

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**COLD SPRING HARBOR, NEW YORK**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTAL INFORMATION**  
**IN CONNECTION WITH OMB CIRCULAR A-133**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
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Nawrocki Smith LLP

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON  
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Cold Spring Harbor Central School District (the "District"), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administration. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the administration, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund as well as the fiduciary funds of the Cold Spring Harbor Central School District, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

## Nawrocki Smith LLP

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

Melville, New York  
September 20, 2010

*Nawrocki Smith LLP*

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The following is a discussion and analysis of the Cold Spring Harbor Central School District's (the "District") financial performance for the fiscal year ended June 30, 2010. This section is a summary of the District's financial activities based on currently known facts, decisions or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- Revenues increased by 3.7% as a result of increased real property taxes and state sources;
- Student enrollment remained consistent;
- The District continued to offer all programs, without reducing services, while maintaining adequate fund balances; and
- In April, 2010, Standard & Poor's Rating Services affirmed its AAA long-term rating on the District's outstanding General Obligation bonds.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

<b>Table A-1: Major Features of the District-Wide and Fund Financial Statements</b>			
	District-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activity monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Assets</li> <li>• Statement of Changes in Fiduciary Net Assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

### **District-Wide Statements**

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

The two District-wide statements report the District's *net assets* and how they have changed. Net assets, the difference between the District's assets and liabilities, is one way to measure the District's financial health or *position*.

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

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

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

## **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's net assets decreased by 32% from the year before to \$15,414,919, as detailed in Tables A-2 and A-3.

The restricted net assets balance of \$651,358 represents the District's reserves for capital projects and repairs. These assets are restricted by external sources, imposed by laws through constitutional provisions or enabling legislation.

The unrestricted net deficit balance of \$2,359,304 represents the District's fund balances and other reserves that are not restricted. The unrestricted net assets encompass all other assets that are not related to the District's investment in capital assets or those assets required to be reported as restricted as noted above.

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

	<u>6/30/09</u>	<u>6/30/10</u>	<u>% Change</u>
Current and other assets	\$ 15,912,924	\$ 16,429,135	3.2
Capital assets, net	<u>47,439,664</u>	<u>46,782,945</u>	(1.4)
Total assets	<u>\$ 63,352,588</u>	<u>\$ 63,212,080</u>	0.0
Current liabilities	\$ 5,785,845	\$ 5,271,452	(8.9)
Long-term liabilities	<u>34,905,093</u>	<u>42,525,629</u>	21.8
Total liabilities	<u>\$ 40,690,938</u>	<u>\$ 47,797,081</u>	17.5
Net assets:			
Investment in capital assets, net of related debt	\$ 15,929,664	\$ 17,122,945	7.5
Restricted	515,346	651,358	26.4
Unrestricted	<u>6,216,640</u>	<u>(2,359,304)</u>	(137.9)
Total net assets	<u>\$ 22,661,650</u>	<u>\$ 15,414,999</u>	(32.0)

### **Changes in Net Assets**

The District's fiscal year 2010 revenues totaled \$55,758,414 (See Table A-3). Property and other taxes and state sources accounted for most of the District's revenue by contributing 90 cents and 5 cents, respectively, of every dollar raised (See Table A-4). The remainder came from other charges for services and operating grants.

