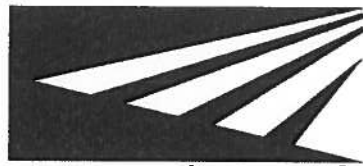


FARMINGDALE UNION FREE SCHOOL DISTRICT
TOWNS OF OYSTER BAY AND BABYLON, NEW YORK
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
IN CONNECTION WITH OMB CIRCULAR A-133
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, 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 the fiduciary funds of the Farmingdale Union Free School District, as of June 30, 2013, 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.

NawrockiSmith

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 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 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 supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the 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 16, 2013, 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 16, 2013

Nawrocki Smith LLP

FARMINGDALE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013. 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 positive change in fund balance in the General Fund with revenues exceeding expenditures in the amount of \$1,532,778. This is largely due to the settlement of construction litigation (\$1,335,000) and Nassau BOCES required liquidation and return of excess Employee Benefit Accrued Liability Reserve ("EBLAR") funds (\$920,459), which is reflected as miscellaneous revenue in the accompanying financial statements.
- The District has assigned \$7,500,000 of fund balance to reduce the ensuing year's expenditures.
- The District utilized \$3,412,534 worth of restricted ("reserved") fund balance in the General Fund, during the current year. At year end, the District was able to fund these various reserved fund balances in the amount of \$5,810,034. Of the amount funded during the current year, \$2,150,000 was used to fund the District's newly established Tax Certiorari Reserve. The District's maximum exposure for tax certiorari claims was estimated to be \$7,244,171 at June 30, 2013. The District's estimated liability of \$2,200,000 for tax certiorari claims is based on approximately 30% of the District's maximum exposure (See page 43).
- 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 \$241 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 four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information 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 *fund 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.
 - *Fiduciary fund financial statements* provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the 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 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, 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 they have 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*.

- Generally 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 general support expenses (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 fund 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 fund 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 0.3% 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 \$51,780,838.

The restricted net position balance of \$31,920,029 represents the District's reserves for capital projects, debt service, employee benefit accrued liability, unemployment insurance, workers' compensation, insurance, retirement contribution and tax certiorari. 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 \$670,194 or 0.9% from the year before, which is primarily related to the increase in retirement system liabilities.

	<u>6/30/12</u>	<u>6/30/13</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 64,099,996	\$ 66,059,184	\$ 1,959,188	3.1
Capital assets, net	64,582,951	62,890,112	(1,692,839)	(2.6)
Total assets	128,682,947	128,949,296	266,349	0.2
Deferred outflows	602,686	827,758	225,072	37.3
Total assets and deferred outflows	<u>\$ 129,285,633</u>	<u>\$ 129,777,054</u>	<u>\$ 491,421</u>	0.4
Current liabilities	\$ 14,066,562	\$ 14,428,806	\$ 362,244	2.6
Long-term liabilities	61,332,107	61,414,985	82,878	0.1
Total liabilities	75,398,669	75,843,791	445,122	0.6
Deferred inflows	1,927,353	2,152,425	225,072	11.7
Total liabilities and deferred inflows	<u>\$ 77,326,022</u>	<u>\$ 77,996,216</u>	<u>\$ 670,194</u>	0.9
Net position:				
Net investment in capital assets	\$ 43,200,951	\$ 44,035,445	\$ 834,494	1.9
Restricted	29,522,529	31,920,029	2,397,500	8.1
Unrestricted	(20,763,869)	(24,174,636)	(3,410,767)	(16.4)
Total net position	<u>\$ 51,959,611</u>	<u>\$ 51,780,838</u>	<u>\$ (178,773)</u>	(0.3)

Changes in Net Position

The District's fiscal year 2013 revenues totaled \$150,474,395 (See Table A-3). Real property taxes and State sources accounted for most of the District's revenue by contributing 65% and 17% 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 operating grants decreased by 22.6% primarily due to the loss of federal jobs funding.
- Revenues from real property taxes increased by 2.0% and was within the recently enacted New York State statutes.

- Revenues from miscellaneous sources increased by 30.8% due to the one time 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.
- During fiscal year 2013, the District began working with a Medicaid consultant in order to maximize the amount of federal monies received for Medicaid eligible students.

The District's fiscal year 2013 expenses totaled \$150,653,168 (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 \$1,829,342.
- The School Lunch Program operated at a deficit of \$102,233 for the 2012/13 school year due to meal pricing being too close to cost and a reduction in participation caused by the "Healthy Kids Food Act".
- Instruction costs decreased due to the loss of ARRA funded grants as well as an overall decrease in BOCES related expenditures.
- Debt service interest decreased due to the District refunding bonds at lower interest rates, during 2012.

Table A-3: Changes in Net Position from Operating Results - Governmental Activities Only

	<u>6/30/12</u>	<u>6/30/13</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Program revenues:				
Charges for services	\$ 1,740,409	\$ 1,840,070	\$ 99,661	5.7
Operating grants	4,888,961	3,786,332	(1,102,629)	(22.6)
General revenues:				
Real property taxes	95,144,935	97,038,104	1,893,169	2.0
Other tax items	19,274,489	18,891,747	(382,742)	(2.0)
Use of money and property	221,402	192,841	(28,561)	(12.9)
State sources	26,061,070	25,131,439	(929,631)	(3.6)
Federal sources - Medicaid	-	225,721	225,721	100.0
Miscellaneous	2,575,915	3,368,141	792,226	30.8
Total revenues	<u>149,907,181</u>	<u>150,474,395</u>	<u>567,214</u>	0.4
Expenses				
General support	20,206,642	20,503,942	297,300	1.5
Instruction	122,250,299	119,848,023	(2,402,276)	(2.0)
Pupil transportation	7,311,385	7,710,593	399,208	5.5
Community services	6,975	6,975	-	0.0
Debt service - interest	911,869	652,060	(259,809)	(28.5)
School lunch program	1,803,045	1,931,575	128,530	7.1
Total expenses	<u>152,490,215</u>	<u>150,653,168</u>	<u>(1,837,047)</u>	(1.2)
Decrease in net position	<u>\$ (2,583,034)</u>	<u>\$ (178,773)</u>	<u>\$ 2,404,261</u>	93.1

