

FARMINGDALE UNION FREE SCHOOL DISTRICT
TOWNS OF OYSTER BAY AND BABYLON, NEW YORK
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
IN CONNECTION WITH OMB CIRCULAR A-133
FOR THE YEAR ENDED JUNE 30, 2014

FARMINGDALE UNION FREE SCHOOL DISTRICT
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Farmingdale Union Free School District
Towns of Oyster Bay and Babylon, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Farmingdale Union Free School District (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and fiduciary funds of the Farmingdale Union Free School District, as of June 30, 2014, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress for the retiree health plan, on pages 3-13, 45 and 46 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the New York State Education Department. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2014, 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* in considering the District's internal control over financial reporting and compliance.

Melville, New York
September 3, 2014

Nawrocki Smith LLP

FARMINGDALE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The following is a discussion and analysis of the Farmingdale Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2014. 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

- The District showed a negative change in fund balance in the General Fund with expenditures exceeding revenues in the amount of \$1,814,327. This is largely due to an increase in the required contribution to the Teachers' Retirement System (an increase of \$2,746,570 from 2013), while continuing to be held to the State's property tax levy limit, which restricts tax levy increases to the CPI, or 1.46% for the 2013/14 school year.
- The District has assigned \$7,500,000 of fund balance to reduce the ensuing year's tax levy.
- The District has fully funded the unappropriated reserve in the amount of \$6,259,865.
- The District utilized \$3,428,636 worth of restricted ("reserved") fund balance in the General Fund, during the current year. Utilization of restricted fund balance was for safety related projects throughout the District, the amortization of debt service payments resulting from the refinancing of the District's bonds in prior years, payment of unused sick and vacation days for retirees, and the liquidation of the Tax Certiorari Reserve. At year end, the District was able to fund these various reserved fund balances in the amount of \$192,291. This was due in large part to the District liquidating \$2,150,000 (based on statutory requirements) from the Tax Certiorari Reserve.
- In connection with the implementation of GASB Statement 45 regarding post-employment benefits other than pensions, the District obtained an actuarial valuation report which resulted in an identification of an unfunded actuarial accrued liability for such benefits of approximately \$189 million. It should be noted that New York State has not authorized a reserve that would allow school districts the ability to account for this liability.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two financial statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining financial 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 financial statements.
 - The *governmental funds financial 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.

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

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

Table A-1: Major Features of the District-Wide and Fund Financial Statements			
	District-Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as instruction, special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activity monies
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities and Changes in Net Position 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
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/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any), 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 Financial Statements

The District-wide financial 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, deferred outflows of resources, liabilities and deferred inflows of resources. 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 financial statements report the District's *net position* and how it has changed. Net position - the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources - 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 financial 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 financial statements, reconciliations of the District-wide and governmental funds financial 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 6.2% as detailed in Tables A-2 and A-3. The District maintains a strong financial position with assets exceeding liabilities and deferred inflows of resources by \$48,577,523.

The restricted net position balance of \$28,683,684 represents the District's reserves for capital projects, debt service, employee benefit accrued liability, unemployment insurance, workers' compensation, insurance and retirement contribution. These assets (or deferred outflows of resources) are restricted by external sources, imposed by laws through constitutional provisions or enabling legislation.

Liabilities and deferred inflows of resources increased by \$4,686,136 or 6.0% from the year before, which is primarily related to the increase in retirement system liabilities.

	<u>6/30/13</u>	<u>6/30/14</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 66,886,942	\$ 66,198,938	\$ (688,004)	(1.0)
Capital assets, net	<u>62,890,112</u>	<u>65,040,937</u>	<u>2,150,825</u>	3.4
Total assets	<u>\$ 129,777,054</u>	<u>\$ 131,239,875</u>	<u>\$ 1,462,821</u>	1.1
Current liabilities	\$ 15,256,564	\$ 18,931,033	\$ 3,674,469	24.1
Long-term liabilities	<u>61,414,985</u>	<u>62,587,152</u>	<u>1,172,167</u>	1.9
Total liabilities	76,671,549	81,518,185	4,846,636	6.3
Deferred inflows	<u>1,324,667</u>	<u>1,164,167</u>	<u>(160,500)</u>	(12.1)
Total liabilities and deferred inflows	<u>\$ 77,996,216</u>	<u>\$ 82,682,352</u>	<u>\$ 4,686,136</u>	6.0
Net position:				
Net investment in capital assets	\$ 44,035,445	\$ 48,721,770	\$ 4,686,325	10.6
Restricted	31,920,029	28,683,684	(3,236,345)	(10.1)
Unrestricted (deficit)	<u>(24,174,636)</u>	<u>(28,847,931)</u>	<u>(4,673,295)</u>	(19.3)
Total net position	<u>\$ 51,780,838</u>	<u>\$ 48,557,523</u>	<u>\$ (3,223,315)</u>	(6.2)

Changes in Net Position

The District's fiscal year 2014 revenues totaled \$153,326,074 (See Table A-3). Real property taxes and State sources accounted for most of the District's revenue by contributing 65% and 18% respectively, of total revenue (See Table A-4). The remainder came from other tax items, Federal sources (Medicaid), fees charged for services, operating grants, use of money and property and other miscellaneous sources.

- Revenues from real property taxes increased by 2.4% and were within the recently enacted New York State statutes (based on assessment and rate).
- Revenues from miscellaneous sources decreased by 68.1% due to the one time prior year receipt of monies from BOCES related to the overfunding of their Employee Benefit Accrued Liability Reserve in the amount of \$920,459. Revenues from miscellaneous sources also included amounts received from insurance recoveries as a result of a capital project settlement and SuperStorm Sandy related reimbursements.

The District's fiscal year 2014 expenses totaled \$156,549,389 (See Table A-3). Of these expenses (85 percent) are predominantly related to general instruction and caring for and transporting students (See Table A-6).

- Revenues associated with the School Lunch Program totaled \$1,889,312.
- The School Lunch Program operated in a surplus of \$3,331 for the 2013/14 school year.
- State sources increased as a result of more Lottery aid and other state aid payments (homeless aid) during 2013/14.
- Instructional expenses increased as a result of increased instructional salaries and Teachers' Retirement System expenditures.

	<u>6/30/13</u>	<u>6/30/14</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Program revenues:				
Charges for services	\$ 1,840,070	\$ 1,980,293	\$ 140,223	7.6
Operating grants	3,786,332	3,909,354	123,022	3.2
General revenues:				
Real property taxes	97,038,104	99,325,562	2,287,458	2.4
Other tax items	18,891,747	19,479,500	587,753	3.1
Use of money and property	192,841	492,519	299,678	155.4
State sources	25,131,439	26,884,700	1,753,261	7.0
Federal sources - Medicaid	225,721	180,016	(45,705)	(20.2)
Miscellaneous	3,368,141	1,074,130	(2,294,011)	(68.1)
Total revenues	<u>150,474,395</u>	<u>153,326,074</u>	<u>2,851,679</u>	1.9
Expenses				
General support	20,503,942	21,003,899	499,957	2.4
Instruction	119,848,023	125,612,786	5,764,763	4.8
Pupil transportation	7,710,593	7,535,343	(175,250)	(2.3)
Community services	6,975	6,975	-	-
Debt service - interest	652,060	504,405	(147,655)	(22.6)
School lunch program	1,931,575	1,885,981	(45,594)	(2.4)
Total expenses	<u>150,653,168</u>	<u>156,549,389</u>	<u>5,896,221</u>	3.9
Decrease in net position	<u>\$ (178,773)</u>	<u>\$ (3,223,315)</u>	<u>\$ (3,044,542)</u>	(1,703.0)

