total liabilities and net position	\$	33,972		

### COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2012

ADDITIONS	olarship rusts
ADDITIONS	
Contributions Investment earnings:	\$ 6,350
Interest	 127
Total additions	 6,477
DEDUCTIONS	
Scholarships and awards	 6,200
Total deductions	 6,200
Change in net position	277
Net position, beginning of year	 33,695
Net position, end of year	\$ 33,972

### COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 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 \$1,539,056 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$423,277.

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

### C. Basis of presentation

### 1. <u>District-wide financial statements</u>

The Statement of Net Position 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:

<u>General Fund</u>: 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.

<u>Special Revenue Funds</u>: 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.

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

<u>Debt Service Fund</u>: 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 1<sup>st</sup> and April 1<sup>st</sup>. This portion of the District's tax levy is collected by the Town of Oyster Bay and remitted to the District.

Uncollected real property taxes have been enforced by the County in which the District is located. Nassau County has paid an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1<sup>st</sup>. With respect to assessment rolls that are finalized in April 2012 and thereafter, the District will now be responsible to pay the costs of judgments, cancellations or credits of taxes for tax revenue received by the District (see Note 13 for further details).

Real property taxes for the Town of Huntington residents are levied annually by the Board no later than November 1<sup>st</sup>, and become a lien on December 1<sup>st</sup>. 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 30<sup>th</sup>, 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 position 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. <u>Interfund transactions</u>

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 Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

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

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

### H. <u>Estimates</u>

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. <u>Cash and investments</u>

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. <u>Accounts receivable</u>

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 position 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:

	•	oitalization oreshold	Depreciation <u>Method</u>	Estimated <u>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, <u>Accounting for Compensated Absences</u>, 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. <u>Accrued liabilities and long-term obligations</u>

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 Position.

### S. <u>Equity classifications</u>

### **District-wide statements**

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

<u>Net investment in capital assets</u>: 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.

<u>Restricted</u>: consists of restricted assets reduced by liabilities and deferred items of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

<u>Unrestricted</u>: Reports all other net position 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:

- 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 \$11,163.
- 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:

### <u>Capital</u>

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.

### **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.

### 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.

### **Debt Service**

According to General Municipal Law §6-I, 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.

### 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.

Restricted fund balance includes the following:

### General Fund:

Capital	\$ 2,521,110
Employee Benefit Accrued Liability	2,099,093
Unemployment Insurance	199,911
Workers' Compensation	599,798
Tax Reduction	347,340
School Lunch Fund	203,455
Debt Service Fund	644,885
Capital Fund	2,104,062
Total restricted funds	\$ 8,719,654

- 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, 2012.
- 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 \$270,363 are classified as assigned fund balance in the General Fund.
- Unassigned Includes all other General Fund net position that does not meet the definition of the above four classifications and is 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.

### 2. <u>EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUNDS STATEMENTS AND DISTRICT-WIDE STATEMENTS</u>

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 position of governmental activities

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

B. <u>Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities</u>

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

### 1. Long-term revenue/expense differences

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

### 2. Capital related differences

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

### 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:

Voter-approved use of Capital Reserve \$ 1,800,000

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. <u>CASH AND CASH EQUIVALENTS - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS</u>

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

\$ 18,876,991

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 \$6,781,550 in the governmental funds and \$789,076 in the fiduciary funds.

### 5. <u>CAPITAL ASSETS</u>

Capital asset balances and activity for the year ended June 30, 2012 were as follows:

Governmental activities:		Beginning <u>Balance</u>		Additions	Reclassifications			Ending <u>Balance</u>		
Capital assets not depreciated:										
Land	\$	125,075	\$	-	\$	-	\$	125,075		
Construction-in-progress		1,949,123		953,583				2,902,706		
Total nondepreciable assets		2,074,198		953,583		<del>-</del>		3,027,781		
Capital assets that are depreciated: Buildings and building										
improvements		58,320,841		2,073		-		58,322,914		
Furniture and equipment		1,315,854		66,914				1,382,768		
Total depreciable assets		59,636,695		68,987				59,705,682		
Less accumulated depreciation: Buildings and building										
improvements		21,166,921		2,390,396		-		23,557,317		
Furniture and equipment		984,671		56,032		<del></del> .		1,040,703		
Total accumulated depreciation		22,151,592		2,446,428		<u>-</u>		24,598,020		
Total capital assets, net	\$	39,559,301	\$	(1,423,858)	\$	-	\$	38,135,443		
Depreciation expense was charged to g	jove	rnmental fund	ction	s as follows:						
General support	\$	283,625						•		
Instruction		2,158,274								
Pupil transportation		4,529								
	\$	2,446,428								