Table A-4: Sources of Revenues for Fiscal Year 2013

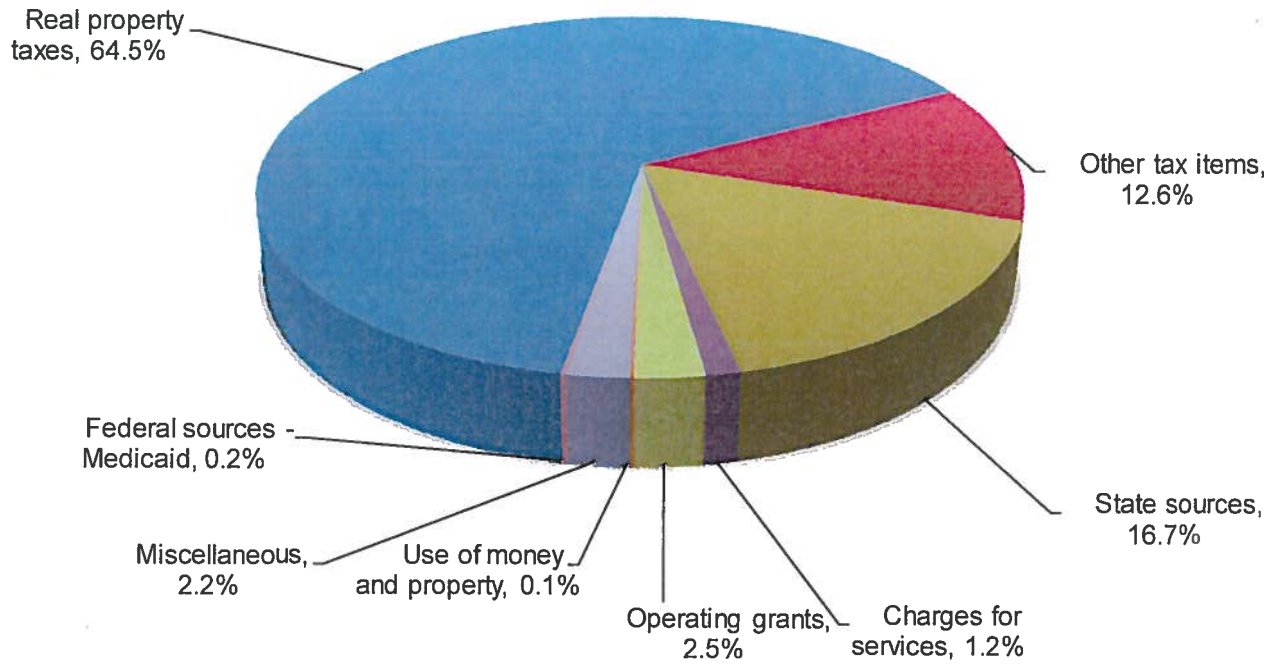


Table A-5: Sources of Revenues for Fiscal Year 2012

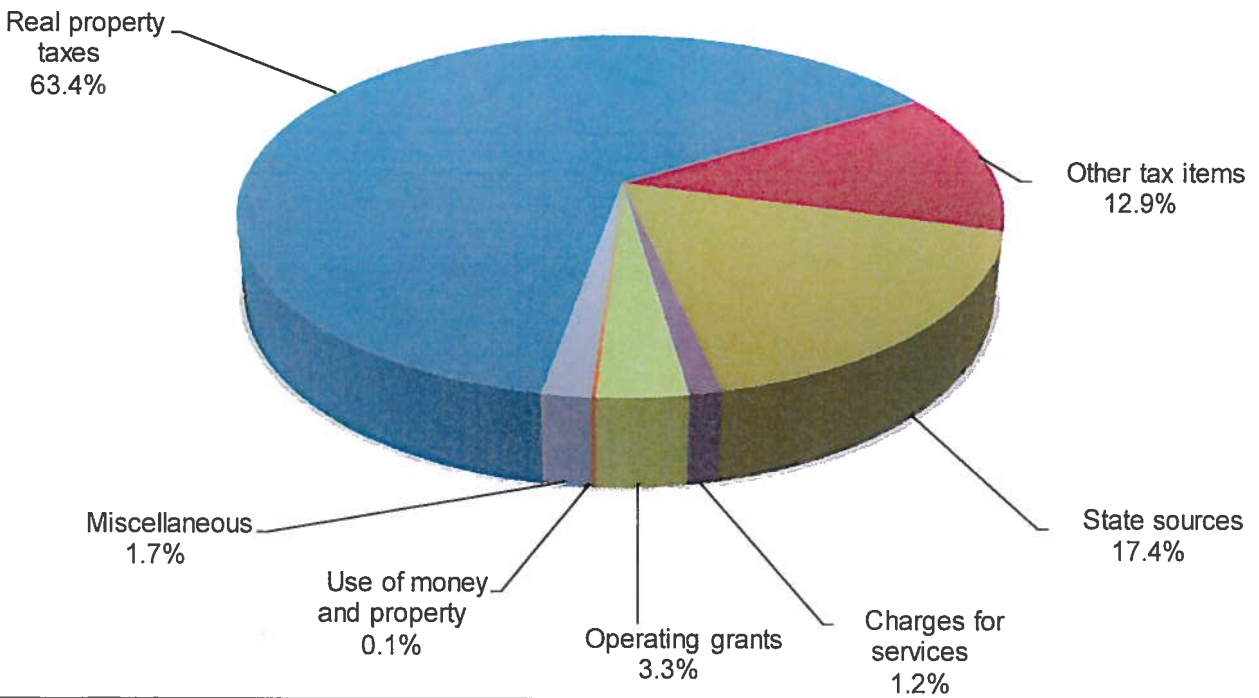


Table A-6: Expenses for Fiscal Year 2013

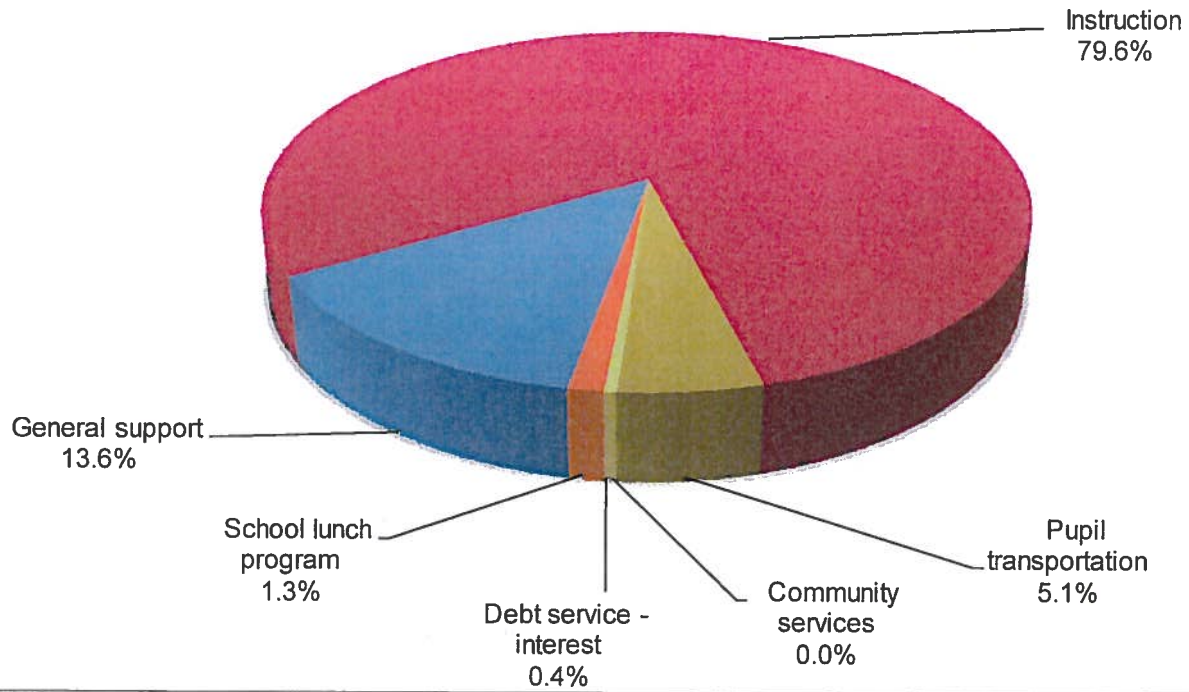
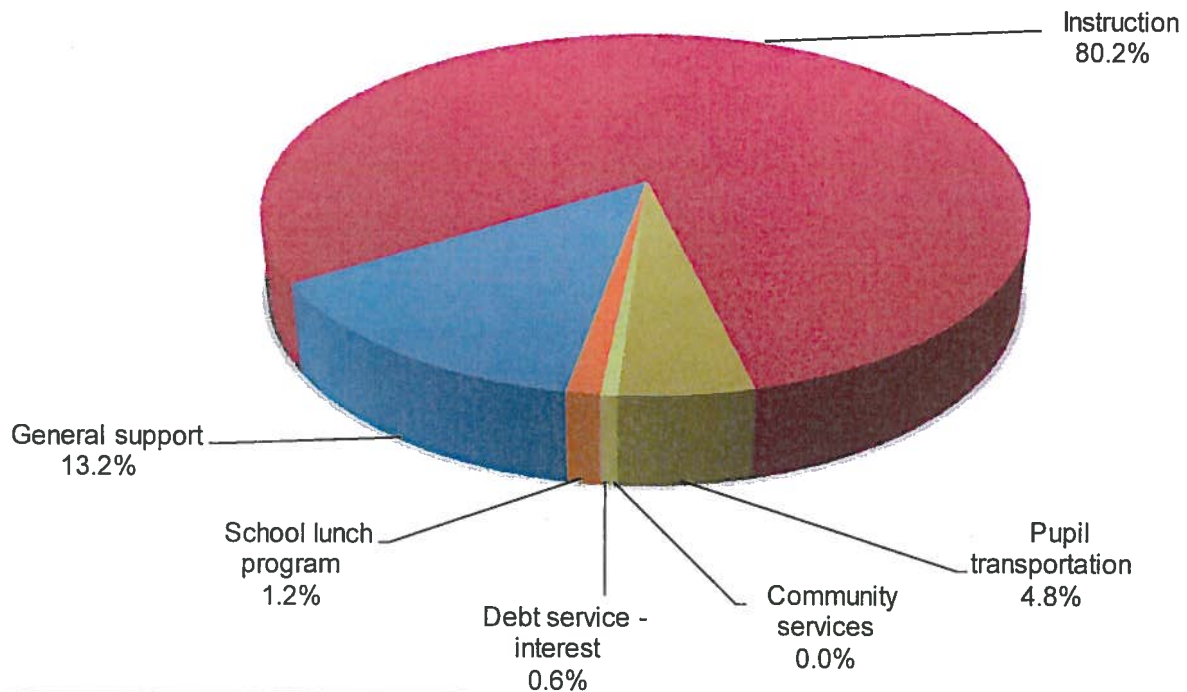


Table A-7: Expenses for Fiscal Year 2012



Governmental Activities

Revenues for the District's governmental activities totaled \$150,474,395 while total expenses were \$150,653,168. Therefore, the decrease in net position for governmental activities was \$178,773 in 2013. 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.