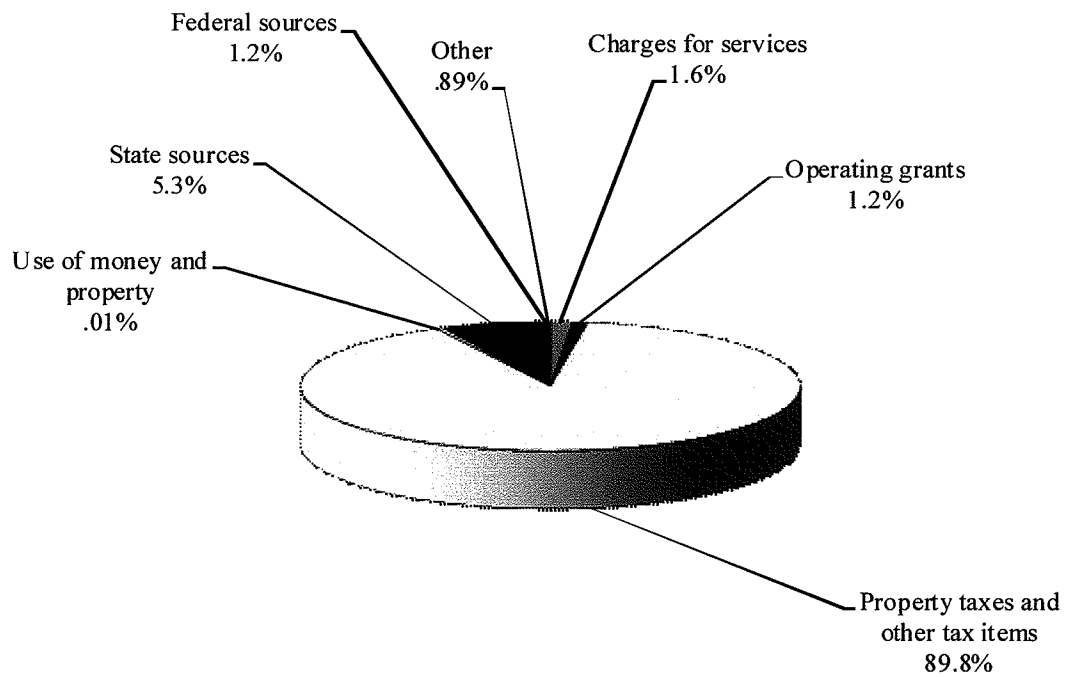
The District's fiscal year 2010 expenses totaled \$63,005,065 (See Table A-3). These expenses (83 percent) are predominantly related to instruction and transporting students (See Table A-5). The District's administrative and business activities accounted for 14 percent of total costs.



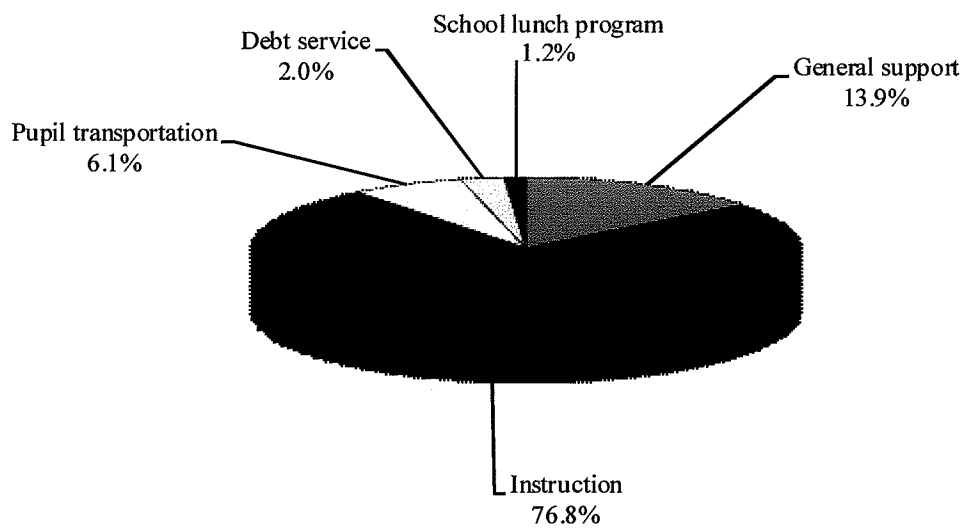
**Table A-3: Changes in Net Assets from Operating Results**