Table A-4: Sources of Revenues for Fiscal Year 2014

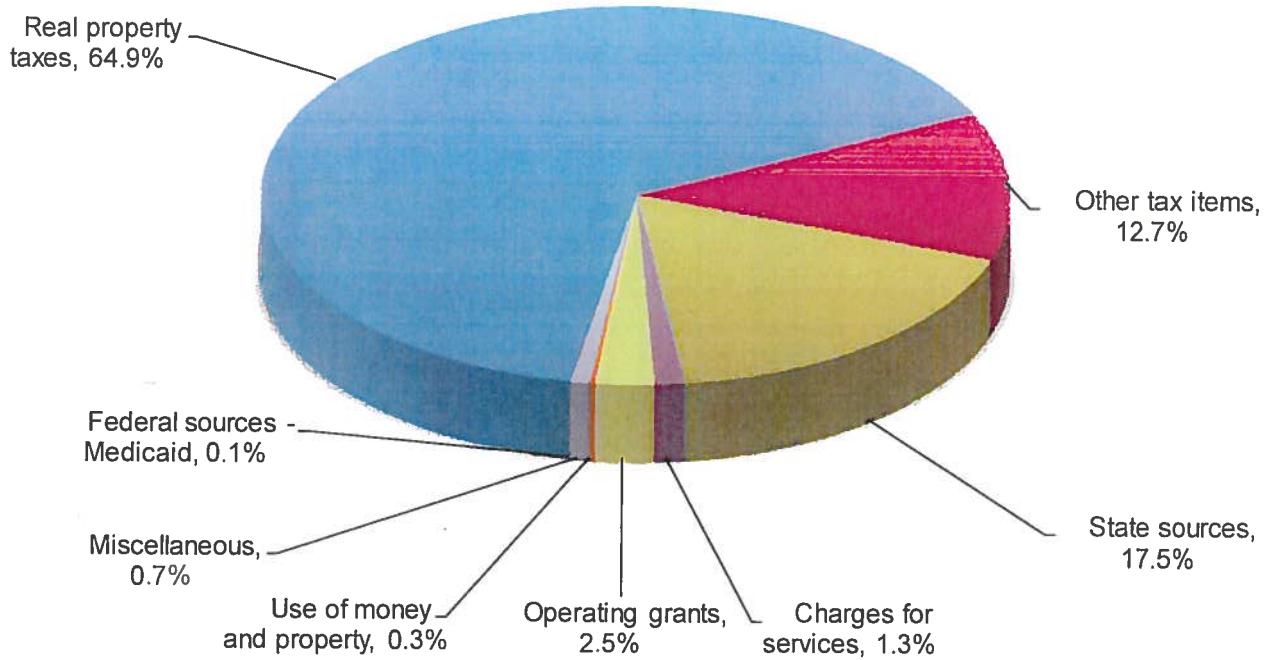


Table A-5: Sources of Revenues for Fiscal Year 2013

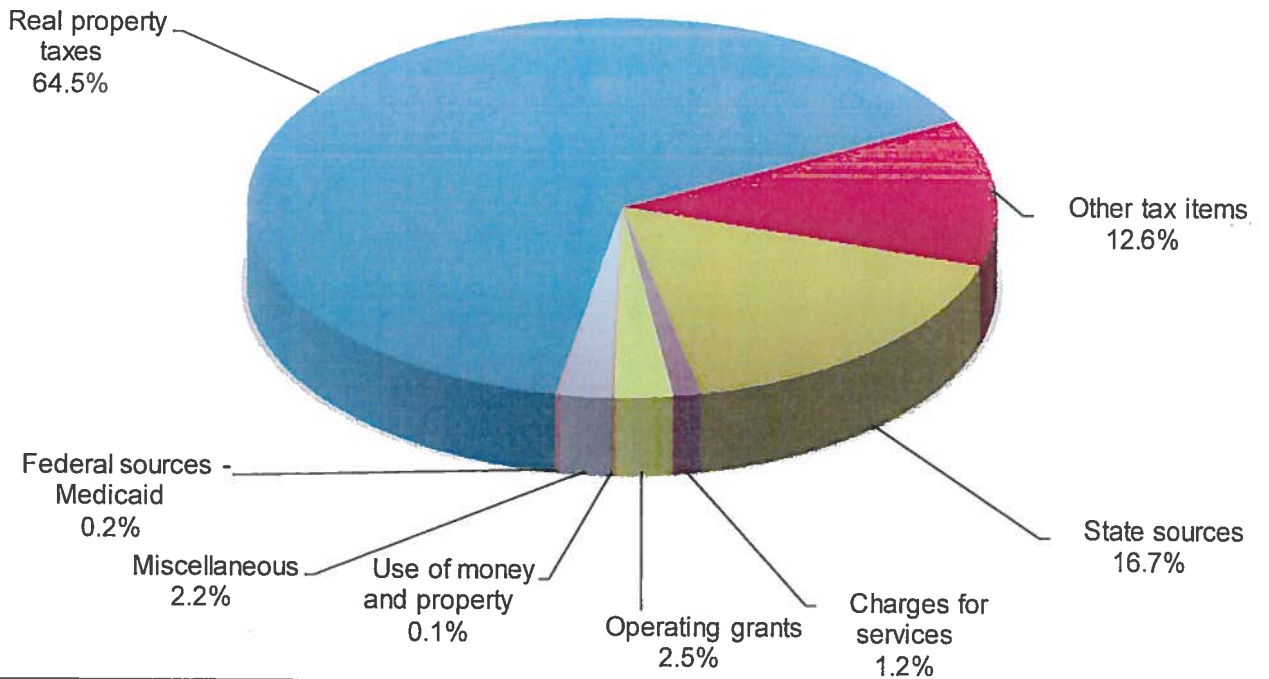


Table A-6: Expenses for Fiscal Year 2014

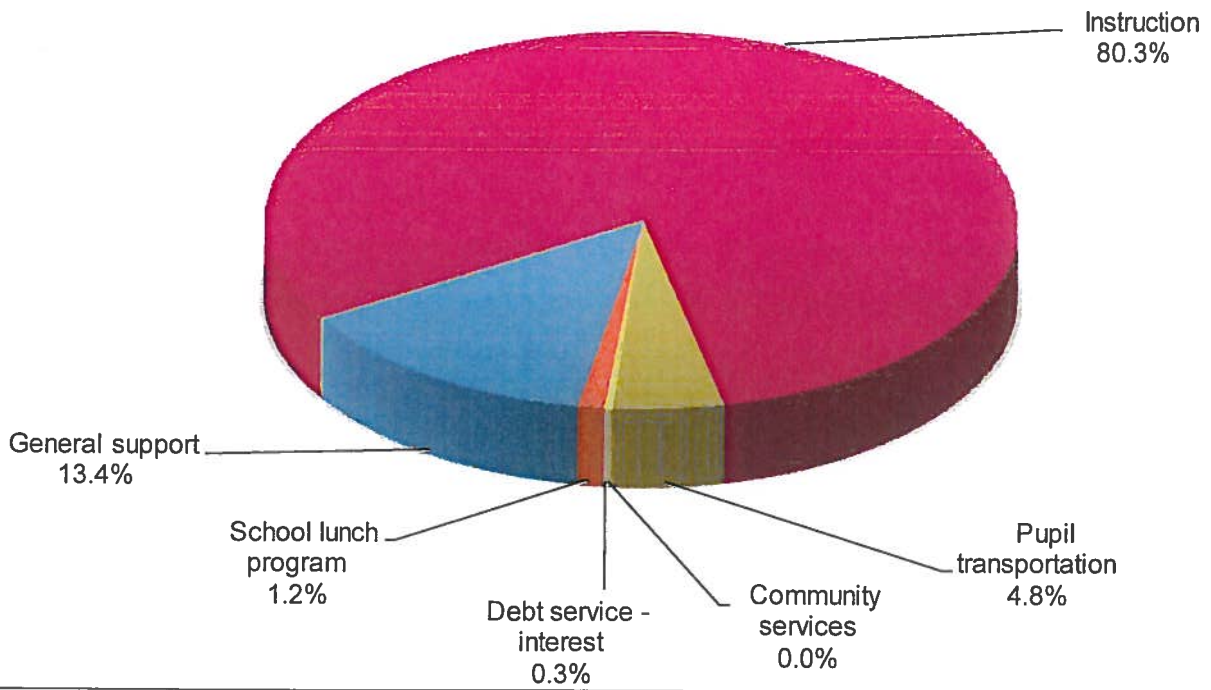
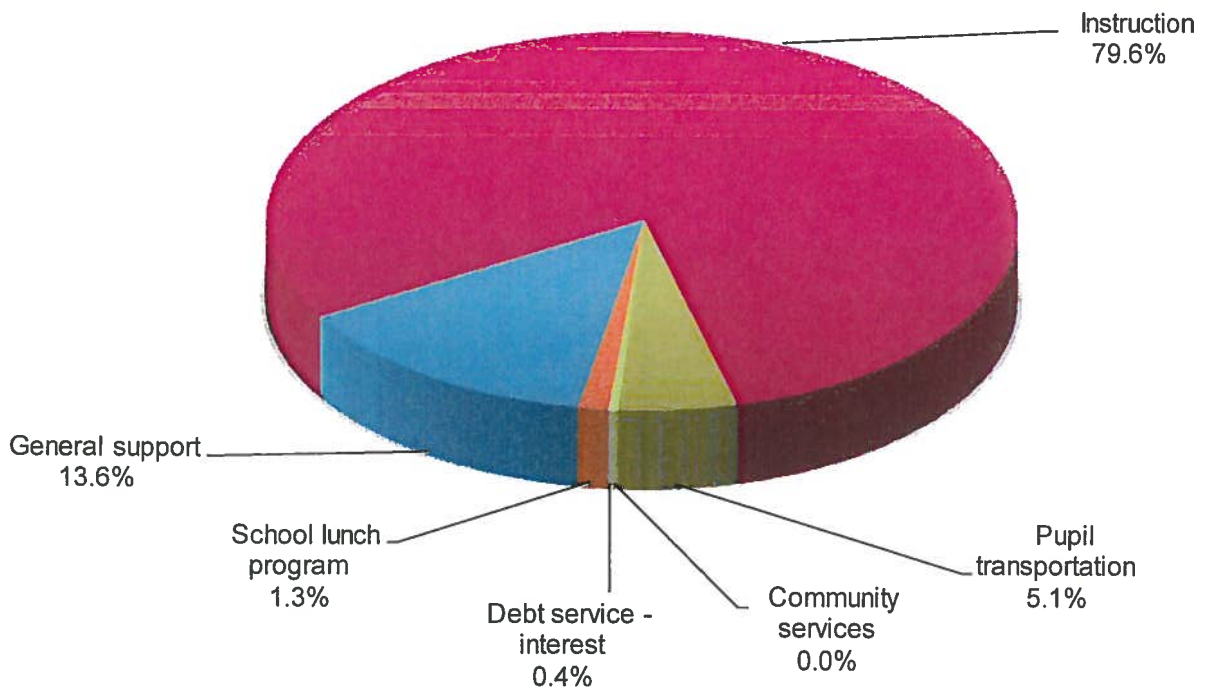


Table A-7: Expenses for Fiscal Year 2013



Governmental Activities

Revenues for the District's governmental activities totaled \$153,326,074 while total expenses were \$156,549,389. Therefore, the decrease in net position for governmental activities was \$3,223,315 in 2014 due to the increase in instructional salaries and Teachers' Retirement System expenses. The District's financial condition continues to be affected by:

- Approval of the District's proposed annual budget;
- Federal and local economic conditions;
- Declining New York State revenue outlook; and
- Contractual and legislative mandated services.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

At June 30, 2014, the District's governmental funds reported a combined fund balance of \$49,467,639, which is a decrease of \$4,807,415 from June 30, 2013. Fund balances for the District's governmental funds for the past two years were distributed as follows:

	<u>6/30/13</u>	<u>6/30/14</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund				
Nonspendable:				
Prepaid expenditures	\$ 102,603	\$ -	\$ (102,603)	(100.0)
Restricted:				
Capital Reserve	6,524,514	5,556,096	(968,418)	(14.8)
Debt Service	1,336,500	1,176,000	(160,500)	(12.0)
Employee Benefit Accrued Liability	4,036,101	4,033,248	(2,853)	(0.1)
Unemployment Insurance	602,967	604,500	1,533	0.3
Workers' Compensation	4,055,480	4,065,787	10,307	0.3
Insurance	5,970,790	5,985,966	15,176	0.3
Retirement Contribution	7,243,677	7,262,087	18,410	0.3
Tax Certiorari	2,150,000	-	(2,150,000)	(100.0)
Assigned:				
Designated for subsequent year's expenditures	7,500,000	7,500,000	-	-
Encumbrances	820,111	2,220,233	1,400,122	170.7
Unassigned	<u>6,135,366</u>	<u>6,259,865</u>	<u>124,499</u>	<u>2.0</u>
Total General Fund	<u>46,478,109</u>	<u>44,663,782</u>	<u>(1,814,327)</u>	<u>(3.9)</u>

Table A-8: Fund Balances - Governmental Funds (continued)

	<u>6/30/13</u>	<u>6/30/14</u>	<u>\$ Change</u>	<u>% Change</u>
School Lunch Fund				
Nonspendable:				
Inventory	\$ 37,531	\$ 31,123	\$ (6,408)	(17.1)
Assigned:				
School Lunch Fund	<u>179,961</u>	<u>189,700</u>	<u>9,739</u>	5.4
Total School Lunch Fund	<u>217,492</u>	<u>220,823</u>	<u>3,331</u>	1.5
Capital Projects Fund				
Assigned:				
Capital Projects Fund	<u>7,579,453</u>	<u>4,583,034</u>	<u>(2,996,419)</u>	(39.5)
Total Capital Projects Fund	<u>7,579,453</u>	<u>4,583,034</u>	<u>(2,996,419)</u>	(39.5)
	<u>\$ 54,275,054</u>	<u>\$ 49,467,639</u>	<u>\$ (4,807,415)</u>	(8.9)

No other significant variances are reflected in the fund financial statements for fiscal 2014.

General Fund Budgetary Highlights

Reference is made to the supplementary schedule on page 45 which presents original and revised budget amounts, as well as actual results for the District's General Fund.

- The District proposed a budget to the community making Budget/Program adjustments to minimize program/tax impact while maintaining an adequate fund balance.
- Actual revenues were approximately \$1.7 million more than budget primarily due to higher than anticipated revenues from miscellaneous sources (insurance recoveries, Nassau BOCES sub reimbursement), Medicaid reimbursements and State sources (increase of \$832,802 in State Aid from 2013).
- Actual expenditures were approximately \$5.2 million less than budget primarily due to leave replacements, staff variations and related benefits and lower than anticipated debt service payments as a result of the prior year bond refunding.

As of June 30, 2014, the District's unassigned fund balance was \$6,259,865, which was within the allowable 4% of the subsequent year's budget (\$156,496,648) as promulgated by New York State (see page 47). The following is a reconciliation of the General Fund's unassigned fund balance for the year ended June 30, 2014:

Unassigned fund balance, beginning of year	\$ 6,135,366
Add:	
Prior-year appropriated fund balance	7,500,000
Prior-year encumbrances	820,111
Prior-year nonspendable fund balance	102,603
Community approved use of Capital Reserve	985,000
Board approved use of Debt Service Reserve	160,500
Board approved use of Employee Benefit Accrued Liability Reserve	133,136
Liquidation of Tax Certiorari Reserve	2,150,000

Less:		
Current-year appropriated fund balance		\$ (7,500,000)
Current-year encumbrances		(2,220,233)
Board approved transfer to Capital Reserve, including interest		(16,582)
Board approved transfer to Employee Benefit Accrued Liability Reserve, including interest		(130,283)
Board approved transfer to Unemployment Insurance Reserve, including interest		(1,533)
Board approved transfer to Workers' Compensation Reserve, including interest		(10,307)
Board approved transfer to Insurance Reserve, including interest		(15,176)
Board approved transfer to Retirement Contribution Reserve, including interest		(18,410)
Net change in fund balance		<u>(1,814,327)</u>
		<u>\$ 6,259,865</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2014, the District had invested \$65,040,937 net of depreciation, in a broad range of capital assets, including school buildings, maintenance facilities, athletic facilities, computer and audio-visual equipment, and administrative spaces.

Table A-9: Capital Assets (net of depreciation)

	<u>6/30/13</u>	<u>6/30/14</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 2,443,074	\$ 2,443,074	\$ -	0.0
Construction-in-progress	4,428,201	4,567,543	139,342	3.1
Buildings and building improvements	53,613,877	55,731,277	2,117,400	3.9
Furniture and equipment	2,404,960	2,299,043	(105,917)	(4.4)
Totals	<u>\$ 62,890,112</u>	<u>\$ 65,040,937</u>	<u>\$ 2,150,825</u>	3.4

Long-Term Debt

At year-end, the District had \$65,072,152 outstanding in general obligation bonds and other long-term debt.

Table A-10: Outstanding Long-Term Debt

	<u>6/30/13</u>	<u>6/30/14</u>	<u>\$ Change</u>	<u>% Change</u>
Bonds payable	\$ 17,530,000	\$ 15,155,000	\$ (2,375,000)	(13.5)
Workers' compensation claims payable	696,315	829,247	132,932	19.1
Other post-employment benefits	41,223,214	44,305,591	3,082,377	7.5
Compensated absences	4,340,456	4,782,314	441,858	10.2
Totals	<u>\$ 63,789,985</u>	<u>\$ 65,072,152</u>	<u>\$ 1,282,167</u>	2.0

FACTORS BEARING ON THE FUTURE OF 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:

- Contract negotiations with collective bargaining units have been favorable to the District as unions have agreed to multiyear deals which include minimal salary increases along with freezes in the step schedules. Collective bargaining agreements with units have expired with the 2013/14 school year, or are set to expire in the 2014/15 school year.
- Significant increases in the cost of 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 lower in 2016. At the time these financial statements were prepared and audited, no information on future year Teacher Retirement System costs were available. Teacher Retirement System costs represent a far greater concern for the District than does the Employee Retirement System. Although contributions to the State Retirement Systems are one of the exemptions to the "Tax Levy Limitation Law", the design of the law limits exclusions for local municipalities.
- Chapter 97 of the 2011 Laws of New York will limit the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation effective for the current fiscal year. The laws do allow for certain statutory adjustments to this cap and it will remain in effect until at least the 2015-16 fiscal year. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit however, that budget must be approved by 60% of the votes cast. Recently enacted legislation furthers the challenges facing school districts by linking rebate checks to a school district's decision to stay within the Property Tax Cap. Furthermore, for the 2015/16 school year, the aforementioned rebate checks will be linked not only to school districts decisions to stay within the levy limit but moreover to the State's acceptance of a government efficiency plan requiring an additional savings of 1% through shared services or other designed efficiency plans.
- The provisions contained within The Affordable Care Act may require the District to provide health benefits to individuals not currently receiving health benefit or the District would be subject to incurring additional costs in IRS related penalties.
- Future budgets being approved by the voters of the District.
- The current fiscal condition of school districts across NYS continues to erode as expenditures are outgrowing the increases allowable under Chapter 97 of the 2011 Laws of New York, otherwise known as the Property Tax Cap. The District will be closely monitoring the reactions and decisions of those school districts who have already reached the proverbial "fiscal cliff".
- The District is one of nineteen school districts challenging the burden of purported sewer charges by Nassau County. If the school districts do not succeed in this challenge, they will be required to pay sewer service charges, most likely based on a formula relating to water consumption. A preliminary injunction was filed that, "inter alia", prohibits Nassau County from billing or collecting these charges. The Nassau County defendants have appealed the injunction and an oral argument was held in December 2013. Recently, the Appellate Division rendered a decision upholding the preliminary injunction, pending the completion of discovery, at which time Nassau County may review its motion.