The District's fund financial statements show two significant variances in the General Fund. Due from other governments and other receivables decreased by \$2,719,023 due to the current year receipt of a receivable from BOCES (\$920,459), the capital projects litigation settlement (\$1,297,500) and timing of cash receipts. As anticipated, due to teachers' retirement system and employees' retirement system increased by \$509,300.

At June 30, 2013, the District's governmental funds reported a combined fund balance of \$54,275,054, which is an increase of \$2,242,693 from June 30, 2012. Fund balances for the District's governmental funds for the past two years were distributed as follows:

	<u>6/30/12</u>	<u>6/30/13</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund				
Nonspendable:				
Prepaid expenditures	\$ 150,349	\$ 102,603	\$ (47,746)	(31.8)
Restricted:				
Capital Reserve	3,859,050	6,524,514	2,665,464	69.1
Debt Service	1,497,000	1,336,500	(160,500)	(10.7)
Employee Benefit Accrued Liability	4,201,041	4,036,101	(164,940)	(3.9)
Unemployment Insurance	601,236	602,967	1,731	0.3
Workers' Compensation	4,043,839	4,055,480	11,641	0.3
Insurance	8,097,479	5,970,790	(2,126,689)	(26.3)
Retirement Contribution	7,222,884	7,243,677	20,793	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	-	0.0
Encumbrances	1,749,767	820,111	(929,656)	(53.1)
Unassigned	<u>6,022,686</u>	<u>6,135,366</u>	<u>112,680</u>	<u>1.9</u>
Total General Fund	<u>44,945,331</u>	<u>46,478,109</u>	<u>1,532,778</u>	<u>3.4</u>

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

	<u>6/30/12</u>	<u>6/30/13</u>	<u>\$ Change</u>	<u>% Change</u>
School Lunch Fund				
Nonspendable:				
Inventory	\$ 42,422	\$ 37,531	\$ (4,891)	(11.5)
Assigned:				
School Lunch Fund	269,922	179,961	(89,961)	(33.3)
Encumbrances	<u>7,381</u>	<u>-</u>	<u>(7,381)</u>	(100.0)
Total School Lunch Fund	<u>319,725</u>	<u>217,492</u>	<u>(102,233)</u>	(32.0)
Capital Projects Fund				
Assigned:				
Capital Projects Fund	<u>6,767,305</u>	<u>7,579,453</u>	<u>812,148</u>	12.0
Total Capital Projects Fund	<u>6,767,305</u>	<u>7,579,453</u>	<u>812,148</u>	12.0
	<u>\$ 52,032,361</u>	<u>\$ 54,275,054</u>	<u>\$ 2,242,693</u>	4.3

No other significant variances are reflected in the governmental fund financial statements for fiscal 2013.

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 \$2.8 million more than budget primarily due to higher than anticipated revenues from miscellaneous sources (BOCES and insurance recoveries) and State sources (increase of \$712,419 in State Aid).
- Actual expenditures were approximately \$8.3 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, 2013, the District's unassigned fund balance was \$6,135,366, which was within the allowable 4% of the subsequent year's budget (\$153,384,118) 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, 2013:

Unassigned fund balance, beginning of year	\$ 6,022,686
Add:	
Prior-year appropriated fund balance	7,500,000
Prior-year encumbrances	1,749,767
Prior-year nonspendable fund balance	150,349
Board approved use of Capital Reserve	925,000
Board approved use of Debt Service Reserve	160,500
Board approved use of Employee Benefit Accrued Liability Reserve	177,034
Board approved use of Insurance Reserve	2,150,000
Net change in fund balance	1,532,778

Less:	
Current-year appropriated fund balance	\$ (7,500,000)
Current-year encumbrances	(820,111)
Current-year nonspendable fund balance	(102,603)
Board approved transfer to Capital Reserve, including interest	(3,590,464)
Board approved transfer to Employee Benefit Accrued Liability Reserve, including interest	(12,094)
Board approved transfer to Unemployment Insurance Reserve, including interest	(1,731)
Board approved transfer to Workers' Compensation Reserve, including interest	(11,641)
Board approved transfer to Insurance Reserve, including interest	(23,311)
Board approved transfer to Retirement Contribution Reserve, including interest	(20,793)
Board approved transfer to Tax Certiorari Reserve	<u>(2,150,000)</u>
	<u>\$ 6,135,366</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2013, the District had invested \$62,890,112 net of depreciation, in a broad range of capital assets, including school buildings, maintenance facilities, athletic facilities, computer and audio-visual equipment, and administrative offices.

	<u>6/30/12</u>	<u>6/30/13</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 2,443,074	\$ 2,443,074	\$ -	0.0
Construction-in-progress	4,553,173	4,428,201	(124,972)	(2.7)
Buildings and building improvements	55,059,810	53,613,877	(1,445,933)	(2.6)
Furniture and equipment	<u>2,526,894</u>	<u>2,404,960</u>	<u>(121,934)</u>	<u>(4.8)</u>
Totals	<u>\$ 64,582,951</u>	<u>\$ 62,890,112</u>	<u>\$ (1,692,839)</u>	<u>(2.6)</u>

The District allocated \$586,080 of residual unassigned Capital Projects fund balance, during the current year, to finance a new High School bathroom renovation project. Residual unassigned Capital Projects fund balance now sits at \$18,276 and will be utilized in the upcoming fiscal year.

Long-Term Debt

At year-end, the District had \$63,789,985 outstanding in general obligation bonds and other long-term debt.

	<u>6/30/12</u>	<u>6/30/13</u>	<u>\$ Change</u>	<u>% Change</u>
Bonds payable	\$ 19,885,000	\$ 17,530,000	\$ (2,355,000)	(11.8)
Workers' compensation claims payable	809,890	696,315	(113,575)	(14.0)
Other post-employment benefits	38,542,497	41,223,214	2,680,717	7.0
Compensated absences	<u>4,449,720</u>	<u>4,340,456</u>	<u>(109,264)</u>	<u>(2.5)</u>
Totals	<u>\$ 63,687,107</u>	<u>\$ 63,789,985</u>	<u>\$ 102,878</u>	<u>0.2</u>

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:

- The national economy continues to have a negative impact on almost all municipal budgets. New York State and local budgets have been particularly affected. That is expected to continue for a number of years.
- 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 all units are set to expire at the end of the 2013/14 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 higher in 2014. 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.
- A Nassau County Local Law was recently passed whereby the liability for a school district property tax deficiency existing or arising from a decrease in real property assessments or taxes that is due a taxpayer (tax certiorari judgments) will become that of the school district rather than Nassau County as it is currently. This legislation took effect during the 2012-13 fiscal year enabling school districts to accrue for this liability to be paid in the 2013-14 school year, however this law is currently being challenged in the court of appeals. The ultimate resolution of this matter cannot be determined at this time.
- Future budgets being approved by the voters of the District.
- GASB Statement 45 provides standards for the recognition and reporting of post-employment expenditures and liabilities in the District-wide financial statements. Currently, the District accounts for retiree health benefits on a pay-as-you-go basis. The implementation of the provisions of GASB Statement 45 has had a negative impact on the Districts' Net Position. It should be noted that New York State has not provided a reserve that would allow school districts the ability to account for this liability.
- 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".