	<u>6/30/09</u>	<u>6/30/10</u>	<u>% Change</u>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 769,728	\$ 847,994	10.2
Operating grants	522,530	667,736	27.8
General revenues:			
Property taxes and other tax items	48,401,171	50,098,294	3.5
State sources	3,665,551	2,940,766	(19.8)
Federal sources	23,133	658,414	2,746.2
Use of money and property	243,556	53,310	(78.1)
Miscellaneous	<u>140,198</u>	<u>491,900</u>	250.9
Total revenues	<u>53,765,867</u>	<u>55,758,414</u>	3.7
<b>Expenses</b>			
General support	8,295,422	8,759,387	5.6
Instruction	42,993,631	48,387,962	12.5
Pupil transportation	3,834,252	3,833,274	-
Community services	597	-	(100.0)
Debt service	1,474,703	1,263,120	(14.3)
School lunch program	<u>727,996</u>	<u>761,322</u>	4.6
Total expenses	<u>57,326,601</u>	<u>63,005,065</u>	9.9
Decrease in net assets	<u>\$ (3,560,734)</u>	<u>\$ (7,246,651)</u>	(103.5)

**Table A-4: Sources of Revenues for Fiscal Year 2010**



**Table A-5: Expenses for Fiscal Year 2010**



## **Governmental Activities**

Revenues for the District's governmental activities totaled \$55,758,414 while total expenses equaled \$63,005,065. Therefore, the decrease in net assets for governmental activities was \$7,246,651 in 2010. The District's financial condition was negatively affected by:

- Recognizing the liability of benefits provided to retirees other than pensions (OPEB);

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

No significant variances are reflected in the governmental fund financial statements for fiscal 2010.

## **General Fund Budgetary Highlights**

Reference is made to Supplemental Schedule 1 on page 38 which presents original and revised budget amounts, as well as actual results for the District's General Fund.

- Actual revenues were less than the revised budgeted revenues by approximately \$206,000.
- Actual expenditures were approximately \$1,304,000 less than budget primarily due to lower than anticipated costs in the general support and employee benefits categories.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

By the end of 2010, the District had invested \$46,782,945, net of depreciation, in a broad range of capital assets, including school buildings, maintenance facilities, athletic facilities, computer and audio-visual equipment, and administrative offices. The District is in the middle of a multi-year capital projects campaign.

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

<b><u>Category</u></b>	<b><u>6/30/09</u></b>	<b><u>6/30/10</u></b>	<b><u>% Change</u></b>
Land	\$ 125,075	\$ 125,075	-
Buildings and building improvements	44,650,623	44,173,914	(1.1)
Furniture and equipment	<u>2,663,966</u>	<u>2,483,956</u>	(6.8)
Totals	<u>\$ 47,439,664</u>	<u>\$ 46,782,945</u>	(1.4)

**Long-Term Debt**

At year-end, the District had \$29,660,000 in general obligation bonds. During the year, the District paid down its debt by retiring \$1,850,000 of outstanding bonds.

**Table A-7: Outstanding Long-Term Debt**

<b><u>Category</u></b>	<b><u>6/30/09</u></b>	<b><u>6/30/10</u></b>	<b><u>% Change</u></b>
General obligation bonds	\$ 31,510,000	\$ 29,660,000	(5.9)
Workers' compensation claims payable	375,502	399,874	6.5
Compensated absences	1,638,688	1,849,848	12.9
Post-employment benefits	<u>3,934,133</u>	<u>12,779,907</u>	224.8
Totals	<u>\$ 37,458,323</u>	<u>\$ 44,689,629</u>	19.3

**FACTORS BEARING ON THE FUTURE OF THE DISTRICT**

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

- Significant increases over the past several years in the State health insurance plan and retirement insurance plan costs have placed a greater burden on the District's taxpayers. These conditions are expected to continue for some time.
- GASB Statement 45 will continue to place a greater obligation on the District's taxpayers in the upcoming fiscal years as retiree health benefits are now recognized over periods that approximate the employees' years of active service.
- Federal stimulus aid is expected to end in the near future and State aid which is subject to annual appropriation by the New York State Legislature will affect revenues for the District. The District has a stable tax base (as described by Standard and Poor's) and should be able to manage any changes in federal and State aid.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Cold Spring Harbor Central School District  
District Offices  
Attn: Interim Assistant Superintendent of Business  
75 Goose Hill Road  
Cold Spring Harbor, NY 11724  
(631) 367-5928