### 6. SHORT-TERM DEBT OBLIGATIONS

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

	Beginning Balance Issued			Redeemed			Ending Balance		
TAN matured at 6/28/12 at 2.00%	\$ -	\$	8,200,000	\$	8,200,000	\$	-		
Interest on short-term debt for the year was comprised of:									
Interest paid		\$	14,954						
Less interest accrued in the prior year			-						
Plus interest accrued in the curre	ent year		-				•		
Interest paid		\$	14,954						

### 7. LONG-TERM DEBT OBLIGATIONS

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

Beginning Balance		Additions	F	Reductions	Ending Balance	E	Amounts Due Within One Year
\$ 25,685,000	\$	-	\$	2,020,000	\$ 23,665,000	\$	1,900,000
1,666,786		-		128,214	1,538,572		128,214
360,490		-		37,469	323,021		-
12,740,136		6,412,322		1,865,958	17,286,500		-
2,420,546		787,770		345,751	2,862,565		362,894
\$ 42,872,958	_\$_	7,200,092	_\$_	4,397,392	\$ 45,675,658	\$	2,391,108
	\$ 25,685,000 1,666,786 360,490 12,740,136 2,420,546	\$ 25,685,000 \$ 1,666,786 \$ 360,490 \$ 12,740,136 2,420,546	Balance       Additions         \$ 25,685,000       \$ -         1,666,786       -         360,490       -         12,740,136       6,412,322         2,420,546       787,770	Balance       Additions       F         \$ 25,685,000       \$ -       \$         1,666,786       -       -         360,490       -       -         12,740,136       6,412,322       -         2,420,546       787,770       -	Balance         Additions         Reductions           \$ 25,685,000         \$ -         \$ 2,020,000           1,666,786         -         128,214           360,490         -         37,469           12,740,136         6,412,322         1,865,958           2,420,546         787,770         345,751	Balance         Additions         Reductions         Balance           \$ 25,685,000         \$ -         \$ 2,020,000         \$ 23,665,000           1,666,786         -         128,214         1,538,572           360,490         -         37,469         323,021           12,740,136         6,412,322         1,865,958         17,286,500           2,420,546         787,770         345,751         2,862,565	Beginning Balance         Additions         Reductions         Ending Balance         Ending Balance           \$ 25,685,000         \$ -         \$ 2,020,000         \$ 23,665,000         \$ 1,666,786         -         128,214         1,538,572           360,490         -         37,469         323,021         323

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 \$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 6/30/12
Serial bonds Refunding serial bonds	2004 2011	2022 2022	3.375 - 4.00% 2.00 - 5.00%	\$ 2,800,000 20,865,000
				\$ 23,665,000

The following is a summary of maturing debt service requirements:

	<u>Principal</u>	Interest	Total
<u>June 30,</u>			
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	2,300,000	711,181	3,011,181
2018-2022	13,205,000	1,834,163_	15,039,163
	\$ 23,665,000	\$ 6,301,819	\$ 29,966,819

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

Interest paid	\$ 1,127,563
Less interest accrued in the prior year	(338,279)
Plus interest accrued in the current year	 409,595
Total interest expense	\$ 1,198,879

#### 8. PENSION PLANS

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

The 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:

Year		NYSTRS	N	IYSERS
2012	\$	2,802,621	\$	881,818
2011	•	2,151,131	•	609,446
2010		1,475,208		412,848

#### 9. INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

	Inte	rfund	Inter	fund
	Receivable	<u>Payable</u>	Revenues	<b>Expenditures</b>
General Fund	\$ 437,759	\$ 1,995,008	\$ -	\$ 1,130,408
Special Aid Fund	-	420,067	19,813	-
School Lunch Fund	-	15,225	-	- '
Debt Service Fund	-	2,467	-	-
Capital Projects Fund	1,992,903	-	1,110,595	-
Fiduciary Funds	2,105		_	
Totals	\$ 2,432,767	\$ 2,432,767	\$ 1,130,408	\$ 1,130,408