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, 2013

ASSETS

Current assets:	
Cash:	
Unrestricted	\$ 26,466,748
Restricted	32,062,991
Receivables:	
State and federal aid	4,774,232
Due from fiduciary funds	18,232
Due from other governments	2,415,648
Other receivables	174,631
Prepaid expenditures	102,603
Other assets	6,568
Inventories	37,531
	<hr/>
Total current assets	66,059,184
Noncurrent assets:	
Capital assets, net of accumulated depreciation of \$51,381,471	62,890,112
	<hr/>
Total assets	128,949,296

DEFERRED OUTFLOWS

Foster tuition	494,262
Cash surrender value of life insurance proceeds	333,496
	<hr/>
Total deferred outflows	827,758
	<hr/>
Total assets and deferred outflows	\$ 129,777,054

LIABILITIES

Current liabilities:	
Payables:	
Accounts payable	\$ 1,581,735
Accrued interest payable	269,676
Accrued liabilities	1,141,049
Due to other governments	2,485
Unearned revenues:	
Driver's education fees	45,051
School lunch sales received in advance	27,861
Long-term liabilities, due within one year:	
Bonds payable	2,375,000
Due to teachers' retirement system	7,529,264
Due to employees' retirement system	707,043
Workers' compensation claims payable	613,233
Compensated absences	136,409
	<hr/>
Total current liabilities	14,428,806
Noncurrent liabilities:	
Long-term liabilities, due after one year:	
Bonds payable	15,155,000
Workers' compensation claims payable	696,315
Other post-employment benefits	41,223,214
Compensated absences	4,340,456
	<hr/>
Total noncurrent liabilities	61,414,985
	<hr/>
Total liabilities	75,843,791

DEFERRED INFLOWS

Foster tuition	494,262
Cash surrender value of life insurance proceeds	333,496
Deferred inflows from issuance of bonds, net of amortization	1,324,667
	<hr/>
Total deferred inflows	2,152,425
	<hr/>
Total liabilities and deferred inflows	77,996,216

NET POSITION

Net investment in capital assets	44,035,445
Restricted:	
Capital Reserve	6,524,514
Debt Service	1,336,500
Employee Benefit Accrued Liability	4,036,101
Unemployment Insurance	602,967
Workers' Compensation Insurance	4,055,480
Retirement Contribution	5,970,790
Tax Certiorari	7,243,677
Unrestricted	2,150,000
	<hr/>
Total net position	51,780,838
	<hr/>
Total liabilities, deferred inflows and net position	\$ 129,777,054

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, 2013

	Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position
Functions and programs:				
General support	\$ 20,503,942	\$ 93,567	\$ 432,256	\$ (19,978,119)
Instruction	119,848,023	546,909	2,526,590	(116,774,524)
Pupil transportation	7,710,593	35,186	162,552	(7,512,855)
Community services	6,975	-	-	(6,975)
Debt service - interest	652,060	-	-	(652,060)
School lunch program	1,931,575	1,164,408	664,934	(102,233)
Total functions and programs	\$ 150,653,168	\$ 1,840,070	\$ 3,786,332	(145,026,766)
General revenues:				
Real property taxes				97,038,104
Other tax items				18,891,747
Use of money and property				192,841
State sources				25,131,439
Federal sources - Medicaid				225,721
Miscellaneous				3,368,141
Total general revenues				144,847,993
Change in net position				(178,773)
Total net position, beginning of year				51,959,611
Total net position, end of year				\$ 51,780,838

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

FARMINGDALE UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds				Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	
ASSETS					
Cash:					
Unrestricted	\$ 19,529,873	\$ -	\$ 913,367	\$ 6,023,508	\$ 26,466,748
Restricted	31,920,029	142,962	-	-	32,062,991
Receivables:					
State and federal aid	1,586,922	3,150,981	36,329	-	4,774,232
Due from other funds	3,782,970	-	-	1,632,197	5,415,167
Due from fiduciary funds	18,232	-	-	-	18,232
Due from other governments	2,412,980	-	2,668	-	2,415,648
Other receivables	174,535	-	96	-	174,631
Prepaid expenditures	102,603	-	-	-	102,603
Other assets	6,568	-	-	-	6,568
Inventories	-	-	37,531	-	37,531
Total assets	59,534,712	3,293,943	989,991	7,655,705	71,474,351
DEFERRED OUTFLOWS					
Foster tuition	494,262	-	-	-	494,262
Cash surrender value of life insurance proceeds	333,496	-	-	-	333,496
Total deferred outflows	827,758	-	-	-	827,758
Total assets and deferred outflows	\$ 60,362,470	\$ 3,293,943	\$ 989,991	\$ 7,655,705	\$ 72,302,109
LIABILITIES					
Payables:					
Accounts payable	\$ 1,256,804	\$ 205,030	\$ 43,649	\$ 76,252	\$ 1,581,735
Accrued liabilities	1,134,117	3,791	3,141	-	1,141,049
Due to other funds	1,632,197	3,085,122	697,848	-	5,415,167
Due to other governments	2,485	-	-	-	2,485
Due to teachers' retirement system	7,529,264	-	-	-	7,529,264
Due to employees' retirement system	707,043	-	-	-	707,043
Unearned revenues:					
Driver's education fees	45,051	-	-	-	45,051
School lunch sales received in advance	-	-	27,861	-	27,861
Workers' compensation claims payable	613,233	-	-	-	613,233
Compensated absences	136,409	-	-	-	136,409
Total liabilities	13,056,603	3,293,943	772,499	76,252	17,199,297
DEFERRED INFLOWS					
Foster tuition	494,262	-	-	-	494,262
Cash surrender value of life insurance proceeds	333,496	-	-	-	333,496
Total deferred inflows	827,758	-	-	-	827,758
Total liabilities and deferred inflows	13,884,361	3,293,943	772,499	76,252	18,027,055
FUND BALANCE					
Fund balance:					
Nonspendable	102,603	-	37,531	-	140,134
Restricted	31,920,029	-	-	-	31,920,029
Assigned	8,320,111	-	179,961	7,579,453	16,079,525
Unassigned	6,135,366	-	-	-	6,135,366
Total fund balance	46,478,109	-	217,492	7,579,453	54,275,054
Total liabilities, deferred inflows and fund balance	\$ 60,362,470	\$ 3,293,943	\$ 989,991	\$ 7,655,705	\$ 72,302,109

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, 2013

Total Fund Balance - Governmental Funds		\$ 54,275,054
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	\$ 6,871,275	
Depreciable	107,400,308	
Accumulated depreciation	<u>(51,381,471)</u>	62,890,112
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	(17,530,000)	
Workers' compensation claims payable	(696,315)	
Other post-employment benefits	(41,223,214)	
Compensated absences	<u>(4,340,456)</u>	(63,789,985)
Deferred inflows from issuance of bonds, net of amortization		(1,324,667)
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.		<u>(269,676)</u>
Net Position - Governmental Activities		<u><u>\$ 51,780,838</u></u>

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, 2013

	Special Revenue Funds					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Total	
REVENUES						
Real property taxes	\$ 97,038,104	\$ -	-	-	\$ -	\$ 97,038,104
Other tax items	18,891,747	-	-	-	-	18,891,747
Charges for services	675,662	-	-	-	-	675,662
Use of money and property	192,841	-	-	-	-	192,841
State sources	26,051,898	1,126,639	31,844	-	-	27,210,381
Federal sources	225,721	1,814,461	633,090	-	-	2,673,272
Local sources	-	180,298	-	-	-	180,298
Sales	-	-	1,164,408	-	-	1,164,408
Miscellaneous	3,195,808	-	-	-	-	3,195,808
Total revenues	146,271,781	3,121,398	1,829,342	-	-	151,222,521
EXPENDITURES						
General support	16,715,271	-	-	-	-	16,715,271
Instruction	82,812,189	3,272,197	-	-	-	86,084,386
Pupil transportation	7,213,085	-	-	-	-	7,213,085
Community services	6,975	-	-	-	-	6,975
Employee benefits	33,488,353	47,894	243,373	-	-	33,779,620
Debt service -						
Principal	2,355,000	-	-	-	-	2,355,000
Interest	774,437	-	-	-	-	774,437
Cost of sales	-	-	1,688,202	-	-	1,688,202
Capital outlay	-	-	-	362,852	-	362,852
Total expenditures	143,365,310	3,320,091	1,931,575	362,852	362,852	148,979,828
Excess (deficiency) of revenues over (under) expenditures	2,906,471	(198,693)	(102,233)	(362,852)	(362,852)	2,242,693
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	198,693	-	1,175,000	-	1,373,693
Operating transfers out	(1,373,693)	-	-	-	-	(1,373,693)
Total other financing sources (uses)	(1,373,693)	198,693	-	1,175,000	1,175,000	-
Change in fund balance	1,532,778	-	(102,233)	812,148	-	2,242,693
Fund balance, beginning of year	44,945,331	-	319,725	6,767,305	-	52,032,361
Fund balance, end of year	\$ 46,478,109	\$ -	\$ 217,492	\$ 7,579,453	\$ -	\$ 54,275,054

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, 2013

Net Change in Fund Balance - Governmental Funds \$ 2,242,693

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation exceeds capital outlay in the current period is:

Capital outlay	\$ 788,902	
Depreciation expense	<u>(2,481,741)</u>	(1,692,839)

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.