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

**ASSETS**

Current assets:	
Cash:	
Unrestricted	\$ 14,645,352
Receivables:	
State and federal aid	1,435,666
Taxes	326,863
Due from fiduciary funds	5,535
Other receivables	5,890
Inventories	9,829
	<hr/>
Total current assets	16,429,135
Noncurrent assets:	
Capital assets, net of accumulated depreciation of \$19,043,369	46,782,945
	<hr/>
Total assets	<u>\$ 63,212,080</u>

**LIABILITIES**

Current liabilities:	
Payables:	
Accounts payable	\$ 300,287
Accrued liabilities	344,174
Due to other governments	169,634
Accrued interest payable	375,670
Due to teachers' retirement system	1,743,770
Due to employees' retirement system	143,238
Deferred revenues	30,679
Long-term liabilities, due within one year:	
Bonds payable	1,930,000
Compensated absences	234,000
	<hr/>
Total current liabilities	5,271,452
Noncurrent liabilities:	
Long-term liabilities, due after one year:	
Bonds payable	27,730,000
Compensated absences	1,615,848
Workers' compensation claims payable	399,874
Other post-employment benefits	12,779,907
	<hr/>
Total noncurrent liabilities	42,525,629
	<hr/>
Total liabilities	<u>47,797,081</u>

**NET ASSETS**

Invested in capital assets, net of related debt	17,122,945
Restricted for:	
Capital	651,358
Unrestricted	(2,359,304)
	<hr/>
Total net assets	15,414,999
	<hr/>
Total liabilities and net assets	<u>\$ 63,212,080</u>

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

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Expenses	Charges for Services	Program Revenues Operating Grants	Net (Expense) Revenue and Change in Net Assets
Functions and programs:				
General support	\$ 8,759,387	\$ -	\$ -	\$ (8,759,387)
Instruction	48,387,962	220,447	585,204	(47,582,311)
Pupil transportation	3,833,274	14,281	37,911	(3,781,082)
Debt service - interest	1,263,120	-	-	(1,263,120)
School lunch program	761,322	613,266	44,621	(103,435)
Total functions and programs	\$ 63,005,065	\$ 847,994	\$ 667,736	(61,489,335)
General revenues:				
Real property taxes				48,123,990
Other tax items				1,974,304
Use of money and property				53,310
State sources				2,940,766
Federal sources				658,414
Miscellaneous				491,900
Total general revenues				54,242,684
Change in net assets				(7,246,651)
Total net assets, beginning of year				22,661,650
Total net assets, end of year				\$ 15,414,999

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

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Cash:						
Unrestricted	\$ 13,140,163	\$ 19,050	\$ 183,401	\$ 646,091	\$ 656,647	\$ 14,645,352
Receivables:						
State and federal aid	997,110	432,886	5,670	-	-	1,435,666
Taxes	326,863	-	-	-	-	326,863
Due from other funds	429,103	-	27	-	-	429,130
Due from fiduciary funds	5,234	-	301	-	-	5,535
Other receivables	-	-	5,890	-	-	5,890
Inventories	-	-	9,829	-	-	9,829
Total assets	\$ 14,898,473	\$ 451,936	\$ 205,118	\$ 646,091	\$ 656,647	\$ 16,858,265
<b>LIABILITIES</b>						
Payables:						
Accounts payable	\$ 239,811	\$ 50,274	\$ 10,202	\$ -	\$ -	\$ 300,287
Accrued liabilities	343,573	-	601	-	-	344,174
Due to other funds	-	400,685	21,950	1,206	5,289	429,130
Due to other governments	168,917	-	717	-	-	169,634
Due to teachers' retirement system	1,743,770	-	-	-	-	1,743,770
Due to employees' retirement system	143,238	-	-	-	-	143,238
Deferred revenues	-	977	29,702	-	-	30,679
Compensated absences	1,849,848	-	-	-	-	1,849,848
Total liabilities	4,489,157	451,936	63,172	1,206	5,289	5,010,760
<b>FUND BALANCE</b>						
Fund balance:						
Reserve for encumbrances	210,707	-	-	-	1,035,354	1,246,061
Reserve for inventories	-	-	9,829	-	-	9,829
Reserve for employee benefit accrued liability	2,066,741	-	-	-	-	2,066,741
Reserve for unemployment insurance	200,586	-	-	-	-	200,586
Reserve for workers' compensation	572,798	-	-	-	-	572,798
Reserve for debt service	-	-	-	397,279	-	397,279
Reserve for tax reduction	347,340	-	-	-	-	347,340
Capital reserve	4,500,000	-	-	-	-	4,500,000
Unreserved:						
Designated for subsequent year's expenditures	660,000	-	-	-	-	660,000
Undesignated	1,851,144	-	132,117	247,606	(383,996)	1,846,871
Total fund balance	10,409,316	-	141,946	644,885	651,358	11,847,505
Total liabilities and fund balance	\$ 14,898,473	\$ 451,936	\$ 205,118	\$ 646,091	\$ 656,647	\$ 16,858,265

