

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, 2015

FARMINGDALE UNION FREE SCHOOL DISTRICT
TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Required Supplementary Information: Management's Discussion And Analysis ("MD&A")	3
Basic Financial Statements:	
District-Wide Financial Statements -	
Statement Of Net Position	15
Statement Of Activities And Changes In Net Position	16
Fund Financial Statements -	
Balance Sheet - Governmental Funds	17
Reconciliation Of Governmental Funds Balance Sheet To The Statement Of Net Position	18
Fund Financial Statements -	
Statement Of Revenues, Expenditures And Changes In Fund Balance - Governmental Funds	19
Reconciliation Of Governmental Funds Statement Of Revenues, Expenditures And Changes In Fund Balance To The Statement Of Activities	20
Fund Financial Statements -	
Statement Of Fiduciary Net Position - Fiduciary Funds	21
Statement Of Changes In Fiduciary Net Position - Fiduciary Funds	22
Notes To Financial Statements	23
Required Supplementary Information Other Than MD&A:	
General Fund -	
Schedule Of Revenues, Expenditures And Changes In Fund Balance - Budget And Actual	51
Schedule Of Funding Progress For The Retiree Health Plan	52
Schedule Of District's Proportionate Share Of The Net Pension Liability - NYSERS	53
Schedule Of District's Proportionate Share Of The Net Pension Asset - NYSTRS	54
Schedule Of District Pension Contributions - NYSERS	55
Schedule Of District Pension Contributions - NYSTRS	56
Other Supplementary Information:	
General Fund -	
Schedule Of Change From Adopted Budget To Final Budget And The Real Property Tax Limit	57
Capital Projects Fund -	
Schedule Of Project Expenditures And Financing Sources	58
Net Investment In Capital Assets	59
Extraclassroom Activity Funds	60
Federal Award Program Information:	
Schedule Of Expenditures Of Federal Awards	67
Notes To Schedule Of Expenditures Of Federal Awards	68
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 <i>Government Auditing Standards</i>	69
Independent Auditor's Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By OMB Circular A-133	71
Schedule Of Findings And Questioned Costs	73
Summary Schedule Of Prior Audit Findings	74
Findings And Recommendations	75



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:

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, 2015, and the related notes to 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, 2015, 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

Change in Accounting Principle

As discussed in Note 3, as well as Management's Discussion and Analysis ("MD&A"), in 2015 the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The adoption of these statements resulted in a prior-period adjustment. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, on pages 3-14, and 51-56 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 responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the New York State Education Department. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2015, 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 23, 2015



FARMINGDALE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015. 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 net reduction in fund balance in the General Fund with expenditures exceeding revenues in the amount of \$2,164,207. This is largely due to an interfund transfer from the General Fund's insurance reserve of \$2,900,000 to the Capital Projects Fund.
- New York State Law limits the amount of committed, assigned and unassigned fund balance, exclusive of encumbrances and amounts assigned for the subsequent year's budget, which can be retained by the General Fund to 4% of the ensuing year's budget. The District has remained within this limit. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$6,294,309 equal to the 4% limit (see page 57).
- The District has appropriated \$5,500,000 of fund balance to reduce the ensuing year's tax levy.
- As described in Note 3 to the financial statements, "Change in Accounting Principle", the District has adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, for the year ended June 30, 2015 (Note 9). The adoption of these principles resulted in a restatement of the District's opening net position as of July 1, 2014 in the amount of \$11,155,661, as indicated in Note 15 to the financial statements. Prior year balances reflected in MD&A have been updated, for comparison purposes, to reflect the change where indicated.
- On the District-wide financial statements, the assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources at the close of its most recent fiscal year by \$73,689,739. The District's total net position increased by \$13,976,555 for the year ended June 30, 2015. The unrestricted portion of net position as of June 30, 2015 was in a deficit of \$5,524,100, and is largely impacted by the cumulative positive effect of the recognition of the District's share of their net pension asset/liability (and respective deferred inflows/outflows of resources of resources) of \$25,373,170 offset by their long-term liability for Other Post-Employment Benefits ("OPEB") of \$46,553,137.
- In the General Fund, revenues were 1.1% above the final budget and expenditures (including amounts encumbered) were 4.8% below budget, thus contributing to the District's strong financial position. Expenditures (and interfund transfer expenses) were up 2.4% from the prior year, primarily due to contractual employee benefits.
- 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 \$187 million. It should be noted that New York State has not authorized a reserve that would allow school districts the ability to account for this liability.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

	District-Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as instruction, special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activity monies
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities and Changes in Net Position 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus

Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any), both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Financial Statements

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

The two District-wide financial statements report the District's *net position* and how it has changed. Net position - the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources - is one way to measure the District's financial health or *position*.

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position increased by 23.4% as detailed in Tables A-2 and A-3. The District maintains a strong financial position with assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources by \$73,689,739.

	<u>6/30/14</u>	<u>6/30/15</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 66,198,938	\$ 74,949,672	\$ 8,750,734	13.2
Noncurrent and capital assets, net	<u>67,785,737</u>	<u>118,271,120</u>	<u>50,485,383</u>	74.5
Total assets	133,984,675	193,220,792	59,236,117	44.2
Deferred outflows of resources	<u>10,907,481</u>	<u>12,604,097</u>	<u>1,696,616</u>	15.6
Total assets and deferred outflows of resources	<u>\$ 144,892,156</u>	<u>\$ 205,824,889</u>	<u>\$ 60,932,733</u>	42.1
Current liabilities	\$ 19,097,343	\$ 19,625,442	\$ 528,099	2.8
Noncurrent liabilities	<u>66,081,629</u>	<u>80,461,256</u>	<u>14,379,627</u>	21.8
Total liabilities	85,178,972	100,086,698	14,907,726	17.5
Deferred inflows of resources	<u>-</u>	<u>32,048,452</u>	<u>32,048,452</u>	100.0
Total liabilities and deferred inflows of resources	<u>\$ 85,178,972</u>	<u>\$ 132,135,150</u>	<u>\$ 46,956,178</u>	55.1
Net position:				
Net investment in capital assets	\$ 48,721,770	\$ 52,208,835	\$ 3,487,065	7.2
Restricted	28,683,684	27,005,004	(1,678,680)	(5.9)
Unrestricted (deficit)	<u>(17,692,270)</u>	<u>(5,524,100)</u>	<u>12,168,170</u>	68.8
Total net position	<u>\$ 59,713,184</u>	<u>\$ 73,689,739</u>	<u>\$ 13,976,555</u>	23.4

The restricted net position balance of \$27,005,004 represents the District's reserves for capital projects, debt service, employee benefit accrued liability, unemployment insurance, workers' compensation, insurance and retirement contribution. These assets (or deferred outflows of resources) are restricted by external sources, imposed by laws through constitutional provisions or enabling legislation.

Liabilities and deferred inflows of resources increased by \$46,956,178 or 55.1% from the year before, which is primarily related to the current year issuance of an energy performance contract in the amount of \$15,885,003 and the increase in the NYSERS and NYSTRS deferred inflows of \$32,048,452.

Changes in Net Position

The District's fiscal year 2015 revenues totaled \$156,819,133 (See Table A-3). Real property taxes and State sources accounted for most of the District's revenue by contributing 65.1% and 18.0% respectively, of total revenue (See Table A-4). The remainder came from other tax items, Federal sources (Medicaid), fees charged for services, operating grants, use of money and property and other miscellaneous sources.

- Revenues from real property taxes increased by 2.8% and were within the recently enacted New York State statutes (based on assessment and rate).

The District's fiscal year 2015 expenses totaled \$142,842,578 (See Table A-3). Of these expenses (84.3 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 \$2,055,987.
- The School Lunch Program operated in a surplus \$116,955 for the 2014/15 school year.
- State sources increased as a result of more Foundation, Lottery, and Excess Cost aid during 2014/15.
- Instructional expenses decreased as a result of the implementation of GASB 68 and 71, which changes how we report Teachers' Retirement System expenditures in the full accrual statements.

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

	<u>6/30/14</u>	<u>6/30/15</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Program revenues:				
Charges for services	\$ 1,980,293	\$ 1,806,182	\$ (174,111)	(8.8)
Operating grants	3,909,354	4,304,081	394,727	10.1
General revenues:				
Real property taxes	99,325,562	102,087,438	2,761,876	2.8
Other tax items	19,479,500	18,761,471	(718,029)	(3.7)
Use of money and property	492,519	181,063	(311,456)	(63.2)
State sources	26,884,700	28,299,210	1,414,510	5.3
Federal sources - Medicaid	180,016	101,299	(78,717)	(43.7)
Miscellaneous	1,074,130	1,278,389	204,259	19.0
Total revenues	<u>153,326,074</u>	<u>156,819,133</u>	<u>3,493,059</u>	2.3
Expenses				
General support	19,797,972	20,009,143	211,171	1.1
Instruction	115,716,599	113,097,003	(2,619,596)	(2.3)
Pupil transportation	7,481,796	7,387,355	(94,441)	(1.3)
Community services	6,975	7,735	760	10.9
Debt service - interest	504,405	402,310	(102,095)	(20.2)
School lunch program	1,885,981	1,939,032	53,051	2.8
Total expenses	<u>145,393,728</u>	<u>142,842,578</u>	<u>(2,551,150)</u>	(1.8)
Increase in net position	<u>\$ 7,932,346</u>	<u>\$ 13,976,555</u>	<u>\$ 6,044,209</u>	76.2