Repayment of bond principal		2,355,000
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Amortization of net economic gain from refunding of debt		172,333
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Other post-employment benefits	(2,680,717)	
Workers' compensation claims payable	113,575	
Compensated absences	109,264	
Accrued interest costs	<u>122,377</u>	(2,335,501)

Revenues in the Statement of Activities that do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds:

Deferred State sources		<u>(920,459)</u>
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Net Change in Net Position - Governmental Activities		<u>\$ (178,773)</u>
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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, 2013

	<u>Permanent Trust</u>	<u>Scholarship Trusts</u>	<u>Agency Funds</u>
ASSETS			
Cash:			
Unrestricted	\$ -	\$ -	\$ 311,067
Restricted	-	113,101	221,827
Receivables	-	-	947
Investments	19,583	-	-
	<u>19,583</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 19,583</u>	<u>\$ 113,101</u>	<u>\$ 533,841</u>
LIABILITIES			
Extraclassroom activity balances	\$ -	\$ -	\$ 221,827
Other liabilities	-	-	293,782
Due to governmental funds	-	-	18,232
	<u>-</u>	<u>-</u>	<u>18,232</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>\$ 533,841</u>
NET POSITION			
Restricted:			
Endowment scholarships	19,583	113,101	
	<u>19,583</u>	<u>113,101</u>	
Total net position	<u>19,583</u>	<u>113,101</u>	
Total liabilities and net position	<u>\$ 19,583</u>	<u>\$ 113,101</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, 2013

	Permanent Trust	Scholarship Trusts
ADDITIONS		
Contributions	\$ -	\$ 2,674
Transfer from Permanent Trust	-	992
Investment earnings:		
Interest	1,010	248
Total additions	1,010	3,914
DEDUCTIONS		
Scholarships and awards	-	15,050
Unrealized loss	1,468	-
Transfer to Scholarship Trusts	992	-
Total deductions	2,460	15,050
Change in net position	(1,450)	(11,136)
Net position, beginning of year	21,033	124,237
Net position, end of year	\$ 19,583	\$ 113,101

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, 2013

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 Section 1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n (a) of the New York State General Municipal Law.

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

During the year, the District was billed \$10,403,962 for BOCES administrative and program costs.

The District's share of BOCES aid relating solely to administrative and program costs amounted to \$1,402,441.

Financial statements for the BOCES are available from the BOCES administrative office at Nassau BOCES 71, Clinton Road, PO Box 9195, Garden City, NY 11530.

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.

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 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.

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

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

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

D. Measurement focus and basis of accounting

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

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within a reasonable period of time after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Property taxes

Real property taxes, for the Town of Oyster Bay residents, are levied annually by the Board 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. Nassau County has paid an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1st. With respect to assessment rolls that are finalized in April 2012 and thereafter, the District will now be responsible to pay the costs of judgments, cancellations or credits of taxes for tax revenue received by the District (see Note 12 for further details).

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.

Fund balance is assigned for these non-liquid assets to signify that a portion of fund balance is not available for other subsequent expenditures.

L. Other assets/restricted assets

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment 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

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

N. Deferred outflows

Deferred outflows of resources are defined as a consumption of net position by the District that is applicable to future periods. Discounts related to the issuance of refunded long-term debt and any loss on the early retirement of refunded debt are amortized on a straight-line basis over the life of the later issue, and are presented net of accumulated amortization, in the District-wide financial statements as deferred outflows of resources. Bond issuance costs are not amortized. In the fund financial statements, bond issuance costs are recognized during the current period as expenditures.

O. Deferred inflows

Deferred inflows of resources are defined as an acquisition of net position by the District that is applicable to future periods. Deferred inflows are reported when potential revenues do not meet both the measureable and available criteria for recognition in the current period. Deferred inflows 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 is removed and revenues are recorded.

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

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 District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements, only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you-go basis.

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 did not have any short-term debt outstanding at June 30, 2013.

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, other post-employment benefits and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that 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 net position, 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.

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 prepaid expenditures recorded in the General Fund of \$102,603 and the inventory recorded in the School Lunch Fund of \$37,531.
2. Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The District has established the following restricted fund balances:

Capital 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. Of this amount, \$7,675,002 has been transferred to the Capital Projects Fund in connection with projects, \$6,524,514 is currently in the Capital Reserve fund, and \$800,484 remains to be reserved.

Debt Service

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

Workers' Compensation

According to General Municipal Law §6-j, such amounts must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget.

Insurance

According to General Municipal Law §6-n, such amounts 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, such amounts 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.

Tax Certiorari

According to Education Law §3651.1-a, such amounts must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as either restricted, committed or assigned fund balance to the extent to which purpose limitations have been established regarding the use of these 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 District's highest level of decision-making authority before the end of the fiscal year, and that 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, 2013.
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 of the General Fund totaling \$820,111, the School Lunch Fund fund balance totaling \$179,961, and the Capital Projects Fund fund balance totaling \$7,579,453 are classified as assigned fund balance.
5. Unassigned - Includes all other General Fund net position 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, 2013 were distributed as follows:

	General	School Lunch	Capital Projects	Total Governmental Funds
Nonspendable:				
Inventory	\$ 102,603	\$ 37,531	\$ -	\$ 140,134
Total nonspendable	102,603	37,531	-	140,134
Restricted:				
Capital Reserve	6,524,514	-	-	6,524,514
Debt Service	1,336,500	-	-	1,336,500
Employee Benefit Accrued Liability	4,036,101	-	-	4,036,101
Unemployment Insurance	602,967	-	-	602,967
Workers' Compensation	4,055,480	-	-	4,055,480
Insurance	5,970,790	-	-	5,970,790
Retirement Contribution	7,243,677	-	-	7,243,677
Tax Certiorari	2,150,000	-	-	2,150,000
Total restricted	31,920,029	-	-	31,920,029
Assigned:				
Designated for subsequent year's expenditures	7,500,000	-	-	7,500,000
Encumbrances	820,111	-	-	820,111
School Lunch Fund	-	179,961	-	179,961
Capital Projects Fund	-	-	7,579,453	7,579,453
Total assigned	8,320,111	179,961	7,579,453	16,079,525
Unassigned	6,135,366	-	-	6,135,366
Total	\$ 46,478,109	\$ 217,492	\$ 7,579,453	\$ 54,275,054

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 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 financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

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

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

The District's 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	\$	925,000
Board approved use of EBLAR		177,034
Insurance recoveries		314,142
Summer school tuition		63,772
Bullet aid grant		10,000
Other student fees		2,487
		<hr/>
	\$	1,492,435
		<hr/>

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.

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 assignments or restrictions 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	\$	67,105,063

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, 2013, 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 \$32,062,991 in the governmental funds and \$334,928 in the fiduciary funds.