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:

Farmingdale Union Free School District
 District Offices
 Attn: Assistant Superintendent of Business
 50 Van Cott Avenue
 Farmingdale, NY 11735
 (516) 752-6506

FARMINGDALE UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS

Current assets:	
Cash:	
Unrestricted	\$ 29,739,863
Restricted	28,927,802
Receivables:	
State and federal aid	4,295,489
Due from fiduciary funds	30,030
Due from other governments	2,553,640
Other receivables	317,972
Other assets	303,019
Inventories	<u>31,123</u>
Total current assets	66,198,938
Noncurrent assets:	
Capital assets, net of accumulated depreciation of \$51,450,326	<u>65,040,937</u>
Total assets	<u>\$ 131,239,875</u>

LIABILITIES

Current liabilities:	
Payables:	
Accounts payable	\$ 3,908,052
Accrued interest payable	240,856
Accrued liabilities	318,122
Due to fiduciary funds	198,922
Due to other governments	2,975
Unearned revenues:	
Driver's education fees	55,040
School lunch sales received in advance	30,802
Long-term liabilities, due within one year:	
Bonds payable	2,485,000
Due to teachers' retirement system	10,274,828
Due to employees' retirement system	847,747
Workers' compensation claims payable	473,457
Compensated absences	<u>95,232</u>
Total current liabilities	18,931,033
Noncurrent liabilities:	
Long-term liabilities, due after one year:	
Bonds payable	12,670,000
Workers' compensation claims payable	829,247
Other post-employment benefits	44,305,591
Compensated absences	<u>4,782,314</u>
Total noncurrent liabilities	62,587,152
Total liabilities	<u>81,518,185</u>

DEFERRED INFLOWS

Deferred inflows from issuance of bonds, net of amortization	<u>1,164,167</u>
Total deferred inflows	<u>1,164,167</u>
Total liabilities and deferred inflows	<u>82,682,352</u>

NET POSITION

Net investment in capital assets	48,721,770
Restricted:	
Capital Reserve	5,556,096
Debt Service	1,176,000
Employee Benefit Accrued Liability	4,033,248
Unemployment Insurance	604,500
Workers' Compensation	4,065,787
Insurance	5,985,966
Retirement Contribution	7,262,087
Unrestricted	<u>(28,847,931)</u>
Total net position	48,557,523
Total liabilities, deferred inflows and net position	<u>\$ 131,239,875</u>

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

FARMINGDALE UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Functions and programs:				
General support	\$ 21,003,899	\$ 107,878	\$ 440,402	\$ (20,455,619)
Instruction	125,612,786	645,162	2,633,806	(122,333,818)
Pupil transportation	7,535,343	38,702	157,998	(7,338,643)
Community services	6,975	-	-	(6,975)
Debt service - interest	504,405	-	-	(504,405)
School lunch program	1,885,981	1,188,551	677,148	(20,282)
Total functions and programs	<u>\$ 156,549,389</u>	<u>\$ 1,980,293</u>	<u>\$ 3,909,354</u>	<u>(150,659,742)</u>
General revenues:				
Real property taxes				99,325,562
Other tax items				19,479,500
Use of money and property				492,519
State sources				26,884,700
Federal sources - Medicaid				180,016
Miscellaneous				1,074,130
Total general revenues				<u>147,436,427</u>
Change in net position				<u>(3,223,315)</u>
Total net position, beginning of year				<u>51,780,838</u>
Total net position, end of year				<u>\$ 48,557,523</u>

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

FARMINGDALE UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>Special Revenue Funds</u>				Total Governmental Funds
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	
ASSETS					
Cash:					
Unrestricted	\$ 25,496,999	\$ -	\$ 884,103	\$ 3,358,761	\$ 29,739,863
Restricted	28,683,684	244,118	-	-	28,927,802
Receivables:					
State and federal aid	1,511,748	2,725,121	58,620	-	4,295,489
Due from other funds	3,381,901	-	-	2,606,809	5,988,710
Due from fiduciary funds	-	-	30,030	-	30,030
Due from other governments	2,553,640	-	-	-	2,553,640
Other receivables	317,697	-	275	-	317,972
Other assets	303,019	-	-	-	303,019
Inventories	-	-	31,123	-	31,123
Total assets	\$ 62,248,688	\$ 2,969,239	\$ 1,004,151	\$ 5,965,570	\$ 72,187,648
LIABILITIES					
Payables:					
Accounts payable	\$ 2,220,169	\$ 272,176	\$ 33,171	\$ 1,382,536	\$ 3,908,052
Accrued liabilities	283,932	10,214	23,976	-	318,122
Due to other funds	2,606,809	2,686,849	695,052	-	5,988,710
Due to fiduciary funds	198,922	-	-	-	198,922
Due to other governments	2,648	-	327	-	2,975
Due to teachers' retirement system	10,274,828	-	-	-	10,274,828
Due to employees' retirement system	847,747	-	-	-	847,747
Unearned revenues:					
Driver's education fees	55,040	-	-	-	55,040
School lunch sales received in advance	-	-	30,802	-	30,802
Foster tuition	231,786	-	-	-	231,786
Cash surrender value of life insurance proceeds	294,336	-	-	-	294,336
Workers' compensation claims payable	473,457	-	-	-	473,457
Compensated absences	95,232	-	-	-	95,232
Total liabilities	17,584,906	2,969,239	783,328	1,382,536	22,720,009
FUND BALANCE					
Fund balance:					
Nonspendable	-	-	31,123	-	31,123
Restricted	28,683,684	-	-	-	28,683,684
Assigned	9,720,233	-	189,700	4,583,034	14,492,967
Unassigned	6,259,865	-	-	-	6,259,865
Total fund balance	44,663,782	-	220,823	4,583,034	49,467,639
Total liabilities and fund balance	\$ 62,248,688	\$ 2,969,239	\$ 1,004,151	\$ 5,965,570	\$ 72,187,648

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

FARMINGDALE UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balance - Governmental Funds \$ 49,467,639

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	\$ 7,010,617	
Depreciable	109,480,646	
Accumulated depreciation	(51,450,326)	65,040,937

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 fund financial statements. However, these liabilities are included in the Statement of Net Position:

Bonds payable	(15,155,000)	
Workers' compensation claims payable	(829,247)	
Other post-employment benefits	(44,305,591)	
Compensated absences	(4,782,314)	(65,072,152)

Deferred inflows from issuance of bonds, net of amortization (1,164,167)

Revenue that was not accrued in the fund financial statements because statements because it does not meet the availability criteria under the modified accrual basis of accounting is included in the Statement of Net Position:

Charges for services	231,786	
Use of money and property	294,336	526,122

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 fund financial statements. However, these liabilities are included in the Statement of Net Position.

(240,856)

Net Position - Governmental Activities

\$ 48,557,523

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

FARMINGDALE UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds				Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	
REVENUES					
Real property taxes	\$ 99,325,562	\$ -	-	-	\$ 99,325,562
Other tax items	19,479,500	-	-	-	19,479,500
Charges for services	559,956	-	-	-	559,956
Use of money and property	198,183	-	-	-	198,183
State sources	26,884,700	1,146,235	33,677	-	28,064,612
Federal sources	180,016	1,902,302	643,471	-	2,725,789
Local sources	-	183,669	-	-	183,669
Sales	-	-	1,188,551	-	1,188,551
Miscellaneous	1,050,517	-	23,613	-	1,074,130
Total revenues	<u>147,678,434</u>	<u>3,232,206</u>	<u>1,889,312</u>	<u>-</u>	<u>152,799,952</u>
EXPENDITURES					
General support	16,711,990	-	-	-	16,711,990
Instruction	83,629,436	3,342,727	-	-	86,972,163
Pupil transportation	7,326,263	-	-	-	7,326,263
Community services	6,975	-	-	-	6,975
Employee benefits	37,284,100	119,751	255,259	-	37,659,110
Debt service -					
Principal	2,375,000	-	-	-	2,375,000
Interest	693,725	-	-	-	693,725
Cost of sales	-	-	1,630,722	-	1,630,722
Capital outlay	-	-	-	4,231,419	4,231,419
Total expenditures	<u>148,027,489</u>	<u>3,462,478</u>	<u>1,885,981</u>	<u>4,231,419</u>	<u>157,607,367</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(349,055)</u>	<u>(230,272)</u>	<u>3,331</u>	<u>(4,231,419)</u>	<u>(4,807,415)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	230,272	-	1,235,000	1,465,272
Operating transfers out	<u>(1,465,272)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,465,272)</u>
Total other financing sources (uses)	<u>(1,465,272)</u>	<u>230,272</u>	<u>-</u>	<u>1,235,000</u>	<u>-</u>
Change in fund balance	<u>(1,814,327)</u>	<u>-</u>	<u>3,331</u>	<u>(2,996,419)</u>	<u>(4,807,415)</u>
Fund balance, beginning of year	<u>46,478,109</u>	<u>-</u>	<u>217,492</u>	<u>7,579,453</u>	<u>54,275,054</u>
Fund balance, end of year	<u>\$ 44,663,782</u>	<u>\$ -</u>	<u>\$ 220,823</u>	<u>\$ 4,583,034</u>	<u>\$ 49,467,639</u>

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

FARMINGDALE UNION FREE 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, 2014

Net Change in Fund Balance - Governmental Funds		\$ (4,807,415)
<p>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 capital outlay exceeds depreciation in the current period is:</p>		
Capital outlay	\$ 4,648,169	
Depreciation expense	<u>(2,497,344)</u>	2,150,825
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in these funds.</p>		
Charges for services	231,786	
Use of money and property	<u>294,336</u>	526,122
<p>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.</p>		
Repayment of bond principal		2,375,000
Amortization of net economic gain from refunding of debt		160,500
<p>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:</p>		
Other post-employment benefits	(3,082,377)	
Workers' compensation claims payable	(132,932)	
Compensated absences	(441,858)	
Accrued interest costs	<u>28,820</u>	<u>(3,628,347)</u>
Net Change in Net Position - Governmental Activities		<u>\$ (3,223,315)</u>