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



**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	ASSETS				Statement of Net Assets Totals
	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations		
Cash:					
Unrestricted	\$ 14,645,352	\$ -	\$ -	\$ -	\$ 14,645,352
Receivables:					
State and federal aid	1,435,666	-	-	-	1,435,666
Taxes	326,863	-	-	-	326,863
Due from other funds	429,130	-	(429,130)	-	-
Due from fiduciary funds	5,535	-	-	-	5,535
Other receivables	5,890	-	-	-	5,890
Inventories	9,829	-	-	-	9,829
Capital assets, net	-	46,782,945	-	-	46,782,945
Total assets	\$ 16,858,265	\$ 46,782,945	\$ (429,130)	\$ -	\$ 63,212,080
	LIABILITIES				Statement of Net Assets Totals
	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations		
Payables:					
Accounts payable	\$ 300,287	\$ -	\$ -	\$ -	\$ 300,287
Accrued liabilities	344,174	-	-	-	344,174
Due to other funds	429,130	-	(429,130)	-	-
Due to other governments	169,634	-	-	-	169,634
Accrued interest payable	-	375,670	-	-	375,670
Due to teachers' retirement system	1,743,770	-	-	-	1,743,770
Due to employees' retirement system	143,238	-	-	-	143,238
Deferred revenues	30,679	-	-	-	30,679
Bonds payable	-	29,660,000	-	-	29,660,000
Workers' compensation claims payable	-	399,874	-	-	399,874
Compensated absences	1,849,848	-	-	-	1,849,848
Other post-employment benefits	-	12,779,907	-	-	12,779,907
Total liabilities	5,010,760	43,215,451	(429,130)	-	47,797,081
<b>FUND BALANCE/NET ASSETS</b>					
Fund balance/net assets	11,847,505	3,567,494	-	-	15,414,999
Total liabilities and fund balance/net assets	\$ 16,858,265	\$ 46,782,945	\$ (429,130)	\$ -	\$ 63,212,080

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

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 48,123,990	\$ -	\$ -	\$ -	\$ -	\$ 48,123,990
Other tax items	1,974,304	-	-	-	-	1,974,304
Charges for services	234,728	-	-	-	-	234,728
Use of money and property	53,310	-	-	-	-	53,310
State sources	2,774,742	43,286	8,324	-	166,024	2,992,376
Federal sources	658,414	579,829	36,297	-	-	1,274,540
Sales	-	-	613,266	-	-	613,266
Miscellaneous	475,131	-	16,769	-	-	491,900
Total revenues	54,294,619	623,115	674,656	-	166,024	55,758,414
<b>EXPENDITURES</b>						
General support	6,411,560	-	456,557	-	-	6,868,117
Instruction	30,366,317	593,023	-	-	-	30,959,340
Pupil transportation	3,775,422	21,607	-	-	-	3,797,029
Employee benefits	9,239,232	16,585	29,437	-	-	9,285,254
Debt service -						
Principal	1,850,000	-	-	-	-	1,850,000
Interest	1,300,094	-	-	-	-	1,300,094
Cost of sales	-	-	275,328	-	-	275,328
Capital outlay	-	-	-	-	1,030,012	1,030,012
Total expenditures	52,942,625	631,215	761,322	-	1,030,012	55,365,174
Excess (deficiency) of revenues over (under) expenditures	1,351,994	(8,100)	(86,666)	-	(863,988)	393,240
<b>OTHER FINANCING SOURCES (USES)</b>						
Interfund transfers in	-	8,100	-	-	1,000,000	1,008,100
Interfund transfers out	(1,008,100)	-	-	-	-	(1,008,100)
Total other financing sources (uses)	(1,008,100)	8,100	-	-	1,000,000	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	343,894	-	(86,666)	-	136,012	393,240
Fund balance, beginning of year	10,065,422	-	228,612	644,885	515,346	11,454,265
Fund balance, end of year	\$ 10,409,316	\$ -	\$ 141,946	\$ 644,885	\$ 651,358	\$ 11,847,505