5. **RECEIVABLES**

A. **State and federal aid receivables**

State and federal aid receivables at June 30, 2013, consisted of the following:

General Fund:

New York State aid - excess cost aid	\$ 827,264
BOCES Aid	759,658

Special Aid Fund:

State and federal grants	3,150,981
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School Lunch Fund:

School breakfast and lunch reimbursement	<u>36,329</u>
	<u><u>\$ 4,774,232</u></u>

B. **Due from other governments**

Due from other governments at June 30, 2013, consisted of the following:

General Fund:

Town of Oyster Bay - uncollected taxes	\$ 1,705,582
Town of Babylon - 2nd half PILOT payment	622,339
Federal aid - Medicaid	85,059

School Lunch Fund:

New York State - sales tax overpayment	<u>2,668</u>
	<u><u>\$ 2,415,648</u></u>

C. **Other receivables**

Other receivables at June 30, 2013, consisted of the following:

General Fund:

Foster tuition - various sources	\$ 501,354
Various receivables	118,667
BOCES - credits	48,776

School Lunch Fund:

Various receivables	<u>96</u>
	<u><u>\$ 668,893</u></u>

6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2013 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	4,553,173	362,852	(487,824)	4,428,201
Total nondepreciable assets	<u>6,996,247</u>	<u>362,852</u>	<u>(487,824)</u>	<u>6,871,275</u>
Capital assets that are depreciated:				
Buildings and building improvements	96,687,868	-	487,824	97,175,692
Furniture and equipment	9,798,566	426,050	-	10,224,616
Total depreciable assets	<u>106,486,434</u>	<u>426,050</u>	<u>487,824</u>	<u>107,400,308</u>
Less accumulated depreciation:				
Buildings and building improvements	41,628,058	1,933,757	-	43,561,815
Furniture and equipment	7,271,672	547,984	-	7,819,656
Total accumulated depreciation	<u>48,899,730</u>	<u>2,481,741</u>	<u>-</u>	<u>51,381,471</u>
Total capital assets, net	<u>\$ 64,582,951</u>	<u>\$ (1,692,839)</u>	<u>\$ -</u>	<u>\$ 62,890,112</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 269,765
Instruction	1,890,839
Pupil transportation	321,137
	<u>\$ 2,481,741</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	\$ 19,885,000	\$ -	\$ 2,355,000	\$ 17,530,000	\$ 2,375,000
Workers' compensation claims payable	809,890	4,648,610	4,762,185	696,315	-
Other post-employment benefits	38,542,497	9,271,960	6,591,243	41,223,214	-
Compensated absences	4,449,720	-	109,264	4,340,456	-
Total long-term liabilities	<u>\$ 63,687,107</u>	<u>\$ 13,920,570</u>	<u>\$ 13,817,692</u>	<u>\$ 63,789,985</u>	<u>\$ 2,375,000</u>

Additions and deletions to compensated absences are shown net as it is impractical to determine these amounts separately.

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

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 6/30/13
Refunding serial bonds	4/6/10	7/15/20	1.50 - 5.00%	\$ 7,820,000
Refunding serial bonds	3/15/12	9/15/20	2.00 - 5.00%	<u>9,710,000</u>
				<u>\$ 17,530,000</u>

The following is a summary of maturing debt service requirements:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,375,000	\$ 693,725	\$ 3,068,725
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
2019-2021	<u>6,300,000</u>	<u>444,725</u>	<u>6,744,725</u>
	<u>\$ 17,530,000</u>	<u>\$ 2,982,644</u>	<u>\$ 20,512,644</u>

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

Interest paid	\$ 774,437
Less interest accrued in the prior year	(392,053)
Plus interest accrued in the current year	<u>269,676</u>
Interest expense	<u>\$ 652,060</u>

8. PENSION PLANS

General information

The District participates in the NYSERS and the NYSTRS. These are cost-sharing, multiple employer, public employee retirement systems (collectively, the "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 NYSTRS. The report may be obtained by writing to NYSTRS, Office of the State Comptroller, 10 Corporate Woods Drive, Albany, New York 12211-2395.

The NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute, and benefits to employees. The 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. With the exception of ERS tier V and VI employees, employees in the Systems 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>
2013	\$ 7,274,607	\$ 2,984,487
2012	6,648,772	2,715,595
2011	5,858,529	1,757,891

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	\$ 3,801,202	\$ 1,632,197	\$ -	\$ 1,373,693
Special Aid Fund	-	3,085,122	198,693	-
School Lunch Fund	-	697,848	-	-
Capital Projects Fund	1,632,197	-	1,175,000	-
Fiduciary Funds	-	18,232	-	-
Totals	<u>\$ 5,433,399</u>	<u>\$ 5,433,399</u>	<u>\$ 1,373,693</u>	<u>\$ 1,373,693</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.

GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions, (standards codified in 2012) 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, 2013, the District recognized \$6,591,243 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2012 which indicates that the total liability for other post-employment benefits is \$240,803,022 (\$103,295,284 related to retirees and \$137,507,738 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:

	<u>For the Year Ended June 30, 2013</u>
Annual required contribution	\$ 11,463,544
Interest on net OPEB obligation	1,541,700
Adjustment to annual required contribution	<u>(3,733,284)</u>
Annual OPEB cost	9,271,960
Contributions made	<u>6,591,243</u>
Increase in net OPEB obligation	2,680,717
Net OPEB obligation, beginning of year	<u>38,542,497</u>
Net OPEB obligation, end of year	<u><u>\$ 41,223,214</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, 2013 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>
06/30/13	\$ 9,271,960	71.1%	\$ 41,223,214
06/30/12	15,104,138	44.8%	38,542,497
06/30/11	13,940,152	44.2%	30,208,459

Funded status and funding progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$240,803,022 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$240,803,022. The covered payroll (annual payroll of active employees covered by the plan) was \$78,438,264, and the ratio of the UAAL to the covered payroll was 307.0%. 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, 2012 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, 2013 was 25 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 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
Incurred but not reported for the fiscal years ended June 30:				
2013	\$ 809,890	\$ 4,648,610	\$ 4,762,185	\$ 696,315
2012	2,376,354	2,146,668	3,713,132	809,890

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. The effective date of such legislature shall be with respect to assessment rolls that are finalized in April 2012 and thereafter. As such, the District will now be responsible for the costs of judgments, cancellations or credits of taxes for tax revenue. Tax certiorari proceedings shall now be reflected in the District's financial statements at such time amounts can reasonably be determined by court decisions, judgments or other variables. There were no material liabilities determined as of June 30, 2013. While the extent of the District's prospective obligation cannot be determined at this time, this legislation will have a negative impact on the future operating results of the District. 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 "County Guarantee" and shifting the potential liability from the District to Nassau County. The ultimate resolution of this matter cannot be determined at this time.

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 arrangement

In accordance with GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements (standards codified in 2012), 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 for up-front or installment payments received from the operator in advance of the revenue being earned. The District did not have any service concession arrangements for the fiscal year ended June 30, 2013, and accordingly, no liability or deferred inflow was reflected on the District's financial statements.

13. ACCOUNTING STANDARDS

GASB has issued Statement No. 65, Items Previously Reported as Assets and Liabilities, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities. The District has implemented this pronouncement for the year ended June 30, 2013.

GASB has issued Statement No. 66, Technical Corrections (effective for periods beginning after December 15, 2012), which resolves conflicting guidance that resulted from the issuance of two recent pronouncements; GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The District has implemented this pronouncement for the year ended June 30, 2013.

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.

14. SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after the Statement of Net Position through the date of September 16, 2013 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, 2013