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

FARMINGDALE UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2014

ASSETS	<u>Permanent Trust</u>	<u>Scholarship Trusts</u>	<u>Agency Funds</u>
Cash:			
Unrestricted	\$ -	\$ -	\$ 102,440
Restricted	-	102,019	198,714
Receivables	-	-	14,567
Investments	19,595	-	-
Due from governmental funds	-	-	198,922
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 19,595</u>	<u>\$ 102,019</u>	<u>\$ 514,643</u>
LIABILITIES			
Extraclassroom activity balances	\$ -	\$ -	\$ 198,714
Other liabilities	-	-	285,899
Due to governmental funds	-	-	30,030
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>-</u>	<u>-</u>	<u>\$ 514,643</u>
NET POSITION			
Restricted:			
Endowment scholarships	<u>19,595</u>	<u>102,019</u>	
Total net position	<u>19,595</u>	<u>102,019</u>	
Total liabilities and net position	<u>\$ 19,595</u>	<u>\$ 102,019</u>	

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

FARMINGDALE UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Permanent Trust	Scholarship Trusts
ADDITIONS		
Contributions	\$ -	\$ 4,679
Transfer from Permanent Trust	-	1,000
Investment earnings:		
Interest	1,012	189
Total additions	1,012	5,868
DEDUCTIONS		
Scholarships and awards	-	16,950
Transfer to Scholarship Trusts	1,000	-
Total deductions	1,000	16,950
Change in net position	12	(11,082)
Net position, beginning of year	19,583	113,101
Net position, end of year	\$ 19,595	\$ 102,019

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

FARMINGDALE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Farmingdale Union Free 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 the State of New York. 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. 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 Nassau 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 § 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 § 1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§ 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under § 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, § 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 \$11,085,538 for BOCES administrative and program costs (\$568,180 of which relate to administrative costs).

The District's share of BOCES aid relating solely to administrative and program costs amounted to \$1,311,380.

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

C. Basis of presentation

1. District-wide financial statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These financial 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, while the capital grants column reflects capital-specific 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 financial statements

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

The District reports the following major governmental funds:

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

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

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

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 of Education during September and become a lien on October 1st and April 1st. This portion of the District's tax levy is collected by the Town of Oyster Bay and remitted to the District.

Uncollected real property taxes have been enforced by the County in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1st.

Real property taxes, for the Town of Babylon residents, are levied annually by the Board of Education no later than November 1st and become a lien on December 1st. This portion of the District's tax levy is collected by the Town of Babylon ("Town") along with the respective Town and Suffolk County levies. These tax collections are remitted to the District and Town Comptrollers until their respective tax levies are satisfied in accordance with the Suffolk County Tax Act. All subsequent tax collections 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. Interfund transactions

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

In the District-wide financial 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, expenditures and revenues activity.

H. Estimates

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

I. Cash and investments

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

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

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

Investments are stated at fair value.

J. Accounts receivable

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

K. Inventories and prepaid items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the Statement of Net 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 portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as 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 are classified as restricted assets in the District-wide financial statements as their use is limited by applicable bond covenants.

Debt (bond) issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred on both the District-wide and fund financial statements. On the District-wide financial statements, prepaid insurance costs should be reported as an asset and recognized as an expense in a systematic rational manner over the duration of the related debt.

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 financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and building improvements	\$ 50,000	Straight line	50 years
Site improvements	\$ 25,000	Straight line	20 years
Furniture and equipment	\$ 500	Straight line	5-20 years

N. Deferred outflows

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

O. Deferred inflows/unearned revenues

Deferred inflows of resources are defined as an acquisition of net position by the government that is applicable to future periods. Deferred inflows are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues 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 deferred inflow of resources/unearned revenue is removed and revenues are recorded.

Many deferred inflows of resources or unearned revenues recorded in governmental funds are not recorded in the District-wide financial statements.

P. Vested employee benefits - compensated absences

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

Q. Other benefits

District employees participate in the New York State Employees' Retirement System ("NYSERS") and the New York State Teachers' Retirement System ("NYSTRS").

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.

R. Short-term debt

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

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

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

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

The District did not have any short-term debt outstanding at June 30, 2014.

S. Accrued liabilities and long-term obligations

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

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.

T. Equity classifications

District-wide financial statements

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

1. Net investment in capital assets: Consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
2. Restricted net position: Consists of restricted assets reduced by liabilities and deferred inflows 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.
3. Unrestricted net position: Is the amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position, and is deemed to be available for general use by the District.

Fund financial statements

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

1. Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$31,123.
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. The District has established the following restricted fund balances:

Capital Reserve

According to Education Law §3651, such amounts 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.

The District received voter approval to establish the Capital Reserve fund in 2009 at a maximum amount not to exceed \$15,000,000 (including accumulated interest of \$76,204). Of this amount, \$8,660,002 has been transferred to the Capital Projects Fund in connection with projects, \$5,556,096 is currently in the Capital Reserve fund, and \$860,106 remains to be reserved.

Debt Service

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

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, 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.

Insurance

According to General Municipal Law §6-n, must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accidental, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without Board approval.

Retirement Contribution

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as either restricted, committed or assigned fund balance to the extent to which purpose limitations have been established regarding use of the amounts. Encumbrances do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

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, and require the same level of formal action to remove the constraint. The Board of Education is the decision making authority that can, by Board resolution, commit fund balance. The District has no committed fund balances as of June 30, 2014.
4. Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Amounts appropriated for the subsequent year totaling \$7,500,000 and encumbrances totaling \$2,220,233 in the General Fund, the School Lunch Fund fund balance totaling \$189,700, and the Capital Projects Fund fund balance totaling \$4,583,034 are classified as assigned fund balance.
5. Unassigned - Includes all other General Fund fund balance that do not meet the definition of the above four classifications and are deemed to be available for general use by the District.

Fund balances for all governmental funds as of June 30, 2014 were distributed as follows:

	General	School Lunch	Capital Projects	Total Governmental Funds
Nonspendable:				
Inventory	\$ -	\$ 31,123	\$ -	\$ 31,123
Total nonspendable	-	31,123	-	31,123
Restricted:				
Capital Reserve	5,556,096	-	-	5,556,096
Debt Service	1,176,000	-	-	1,176,000
Employee Benefit Accrued Liability	4,033,248	-	-	4,033,248
Unemployment Insurance	604,500	-	-	604,500
Workers' Compensation	4,065,787	-	-	4,065,787
Insurance	5,985,966	-	-	5,985,966
Retirement Contribution	7,262,087	-	-	7,262,087
Total restricted	28,683,684	-	-	28,683,684
Assigned:				
Designated for subsequent year's expenditures	7,500,000	-	-	7,500,000
Encumbrances	2,220,233	-	-	2,220,233
School Lunch Fund	-	189,700	-	189,700
Capital Projects Fund	-	-	4,583,034	4,583,034
Total assigned	9,720,233	189,700	4,583,034	14,492,967
Unassigned	6,259,865	-	-	6,259,865
Total	\$ 44,663,782	\$ 220,823	\$ 4,583,034	\$ 49,467,639

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 either assigned or 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. **EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the fund financial statements and the District-wide financial 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 District-wide financial statements, 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 long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental funds Balance Sheet.

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of 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 fund financial 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 financial 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 fund financial 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

Budgets

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:

Board approved use of Capital Reserve	\$	985,000
Board approved use of EBLAR		133,136
Insurance recoveries		1,400,000
Summer school tuition		48,025
Bullet aid grant		40,000
Test scoring		70,000
Lifeguard certifications		1,994
		<hr/>
	\$	<u>2,678,155</u>

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

Budgets are established and used for individual capital project fund 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.

Encumbrances

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

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

The District's investment policies are governed by State statutes. In addition, the District has its own written investment policy. District monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The District Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by federal deposit 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. The District also allows for the utilization of an eligible letter of credit, which shall mean an irrevocable letter of credit issued in favor of the District, issued by a federal home loan bank.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least 105 percent of the cost of the repurchase agreement.

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity.

Custodial credit risk - deposits/investments: Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

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

The District's aggregate bank balances disclosed in the financial statements, included balances not covered by depository insurance at year-end, were collateralized as follows:

Undercollateralized	\$ -
Collateralized with securities held by the pledging financial institutions, in the District's name	\$ 64,183,506

Credit risk: State law limits investments to those authorized by State statutes. The District has a written investment policy.

Interest-rate risk: Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid potential loss.

Concentration of credit risk: Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5 percent or more in securities of a single issuer.

As of June 30, 2014, the District did not have any investments subject to credit risk, interest-rate risk, or concentration of credit risk.

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 \$28,927,802 in the governmental funds and \$300,733 in the fiduciary funds.