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

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

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

#### 10. 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 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, 2012, the District recognized \$1,865,958 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, 2012
Annual required contribution Interest on net OPEB obligation	\$ 6,645,231 490,495
Annual OPEB cost Adjustment based on revised actuarial valuation Contributions made	7,135,726 (723,404) 1,865,958
Increase in net OPEB obligation Net OPEB obligation, beginning of year	4,546,364 12,740,136
Net OPEB obligation, end of year	\$ 17,286,500

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, 2012 and the two preceding years were as follows:

			Percentage of Annual OPEB Cost	Net OPEB
Fiscal Year Ended	<u>Annu</u>	al OPEB Cost	<b>Contributed</b>	<u>Obligation</u>
06/30/10	\$	5,847,523	27.4%	\$ 8,534,148
06/30/11	\$	6,332,105	25.9%	\$ 12,740,136
06/30/12	\$	7,135,726	26.1%	\$ 17,286,500

#### 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 \$30,807,445 and the ratio of the UAAL to the covered payroll was 213.5%. 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, 2012 was 26 years.

#### 11. RISK MANAGEMENT

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

The District 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:

		rrent Year aims and			
	eginning Balance	nanges in stimates	P	Claim ayments	alance at nd of Year
Incurred but not reported for the fiscal years ended June 30:					
2011	\$ 399,874	\$ 360,490	\$	399,874	\$ 360,490
2012	\$ 360,490	\$ 323,021	\$	360,490	\$ 323,021

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.

#### 12. LEASE COMMITMENTS

The District has entered into seventeen leases for rental of office equipment. The operating lease expense for the year ended June 30, 2012 was \$117,557. Future minimum payments are as follows:

Fiscal year ended June 30,	
2013	\$ 93,835
2014	89,720
2015	89,720
2016	 89,720
	\$ 362,995

#### 13. CONTINGENCIES AND COMMITMENTS

#### Government grants

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

#### Library indebtedness

On 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.

#### Tax certiorari

On October 29, 2010, the Nassau County Legislature repealed the "County Guarantee" provision of the Nassau County Administrative Code which required the County to pay the costs of judgments, cancellations or credits of taxes for tax revenue received by towns, special districts and school districts. The effective date of such legislature shall be with respect to assessment rolls that are finalized in April 2012 and thereafter. As such, the District will now be responsible for the costs of judgments, cancellations or credits of taxes for tax revenue. Tax certiorari proceedings shall now be reflected in the District's financial statements at such time amounts can reasonably be determined by court decisions, judgments or other variables. There were no material liabilities determined as of June 30, 2012. While the extent of the District's prospective obligation cannot be determined at this time, this legislation will have a negative impact on future operating results of the District.

#### 14. NEW ACCOUNTING STANDARDS

GASB has issued Statement No. 62, <u>Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements</u>, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

- A. Financial Accounting Standards Board ("FASB") Statements and Interpretations
- B. Accounting Principles Board Opinions
- C. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures

The District adopted the provisions of this Statement during the year ended June 30, 2012.

GASB has issued Statement No. 63, <u>Financial Reporting of Deferred Outflows of Resources</u>, <u>Deferred Inflows of Resources</u>, <u>and Net Position</u>, which provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The District adopted the provisions of this Statement during the year ended June 30, 2012.

GASB has issued Statement No. 66, <u>Technical Corrections</u> (effective for periods beginning after December 15, 2012), which resolves conflicting guidance that resulted from the issuance of two recent pronouncements; GASB Statement No. 54, <u>Fund Balance Reporting and Governmental Fund Type Definitions</u>, and GASB Statement No. 62, <u>Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements</u>. The District is currently studying the Statement and plans on adoption when required, which will be for the June 30, 2014 financial statements.