Table A-4: Sources of Revenues for Fiscal Year 2015

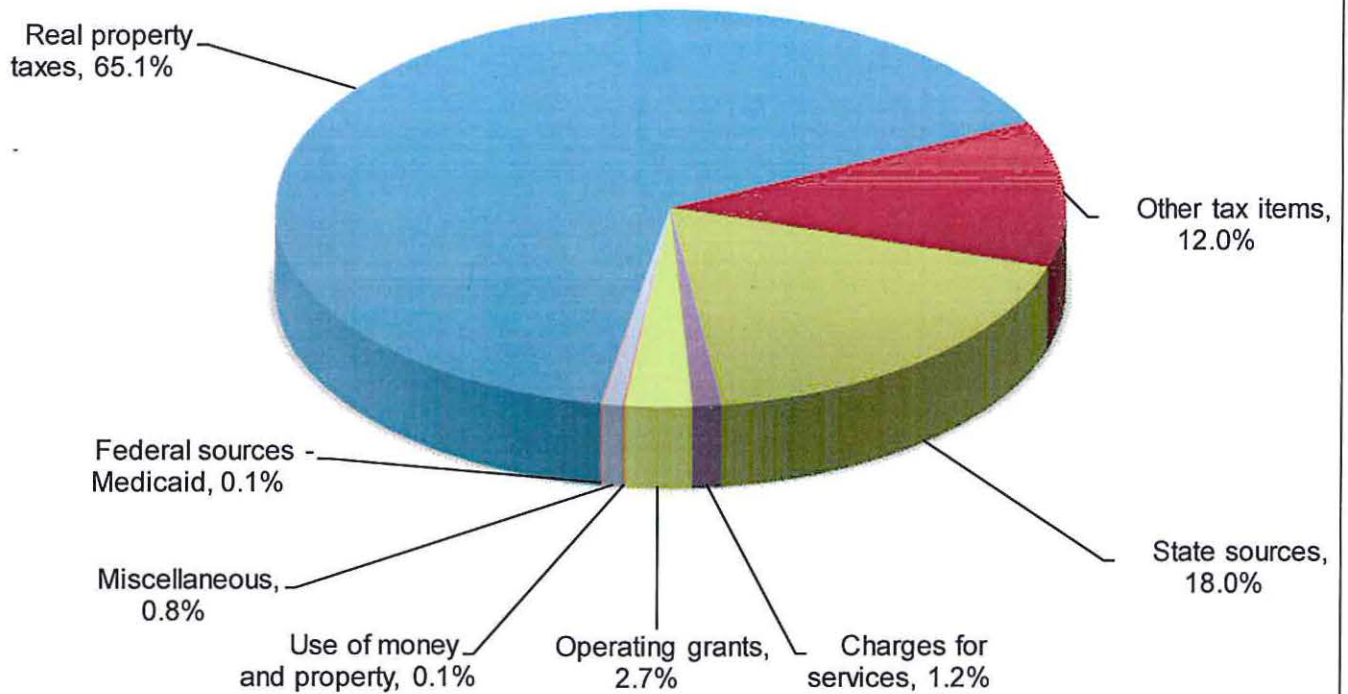


Table A-5: Sources of Revenues for Fiscal Year 2014

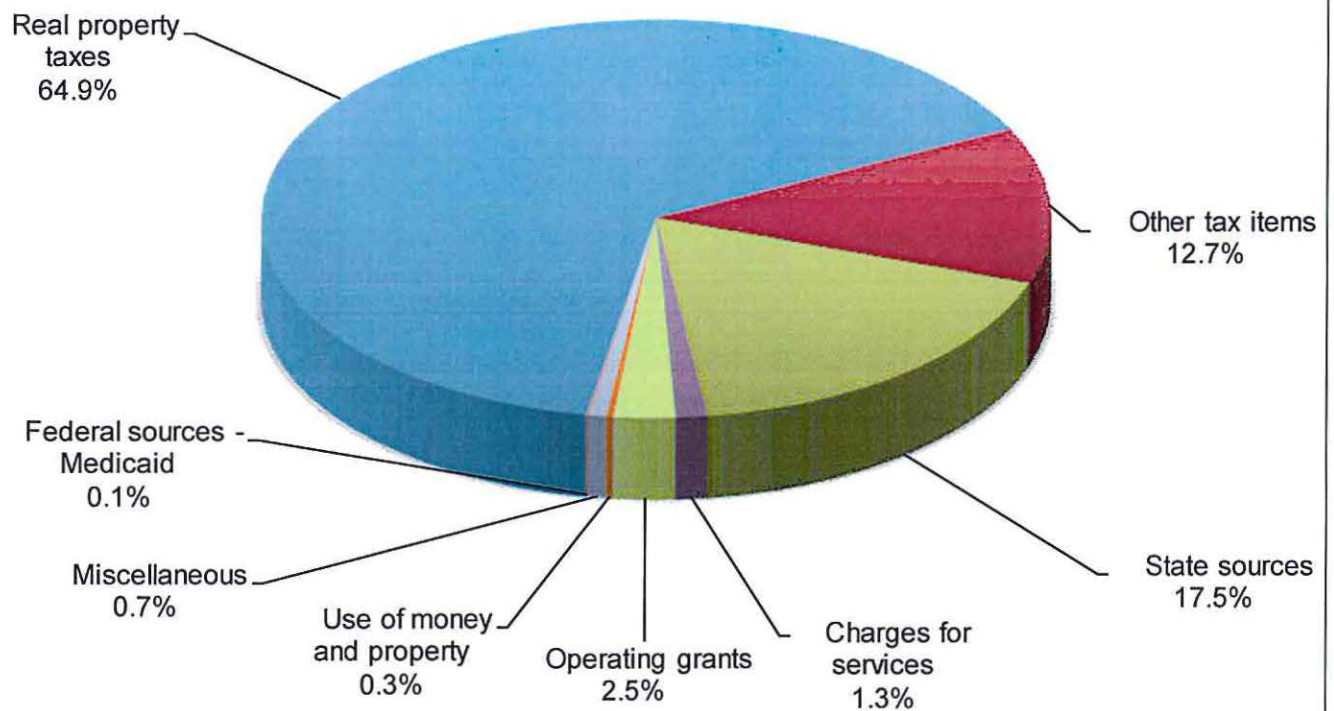


Table A-6: Expenses for Fiscal Year 2015

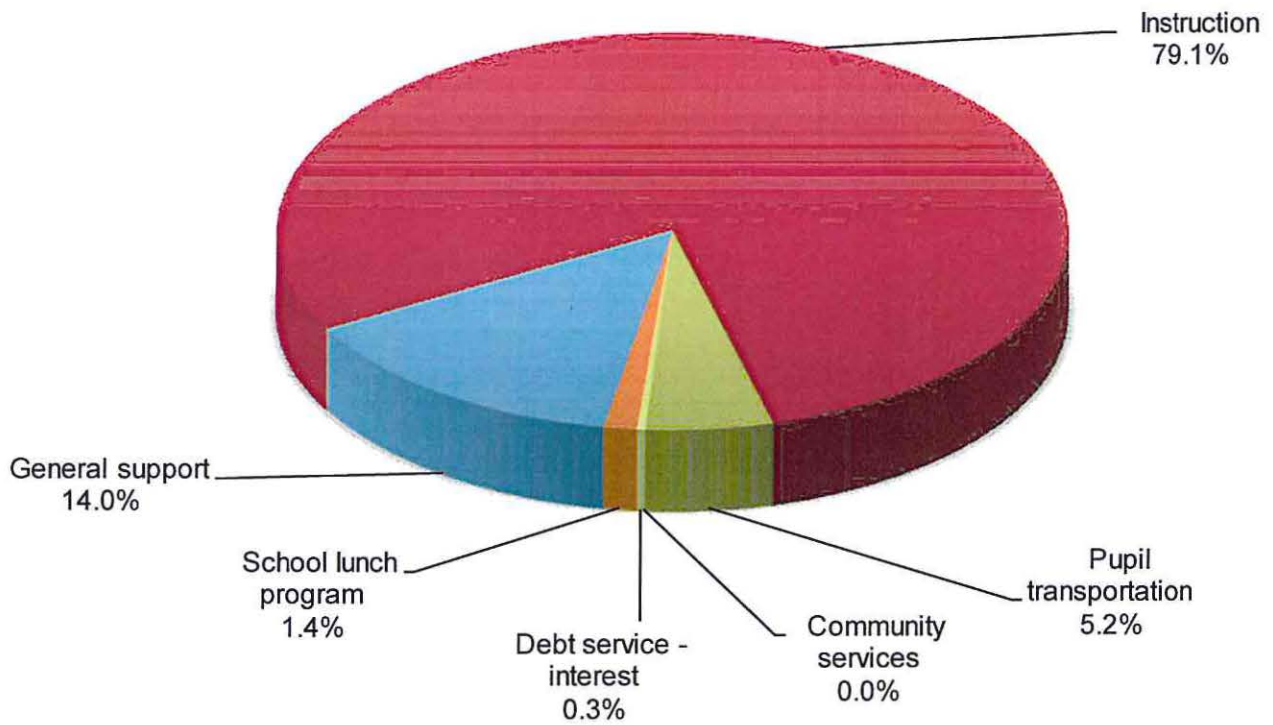
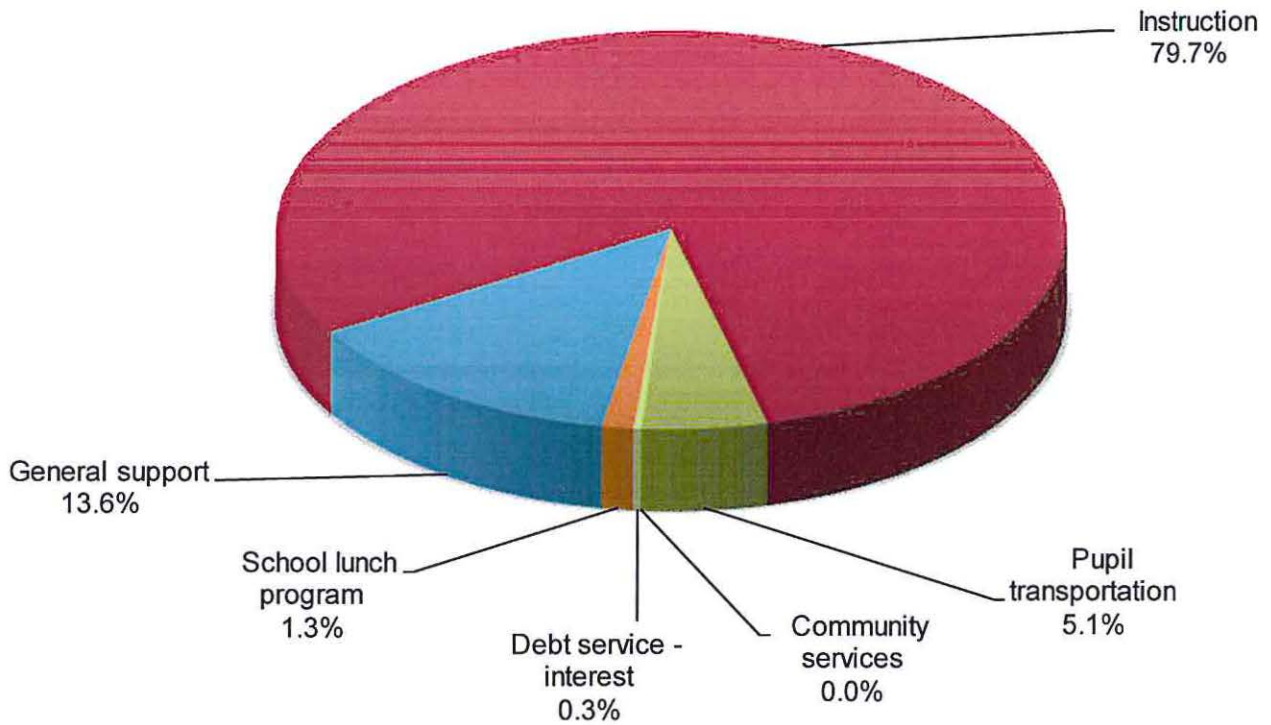


Table A-7: Expenses for Fiscal Year 2014



Governmental Activities

Revenues for the District's governmental activities totaled \$156,819,133 while total expenses were \$142,842,578. Therefore, the increase in net position for governmental activities was \$13,976,555 in 2015. The implementation of GASB 68 and GASB 71 resulted in a current year increase in net position of \$14,217,509. The District's financial condition is generally affected by:

- Approval of the District's proposed annual budget;
- Federal and local economic conditions; and
- Contractual and legislative mandated services.

The major changes in revenues and expenses are as follows:

Revenues:

- Real property taxes increased by \$2,761,876. This increase was within the tax cap, reflects a modest tax increase to residents and allows for a continued strong educational program.
- Other tax items include the reimbursements received under the School Tax Relief Reimbursement Program ("STAR"). The STAR program provides tax relief to homeowners through State reimbursement to the District. Payments in lieu of taxes ("PILOTS") are also included within this category. The revenues from the STAR program decreased \$667,851, or 3.7%, while PILOT payments also decreased by \$50,178 or 3.3%.
- Unrestricted State sources (aid) increased by \$1,414,510 as the District received more Foundation Aid through the reduction of the Gap Elimination Adjustment and from higher aid ratios for Building and Transportation Aid.
- Operating grants and contributions increased \$394,727, as the District's Federal Lunch Program and other Federal programs all received additional grant funding during 2015.
- Miscellaneous revenues increased \$204,259. The primary source of this increase was a PILOT legal settlement with proceeds of \$175,128.