5. RECEIVABLES

A. State and federal aid receivables

State and federal aid receivables at June 30, 2014, consisted of the following:

General Fund:	
New York State aid - excess cost aid	\$ 931,965
BOCES Aid	579,783
Special Aid Fund:	
State and federal grants	2,725,121
School Lunch Fund:	
School breakfast and lunch reimbursement	58,620
	<u>\$ 4,295,489</u>

B. Due from other governments

Due from other governments at June 30, 2014, consisted of the following:

General Fund:

Town of Oyster Bay - uncollected taxes	\$ 1,686,865
Town of Babylon - 2nd half PILOT payment	694,002
Federal aid - Medicaid	<u>172,773</u>
	<u>\$ 2,553,640</u>

C. Other receivables

Other receivables at June 30, 2014, consisted of the following:

General Fund:

Foster tuition - various sources	\$ 246,256
Various receivables	50,214
BOCES - credits	<u>21,227</u>

School Lunch Fund:

Various receivables	<u>275</u>
	<u>\$ 317,972</u>

6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2014 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 2,443,074	\$ -	\$ -	\$ 2,443,074
Construction-in-progress	<u>4,428,201</u>	<u>4,231,419</u>	<u>(4,092,077)</u>	<u>4,567,543</u>
Total nondepreciable assets	<u>6,871,275</u>	<u>4,231,419</u>	<u>(4,092,077)</u>	<u>7,010,617</u>
Capital assets that are depreciated:				
Buildings and building improvements	97,175,692	-	4,092,077	101,267,769
Furniture and equipment	<u>10,224,616</u>	<u>416,750</u>	<u>(2,428,489)</u>	<u>8,212,877</u>
Total depreciable assets	<u>107,400,308</u>	<u>416,750</u>	<u>1,663,588</u>	<u>109,480,646</u>
Less accumulated depreciation:				
Buildings and building improvements	43,561,815	1,974,677	-	45,536,492
Furniture and equipment	<u>7,819,656</u>	<u>522,667</u>	<u>(2,428,489)</u>	<u>5,913,834</u>
Total accumulated depreciation	<u>51,381,471</u>	<u>2,497,344</u>	<u>(2,428,489)</u>	<u>51,450,326</u>
Total capital assets, net	<u>\$ 62,890,112</u>	<u>\$ 2,150,825</u>	<u>\$ -</u>	<u>\$ 65,040,937</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 269,963
Instruction	2,215,394
Pupil transportation	<u>11,987</u>
	<u>\$ 2,497,344</u>

7. LONG-TERM DEBT OBLIGATIONS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 17,530,000	\$ -	\$ 2,375,000	\$ 15,155,000	\$ 2,485,000
Workers' compensation claims payable	696,315	539,333	406,401	829,247	-
Other post-employment benefits	41,223,214	9,781,735	6,699,358	44,305,591	-
Compensated absences	<u>4,340,456</u>	<u>441,858</u>	<u>-</u>	<u>4,782,314</u>	<u>-</u>
Total long-term liabilities	<u>\$ 63,789,985</u>	<u>\$ 10,762,926</u>	<u>\$ 9,480,759</u>	<u>\$ 65,072,152</u>	<u>\$ 2,485,000</u>

The following is a summary of long-term indebtedness:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at 6/30/14</u>
Refunding serial bonds	4/6/10	7/15/20	1.50 - 5.00%	\$ 6,485,000
Refunding serial bonds	3/15/12	9/15/20	2.00 - 5.00%	<u>8,670,000</u>
				<u>\$ 15,155,000</u>

The following is a summary of maturing debt service requirements:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,485,000	\$ 606,913	\$ 3,091,913
2016	2,595,000	502,856	3,097,856
2017	1,845,000	408,325	2,253,325
2018	1,930,000	326,100	2,256,100
2019	2,020,000	240,000	2,260,000
2020-2021	<u>4,280,000</u>	<u>204,725</u>	<u>4,484,725</u>
	<u>\$ 15,155,000</u>	<u>\$ 2,288,919</u>	<u>\$ 17,443,919</u>

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

Interest paid	\$ 693,725
Less interest accrued in the prior year	(269,676)
Plus interest accrued in the current year	240,856
Less amortization of deferred inflow	<u>(160,500)</u>
Interest expense	<u>\$ 504,405</u>

8. PENSION PLANS

General information

The District participates in the New York State Employees' Retirement System and the New York State Teachers' Retirement System (the "Systems"). 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.

Provisions and administration

The New York State Teachers' Retirement Board administers the NYSTRS. The NYSTRS 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. The 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, Office of the State Comptroller, 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.

Funding policies

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% to 3.5% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3.5% of their annual salary for their entire working career. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, depending upon their salary, for their entire working career. With the exception of ERS tier V and VI employees, employees in the system more than ten years are no longer required to contribute. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. 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 Systems. The District contributions made to the Systems were equal to 100% of the contributions required for each year. Required contributions for the current and two preceding years were:

<u>Year</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2014	\$ 10,021,177	\$ 2,968,876
2013	7,274,607	2,984,487
2012	6,648,772	2,715,595

Deferred compensation plan

The District has established a deferred compensation plan, administered by The Omni Group, in accordance with Internal Revenue Code § 403(b) for all employees. Employees have a choice of eight service providers with whom they can invest with. The date of eligibility for employees is their hire date regardless of whether they are full or part-time. As a result of collective bargaining, the District makes contributions once a year to administrator's plans only. Additionally, the District contributes towards Administrator's, Teacher's and Nurse's plans upon retirement based on the amount of accumulated sick days. For the year ended June 30, 2014 employees contributed \$3,636,238 towards such plans, and the District contributed an additional \$60,000 towards administrator's plans. An additional \$129,626 was contributed by the District in accumulated sick days for employees who retired.

9. INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 3,381,901	\$ 2,805,731	\$ -	\$ 1,465,272
Special Aid Fund	-	2,686,849	230,272	-
School Lunch Fund	30,030	695,052	-	-
Capital Projects Fund	2,606,809	-	1,235,000	-
Fiduciary Funds	198,922	30,030	-	-
Totals	<u>\$ 6,217,662</u>	<u>\$ 6,217,662</u>	<u>\$ 1,465,272</u>	<u>\$ 1,465,272</u>

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.

The District implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions, (standards codified in 2012) in the school year June 30, 2009. This requires the District to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

Currently, 653 retired employees receive health benefits from the District. The District pays 80% to 100% coverage for retired employees in accordance with the terms of the applicable contract prior to attaining the age of retirement.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund financial statements as payments are made. For the year ended June 30, 2014, the District recognized \$6,699,358 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2013 which indicates that the total liability for other post-employment benefits is \$189,056,819 (\$81,098,143 related to retirees and \$107,958,676 related to employees).

The District's annual 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 <u>June 30, 2014</u>
Annual required contribution	\$ 11,866,090
Interest on net OPEB obligation	1,648,929
Adjustment to annual required contribution	<u>(3,733,284)</u>
Annual OPEB cost	9,781,735
Contributions made	<u>6,699,358</u>
Increase in net OPEB obligation	3,082,377
Net OPEB obligation, beginning of year	<u>41,223,214</u>
Net OPEB obligation, end of year	<u><u>\$ 44,305,591</u></u>

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, 2014 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/14	\$ 9,781,735	68.5%	\$ 44,305,591
06/30/13	9,271,960	71.1%	41,223,214
06/30/12	15,104,138	44.8%	38,542,497

Funded status and funding progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$189,056,819 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$189,056,819. The covered payroll (annual payroll of active employees covered by the plan) was \$79,698,597, and the ratio of the UAAL to the covered payroll was 237.2%. 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 July 1, 2013 actuarial valuation, the projected unit actuarial cost method was used. The actuarial assumptions included a 4% 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 9% initially, reduced by decrements to an ultimate rate of 5% starting January 1, 2018. 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, 2014 was 24 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 has chosen to establish a risk financing fund for risks associated with workers' compensation, which is accounted for in the District's General Fund and includes provisions for unexpected and unusual claims.

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:

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
Incurring but not reported for the fiscal years ended June 30:				
2014	\$ 696,315	\$ 539,333	\$ 406,401	\$ 829,247

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. 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.

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. On February 27, 2013, the appellate division courts ruled unanimously that only the New York State Legislature, not the County legislature, can repeal a tax law imposed by Albany in 1948 to protect school districts from errors made by county assessors, thereby reinstating the Nassau "County Guarantee" and shifting the potential liability from the District to the County. This decision was affirmed by New York State's highest court on February 14, 2014.

Property tax cap

In June 2011, New York State Legislature enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions. For fiscal years beginning in 2012 through at least June 15, 2016, growth in the property tax levy (the total amount to be raised through property taxes charged on a municipality's taxable assessed value of property) will be capped at 2 percent or the rate of inflation (but not less than 1 percent), whichever is less, with some exceptions. Local governments can exceed the tax levy limit by a 60% vote of the governing body, or by local law.

Service concession arrangements

In accordance with GASB Pronouncements, the District is required to recognize a liability for certain obligations to sacrifice financial resources (i.e. capital improvements) under the terms of a service concession arrangement or, a deferred inflow or up-front or installment payments received from the operator in advance of the revenue being earning. The District did not have any service concession arrangements for the fiscal year ended June 30, 2014, and accordingly, no liability or deferred inflow was reflected on the District's financial statements.

13. FUTURE ACCOUNTING STANDARDS

GASB has issued Statement No. 67, Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25, which is to improve financial reporting by State and local governmental pension plans. The District is currently studying the Statement and plans on adoption when required, which will be for the June 30, 2015 financial statements.

GASB has issued Statement No. 68 Accounting for Reporting Pension Plans, 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.

GASB has issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, which aims to improve accounting and financial reporting by State and local governments that extend and receive nonexchange financial guarantees. The District is currently studying the Statement and plans on adoption when required, which will be for the June 30, 2015 financial statements.

GASB has issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68, the purpose of which is to address an issue regarding application of the transition provisions of Statement No. 68, where amounts contributed, if any, by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, are recognized as deferred outflows of resources. The District is currently studying the Statement and plans on adoption when required, which will be for the June 30, 2015 financial statements.

14. SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after the Statement of Net Position through the date of September 3, 2014 which is the date the financial statements were available to be issued and no significant events were determined to be disclosed.