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

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Total Governmental Funds	Long-term Revenues, Expenses	Capital Related Items	Long-term Debt Transactions	Reclassifications and Eliminations	Statement of Activities Totals
<b>REVENUES</b>						
Real property taxes	\$ 48,123,990	\$ -	\$ -	\$ -	\$ -	\$ 48,123,990
Other tax items	1,974,304	-	-	-	-	1,974,304
Charges for services	234,728	-	-	-	613,266	847,994
Use of money and property	53,310	-	-	-	-	53,310
State sources	2,992,376	-	-	-	(51,610)	2,940,766
Federal sources	1,274,540	-	-	-	(616,126)	658,414
Sales	613,266	-	-	-	(613,266)	-
Operating grants	-	-	-	-	667,736	667,736
Miscellaneous	491,900	-	-	-	-	491,900
Total revenues	55,758,414	-	-	-	-	55,758,414
<b>EXPENDITURES</b>						
General support	6,868,117	-	(18,174)	-	1,909,444	8,759,387
Instruction	30,959,340	-	(137,857)	-	17,566,479	48,387,962
Pupil transportation	3,797,029	-	-	-	36,245	3,833,274
Employee benefits	9,285,254	-	-	8,870,146	(18,155,400)	-
Debt service -						
Principal	1,850,000	-	-	(1,850,000)	-	-
Interest	1,300,094	-	-	(36,974)	-	1,263,120
Cost of sales	275,328	-	-	-	(275,328)	-
School lunch program	-	-	-	-	761,322	761,322
Depreciation	-	-	1,842,762	-	(1,842,762)	-
Capital outlay	1,030,012	-	(1,030,012)	-	-	-
Total expenditures	55,365,174	-	656,719	6,983,172	-	63,005,065
Excess (deficiency) of revenues over (under) expenditures	393,240	-	(656,719)	(6,983,172)	-	(7,246,651)
<b>OTHER FINANCING SOURCES (USES)</b>						
Interfund transfers in	1,008,100	-	-	-	(1,008,100)	-
Interfund transfers out	(1,008,100)	-	-	-	1,008,100	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	393,240	-	(656,719)	(6,983,172)	-	(7,246,651)
Fund balance, beginning of year,	11,454,265	-	47,439,664	(36,232,279)	-	22,661,650
Fund balance, end of year	\$ 11,847,505	\$ -	\$ 46,782,945	\$ (43,215,451)	\$ -	\$ 15,414,999

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

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
**JUNE 30, 2010**

	<b>Scholarship Trust</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash:		
Unrestricted	\$ 33,953	\$ 606,288
Restricted	-	95,120
Total assets	<u>\$ 33,953</u>	<u>\$ 701,408</u>
<b>LIABILITIES</b>		
Due to other funds	\$ -	\$ 5,536
Extraclassroom activity balances	-	95,120
Other liabilities	-	600,752
Total liabilities	<u>-</u>	<u>\$ 701,408</u>
<b>NET ASSETS</b>		
Reserved for:		
Endowment scholarships	<u>33,953</u>	
Total net assets	<u>33,953</u>	
Total liabilities and net assets	<u>\$ 33,953</u>	