Expenses:

- General support expenses increased \$211,171 while instruction expenses decreased by \$2,619,596. The primary reason for the increase in general support expenses is various technology upgrades as well as safety upgrades undergone during 2015. Instruction expenses decreased because of the recognition of GASB 68 and GASB 71, as less employee benefits expenses were allocated towards instruction due to the fact that the expenses represent payments towards the pension plan as opposed to actual expenses.
- Interest expense decreased by \$102,095 as the principal amount outstanding has decreased from the prior year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

At June 30, 2015, the District's governmental funds reported a combined fund balance of \$58,019,417, which is an increase of \$8,551,778 from June 30, 2014. Fund balances for the District's governmental funds for the past two years were distributed as follows:

Table A-8: Fund Balances - Governmental Funds				
	<u>6/30/14</u>	<u>6/30/15</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund				
Restricted:				
2009 Capital Reserve	\$ 5,556,096	\$ -	\$ (5,556,096)	(100.0)
2015 Capital Reserve	-	9,759,267	9,759,267	100.0
Debt Service	1,176,000	1,015,500	(160,500)	(13.6)
Employee Benefit Accrued Liability	4,033,248	3,973,426	(59,822)	(1.5)
Unemployment Insurance	604,500	605,797	1,297	0.2
Workers' Compensation	4,065,787	4,074,517	8,730	0.2
Insurance	5,985,966	1,598,818	(4,387,148)	(73.3)
Retirement Contribution	7,262,087	5,977,679	(1,284,408)	(17.7)
Assigned:				
Appropriated for subsequent year's expenditures	7,500,000	5,500,000	(2,000,000)	(26.7)
Encumbrances	2,220,233	3,700,262	1,480,029	66.7
Unassigned	6,259,865	6,294,309	34,444	0.6
Total General Fund	<u>44,663,782</u>	<u>42,499,575</u>	<u>(2,164,207)</u>	<u>(4.8)</u>
School Lunch Fund				
Nonspendable:				
Inventory	31,123	28,498	(2,625)	(8.4)
Assigned:				
School Lunch Fund	<u>189,700</u>	<u>309,280</u>	<u>119,580</u>	63.0
Total School Lunch Fund	<u>220,823</u>	<u>337,778</u>	<u>116,955</u>	53.0
Capital Projects Fund				
Restricted:				
Capital Projects Fund	-	10,174,543	10,174,543	100.0
Assigned:				
Capital Projects Fund	<u>4,583,034</u>	<u>5,007,521</u>	<u>424,487</u>	9.3
Total Capital Projects Fund	<u>4,583,034</u>	<u>15,182,064</u>	<u>10,599,030</u>	231.3
Total fund balance	<u>\$ 49,467,639</u>	<u>\$ 58,019,417</u>	<u>\$ 8,551,778</u>	17.3

General Fund Budgetary Highlights

Reference is made to the supplementary schedule on page 51 which presents adopted and final budget amounts, as well as actual results for the District's General Fund.

- The District proposed a budget to the community making Budget/Program adjustments to minimize program/tax impact while maintaining an adequate fund balance.
- Actual revenues were approximately \$1.7 million more than budget primarily due to higher than anticipated revenues from State sources.
- Actual expenditures were approximately \$7.9 million less than budget in part due to leave replacements, staff variations and related benefits and in part due to the accounting for prior and current year reserve for encumbrances.

As of June 30, 2015, the District's unassigned fund balance was \$6,294,309, which was within the allowable 4% of the subsequent year's budget (\$157,357,708) as promulgated by New York State (see page 57). The following is a reconciliation of the General Fund's unassigned fund balance for the year ended June 30, 2015:

Unassigned fund balance, beginning of year	\$ 6,259,865
Add:	
Prior-year appropriated fund balance	7,500,000
Prior-year encumbrances	2,220,233
Board approved use of Insurance Reserve	2,900,000
Liquidation of Insurance Reserve	1,500,000
Board approved use of Debt Service Reserve	160,500
Board approved use of Employee Benefit Accrued Liability Reserve	68,482
Board approved use of Retirement Reserve	1,300,000
Less:	
Current-year appropriated fund balance	(5,500,000)
Current-year encumbrances	(3,700,262)
Board approved transfer from the 2009 Capital Reserve, including interest	5,556,096
Board approved transfer to the 2015 Capital Reserve	(9,759,267)
Interest on Employee Benefit Accrued Liability Reserve	(8,660)
Interest on Unemployment Insurance Reserve	(1,297)
Interest on Workers' Compensation Reserve	(8,730)
Interest on Insurance Reserve	(12,852)
Interest on Retirement Contribution Reserve	(15,592)
Net change in fund balance	(2,164,207)
	<u>\$ 6,294,309</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015, the District had invested \$71,587,152 net of depreciation, in a broad range of capital assets, including school buildings, maintenance facilities, athletic facilities, computer and audio-visual equipment, and administrative spaces. Included within capital assets was \$12,706,922 of construction-in-progress, which is made up of district-wide window projects and the energy performance contract, which began during the current fiscal year.

	<u>6/30/14</u>	<u>6/30/15</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 2,443,074	\$ 2,443,074	\$ -	0.0
Construction-in-progress	4,567,543	12,706,931	8,139,388	178.2
Buildings and building improvements	55,731,277	54,392,795	(1,338,482)	(2.4)
Furniture and equipment	2,299,043	2,044,352	(254,691)	(11.1)
Totals	<u>\$ 65,040,937</u>	<u>\$ 71,587,152</u>	<u>\$ 6,546,215</u>	10.1

Long-Term Debt

At year-end, the District had \$81,614,955 outstanding in general obligation bonds and other long-term debt. During 2015, the District entered into a \$15,885,003 contractual agreement to install energy saving equipment and/or to upgrade existing facilities to enhance performance. The terms of the contract provide for repayment over fifteen years, with quarterly installments aggregating \$1,283,322 per annum. Payments include interest at 2.41%. The contract further provides that the savings in energy costs resulting from this modernization will equal or exceed the lease payment terms.

	<u>6/30/14</u>	<u>6/30/15</u>	<u>\$ Change</u>	<u>% Change</u>
Bonds payable, inclusive of premiums	\$ 16,319,167	\$ 13,667,857	\$ (2,651,310)	(16.2)
Installment purchase debt payable	-	15,885,003	15,885,003	100.0
Workers' compensation claims payable	829,247	462,061	(367,186)	(44.3)
Other post-employment benefits	44,305,591	46,553,137	2,247,546	5.1
Compensated absences	4,782,314	5,046,897	264,583	5.5
Totals	<u>\$ 66,236,319</u>	<u>\$ 81,614,955</u>	<u>\$ 15,378,636</u>	23.2

FACTORS BEARING ON THE FUTURE OF DISTRICT

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

- Contract negotiations with collective bargaining units have been favorable to the District as unions have agreed to multiyear deals through 2016/17 which include frozen steps and minimal salary increases.
- The "Tax Levy Limitation Law" which was enacted on June 24, 2011 restricts the amount of property taxes that may be levied by or on behalf of a school district in a particular year. Although there are exceptions, exemptions and overrides to the limitation, the new Law is expected to make budgetary decisions more difficult. For the upcoming 2016/17 budget year, the end of year forecast for the CPI is projected to be between .4% and .7%. As the CPI is an integral part of the Tax Cap calculation, this will minimize the allowable levy increase for 2016/17, unless the district pursues an override of the property tax cap.
- The provisions contained within The Affordable Care Act require the District to offer health benefits to 95% eligible individuals as of January 1, 2016, or the District would be subject to incurring additional costs in IRS related penalties.

- In July 2014, the New York State Department of Taxation and Finance introduced the "Property Tax Freeze Credit" program. This program is a two-year tax relief program that reimburses qualifying New York State homeowners for increases in local property taxes on their primary residences. The District met the requirements of this program. Future programs for tax relief other than STAR are unknown at this time.
- Nassau County has indicated that LIPA properties will no longer be included in the tax rolls but instead will be required to make property tax related payments through PILOT. This may impact the distribution of taxes in each of the 4 classes of properties in Nassau County and/or the 2016/17 tax cap calculation.

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, 2015

ASSETS

Current assets:	
Cash:	
Unrestricted	\$ 28,314,278
Restricted	38,146,898
Receivables:	
State and federal aid	4,481,120
Due from fiduciary funds	18,875
Due from other governments	2,767,712
Other receivables	881,437
Other assets	310,854
Inventories	28,498
	<hr/>
Total current assets	74,949,672
Noncurrent assets:	
Capital assets, net of accumulated depreciation of \$53,976,628	71,587,152
Proportionate share of net pension asset - NYSTRS	46,683,968
	<hr/>
Total assets	193,220,792

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - NYSTRS subsequent payments	10,944,595
Deferred outflows of resources - NYSERS pension related	934,115
Deferred outflows of resources - NYSERS subsequent payments	725,387
	<hr/>
Total deferred outflows of resources	12,604,097
	<hr/>
Total assets and deferred outflows of resources	\$ 205,824,889

LIABILITIES

Current liabilities:	
Payables:	
Accounts payable	\$ 2,771,336
Accrued interest payable	202,564
Accrued liabilities	1,450,180
Due to other governments	293
Unearned revenues:	
Driver's education fees	49,450
Special education	1,292
School lunch sales received in advance	40,959
Long-term liabilities, due within one year:	
Bonds payable, inclusive of premiums	2,761,310
Installment purchase debt payable	258,832
Due to teachers' retirement system	10,944,595
Due to employees' retirement system	725,387
Workers' compensation claims payable	354,924
Compensated absences	64,320
	<hr/>
Total current liabilities	19,625,442
Noncurrent liabilities:	
Long-term liabilities, due after one year:	
Bonds payable, inclusive of premiums	10,906,547
Installment purchase debt payable	15,626,171
Proportionate share of net pension liability - NYSERS	1,866,443
Workers' compensation claims payable	462,061
Other post-employment benefits	46,553,137
Compensated absences	5,046,897
	<hr/>
Total noncurrent liabilities	80,461,256
	<hr/>
Total liabilities	100,086,698

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - NYSTRS pension related	32,048,452
	<hr/>
Total deferred inflows of resources	32,048,452
	<hr/>
Total liabilities and deferred inflows of resources	132,135,150

NET POSITION

Net investment in capital assets	52,208,835
Restricted:	
2015 Capital Reserve	9,759,267
Debt Service	1,015,500
Employee Benefit Accrued Liability	3,973,426
Unemployment Insurance	605,797
Workers' Compensation	4,074,517
Insurance	1,598,818
Retirement Contribution	5,977,679
Unrestricted	(5,524,100)
	<hr/>
Total net position	73,689,739
	<hr/>
Total liabilities, deferred inflows of resources and net position	\$ 205,824,889