FARMINGDALE UNION FREE SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Adopted Budget	Final Budget	Actual	Year-end Encumbrances	Variance Better (Worse)
REVENUES					
Local sources:					
Real property taxes	\$ 99,275,915	\$ 99,275,915	\$ 99,325,562		\$ 49,647
Other tax items	19,097,572	19,097,572	19,479,500		381,928
Charges for services	825,000	875,020	559,956		(315,064)
Use of money and property	365,000	365,000	198,183		(166,817)
Miscellaneous	140,000	140,000	1,050,517		910,517
Total local sources	119,703,487	119,753,507	120,613,718		860,211
State sources	26,155,631	26,195,631	26,884,700		689,069
Federal sources	25,000	25,000	180,016		155,016
Total revenues	145,884,118	145,974,138	147,678,434		1,704,296
OTHER FINANCING SOURCES					
Appropriated reserves	-	820,111	-		(820,111)
Total revenues and other financing sources	145,884,118	146,794,249	147,678,434		884,185
EXPENDITURES					
General support:					
Board of Education	111,983	116,020	81,366	\$ 1,790	32,864
Central administration	422,575	421,575	396,160	-	25,415
Finance	1,258,514	1,316,026	1,102,901	60,537	152,588
Staff	1,030,104	1,133,142	953,101	3,501	176,540
Central services	12,944,414	15,739,548	12,342,915	2,042,745	1,353,888
Special items	2,113,100	1,915,853	1,835,547	-	80,306
Total general support	17,880,690	20,642,164	16,711,990	2,108,573	1,821,601
Instruction:					
Instruction, administration and improvement	10,315,397	10,479,066	9,998,726	16,508	463,832
Teaching - regular school	44,521,780	44,553,698	43,421,206	91,156	1,041,336
Programs for children with handicapping conditions	19,954,951	20,283,437	20,028,301	-	255,136
Teaching - special school	229,189	277,523	248,499	3,245	25,779
Instructional media	2,857,832	2,922,186	2,829,121	-	93,065
Pupil services	7,139,042	7,259,506	7,103,583	-	155,923
Total instruction	85,018,191	85,775,416	83,629,436	110,909	2,035,071
Pupil transportation	7,866,698	7,864,565	7,326,263	751	537,551
Community services	8,000	8,000	6,975	-	1,025
Employee benefits	38,911,814	38,024,843	37,284,100	-	740,743
Debt service:					
Principal	2,375,000	2,375,000	2,375,000	-	-
Interest	893,725	727,124	693,725	-	33,399
Total expenditures	152,954,118	155,417,112	148,027,489	2,220,233	5,169,390
OTHER FINANCING USES					
Operating transfers out	430,000	1,465,272	1,465,272	-	-
Total expenditures and other financing uses	153,384,118	156,882,384	149,492,761	\$ 2,220,233	5,169,390
Net change in fund balance	(7,500,000)	(10,088,135)	(1,814,327)		\$ 6,053,575
Fund balance, beginning of year	46,478,109	46,478,109	46,478,109		
Fund balance, end of year	\$ 38,978,109	\$ 36,389,974	\$ 44,663,782		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

REQUIRED
SUPPLEMENTARY
INFORMATION

FARMINGDALE UNION FREE SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
FOR THE YEAR ENDED JUNE 30, 2014

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)
07/01/13	\$ -	\$ 189,056,819	\$ 189,056,819	0%	\$ 79,698,597	237.2%
07/01/12	-	183,338,537	183,338,537	0%	78,438,264	233.7%
07/01/11	-	214,805,100	214,805,100	0%	74,407,050	288.7%

OTHER
SUPPLEMENTARY
INFORMATION

FARMINGDALE UNION FREE SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

Change from adopted budget to revised budget:

Adopted budget		\$ 153,384,118
Add:		
Prior year's encumbrances		820,111
Original budget		154,204,229
Budget revisions:		
Community approved use of Capital Reserve		985,000
Board approved use of EBLAR		133,136
Insurance recoveries		1,400,000
Summer school tuition		48,025
Bullet aid grant		40,000
Test scoring		70,000
Student fees		1,994
Final budget		\$ 156,882,384

§ 1318 of real property tax law limit calculation:

2014-15 voter-approved expenditure budget		\$ 156,496,648
Maximum allowed (4% of total 2014-15 budget)		\$ 6,259,865

Fund balance subject to § 1318 of Real Property Tax law:

Unrestricted fund balance:		
Assigned fund balance	\$ 9,720,233	
Unassigned fund balance	6,259,865	\$ 15,980,098
Less:		
Appropriated fund balance	7,500,000	
Encumbrances	2,220,233	9,720,233
Fund balance subject to § 1318 of Real Property Tax law		\$ 6,259,865
Actual percentage		4.00%

FARMINGDALE UNION FREE SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING SOURCES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2014

Project Title	Expenditures				Methods of Financing				Fund Balance June 30, 2014		
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Aid		Local Sources	Total
Howitt East Window/Curtain Replacement	\$ 938,415	\$ 1,360,255	\$ 45,536	\$ 1,079,646	\$ 1,125,182	\$ 235,073	\$ -	\$ -	\$ 1,360,255	\$ 1,360,255	\$ 235,073
Howitt West Window/Curtain Replacement	2,397,974	2,614,255	103,786	469,051	572,837	2,041,418	-	-	2,614,255	2,614,255	2,041,418
Saltzman EM Window/Curtain Replacement	1,401,027	1,780,740	68,359	1,110,978	1,179,337	601,403	-	-	1,780,740	1,780,740	601,403
Albany Ave. Window/Curtain Replacement	1,389,577	1,116,608	52,963	944,936	997,899	118,709	-	-	1,116,608	1,116,608	118,709
Northside Window Replacement	500,980	500,785	-	19,253	19,253	481,532	-	-	500,785	500,785	481,532
Woodward Parkway Window Replacement	424,020	424,153	-	16,451	16,451	407,702	-	-	424,153	424,153	407,702
High School Bathroom Renovations	606,255	656,584	65,480	591,104	656,584	-	-	-	656,584	656,584	-
Unassigned	-	697,197	-	-	-	697,197	-	-	697,197	697,197	-
Totals	\$ 7,658,248	\$ 9,150,577	\$ 336,124	\$ 4,231,419	\$ 4,567,543	\$ 4,583,034	\$ -	\$ -	\$ 9,150,577	\$ 9,150,577	\$ 4,583,034

OTHER
SUPPLEMENTARY
INFORMATION

FARMINGDALE UNION FREE SCHOOL DISTRICT
NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2014

Capital assets, net			\$ 65,040,937
Deduct:			
Deferred inflows from issuance of bonds, net of amortization	\$ 1,164,167		
Short-term portion of bonds payable	2,485,000		
Long-term portion of bonds payable	<u>12,670,000</u>	<u>16,319,167</u>	
Net investment in capital assets			<u>\$ 48,721,770</u>

FARMINGDALE UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON EXTRACLASSROOM
ACTIVITY FUNDS FINANCIAL STATEMENTS**

To the Board of Education of the
Farmingdale Union Free School District
Towns of Oyster Bay and Babylon, New York:

We have audited the accompanying statement of cash receipts and disbursements of the various Extraclassroom Activity Funds of the Farmingdale Union Free School District (the "District") for the year ended June 30, 2014, and the related note to the financial statements, which collectively comprise the financial statements of the District's Extraclassroom Activity Funds.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

NawrockiSmith

Opinion

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 Farmingdale Union Free School District for the year ended June 30, 2014 in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of these financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Melville, New York
September 3, 2014

Nawrocki Smith LLP

FARMINGDALE UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

	Cash Balances July 1, 2013	Receipts	Disbursements	Cash Balances June 30, 2014
High School:				
Ambassadors Club	\$ 55.34	\$ 2,108.97	\$ 2,114.02	\$ 50.29
Art Honor Society Club	723.66	260.65	368.94	615.37
Art Photo Developing Club	11.46	-	-	11.46
ASL Honor Society Club	33.26	6,445.00	4,771.42	1,706.84
Auto Tech Club	3,621.98	1,846.28	2,192.22	3,276.04
Bridging the Gap	4,379.59	2,121.16	3,181.37	3,319.38
Business Honor Society Club	701.77	1,275.00	1,306.81	669.96
Carpentry Club	439.14	550.00	-	989.14
Catering Club	5,573.60	-	42.30	5,531.30
Child Lab Study Program	2,777.84	1,000.00	1,987.02	1,790.82
Class of 2013	-	250.00	250.00	-
Class of 2014	1,747.14	36,419.00	37,729.93	436.21
Class of 2015	2,640.56	51,152.05	43,417.07	10,375.54
Class of 2016	441.82	464.00	594.13	311.69
Class of 2017	400.00	400.00	540.98	259.02
Daler Press Club	2,443.57	115.00	121.62	2,436.95
DECA	2,590.90	35,670.19	32,808.70	5,452.39
Field Trips	-	18,815.80	18,448.22	367.58
French Honor Society Club	1,230.30	1,807.25	2,335.60	701.95
FPS Community Support Fund	-	45,125.50	45,125.50	-
Go Green Club	99.25	-	-	99.25
Green and White Shop	2,000.00	77,119.25	77,119.25	2,000.00
Hi-Life	15,555.91	10,534.96	25,961.21	129.66
History Club	237.01	-	50.00	187.01
Interact Club	130.69	1,041.60	930.00	242.29
Italian Honor Society Club	1,727.14	7,878.75	9,104.65	501.24
Key Club	1,423.35	3,533.07	3,950.27	1,006.15
Knitting Club	82.03	-	67.89	14.14
Life Skills Club	3,411.16	1,574.54	926.09	4,059.61
Literary Magazine Club	1,519.13	300.00	181.22	1,637.91
MSG Varsity	6,125.01	-	1,020.00	5,105.01
Music-Band	4,516.59	48,656.11	51,050.37	2,122.33
Music-Chorus	3,682.82	6,933.20	7,213.70	3,402.32
Music-Orchestra	1,842.96	3,487.00	4,701.40	628.56
Music-Symphonic Band	543.80	2,398.00	1,937.38	1,004.42
Music-Women's Choir	-	15,321.00	14,442.80	878.20
National Honor Society	4,469.28	3,950.45	4,059.59	4,360.14
Olympics of the Visual Arts	758.18	4,307.06	3,661.00	1,404.24
PAGE Program Club	86.58	658.00	631.72	112.86
Paper Lion	11,590.12	793.91	1,200.00	11,184.03
Playcrafters	14,822.71	11,211.62	23,475.99	2,558.34
SADD	108.92	202.00	237.26	73.66
Sales Tax	277.79	4,847.02	5,025.71	99.10
School Beautification Club	10,575.37	17,515.13	12,682.45	15,408.05
Science Club - Quiz Bowl	1,155.29	-	342.55	812.74
Science Club - Envirothon	1,008.07	-	-	1,008.07
Science Olympiad	908.99	1,000.00	1,054.53	854.46
Shared Decision Making	1,722.78	-	-	1,722.78
Spanish Honor Society Club	3,627.16	4,474.60	4,720.01	3,381.75
Student Government Association	2,566.29	33,046.35	33,000.36	2,612.28
Student Guidance Club	23.63	502.73	211.00	315.36
Student Sports Activity Council	12,820.01	46,445.42	44,252.70	15,012.73
Technology Honor Society Club	6,482.27	5,791.10	5,053.49	7,219.88
Tri-M Honor Society Club	337.09	2,724.20	2,214.67	846.62
Varsity Leaders Club	39.67	-	-	39.67
Wellness Committee Club	-	250.00	-	250.00
	<u>\$ 146,088.98</u>	<u>\$ 522,322.92</u>	<u>\$ 537,815.11</u>	<u>\$ 130,596.79</u>