GASB has issued Statement No. 68, <u>Accounting and Reporting for Pension Plans</u>, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The District is currently studying the Statement and plans on adoption when required, which will be for the June 30, 2015 financial statements.

#### 15. SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after the Statement of Net Position through the date of August 8, 2012, which is the date the financial statements were available to be issued, noting no matters requiring further consideration.

## 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, 2012

	FOR	CIHE YEAR E	NDEL	JUNE 30, 201	<u>2</u>					
		Adopted Budget		Final Budget		Actual		rear-end	F	/ariance avorable favorable)
REVENUES										
Local sources:										
Real property taxes Other tax items	\$	54,091,985 -	\$	54,091,985 -	\$	52,264,205 1,827,962			\$	(1,827,780) 1,827,962
Charges for services		164,000		164,000		211,147				47,147
Use of money and property		125,000		125,000		43,325				(81,675)
Miscellaneous		568,423		568,423		260,606				(307,817)
Total local sources		54,949,408		54,949,408		54,607,245				(342,163)
State sources		2,790,495		2,790,495		2,763,441				(27,054)
Federal sources		21,000		21,000		785				(20,215)
Total revenues		57,760,903		57,760,903		57,371,471	•			(389,432)
OTHER FINANCING SOURCES										
Appropriated reserves		660,000		2,751,444		-				(2,751,444)
Total revenues and other financian assures		50,400,000		00 540 047		57.074.474				
Total revenues and other financing sources		58,420,903		60,512,347		57,371,471				(3,140,876)
EXPENDITURES										
General support:										
Board of Education		36,175		33,940		19,153	\$	-		14,787
Central administration		370,563		369,038		359,317		-		9,721
Finance		832,783		847,233		797,407		195		49,631
Staff		499,830		521,206		318,516		19,709		182,981
Central services		4,913,151		5,055,244		4,465,350		106,137		483,757
Special items		536,226		536,226		465,562		-		70,664
Total general support	-	7,188,728		7,362,887		6,425,305		126,041		811,541
Instruction:										
Instruction, administration and improvement		2,068,229		2,086,712		2,089,251		592		(3,131)
Teaching - regular school		19,882,798		19,898,051		20,160,805		19,950		(282,704)
Programs for children with handicapping conditions		3,808,050		3,883,966		3,665,658		98,040		120,268
Teaching - special school		25,000		25,000		17,774		-		7,226
Instructional media		1,134,816		1,139,176		1,122,485		1,795		14,896
Pupil services		4,109,792		4,126,307		4,054,684		17,613		54,010
Total instruction		31,028,685		31,159,212		31,110,657		137,990		(89,435)
Pupil transportation		4,130,987		4,131,732		4,021,506		-		110,226
Community services		1,250		1,250		483		-		767
Employee benefits		12,738,690		12,733,690		11,646,827		6,332		1,080,531
Debt service:										
Principal		2,020,000		2,020,000		2,020,000		-		-
Interest		1,287,563		1,278,576		1,142,517		-		136,059
Total expenditures		58,395,903		58,687,347		56,367,295		270,363		2,049,689
OTHER FINANCING USES										
Interfund transfers		25,000		1,825,000		1,130,408		_		694,592
Total expenditures and other financing uses		58,420,903		60,512,347		57,497,703	\$	270,363		2,744,281
Net change in fund balance	\$	*	\$	. *		(126,232)			\$	(396,595)
Fund balance, beginning of year						8,940,712				
Fund balance, end of year					<u>\$</u>	8,814,480				

# COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET AND USE OF UNASSIGNED FUND BALANCE - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2012

#### Change from adopted budget to revised budget:

Adopted budget	\$	58,420,903
Add: Prior year's encumbrances		291,444
Add: Voter-approved use of Capital Reserve		1,800,000
Revised budget	_\$_	60,512,347
Next year's budget is a voter-approved budget	\$	59,680,659
Use of unassigned fund balance:		
Unassigned fund balance, beginning of year	\$	2,994,310
Less: Designated fund balance used for levy of taxes - adopted budget		660,000
Unassigned fund balance, beginning of year	<u>\$</u>	2,334,310

# COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT SCHEDULE OF PROJECT EXPENDITURES AND FINANCING SOURCES - CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2012