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, 2015

		<u>Program Revenues</u>		<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants</u>	<u>Changes in</u>
				<u>Net Position</u>
Functions and programs:				
General support	\$ 20,009,143	\$ 75,827	\$ 501,584	\$ (19,431,732)
Instruction	113,097,003	428,597	2,835,089	(109,833,317)
Pupil transportation	7,387,355	27,995	185,184	(7,174,176)
Community services	7,735	-	-	(7,735)
Debt service - interest	402,310	-	-	(402,310)
School lunch program	1,939,032	1,273,763	782,224	116,955
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total functions and programs	<u>\$ 142,842,578</u>	<u>\$ 1,806,182</u>	<u>\$ 4,304,081</u>	<u>(136,732,315)</u>
General revenues:				
Real property taxes				102,087,438
Other tax items				18,761,471
Use of money and property				181,063
State sources				28,299,210
Federal sources - Medicaid				101,299
Miscellaneous				1,278,389
				<u> </u>
Total general revenues				<u>150,708,870</u>
Change in net position				13,976,555
Total net position, beginning of year, as restated (see Note 15)				<u>59,713,184</u>
Total net position, end of year				<u>\$ 73,689,739</u>

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

FARMINGDALE UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>Special Revenue Funds</u>				<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	
ASSETS					
Cash:					
Unrestricted	\$ 22,428,416	\$ -	\$ 732,430	\$ 5,153,432	\$ 28,314,278
Restricted	27,005,004	22,392	-	11,119,502	38,146,898
Receivables:					
State and federal aid	1,715,948	2,706,906	58,266	-	4,481,120
Due from other funds	2,904,886	-	-	-	2,904,886
Due from fiduciary funds	18,875	-	-	-	18,875
Due from other governments	2,767,712	-	-	-	2,767,712
Other receivables	520,974	-	463	360,000	881,437
Other assets	310,854	-	-	-	310,854
Inventories	-	-	28,498	-	28,498
Total assets	<u>\$ 57,672,669</u>	<u>\$ 2,729,298</u>	<u>\$ 819,657</u>	<u>\$ 16,632,934</u>	<u>\$ 77,854,558</u>
LIABILITIES					
Payables:					
Accounts payable	\$ 2,036,694	\$ 209,565	\$ 22,443	\$ 502,634	\$ 2,771,336
Accrued liabilities	470,205	14,370	20,646	944,959	1,450,180
Due to other funds	-	2,504,071	397,538	3,277	2,904,866
Due to other governments	-	-	293	-	293
Due to teachers' retirement system	10,944,595	-	-	-	10,944,595
Due to employees' retirement system	725,387	-	-	-	725,387
Unearned revenues:					
Driver's education fees	49,450	-	-	-	49,450
Special education	-	1,292	-	-	1,292
School lunch sales received in advance	-	-	40,959	-	40,959
Foster tuition	222,183	-	-	-	222,183
Cash surrender value of life insurance proceeds	305,336	-	-	-	305,336
Workers' compensation claims payable	354,924	-	-	-	354,924
Compensated absences	64,320	-	-	-	64,320
Total liabilities	<u>15,173,094</u>	<u>2,729,298</u>	<u>481,879</u>	<u>1,450,870</u>	<u>19,835,141</u>
FUND BALANCE					
Fund balance:					
Nonspendable	-	-	28,498	-	28,498
Restricted	27,005,004	-	-	10,174,543	37,179,547
Assigned	9,200,262	-	309,280	5,007,521	14,517,063
Unassigned	6,294,309	-	-	-	6,294,309
Total fund balance	<u>42,499,575</u>	<u>-</u>	<u>337,778</u>	<u>15,182,064</u>	<u>58,019,417</u>
Total liabilities and fund balance	<u>\$ 57,672,669</u>	<u>\$ 2,729,298</u>	<u>\$ 819,657</u>	<u>\$ 16,632,934</u>	<u>\$ 77,854,558</u>

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, 2015

Total Fund Balance - Governmental Funds		\$ 58,019,417
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	\$ 15,150,005	
Depreciable	110,413,775	
Accumulated depreciation	<u>(53,976,628)</u>	71,587,152
Proportionate share of net pension asset - NYSTRS		46,683,968
Deferred outflows of resources - NYSERS and NYSTRS pension related		12,604,097
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, inclusive of premiums and discounts	(13,667,857)	
Installment purchase debt payable	(15,885,003)	
Workers' compensation claims payable	(462,061)	
Other post-employment benefits	(46,553,137)	
Compensated absences	<u>(5,046,897)</u>	(81,614,955)
Proportionate share of net pension liability - NYSERS		(1,866,443)
Deferred inflows of resources - NYSTRS pension related		(32,048,452)
Revenue that was not accrued in the fund financial statements because it does not meet the availability criteria under the modified accrual basis of accounting is included in the Statement of Net Position:		
Charges for services	222,183	
Use of money and property	<u>305,336</u>	527,519
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>(202,564)</u>
Net Position - Governmental Activities		<u>\$ 73,689,739</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, 2015

	<u>Special Revenue Funds</u>				<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	
REVENUES					
Real property taxes	\$ 102,087,438	\$ -	\$ -	\$ -	\$ 102,087,438
Other tax items	18,761,471	-	-	-	18,761,471
Charges for services	542,022	-	-	-	542,022
Use of money and property	170,063	-	-	-	170,063
State sources	28,299,210	1,318,607	33,367	-	29,651,184
Federal sources	101,299	2,018,631	748,857	-	2,868,787
Local sources	-	184,619	-	-	184,619
Sales	-	-	1,273,763	-	1,273,763
Miscellaneous	918,389	-	-	360,000	1,278,389
Total revenues	150,879,892	3,521,857	2,055,987	360,000	156,817,736
EXPENDITURES					
General support	17,205,465	-	-	-	17,205,465
Instruction	84,109,835	3,709,971	-	-	87,819,806
Pupil transportation	7,247,361	3,222	-	-	7,250,583
Community services	7,735	-	-	-	7,735
Employee benefits	37,904,038	136,417	254,032	-	38,294,487
Debt service -					
Principal	2,485,000	-	-	-	2,485,000
Interest	606,912	-	-	-	606,912
Cost of sales	-	-	1,685,000	-	1,685,000
Capital outlay	-	-	-	8,795,973	8,795,973
Total expenditures	149,566,346	3,849,610	1,939,032	8,795,973	164,150,961
Excess (deficiency) of revenues over (under) expenditures	1,313,546	(327,753)	116,955	(8,435,973)	(7,333,225)
OTHER FINANCING SOURCES (USES)					
Installment purchase debt	-	-	-	15,885,003	15,885,003
Operating transfers in	-	327,753	-	3,150,000	3,477,753
Operating transfers out	(3,477,753)	-	-	-	(3,477,753)
Total other financing sources (uses)	(3,477,753)	327,753	-	19,035,003	15,885,003
Change in fund balance	(2,164,207)	-	116,955	10,599,030	8,551,778
Fund balance, beginning of year	44,663,782	-	220,823	4,583,034	49,467,639
Fund balance, end of year	<u>\$ 42,499,575</u>	<u>\$ -</u>	<u>\$ 337,778</u>	<u>\$ 15,182,064</u>	<u>\$ 58,019,417</u>

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

FARMINGDALE UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Net Change in Fund Balance - Governmental Funds \$ 8,551,778

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

Capital outlay	\$ 9,072,517	
Depreciation expense	<u>(2,526,302)</u>	6,546,215

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in these funds.

Charges for services	(9,603)	
Use of money and property	<u>11,000</u>	1,397

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.

Proceeds from installment purchase debt payable	(15,885,003)	
Repayment of bond principal	<u>2,485,000</u>	(13,400,003)

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	(2,247,546)	
Workers' compensation claims payable	367,186	
Compensated absences	(264,583)	
Amortization of bond issue premiums and discounts, net	166,310	
Accrued interest costs	<u>38,292</u>	<u>(1,940,341)</u>

(Increases) decreases in the proportionate share of net pension asset/liability reported in the Statement of Activities does not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Change in proportionate share of net pension asset - NYSTRS	43,939,168	
Change in deferred outflows of resources - NYSTRS and NYSERS pension related	1,696,616	
Change in deferred inflows of resources - NYSTRS and NYSERS pension related	(32,048,452)	
Change in proportionate share of net pension liability - NYSERS	<u>630,177</u>	<u>14,217,509</u>

Net Change in Net Position - Governmental Activities \$ 13,976,555

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, 2015

	Permanent Trust	Scholarship Trusts	Agency Funds
ASSETS			
Cash:			
Unrestricted	\$ -	\$ -	\$ 210,216
Restricted	-	90,630	184,434
Receivables	-	-	16,289
Investments	19,465	-	-
Total assets	\$ 19,465	\$ 90,630	\$ 410,939
LIABILITIES			
Extraclassroom activity balances	\$ -	\$ -	\$ 184,434
Other liabilities	-	-	207,630
Due to governmental funds	-	-	18,875
Total liabilities	-	-	\$ 410,939
NET POSITION			
Restricted:			
Endowment scholarships	19,465	90,630	
Total net position	19,465	90,630	
Total liabilities and net position	\$ 19,465	\$ 90,630	

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, 2015

	Permanent Trust	Scholarship Trusts
ADDITIONS		
Contributions	\$ -	\$ 13,882
Transfer from Permanent Trust	-	1,000
Investment earnings:		
Interest	1,010	154
Total additions	1,010	15,036
DEDUCTIONS		
Scholarships and awards	-	26,425
Unrealized loss	140	-
Transfer to Scholarship Trusts	1,000	-
Total deductions	1,140	26,425
Change in net position	(130)	(11,389)
Net position, beginning of year	19,595	102,019
Net position, end of year	\$ 19,465	\$ 90,630

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, 2015

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.

B. 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.

C. Joint venture

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

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

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

During the year, the District was billed \$10,973,674 for BOCES administrative and program costs (\$585,303 of which relate to administrative costs).

The District's share of BOCES aid relating solely to administrative and program costs amounted to \$1,672,673.

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

D. Basis of presentation

1. District-wide financial statements

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

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

2. Fund financial statements

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

The District reports the following major governmental funds:

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

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

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

The District reports the following fiduciary funds:

Fiduciary Funds

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

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

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

E. Measurement focus and basis of accounting

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

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

F. Property taxes

Real property taxes, for the Town of Oyster Bay residents, are levied annually by the Board of Education during September and become a lien on October 1st and April 1st. This portion of the District's tax levy is collected by the Town of Oyster Bay and remitted to the District.

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

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

G. 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.

H. 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 10 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

I. 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 and the proportionate share of net pension assets and liabilities.

J. Cash and cash equivalents

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.

K. 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.

L. Inventories and prepaid items

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures.

M. 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.

N. 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	\$ 1,000	Straight line	5-20 years

O. Deferred outflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. First relates to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Second is the District contributions to the pension systems (New York State Employees' Retirement System ("NYSERS") and New York State Teachers' Retirement System ("NYSTRS")) subsequent to the measurement date.

P. Deferred inflows of resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has various items that qualify for reporting in this category. This may arise under the modified accrual basis of accounting and may be reported as unavailable revenue - property taxes. This may also arise when reporting on pensions in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Deferred inflows of resources may be recognized when bonds are refunded prior to their maturity dates.

Q. Unearned revenues

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. Unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

R. Vested employee benefits - compensated absences

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

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

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

Consistent with GASB Pronouncements, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

S. Other benefits

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

T. Short-term debt

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

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

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

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

The District did not have any short-term debt outstanding at June 30, 2015.

U. Accrued liabilities and long-term obligations

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

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

V. 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 improvement 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 at the end of the reporting period, the portion of the debt 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 inflow of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
2. Restricted net position: Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
3. Unrestricted net position: Is the amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position, and is deemed to be available for general use by the District.