	Adopted Budget	Final Budget	Actual	Year-end Encumbrances	Variance Favorable (Unfavorable)
REVENUES					
Local sources:					
Real property taxes	\$ 96,929,602	\$ 97,012,928	\$ 97,038,104		\$ 25,176
Other tax items	19,925,000	19,841,674	18,891,747		(949,927)
Charges for services	385,000	451,259	675,662		224,403
Use of money and property	365,000	365,000	192,841		(172,159)
Miscellaneous	140,000	454,142	3,195,808		2,741,666
Total local sources	117,744,602	118,125,003	119,994,162		1,869,159
State sources	25,297,558	25,307,558	26,051,898		744,340
Federal sources	25,000	25,000	225,721		200,721
Total revenues	143,067,160	143,457,561	146,271,781		2,814,220
OTHER FINANCING SOURCES					
Appropriated reserves	-	1,749,767	-		(1,749,767)
Total revenues and other financing sources	143,067,160	145,207,328	146,271,781		1,064,453
EXPENDITURES					
General support:					
Board of Education	108,605	111,414	80,770	\$ 365	30,279
Central administration	401,177	406,872	364,967	-	41,905
Finance	1,184,386	1,302,182	1,161,135	66,400	74,647
Staff	1,164,189	1,200,487	1,091,080	1,341	108,066
Central services	12,666,530	14,505,125	12,268,306	639,066	1,597,753
Special items	2,073,500	2,082,300	1,749,013	-	333,287
Total general support	17,598,387	19,608,380	16,715,271	707,172	2,185,937
Instruction:					
Instruction, administration and improvement	10,275,154	10,563,530	10,067,105	5,594	490,831
Teaching - regular school	44,244,769	43,787,620	43,124,653	60,154	602,813
Programs for children with handicapping conditions	18,948,271	20,026,425	19,531,420	-	495,005
Teaching - special school	226,488	293,151	249,305	-	43,846
Instructional media	2,862,551	3,106,343	3,029,911	1,012	75,420
Pupil services	6,968,307	7,113,831	6,809,795	46,179	257,857
Total instruction	83,525,540	84,890,900	82,812,189	112,939	1,965,772
Pupil transportation	7,997,744	8,042,011	7,213,085	-	828,926
Community services	8,000	8,000	6,975	-	1,025
Employee benefits	37,678,051	36,556,940	33,488,353	-	3,068,587
Debt service:					
Principal	2,355,000	2,355,000	2,355,000	-	-
Interest	974,438	974,438	774,437	-	200,001
Total expenditures	150,137,160	152,435,669	143,365,310	820,111	8,250,248
OTHER FINANCING USES					
Operating transfers out	430,000	1,373,693	1,373,693	-	-
Total expenditures and other financing uses	150,567,160	153,809,362	144,739,003	\$ 820,111	8,250,248
Net change in fund balance	(7,500,000)	(8,602,034)	1,532,778		<u>\$ 9,314,701</u>
Fund balance, beginning of year	44,945,331	44,945,331	44,945,331		
Fund balance, end of year	<u>\$ 37,445,331</u>	<u>\$ 36,343,297</u>	<u>\$ 46,478,109</u>		

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

FARMINGDALE UNION FREE SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
FOR THE YEAR ENDED JUNE 30, 2013

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)
07/01/12	\$ -	\$ 240,803,022	\$ 240,803,022	0%	\$ 78,438,264	307.0%
07/01/11	-	214,805,100	214,805,100	0%	74,407,050	288.7%
07/01/10	-	205,362,000	205,362,000	0%	78,970,731	260.0%

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

FARMINGDALE UNION FREE SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET
AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

Change from adopted budget to revised budget:

Adopted budget		\$ 150,567,160
Add:		
Prior year's encumbrances		1,749,767
Original budget		152,316,927
Budget revisions:		
Board approved use of Capital Reserve		925,000
Board approved use of EBLAR		177,034
Insurance recoveries		314,142
Summer school tuition		63,772
Bullet aid grant		10,000
Student fees		2,487
Revised budget		\$ 153,809,362
 § 1318 of real property tax law limit calculation:		
2013-14 voter-approved expenditure budget		\$ 153,384,118
Maximum allowed (4% of total 2013-14 budget)		\$ 6,135,365
 Fund balance subject to § 1318 of Real Property Tax law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 8,320,111	
Unassigned fund balance	5,307,608	\$ 13,627,719
Less:		
Appropriated fund balance	7,500,000	
Encumbrances	820,111	8,320,111
Fund balance subject to § 1318 of Real Property Tax law		\$ 5,307,608
Actual percentage		3.46%

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

FARMINGDALE UNION FREE SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING SOURCES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2013

Project Title	Expenditures				Methods of Financing				Fund Balance June 30, 2013		
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Aid		Local Sources	Total
High School Windows	\$ 2,200,000	\$ 3,794,466	\$ 3,604,742	\$ 180,507	\$ 3,785,249	\$ 9,217	\$ -	\$ 3,875	\$ 3,790,591	\$ 3,794,466	\$ 9,217
High School Stadium Lights	305,608	306,839	291,497	15,331	306,828	11	-	-	306,839	306,839	11
Howitt East Window/Curtain Replacement	938,415	1,295,220	24,522	21,014	45,536	1,249,684	-	-	1,295,220	1,295,220	1,249,684
Howitt West Window/Curtain Replacement	2,397,974	2,169,588	64,650	39,136	103,786	2,065,802	-	-	2,169,588	2,169,588	2,065,802
Salzman EM Window/Curtain Replacement	1,401,027	1,774,034	40,555	27,804	68,359	1,705,675	-	-	1,774,034	1,774,034	1,705,675
Albany Ave. Window/Curtain Replacement	1,389,577	1,117,976	39,383	13,580	52,963	1,065,013	-	-	1,117,976	1,117,976	1,065,013
Northside Window Replacement	500,980	500,980	-	-	-	500,980	-	-	500,980	500,980	500,980
Woodward Parkway Window Replacement	424,020	424,020	-	-	-	424,020	-	-	424,020	424,020	424,020
High School Bathroom Renovations	606,255	606,255	-	65,480	65,480	540,775	-	-	606,255	606,255	540,775
Unassigned	-	18,276	-	-	-	18,276	-	-	18,276	18,276	18,276
Totals	\$ 10,163,856	\$ 12,007,654	\$ 4,065,349	\$ 362,852	\$ 4,428,201	\$ 7,579,453	\$ -	\$ 3,875	\$ 12,003,779	\$ 12,007,654	\$ 7,579,453

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

FARMINGDALE UNION FREE SCHOOL DISTRICT
NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2013

Capital assets, net			\$ 62,890,112
Deduct:			
Deferred inflows from issuance of bonds, net of amortization	\$ 1,324,667		
Short-term portion of bonds payable	2,375,000		
Long-term portion of bonds payable	<u>15,155,000</u>	<u>18,854,667</u>	
Net investment in capital assets			<u>\$ 44,035,445</u>

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

FARMINGDALE UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
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NawrockiSmith

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:

We have audited the accompanying statements of cash receipts and disbursements of the Extraclassroom Activity Funds of the Farmingdale Union Free School District (the "District") for the year ended June 30, 2013, 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 statements 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 statements 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, 2013 in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the 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 16, 2013

Nawrocki Smith LLP

FARMINGDALE UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

	Cash Balances July 1, 2012	Receipts	Disbursements	Cash Balances June 30, 2013
High School:				
Ambassadors Club	\$ 68.45	\$ 1,385.15	\$ 1,398.26	\$ 55.34
Art Honor Society Club	667.70	301.95	245.99	723.66
Art Photo Developing Club	41.46	-	30.00	11.46
ASL Honor Society Club	15.35	1,770.00	1,752.09	33.26
Auto Tech Club	3,852.23	1,162.05	1,392.30	3,621.98
Bridging the Gap	1,587.79	6,177.52	3,385.72	4,379.59
Business Honor Society Club	940.08	465.00	703.31	701.77
Carpentry Club	343.02	495.00	398.88	439.14
Catering Club	5,846.40	365.65	638.45	5,573.60
Child Lab Study Program	2,331.44	5,835.00	5,388.60	2,777.84
Class of 2011	65.00	-	65.00	-
Class of 2012	212.09	-	212.09	-
Class of 2013	4,384.33	40,981.00	45,365.33	-
Class of 2014	172.70	44,748.23	43,173.79	1,747.14
Class of 2015	1,274.09	3,273.00	1,906.53	2,640.56
Class of 2016	-	-1,170.31	728.49	441.82
Class of 2017	-	400.00	-	400.00
Daler Press Club	2,547.79	65.00	169.22	2,443.57
DECA	15,040.70	12,581.33	25,031.13	2,590.90
Field Trips	0.13	16,252.22	16,252.35	-
French Honor Society Club	1,280.68	2,580.00	2,630.38	1,230.30
Go Green Club	99.25	-	-	99.25
Green and White Shop	5,320.66	36,198.25	39,518.91	2,000.00
Hi-Life	13,541.38	34,495.25	32,480.72	15,555.91
History Club	506.76	-	269.75	237.01
Hurricane Sandy Fund	-	1,840.00	1,840.00	-
Interact Club	212.24	918.45	1,000.00	130.69
Italian Honor Society Club	1,476.92	13,048.95	12,798.73	1,727.14
Key Club	1,864.48	2,540.89	2,982.02	1,423.35
Knitting Club	-	240.00	157.97	82.03
Life Skills Club	2,092.39	1,722.43	403.66	3,411.16
Literary Magazine Club	1,487.84	314.75	283.46	1,519.13
MSG Varsity	2,000.00	4,500.00	374.99	6,125.01
Music-Band	8,842.98	51,300.25	55,626.64	4,516.59
Music-Chorus	4,761.07	8,862.00	9,940.25	3,682.82
Music-Orchestra	386.60	11,128.24	9,671.88	1,842.96
Music-Symphonic Band	356.49	2,867.50	2,680.19	543.80
Music-Tri-M	1,149.33	3,994.33	4,806.57	337.09
National Honor Society	3,196.83	5,287.00	4,014.55	4,469.28
Olympics of the Visual Arts	4.18	4,204.00	3,450.00	758.18
PAGE Program Club	136.79	830.03	880.24	86.58
Paper Lion	10,086.07	3,128.53	1,624.48	11,590.12
Playcrafters	12,944.17	5,670.00	3,791.46	14,822.71
Relief Fund	-	1,821.07	1,821.07	-
SADD	108.92	-	-	108.92
Sales Tax	346.77	5,109.75	5,178.73	277.79
School Beautification Club	10,227.07	7,198.78	6,850.48	10,575.37
Science Club - Envirothon	-	3,083.69	951.94	2,131.75
Science Club - Quiz Bowl	2,739.17	-	2,707.56	31.61
Science Olympiad	-	1,200.00	291.01	908.99
Shared Decision Making	1,722.78	-	-	1,722.78
Spanish Honor Society Club	2,625.19	6,499.89	5,497.92	3,627.16
Student Government Association	2,994.89	7,745.78	8,174.38	2,566.29
Student Guidance Club	686.36	225.00	887.73	23.63
Student Sports Activity Council	11,677.59	35,753.77	34,611.35	12,820.01
Technology Honor Society Club	5,719.56	3,134.00	2,371.29	6,482.27
Varsity Leaders Club	39.67	-	-	39.67
	<u>\$ 150,025.83</u>	<u>\$ 404,870.99</u>	<u>\$ 408,807.84</u>	<u>\$ 146,088.98</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, 2013