				Expenditures				Methods	Methods of Financing		
Project Title	Original Appropriation	Original Revised Appropriation Appropriation	Prior Years	Current	Total	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	Total	Fund Balance June 30, 2012
2006/2007 Capital Reserve Interfund Transfers and EXCEL Projects											
Goosehill Roof Replacement	\$ 597,080	\$ 506,354	\$ 506,354	,	\$ 506,354	, 49	· •	, 69	\$ 506,354	\$ 506,354	69
West Side Masonry/Windows, Roof	289,572	190,514	190,514	•	190,514	•	•	151,512	39,002	190,514	•
Lloyd Harbor Masonry/Paving/Curbs	329,277	193,919	193,919	•	193,919	•	•	172,870	21,049	193,919	
High School Bathrooms/Water Main/Septic	901,520	946,959	871,156	7,285	878,441	68,518	•	311,520	635,439	946,959	68,518
High School Guard Booth	47,200		•	•	. 1	•	•	. '		. 1	. <b>'</b>
High School Multi-Stall Bathrooms	•	223,453	,	9,724	9,724	213,729			223,453	223,453	213,729
Unassigned Contingency Appropriation	268,892	•	•	•		•		•	•	•	
2008/2009 Capital Reserve Projects Interfund Transfers											
Field House Lighting and Painting	1	61,914	61,914	•	61,914	•		•	61,914	61,914	•
2009/2010 Capital Reserve Interfund Transfers											
Goosehill Roof Boiler Room HVAC	177,000	29,788	9,873	•	9,873	19,915		•	29.788	29.788	19.915
West Side Art Room/Bathrooms	182,900	115,587	91,670	13,683	105,353	10,234			115,587	115,587	10,234
Lloyd Harbor Science Wood Trim Exterior	•	38,000	36,195	1,675	37,870	130	•	•	38,000	38,000	130
High School Roof/Dock/Paving/Bleachers	767,000	993,135	907,907	82,390	990,297	2,838	•	•	993,135	993,135	2,838
High School Catch Basins	•	14,200	14,200	•	14,200		•	•	14,200	14,200	•
Unassigned Contingency Appropriation	191,810	•	•		•	•	•	•	•	•	•
2010/2011 Capital Reserve Interfund Transfers											
Goosehill Roof Top Fans/Ventilation	r	160,000	6,277	55,809	62,086	97,914	1	•	160,000	160,000	97,914
Lloyd Harbor Science/Music Rooms/HVAC	431,290	550,718	24,888	458,132	483,020	62,698	1	1	550,718	550,718	67,698
High School Glocks/Doors/Windows	•	159,000	8,956	143,236	152,192	6,808	•	•	159,000	159,000	808'9
2011/2012 Capital Reserve Interfund Transfers											
High School Roof and Tennis Courts	427,160	651,834	•	17,439	17,439	634,395	1		651,834	651,834	634,395
Lloyd Harbor Heating and Cooling Systems	257,970	528,502	•	17,954	17,954	510,548	•		528,502	528,502	510,548
West Side Heating and Cooling Sys/Masonry	965,970	444,434	•	39,125	39,125	405,309	ļ	•	444,434	444,434	405,309
District-Wide Wireless Project	148,900	175,230		109,204	109,204	66,026		•	175,230	175,230	66,026
Totals	\$ 5,983,541	\$ 5,983,541	\$ 2,923,823	\$ 955,656	\$ 3,879,479	\$ 2,104,062	69	\$ 635,902	\$ 5,347,639	\$ 5,983,541	\$ 2,104,062

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

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## 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, 2012

	Code	ST-3 Amount	Audited Amount	
REVENUES				
Real property taxes	A-1001	\$ 52,264,205	\$	52,264,205
Non-property taxes	AT-1199	-		-
State aid	AT-3999	2,763,441		2,763,441
Federal aid	AT-4999	785		785
Total revenues	AT-5999	57,371,471		57,371,471
EXPENDITURES				
General support	AT-1999	6,425,305		6,425,305
Pupil transportation	AT-5599	4,021,506		4,021,506
Debt service - principal	AT-9798.6	2,020,000		2,020,000
Debt service - interest	AT-9798.7	1,142,517		1,142,517
Total expenditures	AT-9999	57,497,703		57,497,703

## COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR ENDED JUNE 30, 2012

Capital assets, net		\$ 38,135,443
Deduct:		
Short-term portion bond issue premium, net	\$ 128,214	
Long-term portion bond issue premium, net	1,410,358	
Short-term portion of bonds payable	1,900,000	
Long-term portion of bonds payable	21,765,000	 25,203,572
Net investment in capital assets		\$ 12,931,871

## COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN FOR THE YEAR ENDED JUNE 30, 2012

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)
6/30/09	\$ -	\$ 55,661,244	\$ 55,661,244	0%	\$ 29,084,185	191.4%
6/30/10	· _	70,643,617	70,643,617	0%	30,823,540	229.2%
6/30/11	-	65,778,297	65,778,297	0%	30,807,495	213.5%

## COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT EXTRACLASSROOM ACTIVITY FUNDS TABLE OF CONTENTS

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## INDEPENDENT AUDITOR'S 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, 2012. 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, 2012 on the basis of accounting described in Note 1.

Naurocki Smith LLP

Melville, New York August 8, 2012

## COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT EXTRACLASSROOM ACTIVITY FUNDS STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED JUNE 30, 2012

	Cash Balances uly 1, 2011	Receipts	Dis	bursements	Cash Balances June 30, 2012
High School:		 •			
Class of 2011	\$ 10,652.01	\$ 9,302.91	\$	19,954.92	\$ -
Class of 2012	3,598.98	30,684.65		27,504.44	6,779.19
Class of 2013	2,392.83	32,748.79		31,464.61	3,677.01
Class of 2014	296.00	2,094.00		1,264.54	1,125.46
Class of 2015	_	914.00		· -	914.00
Amnesty International	_	6,083.75		_	6,083.75
Animal Rescue Club	720.07	-		720.07	, -
Aviation Club	2,670.20	3,414.33		2,868.95	3,215.58
Brainstormers	5.75	, _		, <u>-</u>	5.75
Cheerleaders	485.92	1,318.00		1,700.00	103.92
Cheerleaders (Jr. Varsity)	_	_			
Cooking for a Cause	1,052.17	-		1,052.17	_
Drama Club	871.53	_		-	871.53
Environmental Club	1,317.93	0.64		212.50	1,106.07
Fashion Club	-	2,487.48		1,789.49	697.99
French Club	964.13	9,329.28		9,176.44	1,116.97
Gay/Straight Alliance	540.90	-,		_	540.90
History Club	260.47	-		-	260.47
Holocaust Project	349.46	1,442.50		323.70	1,468.26
H.O.P.E. Committee	1,921.94	1,024.49		2,946.43	•
International Club	, -	1,770.61		799.92	970.69
Jr. High Student Organization	8,057.57	10,673.90		10,901.67	7,829.80
Jr. High Yearbook	5,940.37	8,037.73		8,444.43	5,533.67
Kids For Wish Kids	5.00	· -		5.00	
Knitting for the Needy	434.12	_		434.12	-
Literary Magazine	87.84	1,546.73		1,051.49	583.08
Locks of Love	3,296.00	5,370.73		6,267.19	2,399.54
Model United Nations	606.83	5,992.26		6,586.70	12.39
Musical Club (Jr. High)	13,479.61	19,665.20		19,485.39	13,659.42
Musical Club (Sr. High)	15.06	13,433.16		12,317.00	1,131.22
National Honor Society	0.40	-		-	0.40
Natural Helpers	399.95	62.58		134.00	328.53
Newspaper	915.78	-		-	915.78
Outreach	62.03	-		-	62.03
Political Science Club	340.09	-		-	340.09
S.A.D.D.	340.15	-		200.00	140.15
S.W.W.A.T.: Other	243.65	123.15		98.47	268.33
Science Club	-	176.01		-	176.01
Spanish Club	2,992.42	2.00		0.05	2,994.37
Speech & Debate Club	10,639.85	17,456.18		16,365.93	11,730.10
Sr. High Art Club	6,848.51	597.37		7,267.65	178.23
Student Booster Club	209.25	-		-	209.25
Student Organization	25,041.43	40,187.15		36,103.08	29,125.50
Technology Club	6,942.58	4,151.35		3,905.64	7,188.29
Thespian Society	-	35.00		_	35.00
Varsity Club	314.79	-		-	314.79
Yearbook	 26,937.42	 87,420.05		91,771.43	22,586.04
	 142,250.99	\$ 317,545.98	\$	323,117.42	\$ 136,679.55

# COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT EXTRACLASSROOM ACTIVITY FUNDS NOTE TO FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

#### **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, 2012

Federal Grantor/ Pass - Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Education			
Passed - Through New York State Department of Education			
Special Education Cluster:			
IDEA, Part B, Section 611, Special Education Grants to States	84.027A	0032-11-0905	\$ 199
IDEA, Part B, Section 611, Special Education Grants to States	84.027A	0032-12-0905	433,159
IDEA, Section 611 - ARRA, Special Education Grants to States	84.391A	5032-11-0905	30,527
IDEA, Part B, Section 619, Special Education Preschool Grants	84.173A	0033-12-0905	8,054
IDEA, Section 619 - ARRA, Special Education Preschool Grants	84.392A	5033-11-0905	622
			472,561
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021-11-3075	3,930
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021-12-3075	33,034
ESEA, Title IV, Part A, Safe and Drug-Free Schools	84.186A	0180-11-3075	1,173
ESEA, Title II, Part A, Training	84.367A	0147-11-3075	3,052
ESEA, Title II, Part A, Training	84.367A	0147-12-3075	24,701
Education Jobs Fund, ARRA	84.410	5400-12-3075	176,022
			714,473
U.S. Department of Agriculture			
Passed-Through New York State Office of General Services			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	342
National School Lunch Program	10.555	N/A	36,245
			36,587
TOTAL FEDERAL EXPENDITURES			\$ 751,060

### 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. <u>Indirect Costs</u>

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.



# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 8, 2012. 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

The administration of the District is responsible for establishing and maintaining effective 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.

#### Nawrocki Smith LLP

#### **Compliance And Other Matters**

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

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.

Nawrocki Smith LLP

Melville, New York August 8, 2012



CERTIFIED PUBLIC ACCOUNTANTS

# INDEPENDENT AUDITOR'S 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 could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. 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, 2012.

#### 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.

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#### 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.

Navrocki Smith LLP

Melville, New York August 8, 2012

## COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

#### A. Summary Of Auditor's Results:

- 1. The auditor's 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 auditor's 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:

CFDA Number	Name of Federal Program
	U.S. Department of Education-
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
84.410	Education Jobs 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, 2012

#### 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, 2012

This section presents a finding and recommendation 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, 2012, as well as the status of recommendations made in connection with prior audits of the financial statements.

#### **CURRENT YEAR RECOMMENDATION:**

#### 1. Accounting and reporting - journal entries

During our review of journal entries, we noted the Assistant Superintendent for Business approves the journal entries, however the date of such approval is not documented on the journal entry form. This situation increases the risk that journal entries are not being approved on a timely basis and potential journal entry errors are not identified in a timely fashion.

We recommend that the Assistant Superintendent for Business document the date of approval on the journal entry request form to ensure that journal entries are approved on a timely basis. In this manner, internal control over the District's journal entry process may be enhanced.

#### STATUS OF PRIOR YEAR RECOMMENDATIONS:

#### 1. Recommendation

We recommended that the District give consideration to establishing formal procedures for employees to report any inappropriate activities on a strictly confidential basis.

Status - We noted that this recommendation has been implemented.

#### 2. Recommendation

We recommended that the detailed capital asset listings be maintained on a current basis and be periodically reconciled to annual activity and third party physical inventories.

Status - We noted that this recommendation has been implemented.

#### 3. Recommendation

We recommended 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.

Status - We noted that this recommendation has been implemented.

#### 4. Recommendation

We recommended 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.

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

#### 5. 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.

<u>Status</u> - We noted that this recommendation has been implemented.

#### 6. 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.

<u>Status</u> - We noted that this recommendation has been implemented.

#### 7. 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.