Fund financial statements

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

1. Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$28,498.
2. Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Capital Reserve

According to Education Law §3651, such amounts must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law.

The District received voter approval to establish the Capital Reserve fund ("2009 Capital Reserve") in 2009 at a maximum amount not to exceed \$15,000,000 (including accumulated interest of \$88,134). Of this amount, \$8,660,002 has been transferred to the Capital Projects Fund in connection with projects. During 2015, the voters approved a \$5,556,096 transfer from the 2009 Capital Reserve to the 2015 Capital Reserve. As of June 30, 2015, the 2009 Capital Reserve's funding was fully exhausted, and no additional monies may be reserved in this fund.

The District received voter approval to establish the Capital Reserve fund ("2015 Capital Reserve") in 2015 at a maximum amount not to exceed \$20,000,000 (including accumulated interest). \$9,759,267 is currently in the 2015 Capital Reserve and \$10,240,733 remains to be reserved.

Debt Service

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

Employee Benefit Accrued Liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

Unemployment Insurance

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

Workers' Compensation

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

Insurance

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

Retirement Contribution

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

3. Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school district's highest level of decision making authority, i.e. the Board of Education, and require the same level of formal action to remove the constraint. The Board of Education is the decision making authority that can, by Board resolution, commit fund balance. The District has no committed fund balances as of June 30, 2015.
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 \$5,500,000 and encumbrances totaling \$3,700,262 in the General Fund, the School Lunch Fund fund balance totaling \$309,280, and the Capital Projects Fund fund balance totaling \$5,007,521 are classified as assigned fund balance.

Encumbrances

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

5. Unassigned - Includes all other General Fund fund balance that does 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, 2015 were distributed as follows:

	General	School Lunch	Capital Projects	Total Governmental Funds
Nonspendable:				
Inventory	\$ -	\$ 28,498	\$ -	\$ 28,498
Total nonspendable	-	28,498	-	28,498
Restricted:				
Capital Projects Fund	-	-	10,174,543	10,174,543
2015 Capital Reserve	9,759,267	-	-	9,759,267
Debt Service	1,015,500	-	-	1,015,500
Employee Benefit Accrued Liability	3,973,426	-	-	3,973,426
Unemployment Insurance	605,797	-	-	605,797
Workers' Compensation	4,074,517	-	-	4,074,517
Insurance	1,598,818	-	-	1,598,818
Retirement Contribution	5,977,679	-	-	5,977,679
Total restricted	27,005,004	-	10,174,543	37,179,547
Assigned:				
Appropriated for subsequent year's expenditures	5,500,000	-	-	5,500,000
Encumbrances	3,700,262	-	-	3,700,262
School Lunch Fund	-	309,280	-	309,280
Capital Projects Fund	-	-	5,007,521	5,007,521
Total assigned	9,200,262	309,280	5,007,521	14,517,063
Unassigned	6,294,309	-	-	6,294,309
Total	\$ 42,499,575	\$ 337,778	\$ 15,182,064	\$ 58,019,417

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

Order of use of fund balance

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

2. **EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the fund financial statements and the District-wide financial statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the District-wide financial statements, compared with the current financial resources focus of the governmental funds.

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

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

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

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

1. Long-term revenue/expense differences

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

2. Capital related differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on 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.

4. Pension differences

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/(liability) and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.

3. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2015, the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions (Amendment to GASB Statement No. 27) and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The implementation of the Statements requires the District to report as an asset and/or liability its portion of the collective net pension's asset and liability in the NYSERS and NYSTRS systems. The implementation of the Statements also requires the District to report a deferred outflow and/or inflow for the effect of the net change in the District's proportion of the collective net pension asset and/or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Also included as a deferred outflow is the District contributions to the pension systems subsequent to the measurement date. See Note 15 for the financial statement impact of implementation of these Statements

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

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

Appropriations are adopted at the program line item level.

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

The following supplemental appropriations occurred during the year:

Board approved use of insurance reserve	\$	2,900,000
Various District projects		2,850,000
Insurance recoveries		99,159
Summer school tuition		57,190
Aid for technology equipment		40,000
Red Cross		2,380
		<hr/>
	\$	<u>5,948,729</u>

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

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

Encumbrances

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

5. 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	\$ 59,441,783

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, 2015, 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 \$38,146,898 in the governmental funds and \$275,064 in the fiduciary funds.

6. RECEIVABLES

A. State and federal aid receivables

State and federal aid receivables at June 30, 2015, consisted of the following:

General Fund:

New York State aid - excess cost aid	\$ 947,834
BOCES Aid	768,114

Special Aid Fund:

State and federal grants	2,706,906
--------------------------	-----------

School Lunch Fund:

School breakfast and lunch reimbursement	58,266
	<u>\$ 4,481,120</u>

B. Due from other governments

Due from other governments at June 30, 2015, consisted of the following:

General Fund:

Town of Oyster Bay - uncollected taxes	\$ 2,085,908
Town of Babylon - 2nd half PILOT payment	630,203
Federal aid - Medicaid	51,601
	<u>\$ 2,767,712</u>

C. Other receivables

Other receivables at June 30, 2015, consisted of the following:

General Fund:

Foster tuition - various sources	\$ 365,826
Various receivables	145,655
BOCES - credits	9,493

School Lunch Fund:

Various receivables	463
---------------------	-----

Capital Projects Fund:

District phone system rebate	360,000
	<u>\$ 881,437</u>

7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2015 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	4,567,543	8,795,973	(656,585)	12,706,931
Total nondepreciable assets	<u>7,010,617</u>	<u>8,795,973</u>	<u>(656,585)</u>	<u>15,150,005</u>
Capital assets that are depreciated:				
Buildings and building improvements	101,267,769	-	656,585	101,924,354
Furniture and equipment	8,212,877	276,544	-	8,489,421
Total depreciable assets	<u>109,480,646</u>	<u>276,544</u>	<u>656,585</u>	<u>110,413,775</u>
Less accumulated depreciation:				
Buildings and building improvements	45,536,492	1,995,067	-	47,531,559
Furniture and equipment	5,913,834	531,235	-	6,445,069
Total accumulated depreciation	<u>51,450,326</u>	<u>2,526,302</u>	<u>-</u>	<u>53,976,628</u>
Total capital assets, net	<u>\$ 65,040,937</u>	<u>\$ 6,546,215</u>	<u>\$ -</u>	<u>\$ 71,587,152</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 273,093
Instruction	2,241,083
Pupil transportation	12,126
	<u>\$ 2,526,302</u>

8. LONG-TERM DEBT OBLIGATIONS

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable	\$ 15,155,000	\$ -	\$ 2,485,000	\$ 12,670,000	\$ 2,595,000
Unamortized bond premiums	1,164,167	-	166,310	997,857	166,310
Total bonds payable	16,319,167	-	2,651,310	13,667,857	2,761,310
Installment purchase debt payable	-	15,885,003	-	15,885,003	258,832
Workers' compensation claims payable	829,247	313,282	680,468	462,061	-
Other post-employment benefits	44,305,591	9,361,492	7,113,946	46,553,137	-
Compensated absences	4,782,314	264,583	-	5,046,897	-
Total long-term liabilities	<u>\$ 66,236,319</u>	<u>\$ 25,824,360</u>	<u>\$ 10,445,724</u>	<u>\$ 81,614,955</u>	<u>\$ 3,020,142</u>

The following is a summary of long-term indebtedness:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 6/30/15
Refunding Serial Bonds	04/06/10	07/15/20	1.50 - 5.00%	\$ 5,090,000
Refunding Serial Bonds	03/15/12	09/15/20	2.00 - 5.00%	7,580,000
				<u>\$ 12,670,000</u>
Energy Performance Contract	06/05/15	12/05/30	2.41%	<u>\$ 15,885,003</u>

The following is a summary of maturing debt service requirements:

Fiscal year ending June 30,	Serial Bonds		Energy Performance Contract		Total
	Principal	Interest	Principal	Interest	
2016	\$ 2,595,000	\$ 502,856	\$ 258,832	\$ 382,829	\$ 3,739,517
2017	1,845,000	408,325	912,194	371,128	3,536,647
2018	1,930,000	326,100	934,310	349,011	3,539,421
2019	2,020,000	240,000	956,963	326,359	3,543,322
2020	2,105,000	151,350	980,164	303,157	3,539,671
2021-2025	2,175,000	53,375	5,269,022	1,147,586	8,644,983
2026-2030	-	-	5,939,497	477,110	6,416,607
2031	-	-	634,021	7,640	641,661
	<u>\$ 12,670,000</u>	<u>\$ 1,682,006</u>	<u>\$ 15,885,003</u>	<u>\$ 3,364,820</u>	<u>\$ 33,601,829</u>

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

Interest paid	\$ 606,912
Less interest accrued in the prior year	(240,856)
Plus interest accrued in the current year	202,564
Less amortization of premiums/discounts	<u>(166,310)</u>
Interest expense	<u>\$ 402,310</u>

Bonds payable - The District borrows money in order to acquire equipment or for capital construction and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities bear interest at various rates from 1.50% to 5.00% and have maturity dates in 2021.

Energy performance contract payable - During 2015, the District entered into a \$15,885,003 contractual agreement to install energy saving equipment and/or to upgrade existing facilities to enhance performance. The terms of the contract provide for repayment over fifteen years, with quarterly installments aggregating \$1,283,322 per annum. Payments include interest at 2.41%. The contract further provides that the savings in energy costs resulting from this modernization will equal or exceed the lease payment terms. The balance due at June 30, 2015 was \$15,885,003.

Other long-term debt - Liabilities for workers' compensation and other post-employment benefits are liquidated through future budgetary appropriations in the General Fund. The liabilities for compensated absences are liquidated through future budgetary appropriation in the funds that gave rise to the liability, with the majority being liquidated through the General Fund.

9. PENSION PLANS

General information

The District participates in the New York State Employees' Retirement System ("NYSERS") and the New York State Teachers' Retirement System ("NYSTRS") (collectively referred to as the "Systems").

Plan descriptions and benefits provided

Employees' Retirement System

The New York State and Local Employees' Retirement System is a cost-sharing, multiple-employer retirement system. NYSERS provides retirement benefits, as well as death and disability benefits. The net position of the system is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in plan net position allocated to the system. The Comptroller of the State of New York (the "Comptroller") serves as the trustee of the Fund and is the administrative head of NYSERS. NYSERS benefits are established under the provisions of the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in NYSERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan ("NYSGLIP"), which provides death benefits in the form of life insurance. NYSERS is included within New York State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

Teachers' Retirement System

The New York State Teachers' Retirement System is a cost-sharing, multiple-employer retirement system. NYSTRS provides retirement benefits, as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS is governed by a 10 member Board of Trustees. NYSTRS benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in NYSTRS. Once a public employer elects to participate in NYSTRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding NYSTRS, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial Report which can be found on their website at www.nystrs.org.

Contributions

The Systems are noncontributory for the employee who joined prior to July 27, 1976 (tiers I and II). For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary (tiers III and IV). For NYSERS, employees who joined between January 1, 2010 and April 1, 2012, are required to contribute 3% of their salary (tier V). For NYSTRS, employees who joined between January 1, 2010 and April 1, 2012, are required to contribute 3.5% of their salary (tier V). In addition, employee contribution rates (3% to 6%) under NYSERS and NYSTRS tier VI (those who joined after April 1, 2012) vary based on a sliding salary scale. With the exception of NYSERS and NYSTRS tier V and VI employees, employees in the Systems more than ten years are no longer required to contribute. 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.

Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

<u>Year</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2015	\$ 10,768,245	\$ 2,901,550
2014	10,059,734	3,390,987
2013	7,269,979	2,828,172

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions

The net pension asset/(liability) was measured as of March 31, 2015 for NYSERS and June 30, 2014 for NYSTRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the NYSERS and NYSTRS Systems in reports provided to the District.

At June 30, 2015, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems.

	<u>NYSERS</u>	<u>NYSTRS</u>
Actuarial valuation date	April 1, 2014	June 30, 2013
Net pension asset (liability)	\$ (1,866,443)	\$ 46,683,968
District's portion of the Plan's total net pension asset (liability)	0.055249%	0.419090%

For the year ended June 30, 2015, the District recognized pension expense of \$1,826,696 for NYSERS and pension income of \$1,830,946 for NYSTRS. At June 30, 2015, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources - NYSERS</u>	<u>Deferred Outflows of Resources - NYSTRS</u>	<u>Deferred Inflows of Resources - NYSERS</u>	<u>Deferred Inflows of Resources - NYSTRS</u>
Difference between expected experience and actual experience	\$ 59,747	\$ -	\$ -	\$ 682,668
Net difference between projected and actual earnings on pension plan investments	324,177	-	-	31,353,358
Changes in proportion and differences between the District's contributions and proportionate share of contributions	550,191	-	-	12,426
Employer contributions subsequent to the measurement date	<u>725,387</u>	<u>10,944,595</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,659,502</u>	<u>\$ 10,944,595</u>	<u>\$ -</u>	<u>\$ 32,048,452</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>NYSERS</u>	<u>NYSTRS</u>
<u>For the year ended</u>		
2016	\$ 233,529	\$ 7,919,164
2017	233,529	7,919,164
2018	233,529	7,919,164
2019	233,528	7,919,164
2020	-	80,825
Thereafter	-	290,971

Actuarial assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date.

Significant actuarial assumptions used in the valuations were as follows:

	<u>NYSERS</u>	<u>NYSTRS</u>
Measurement date	March 31, 2015	June 30, 2014
Actuarial valuation date	April 1, 2014	June 30, 2013
Interest rate	7.50%	8.00%
Salary scale	4.90%	4.01% - 10.91%
Decrement tables	April 1, 2005 to March 31, 2010 System's Experience	July 1, 2005 to June 30, 2010 System's Experience
Inflation rate	2.70%	3.00%

For NYSERS, annuitant mortality rates are based on April 1, 2005 - March 31, 2010 system's experience with adjustments for mortality improvements based on MP-2014. For NYSTRS, annuitant mortality rates are based on July 1, 2005 - June 30, 2010 system's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For NYSERS, the actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2010. For NYSTRS, the actuarial assumptions used in the June 30, 2013 valuation are based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	<u>NYSERS</u>		<u>NYSTRS</u>	
	<u>Target allocation</u>	<u>Long-term rate</u>	<u>Target allocation</u>	<u>Long-term rate</u>
Measurement date	March 31, 2015	March 31, 2015	June 30, 2014	June 30, 2014
Asset type				
Absolute return strategies	3.00%	6.75%	-	-
Alternative investments	-	-	7.00%	11.00%
Bonds and mortgages	18.00%	4.00%	8.00%	3.40%
Cash	2.00%	2.25%	-	0.80%
Domestic equity	38.00%	7.30%	37.00%	7.30%
Domestic fixed income	-	-	18.00%	1.50%
Global fixed income	-	-	2.00%	1.40%
Inflation-indexed bonds	2.00%	4.00%	-	-
International equity	13.00%	8.55%	18.00%	8.50%
Opportunistic portfolio	3.00%	8.60%	-	-
Private equity	10.00%	11.00%	-	-
Real assets	3.00%	8.65%	-	-
Real estate	8.00%	8.25%	10.00%	5.00%
	<u>100.00%</u>	<u>69.35%</u>	<u>100.00%</u>	<u>38.90%</u>

Discount rate

The discount rate used to calculate the total pension liability was 7.50% for NYSERS and 8.00% for NYSTRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to the discount rate assumption

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50% for NYSERS and 8.00% for NYSTRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.50% for NYSERS and 7.00% for NYSTRS) or 1-percentage point higher (8.50% for NYSERS and 9.00% for NYSTRS) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current assumption (7.50%)</u>	<u>1% Increase (8.50%)</u>
<u>NYSERS</u>			
Employer's proportionate share of the net pension asset (liability)	\$ (12,440,650)	\$ (1,866,443)	\$ 7,060,809
	<u>1% Decrease (7.00%)</u>	<u>Current assumption (8.00%)</u>	<u>1% Increase (9.00%)</u>
<u>NYSTRS</u>			
Employer's proportionate share of the net pension asset (liability)	\$ 1,007,039	\$ 46,683,968	\$ 85,607,055

Pension plan fiduciary net position

The components of the current-year net pension asset/(liability) of the employers as of the respective valuation dates, were as follows:

	(Dollars in Thousands)		
	<u>NYSERS</u>	<u>NYSTRS</u>	<u>Total</u>
Valuation date	April 1, 2014	June 30, 2013	
Employers' total pension asset/(liability)	\$ 164,591,504	\$ 97,015,707	\$ 261,607,211
Plan net position	<u>161,213,259</u>	<u>108,155,083</u>	<u>269,368,342</u>
Employers' net pension asset/(liability)	<u>\$ (3,378,245)</u>	<u>\$ 11,139,376</u>	<u>\$ 7,761,131</u>
Ratio of plan net position to the employers' total pension asset/(liability)	97.95%	111.48%	102.97%

Payables to the pension plan

For NYSERS, employer contributions are paid annually based on the system's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2015 represent the projected employer contribution for the period of April 1, 2015 through June 30, 2015 based on paid NYSERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2015 amounted to \$725,387.

For NYSTRS, employer and employee contributions for the fiscal year ended June 30, 2015 are paid to the system in September, October and November 2015 through a State aid intercept. Accrued retirement contributions as of June 30, 2015 represent employee and employer contributions for the fiscal year ended June 30, 2015 based on paid NYSTRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the NYSTRS System. Accrued retirement contributions as of June 30, 2015 amounted to \$10,944,595.

10. INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

	Interfund		Interfund	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 2,923,761	\$ -	\$ -	\$ 3,477,753
Special Aid Fund	-	2,504,071	327,753	-
School Lunch Fund	-	397,538	-	-
Capital Projects Fund	-	3,277	3,150,000	-
Fiduciary Funds	-	18,875	-	-
Totals	<u>\$ 2,923,761</u>	<u>\$ 2,923,761</u>	<u>\$ 3,477,753</u>	<u>\$ 3,477,753</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.

11. OTHER POST-EMPLOYMENT BENEFITS ("OPEB")

Plan description and annual OPEB cost

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

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

Currently, 598 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, 2015, the District recognized \$7,113,946 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2014 which indicates that the total liability for other post-employment benefits is \$186,963,213 (\$79,774,233 related to retirees and \$107,188,980 related to employees).

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

	For the Year Ended <u>June 30, 2015</u>
Annual required contribution	\$ 11,864,862
Interest on net OPEB obligation	1,772,224
Adjustment to annual required contribution	<u>(4,275,594)</u>
Annual OPEB cost	9,361,492
Contributions made	<u>7,113,946</u>
Increase in net OPEB obligation	2,247,546
Net OPEB obligation, beginning of year	<u>44,305,591</u>
Net OPEB obligation, end of year	<u><u>\$ 46,553,137</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, 2015 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>
06/30/15	\$ 9,361,492	76.0%	\$ 46,553,137
06/30/14	9,781,735	68.5%	44,305,591
06/30/13	9,271,960	71.1%	41,223,214

Funded status and funding progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$186,963,213 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$186,963,213. The covered payroll (annual payroll of active employees covered by the plan) was \$79,617,645, and the ratio of the UAAL to the covered payroll was 234.8%. 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 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, 2014 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, 2015 was 23 years.

12. RISK MANAGEMENT

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

As of June 30, 2015, the District had outstanding claims from when they were covered under 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. Since the year ended June 30, 2004, the District has purchased commercial insurance for workers' compensation claims, subject to various policy deductibles and retention calculations. 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:

	<u>Beginning Balance</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
Incurred but not reported for the fiscal years ended June 30:				
2015	\$ 829,247	\$ 313,282	\$ 680,468	\$ 462,061
2014	696,315	539,333	406,401	829,247

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

The District has not purchased any annuity contracts.

13. CONTINGENCIES AND COMMITMENTS

Government grants

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

Tax certiorari

On October 29, 2010, the Nassau County Legislature repealed the "County Guarantee" provision of the Nassau County Administrative Code which required the County to pay the costs of judgments, cancellations or credits of taxes for tax revenue received by towns, special districts and school districts. On February 27, 2013, the appellate division courts ruled unanimously that only the New York State Legislature, not the County legislature, can repeal a tax law imposed by Albany in 1948 to protect school districts from errors made by county assessors, thereby reinstating the Nassau "County Guarantee" and shifting the potential liability from the District to the County. This decision was affirmed by New York State's highest court on February 14, 2014.

Property tax cap

In June 2011, the New York State Legislature enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions. For fiscal years beginning in 2012-13 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 0 percent), whichever is less, with some exceptions. The New York State Comptroller recently set the allowable levy growth factor for school districts for fiscal years beginning July 1, 2014 at 1.46 percent (before exemptions). School districts can exceed the tax levy limit by a 60 percent vote of the governing body, or by local law. In July 2015, the Real Property Tax Cap Laws were extended to June 15, 2020.

Service concession arrangements

In accordance with GASB Pronouncements, the District is required to recognize a liability for certain obligations to sacrifice financial resources (i.e. capital improvements) under the terms of a service concession arrangement or, a deferred inflow or up-front or installment payments received from the operator in advance of the revenue being earning. The District did not have any service concession arrangements for the fiscal year ended June 30, 2015, and accordingly, no liability or deferred inflow was reflected on the District's financial statements.

14. FUTURE ACCOUNTING STANDARDS

GASB has issued Statement No. 72, Fair Value Measurement and Application, which addresses accounting and financial reporting issues related to fair value measurements. The Statement will require disclosures regarding the level of fair value hierarchy and valuation techniques. It will also require additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

GASB has issued Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions, effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

GASB has issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which identifies the hierarchy of generally accepted accounting principles, by reducing the hierarchy to two categories of authoritative GAAP and the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB has issued Statement No. 77, Tax Abatement Disclosures, which will required disclosure regarding tax abatement agreements, specifically: a brief description, the gross dollar amount of taxes abated, and commitments made by the government, other than to abate taxes, as part of a tax abatement agreement.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

15. PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions (Amendment to GASB Statement No. 27) and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The implementation of Statements No. 68 and No. 71 resulted in the reporting of an asset, deferred outflow of resources, liability and deferred inflow of resources related to the District's participation in the New York State Teachers' and New York State Employees' retirement systems. The District's net position has been restated as follows:

Balance as of July 1, 2014, as previously stated	\$ 48,557,523
GASB Statement No. 68 implementation:	
Add: Beginning system asset - Teachers' Retirement System	2,744,800
Less: Beginning system liability - Employees' Retirement System	(2,496,620)
GASB Statement No. 71 implementation:	
Beginning deferred outflow of resources for contributions subsequent to the measurement date:	
Add: Teachers' Retirement System	10,059,734
Add: Employees' Retirement System	<u>847,747</u>
Balance as of July 1, 2014, as restated	<u>\$ 59,713,184</u>

16. SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after the Statement of Net Position through the date of September 23, 2015 which is the date the financial statements were available to be issued and no significant events were determined to be disclosed.