	Cash Balances July 1, 2012	Receipts	Disbursements	Cash Balances June 30, 2013
Middle School:				
Ambassadors Club	\$ 77.65	\$ 500.00	\$ 201.34	\$ 376.31
American Sign Language Club	216.47	-	-	216.47
Bridging the Gap Foundation	10,095.93	6,577.85	6,569.49	10,104.29
Environmental Club	-	21,078.30	21,078.30	-
Field Trips-6th Grade	-	5,252.28	5,252.28	-
Field Trips-7th Grade	-	13,306.35	13,306.35	-
Friends Shared Decision Making	2,825.98	900.00	1,638.54	2,087.44
Honor Society Club	1.00	1,434.90	1,435.90	-
Howitt Players Club	14,909.72	17,469.15	12,732.04	19,646.83
Junior Tech. Honor Society Club	170.65	162.50	162.90	170.25
Lions Den	1,787.01	3,283.90	2,514.07	2,556.84
Newsday Future Corps Club	45.64	496.00	508.00	33.64
Olympics of Visual Arts Club	-	275.00	275.00	-
Sales Tax	1,103.31	2,335.61	2,187.74	1,251.18
Student Government	1,425.63	21,738.67	19,343.10	3,821.20
Team 85 Charity Fundraiser	1,205.00	6,678.06	6,995.00	888.06
Wellness Center	3,614.96	10,867.00	11,072.90	3,409.06
Wildlife Warriors Club	853.59	-	113.82	739.77
Yearbook	2,132.77	9,640.00	3,479.17	8,293.60
	<u>\$ 40,465.31</u>	<u>\$ 121,995.57</u>	<u>\$ 108,865.94</u>	<u>\$ 53,594.94</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, 2013

	Cash Balances July 1, 2012	Receipts	Disbursements	Cash Balances June 30, 2013
Elementary Schools:				
<u>Albany Avenue</u>				
Kindergarten	\$ 895.00	\$ 6,545.00	\$ 7,440.00	\$ -
Bridging the Gap	3,968.46	2,364.87	2,255.45	4,077.88
Grade 1	-	1,521.00	1,521.00	-
Grade 2	-	11,053.73	11,053.73	-
Grade 3	-	5,702.00	5,702.00	-
Grade 4	-	6,837.00	6,837.00	-
Grade 5	-	16,649.72	11,542.94	5,106.78
TOTAL ALBANY AVENUE	<u>4,863.46</u>	<u>50,673.32</u>	<u>46,352.12</u>	<u>9,184.66</u>
<u>Saltzman Memorial</u>				
Bridging the Gap	2,507.01	1,857.62	1,077.00	3,287.63
Field Trips	-	15,854.00	15,854.00	-
TOTAL SALTZMAN MEMORIAL	<u>2,507.01</u>	<u>17,711.62</u>	<u>16,931.00</u>	<u>3,287.63</u>
<u>Woodward Parkway</u>				
Bridging the Gap	7,656.91	16,648.39	15,887.36	8,417.94
TOTAL WOODWARD PARKWAY	<u>7,656.91</u>	<u>16,648.39</u>	<u>15,887.36</u>	<u>8,417.94</u>
<u>North Side</u>				
Field Trips	592.37	20,852.25	21,444.62	-
Bridging the Gap	711.72	934.41	393.50	1,252.63
TOTAL NORTH SIDE	<u>1,304.09</u>	<u>21,786.66</u>	<u>21,838.12</u>	<u>1,252.63</u>
	<u>\$ 16,331.47</u>	<u>\$ 106,819.99</u>	<u>\$ 101,008.60</u>	<u>\$ 22,142.86</u>

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, 2013

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 statements 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, 2013

Federal Grantor/ Pass - Through Grantor/ Program Title/Cluster 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	0032-12-0471	\$ 14,182
IDEA, Part B, Section 611, Special Education Grants to States	84.027A	0032-13-0471	1,268,378
IDEA, Part B, Section 619, Special Education Preschool Grants	84.173A	0033-13-0471	<u>50,078</u>
			1,332,638
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021-12-1715	7,468
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021-13-1715	188,486
ESEA, Title I, School Improvement Grant	84.010	0011-13-2166	18,164
Career and Technical Education - Basic Grants to States	84.048	8000-13-0091	10,986
ESEA, Title II, Part A, Improving Teacher Quality State Grants	84.367A	0147-13-1715	174,502
ESEA, Title III, Part A, English Language Acquisition Grants	84.365A	0293-13-1715	38,615
Race to the Top - Early Learning Challenge	84.412	5500-13-1715	<u>43,602</u>
Total U.S. Department of Education			<u>1,814,461</u>
<u>U.S. Department of Agriculture</u>			
<u>Direct Program:</u>			
Surplus Food	10.550	N/A	71,777
<u>Passed - Through Programs From:</u>			
New York State Office of General Services			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	53,444
National School Lunch Program	10.555	N/A	<u>507,869</u>
Total U.S. Department of Agriculture			<u>633,090</u>
TOTAL FEDERAL EXPENDITURES			<u><u>\$ 2,447,551</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

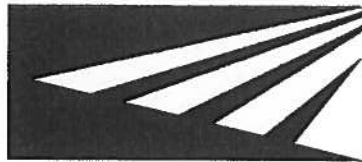
Indirect costs may be included in the reported expenditures to the extent they are included in the federal financial reports used as the source of the data presented.

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.



NawrockiSmith

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 the fiduciary funds of the Farmingdale Union Free School District (the "District"), as of and for the year ended June 30, 2013, 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 16, 2013.

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 16, 2013

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, 2013. 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, 2013.

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 16, 2013



FARMINGDALE UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

A. Summary Of Auditor's Results:

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No significant 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 significant 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 Agriculture</u>
10.553	School Breakfast Program
10.555	National School Lunch Program
	<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, 2013

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, 2013

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, 2013, as well as the status of recommendations made in connection with prior audits of the financial statements.

CURRENT YEAR RECOMMENDATIONS:

None.

STATUS OF PRIOR YEAR RECOMMENDATION:

1. Recommendation - We recommended that the District establish dollar limitation thresholds on all override permissions in Finance Manager.

Status - We noted that this recommendation was not implemented, however the District's management feels that it has adequate mitigating controls and therefore will forego implementing this recommendation.