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

FARMINGDALE UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
(continued)
FOR THE YEAR ENDED JUNE 30, 2014

	Cash Balances July 1, 2013	Receipts	Disbursements	Cash Balances June 30, 2014
Middle School:				
Ambassadors Club	\$ 376.31	\$ -	\$ 376.31	\$ -
American Sign Language Club	216.47	-	100.00	116.47
Bridging the Gap Foundation	10,104.29	9,451.69	7,463.91	12,092.07
Daler Buddies	-	5,047.00	4,214.88	832.12
Field Trips-6th Grade	-	20,665.00	16,821.70	3,843.30
Field Trips-7th Grade	-	5,141.00	4,322.67	818.33
Field Trips-8th Grade	-	16,275.45	16,275.45	-
Friends Shared Decision Making	2,087.44	-	1,950.07	137.37
Honor Society Club	-	1,677.45	1,547.75	129.70
Howwitt Players Club	19,657.68	15,132.51	18,227.75	16,562.44
Junior Tech. Honor Society Club	170.25	1,094.91	1,265.16	-
Lions Den	2,556.84	8,666.30	9,491.37	1,731.77
Newsday Future Corps Club	33.64	472.00	463.91	41.73
Photo Club	-	450.00	414.68	35.32
Sales Tax	1,251.18	2,092.23	2,307.42	1,035.99
Student Government	3,821.20	21,920.75	18,063.76	7,678.19
Team 84 Charity Fundraiser	888.06	5,814.57	6,463.00	239.63
Wellness Center	3,409.06	9,682.57	11,192.33	1,899.30
Wildlife Warriors Club	739.77	-	275.00	464.77
Yearbook	8,293.60	6,750.00	8,646.13	6,397.47
	<u>\$ 53,605.79</u>	<u>\$ 130,333.43</u>	<u>\$ 129,883.25</u>	<u>\$ 54,055.97</u>

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

FARMINGDALE UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
(continued)
FOR THE YEAR ENDED JUNE 30, 2014

	Cash Balances July 1, 2013	Receipts	Disbursements	Cash Balances June 30, 2014
Elementary Schools:				
<u>Albany Avenue</u>				
Kindergarten	\$ -	\$ 7,129.00	\$ 7,129.00	\$ -
Bridging the Gap	4,077.88	2,283.08	3,552.18	2,808.78
Grade 1	-	1,681.00	1,681.00	-
Grade 2	-	12,202.50	12,202.50	-
Grade 3	-	2,117.00	2,117.00	-
Grade 4	-	14,985.00	14,985.00	-
Grade 5	5,106.78	15,300.68	20,405.46	2.00
TOTAL ALBANY AVENUE	9,184.66	55,698.26	62,072.14	2,810.78
<u>Saltzman Memorial</u>				
Bridging the Gap	3,287.63	2,070.16	2,018.17	3,339.62
Field Trips	-	16,896.52	16,896.52	-
TOTAL SALTZMAN MEMORIAL	3,287.63	18,966.68	18,914.69	3,339.62
<u>Woodward Parkway</u>				
Bridging the Gap	8,417.94	2,138.27	3,086.21	7,470.00
Field Trips	-	18,551.40	18,551.40	-
TOTAL WOODWARD PARKWAY	8,417.94	20,689.67	21,637.61	7,470.00
<u>North Side</u>				
Field Trips	-	28,936.44	28,936.44	-
Bridging the Gap	1,252.63	203.84	1,015.49	440.98
TOTAL NORTH SIDE	1,252.63	29,140.28	29,951.93	440.98
	\$ 22,142.86	\$ 124,494.89	\$ 132,576.37	\$ 14,061.38

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

FARMINGDALE UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
NOTE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Farmingdale Union Free School District (the "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 reflect only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under accounting principles generally accepted in the United State of America, and which may be material in amount, are not recognized in the accompanying financial statements.

FARMINGDALE UNION FREE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/ Pass - Through Grantor/ Cluster Title/Program Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Education</u>			
<u>Passed - Through Programs From:</u>			
New York State Department of Education			
Special Education Cluster:			
IDEA, Part B, Section 611, Special Education Grants to States	84.027A	0032-14-0471	\$ 1,325,666
IDEA, Part B, Section 619, Special Education Preschool Grants	84.173A	0033-14-0471	<u>112,001</u>
			1,437,667
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021-13-1715	34,009
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021-14-1715	204,048
ESEA, Title II, Part A, Improving Teacher Quality State Grants	84.367A	0147-14-1715	171,701
ESEA, Title III, Part A, English Language Acquisition Grants	84.365A	0293-14-1715	30,683
ESEA, Title III, Part A, Immigrant Education	84.365A	0149-14-1715	23,875
Race to the Top - Early Learning Challenge	84.412	5500-14-1715	<u>319</u>
Total U.S. Department of Education			<u><u>1,902,302</u></u>
<u>U.S. Department of Agriculture</u>			
<u>Direct Program:</u>			
Surplus Food	10.550	N/A	56,638
<u>Passed - Through Programs From:</u>			
New York State Office of General Services			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	59,932
National School Lunch Program	10.555	N/A	<u>526,901</u>
Total U.S. Department of Agriculture			<u><u>643,471</u></u>
TOTAL FEDERAL EXPENDITURES			<u><u>\$ 2,545,773</u></u>

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

FARMINGDALE UNION FREE 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 Farmingdale Union Free School District (the "District"), an entity as defined in Note 1 to the District's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed-through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. Basis of Accounting

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

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

3. Indirect Costs

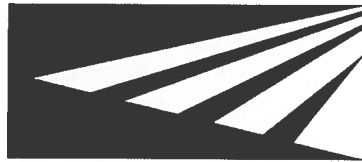
Indirect costs may be included in the reported expenditures to the extent they are included in the federal financial reports used as the source of the data presented.

4. Matching Costs

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

5. Major Program Determination

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



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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT 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
Farmingdale Union Free School District
Towns of Oyster Bay and Babylon, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and fiduciary funds of the Farmingdale Union Free School District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 3, 2014.

Internal Control Over Financial Reporting

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

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

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

NawrockiSmith

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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Melville, New York
September 3, 2014

Nawrocki Smith LLP



NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Education of the
Farmingdale Union Free School District
Towns of Oyster Bay and Babylon, New York:

Report on Compliance For Each Major Federal Program

We have audited the Farmingdale Union Free School District's (the "District") compliance with the types of compliance requirements described in the 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, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of 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, 2014.

NawrockiSmith

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Farmingdale Union Free School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Farmingdale Union Free School District's internal control over compliance.

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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Melville, New York
September 3, 2014



FARMINGDALE UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

A. Summary Of Auditor's Results:

1. The auditor's report expresses an unmodified 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 of the financial statements.
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 unmodified opinion.
6. No audit findings relative to the major federal award programs that are required to be reported in accordance with section 510(a) of OMB Circular A-133 were disclosed during the audit.
7. The programs tested as a major program included:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
	<u>U.S. Department of Education</u>
84.027A	IDEA, Part B, Section 611, Special Education Grants to States
84.173A	IDEA, Part B, Section 619, Special Education Preschool Grants

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.

FARMINGDALE UNION FREE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Findings - Financial Statement Audit

None reported.

Findings And Questioned Costs - Major Federal Award Programs Audit

None reported.

FARMINGDALE UNION FREE SCHOOL DISTRICT
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2014

This section presents our findings and recommendations resulting from the audit of the financial statements of the Farmingdale Union Free School District as of and for the year ended June 30, 2014, as well as the status of recommendations made in connection with prior audits of the financial statements.

CURRENT YEAR RECOMMENDATIONS:

None reported.

PRIOR YEAR RECOMMENDATIONS:

None reported.