REQUIRED
SUPPLEMENTARY
INFORMATION

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, 2015

	Adopted Budget	Final Budget	Actual	Year-end Encumbrances	Variance
REVENUES					
Local sources:					
Real property taxes	\$ 101,978,934	\$ 101,978,934	\$ 102,087,438		\$ 108,504
Other tax items	18,656,208	18,656,208	18,761,471		105,263
Charges for services	750,000	809,570	542,022		(267,548)
Use of money and property	295,000	295,000	170,063		(124,937)
Miscellaneous	140,000	239,159	918,389		679,230
Total local sources	121,820,142	121,978,871	122,479,383		500,512
State sources	27,151,506	27,191,506	28,299,210		1,107,704
Federal sources	25,000	25,000	101,299		76,299
Total revenues	148,996,648	149,195,377	150,879,892		1,684,515
EXPENDITURES					
General support:					
Board of Education	111,783	121,594	90,399	\$ 1,319	29,876
Central administration	405,474	407,599	401,926	707	4,966
Finance	1,263,436	1,346,851	1,156,602	57,000	133,249
Staff	1,228,729	1,254,362	898,460	-	355,902
Central services	12,708,933	17,528,378	13,017,321	3,464,196	1,046,861
Special items	1,985,000	1,994,500	1,640,757	-	353,743
Total general support	17,703,355	22,653,284	17,205,465	3,523,222	1,924,597
Instruction:					
Instruction, administration and improvement	7,502,577	7,696,164	7,515,538	8,592	172,034
Teaching - regular school	44,699,927	44,486,847	43,411,945	100,004	974,898
Programs for children with handicapping conditions	22,853,264	22,901,345	22,243,254	-	658,091
Teaching - special school	229,554	290,395	249,467	5,331	35,597
Instructional media	2,931,038	3,897,031	3,731,016	63,113	102,902
Pupil services	7,105,525	7,216,987	6,958,615	-	258,372
Total instruction	85,321,885	86,488,769	84,109,835	177,040	2,201,894
Pupil transportation	7,988,258	7,985,281	7,247,361	-	737,920
Community services	48,000	8,000	7,735	-	265
Employee benefits	41,693,238	40,760,611	37,904,038	-	2,856,573
Debt service:					
Principal	2,485,000	2,485,000	2,485,000	-	-
Interest	806,912	806,912	606,912	-	200,000
Total expenditures	156,046,648	161,187,857	149,566,346	3,700,262	7,921,249
OTHER FINANCING USES					
Operating transfers out	450,000	3,477,753	3,477,753	-	-
Total expenditures and other financing uses	156,496,648	164,665,610	153,044,099	\$ 3,700,262	7,921,249
Net change in fund balance	(7,500,000)	(15,470,233)	(2,164,207)		\$ 9,605,764
Fund balance, beginning of year	44,663,782	44,663,782	44,663,782		
Fund balance, end of year	\$ 37,163,782	\$ 29,193,549	\$ 42,499,575		

Note to Required Supplementary Information

Budget Basis of Accounting

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

REQUIRED
SUPPLEMENTARY
INFORMATION

FARMINGDALE UNION FREE SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
FOR THE YEAR ENDED JUNE 30, 2015

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)
07/01/14	\$ -	\$ 186,963,213	\$ 186,963,213	0%	\$ 79,617,645	234.8%
07/01/13	-	189,056,819	189,056,819	0%	79,698,597	237.2%
07/01/12	-	183,338,537	183,338,537	0%	78,438,264	233.7%

FARMINGDALE UNION FREE SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NYSERS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>	<u>**2013</u>	<u>**2012</u>	<u>**2011</u>	<u>**2010</u>	<u>**2009</u>	<u>**2008</u>	<u>**2007</u>	<u>**2006</u>
District's proportionate share of the net pension liability	0.05525%	0.07390%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability	\$ (1,866)	\$ (2,497)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered payroll	\$ 16,163	\$ 16,290	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability as a percentage of covered payroll	-11.55%	-15.33%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	97.95%	97.20%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* The amounts presented for each fiscal year were determined (bi-annually) as of March 31.

Not Available = N/A

****Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

FARMINGDALE UNION FREE SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET - NYSTRS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>	<u>**2013</u>	<u>**2012</u>	<u>**2011</u>	<u>**2010</u>	<u>**2009</u>	<u>**2008</u>	<u>**2007</u>	<u>**2006</u>
District's proportionate share of the net pension asset	0.41909%	0.41698%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension asset	\$ 46,684	\$ 2,745	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered payroll	\$ 61,428	\$ 61,906	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension asset as a percentage of covered payroll	76.00%	4.43%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension asset	111.48%	100.70%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* The amounts presented for each fiscal year were determined (bi-annually) as of June 30.

Not Available = N/A

****Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

FARMINGDALE UNION FREE SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS - NYSERS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>**2012</u>	<u>**2011</u>	<u>**2010</u>	<u>**2009</u>	<u>**2008</u>	<u>**2007</u>	<u>**2006</u>
Contractually required contribution	\$ 2,902	\$ 3,391	\$ 2,828	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	<u>2,902</u>	<u>3,391</u>	<u>2,828</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
District's covered-employee payroll	\$ 16,163	\$ 16,290	\$ 15,107	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	17.95%	20.82%	18.72%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* The amounts presented for each fiscal year were determined (bi-annually) as of March 31.

Not Available = N/A

****Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

FARMINGDALE UNION FREE SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS - NYSTRS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>**2012</u>	<u>**2011</u>	<u>**2010</u>	<u>**2009</u>	<u>**2008</u>	<u>**2007</u>	<u>**2006</u>
Contractually required contribution	\$ 10,768	\$ 10,060	\$ 7,270	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	<u>10,768</u>	<u>10,060</u>	<u>7,270</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
District's covered-employee payroll	\$ 61,428	\$ 61,906	\$ 61,402	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	17.53%	16.25%	11.84%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* The amounts presented for each fiscal year were determined (bi-annually) as of June 30.

Not Available = N/A

****Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

OTHER
SUPPLEMENTARY
INFORMATION

FARMINGDALE UNION FREE SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

Change from adopted budget to revised budget:

Adopted budget		\$ 156,496,648
Add:		
Prior year's encumbrances		<u>2,220,233</u>
Original budget		158,716,881
Budget revisions:		
Board approved use of Insurance Reserve		2,900,000
Various District projects		2,850,000
Insurance recoveries		99,159
Summer school tuition		57,190
Aid for technology equipment		40,000
Red Cross		<u>2,380</u>
Final budget		<u><u>\$ 164,665,610</u></u>
§1318 of real property tax law limit calculation:		
2015-16 voter-approved expenditure budget		<u><u>\$ 157,357,708</u></u>
Maximum allowed (4% of total 2015-16 budget)		<u><u>\$ 6,294,309</u></u>
Fund balance subject to §1318 of Real Property Tax law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 9,200,262	
Unassigned fund balance	<u>6,294,309</u>	\$ 15,494,571
Less:		
Appropriated fund balance	5,500,000	
Encumbrances	<u>3,700,262</u>	<u>9,200,262</u>
Fund balance subject to §1318 of Real Property Tax law		<u><u>\$ 6,294,309</u></u>
Actual percentage		<u><u>4.00%</u></u>

FARMINGDALE UNION FREE SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING SOURCES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2015

Project Title	Expenditures					Methods of Financing					Fund Balance June 30, 2015
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	Total	
Unassigned	\$ -	\$ 105,217	\$ -	\$ -	\$ -	\$ 105,217	\$ -	\$ -	\$ 105,217	\$ 105,217	\$ 105,217
Unassigned - Excess Rebate	-	97,740	-	-	-	97,740	-	-	97,740	97,740	97,740
Assigned - Litigation Repairs	-	2,900,000	-	-	-	2,900,000	-	-	2,900,000	2,900,000	2,900,000
Howitt East Window/Curtain Wall Replacement	938,415	1,364,245	1,125,172	220,823	1,345,995	18,250	-	-	1,364,245	1,364,245	18,250
Howitt West Window/Curtain Wall Replacement	2,397,974	2,654,533	572,837	1,988,266	2,561,103	93,430	-	-	2,654,533	2,654,533	93,430
Saltzman EM Window/Curtain Wall Replacement	1,401,027	1,810,122	1,179,337	589,398	1,768,735	41,387	-	-	1,810,122	1,810,122	41,387
Albany Ave. Window/Curtain Wall Replacement	1,117,976	1,129,952	997,899	99,062	1,096,961	32,991	-	-	1,129,952	1,129,952	32,991
Northside Window Replacement Project	500,980	957,318	19,253	130,886	150,139	807,179	-	-	957,318	957,318	807,179
Woodward Parkway Window Replacement Project	424,020	722,596	16,451	57,078	73,529	649,057	-	-	722,596	722,596	649,057
Howitt East Energy Performance Contract	1,640,226	1,585,615	-	513,572	513,572	1,072,043	1,585,615	-	-	1,585,615	1,072,043
Albany Avenue Energy Performance Contract	2,348,864	2,846,377	-	968,530	968,530	1,877,847	2,846,377	-	-	2,846,377	1,877,847
Woodward Parkway Energy Performance Contract	2,083,941	2,041,442	-	660,285	660,285	1,381,157	2,041,442	-	-	2,041,442	1,381,157
High School Energy Performance Contract	5,543,781	5,013,212	-	1,790,815	1,790,815	3,222,397	5,013,212	-	-	5,013,212	3,222,397
Northside Energy Performance Contract	1,103,503	1,170,833	-	376,990	376,990	793,843	1,170,833	-	-	1,170,833	793,843
Saltzman EM Energy Performance Contract	2,069,377	2,004,094	-	1,005,747	1,005,747	998,347	2,004,094	-	-	2,004,094	998,347
Howitt West Energy Performance Contract	1,164,017	1,223,430	-	394,521	394,521	828,909	1,223,430	-	-	1,223,430	828,909
EPC (Construction Management)	245,100	245,100	-	-	-	245,100	-	-	245,100	245,100	245,100
EPC (Independent 3rd party review)	17,160	17,160	-	-	-	17,160	-	-	17,160	17,160	17,160
	<u>\$ 22,996,361</u>	<u>\$ 27,888,986</u>	<u>\$ 3,910,949</u>	<u>\$ 8,795,973</u>	<u>\$ 12,706,922</u>	<u>\$ 15,182,064</u>	<u>\$ 15,885,003</u>	<u>\$ -</u>	<u>\$ 12,003,983</u>	<u>\$ 27,888,986</u>	<u>\$ 15,182,064</u>

OTHER
SUPPLEMENTARY
INFORMATION

FARMINGDALE UNION FREE SCHOOL DISTRICT
NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2015

Capital assets, net		\$ 71,587,152
Deduct:		
Short-term portion of bonds payable, inclusive of premiums	\$ 2,761,310	
Long-term portion of bonds payable, inclusive of premiums	10,906,547	
Short-term portion of installment purchase debt payable	258,832	
Long-term portion of installment purchase debt payable	15,626,171	
Add:		
Unused portion of installment purchase debt	<u>(10,174,543)</u>	<u>19,378,317</u>
Net investment in capital assets		<u>\$ 52,208,835</u>

FARMINGDALE UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
TABLE OF CONTENTS

Independent Auditor's Report	61
Financial Statements:	
Cash Receipts And Disbursements:	
High School	63
Middle School	64
Elementary Schools	65
Note To Financial Statement	66



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 statement of cash receipts and disbursements of the various Extraclassroom Activity Funds of the Farmingdale Union Free School District (the "District") for the year ended June 30, 2015, and the related note to financial statement, which collectively comprise the financial statements of the District's Extraclassroom Activity Funds.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

NawrockiSmith

Opinion

In our opinion, the statement of cash receipts and disbursements referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Extraclassroom Activity Funds of the Farmingdale Union Free School District for the year ended June 30, 2015 in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Melville, New York
September 23, 2015

Nawrocki Smith LLP

FARMINGDALE UNION FREE SCHOOL DISTRICT
EXTRACURRICULAR ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	Cash Balances July 1, 2014	Receipts	Disbursements	Cash Balances June 30, 2015
High School:				
Ambassadors Club	\$ 50.29	\$ 1,096.82	\$ 1,143.48	\$ 3.63
Art Honor Society Club	615.37	286.00	391.71	509.66
Art Photo Developing Club	11.46	-	-	11.46
ASL Honor Society Club	1,706.84	6,684.26	7,457.77	933.33
Auto Tech Club	3,276.04	2,578.70	2,533.06	3,321.68
Bridging the Gap	3,319.38	3,412.95	2,113.02	4,619.31
Business Honor Society Club	669.96	736.00	458.45	947.51
Carpentry Club	989.14	1,005.00	800.00	1,194.14
Catering Club	5,531.30	200.00	47.70	5,683.60
Child Lab Study Program	1,790.82	4,878.00	6,668.82	-
Class of 2014	436.21	610.00	1,046.21	-
Class of 2015	10,375.54	36,232.95	44,379.49	2,229.00
Class of 2016	311.69	49,518.32	41,760.85	8,069.16
Class of 2017	259.02	3,313.44	3,511.15	61.31
Class of 2018 - Freshmen	-	2,946.21	1,615.75	1,330.46
Daler Press Club	2,436.95	395.00	320.61	2,511.34
DECA	5,452.39	19,564.45	21,242.97	3,773.87
Field Trips	367.58	16,635.31	17,002.89	-
FPS Community Support Fund	-	3,627.15	3,627.15	-
French Honor Society Club	701.95	4,134.00	4,597.59	238.36
Go Green Club	99.25	-	-	99.25
Green and White Shop	2,000.00	53,648.93	53,433.76	2,215.17
Hi-Life	129.66	13,045.08	11,500.00	1,674.74
History Club	187.01	-	50.00	137.01
Interact Club	242.29	814.00	961.90	94.39
Italian Honor Society Club	501.24	8,126.05	5,751.36	2,875.93
Key Club	1,006.15	5,732.65	6,278.00	460.80
Knitting Club	14.14	-	-	14.14
Life Skills Club	4,059.61	1,129.07	1,255.52	3,933.16
Literary Magazine Club	1,637.91	390.00	569.44	1,458.47
MSG Varsity	5,105.01	-	274.00	4,831.01
Music-Band	2,122.33	70,876.05	67,785.15	5,213.23
Music-Chorus	3,402.32	8,488.50	8,093.00	3,797.82
Music-Orchestra	628.56	19,502.75	20,057.86	73.45
Music-Symphonic Band	1,004.42	2,167.00	2,021.49	1,149.93
Music-Women's Choir	878.20	16,756.50	16,365.39	1,269.31
National Honor Society	4,360.14	4,151.00	5,466.38	3,044.76
Olympics of the Visual Arts	1,404.24	2,100.00	1,978.05	1,526.19
PAGE Program Club	112.86	-	-	112.86
Paper Lion	11,184.03	1,086.47	1,612.01	10,658.49
Playcrafters	2,558.34	25,306.20	17,794.96	10,069.58
SADD	73.66	55.00	-	128.66
Sales Tax	99.10	4,007.95	3,983.32	123.73
School Beautification Club	15,408.05	6,499.46	13,016.41	8,891.10
Science Club - Envirothon	1,008.07	-	571.24	436.83
Science Club - Quiz Bowl	812.74	-	790.88	21.86
Science Club - Stem Transportation	-	1,000.00	839.30	160.70
Science Club - Vex Robotics	-	1,850.00	905.27	944.73
Science Olympiad	854.46	-	654.54	199.92
Shared Decision Making	1,722.78	-	-	1,722.78
Spanish Honor Society Club	3,381.75	4,159.53	5,894.60	1,646.68
Student Government Association	2,612.28	15,667.96	16,914.77	1,365.47
Student Guidance Club	315.36	997.00	118.45	1,193.91
Student Sports Activity Council	15,012.73	21,559.76	19,480.97	17,091.52
Technology Honor Society Club	7,219.88	3,517.00	5,698.98	5,037.90
Tri-M Honor Society Club	846.62	11,442.95	11,380.60	908.97
Varsity Leaders Club	39.67	-	-	39.67
Wellness Committee Club	250.00	-	-	250.00
	<u>\$ 130,596.79</u>	<u>\$ 461,931.42</u>	<u>\$ 462,216.27</u>	<u>\$ 130,311.94</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, 2015

	Cash Balances July 1, 2014	Receipts	Disbursements	Cash Balances June 30, 2015
Middle School:				
American Sign Language Club	\$ 116.47	\$ -	\$ 116.47	\$ -
Bridging the Gap Foundation	12,092.07	6,642.22	14,426.41	4,307.88
Daler Buddies	832.12	-	-	832.12
Field Trips-6th Grade	3,843.30	15,477.99	19,321.29	-
Field Trips-7th Grade	818.33	5,884.00	6,702.33	-
Field Trips-8th Grade	-	10,889.00	10,889.00	-
Friends Shared Decision Making	137.37	1,076.00	992.18	221.19
Honor Society Club	129.70	2,075.00	1,290.84	913.86
Howwitt Players Club	16,562.44	18,549.49	18,058.88	17,053.05
Languages Around the World	-	116.47	-	116.47
Lions Den	1,731.77	6,771.87	7,916.12	587.52
Newsday Future Corps Club	41.73	534.00	500.00	75.73
Photo Club	35.32	738.25	773.57	-
Sales Tax	1,035.99	2,484.49	2,395.57	1,124.91
Student Government	7,678.19	21,168.18	23,315.65	5,530.72
Team 67	-	245.00	245.00	-
Team 84 Charity Fundraiser	239.63	-	-	239.63
Volleyball Booster	-	3,160.00	550.00	2,610.00
Water for Sudan Booster	-	3,760.36	3,760.36	-
Wellness Center	1,899.30	13,092.12	10,651.71	4,339.71
Wildlife Warriors Club	464.77	-	258.08	206.69
Yearbook	6,397.47	9,428.99	15,826.46	-
	<u>\$ 54,055.97</u>	<u>\$ 122,093.43</u>	<u>\$ 137,989.92</u>	<u>\$ 38,159.48</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, 2015

	Cash Balances July 1, 2014	Receipts	Disbursements	Cash Balances June 30, 2015
Elementary Schools:				
<u>Albany Avenue</u>				
Bridging the Gap	\$ 2,808.78	\$ 275.00	\$ 2,763.28	\$ 320.50
Kindergarten	-	3,548.00	3,124.48	423.52
Grade 1	-	3,537.50	3,537.50	-
Grade 2	-	15,730.50	14,072.41	1,658.09
Grade 3	-	5,663.00	4,426.35	1,236.65
Grade 4	-	14,730.00	14,730.00	-
Grade 5	2.00	18,268.51	18,270.51	-
TOTAL ALBANY AVENUE	2,810.78	61,752.51	60,924.53	3,638.76
<u>Saltzman Memorial</u>				
Bridging the Gap	3,339.62	2,306.92	3,254.47	2,392.07
Field Trips	-	15,956.75	15,956.75	-
TOTAL SALTZMAN MEMORIAL	3,339.62	18,263.67	19,211.22	2,392.07
<u>Woodward Parkway</u>				
Bridging the Gap	7,470.00	793.38	1,927.94	6,335.44
Field Trips	-	17,831.00	17,831.00	-
TOTAL WOODWARD PARKWAY	7,470.00	18,624.38	19,758.94	6,335.44
<u>North Side</u>				
Bridging the Gap	440.98	30.00	-	470.98
Field Trips	-	25,234.83	22,109.56	3,125.27
TOTAL NORTH SIDE	440.98	25,264.83	22,109.56	3,596.25
	\$ 14,061.38	\$ 123,905.39	\$ 122,004.25	\$ 15,962.52

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

FARMINGDALE UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
NOTE TO FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Farmingdale Union Free School District (the "District").

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

FARMINGDALE UNION FREE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/ Pass - Through Grantor/ Cluster Title/Program Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Education</u>			
<u>Passed - Through Programs From:</u>			
New York State Department of Education			
Special Education Cluster:			
IDEA, Part B, Section 611, Special Education Grants to States	84.027A	0032-15-0471	\$ 1,339,806
IDEA, Part B, Section 619, Special Education Preschool Grants	84.173A	0033-15-0471	<u>97,292</u>
			1,437,098
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021-14-1715	35,774
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021-15-1715	318,840
ESEA, Title II, Part A, Improving Teacher Quality State Grants	84.367A	0147-14-1715	19,987
ESEA, Title II, Part A, Improving Teacher Quality State Grants	84.367A	0147-15-1715	176,733
ESEA, Title III, Part A, English Language Acquisition Grants	84.365A	0293-15-1715	27,983
ESEA, Title III, Part A, Immigrant Education	84.365A	0149-14-1715	798
ESEA, Title III, Part A, Immigrant Education	84.365A	0149-15-1715	<u>1,418</u>
Total U.S. Department of Education			<u>2,018,631</u>
<u>U.S. Department of Agriculture</u>			
<u>Direct Program:</u>			
Surplus Food	10.550	N/A	72,910
<u>Passed - Through Programs From:</u>			
New York State Office of General Services			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	71,174
National School Lunch Program	10.555	N/A	<u>604,773</u>
Total U.S. Department of Agriculture			<u>748,857</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 2,767,488</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

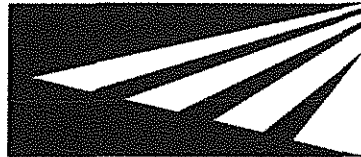
Indirect costs may be included in the reported expenditures to the extent they are included in the federal financial reports used as the source of the data presented.

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 fiduciary funds of the Farmingdale Union Free School District (the "District"), as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 23, 2015.

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 23, 2015

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, 2015. 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, 2015.

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 23, 2015



FARMINGDALE UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

A. Summary Of Auditor's Results:

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

<u>CFDA Number</u>	<u>Name of Federal Program</u>
	<u>U.S. Department of Education</u>
84.010	Title I Grants to Local Educational Agencies
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, 2015

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, 2015

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, 2015, as well as the status of recommendations made in connection with prior audits of the financial statements.

CURRENT YEAR RECOMMENDATIONS:

None reported.

PRIOR YEAR RECOMMENDATIONS:

None reported.