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

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Scholarship Trust</b>
<b>ADDITIONS</b>	
Contributions	\$ 1,923
Investments earnings:	
Interest	1,676
Total additions	3,599
<b>DEDUCTIONS</b>	
Scholarships and awards	-
Total deductions	-
Change in net assets	3,599
Net assets, beginning of year	30,354
Net assets, end of year	\$ 33,953

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

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Cold Spring Harbor Central School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are described below:

**A. Reporting entity**

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of seven members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity, as amended by GASB Statement 39, Component Units. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity:

**1. Extraclassroom Activity Funds**

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found elsewhere in this report. The District accounts for assets held as an agent for various student organizations in an agency fund.

**B. Joint venture**

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

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

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

During the year, the District was billed \$1,585,705 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$384,747.

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

C. Basis of presentation

1. District-wide statements

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

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

2. Fund statements

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

The District reports the following major governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition and 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.

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

The District reports the following fiduciary funds:

Fiduciary Funds

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

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

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

D. Measurement focus and basis of accounting

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

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



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

E. Property taxes

Real property taxes for the Town of Oyster Bay residents are levied annually by the Board during the month of August and become a lien on October 1<sup>st</sup> and April 1<sup>st</sup>. This portion of the District's tax levy is collected by the Town of Oyster Bay and remitted to the District. Uncollected taxes are subsequently enforced by Nassau County.

Real property taxes for the Town of Huntington residents are levied annually by the Board no later than November 1<sup>st</sup>, and become a lien on December 1<sup>st</sup>. This portion of the District's tax levy is collected by the Town of Huntington along with the respective Town and Suffolk County levies. These tax collections are remitted to the District and Town Comptroller until their respective taxes are satisfied in accordance with the Suffolk County Tax Act. All subsequent tax collections, through June 30<sup>th</sup>, are remitted by the Town to Suffolk County which in turn is responsible for any uncollected taxes.

F. Restricted resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

G. Interfund transactions

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

In the District-wide statements, the amounts reported on the Statement of Net Assets for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

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

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

H. Estimates

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

I. Cash and investments

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

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

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

Investments are stated at fair value.

J. Accounts receivable

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

K. Inventories and prepaid items

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

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

A reserve for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

L. Other assets/restricted assets

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment may be classified as restricted assets in the District-wide financial statements as their use is limited by applicable bond covenants.

In the District-wide financial statements, bond issuance costs are capitalized and amortized over the life of the debt issue. In the funds statements, these same costs are netted against bond proceeds and recognized in the period of issuance.

M. Capital assets

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 1975. For assets acquired prior to June 30, 1975, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and building improvements	\$ 15,000	Straight line	20-40 years
Site improvements	\$ 15,000	Straight line	20 years
Furniture and equipment	\$ 2,000	Straight line	5-20 years

N. Deferred revenues

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

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

Many deferred revenues recorded in governmental funds are not recorded in the District-wide statements.

O. Vested employee benefits - compensated absences

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

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

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

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

P. Other benefits

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

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

Q. Short-term debt

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

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

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

R. Accrued liabilities and long-term obligations

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

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

S. Equity classifications

District-wide statements

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

Invested in capital assets, net of related debt: Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

Restricted net assets: Reports net assets when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets: Reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Funds statements

Unreserved fund balance consists of two classifications. A designation of unreserved fund balance indicates the planned use of these resources in the subsequent year's budget. The undesignated portion reports remaining fund balance that has not been designated or reserved. NYS Real Property Tax Law 1318 restricts the unreserved, undesignated fund balance of the General Fund to an amount not greater than 4% of the District's budget for the ensuing fiscal year.

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. These reserve funds are available to school districts within the State of New York and are established through Board action or voter approval. A separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds, however, separate bank accounts are not necessary for each reserve fund. Fund balance reserves currently in use by the District include the following:

Reserve for Encumbrances

Reserve for Encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year.

Reserve for Inventories

Reserve for Inventories is used to restrict that portion of fund balance, which is not available for appropriation.

Reserve for Employee Benefit Accrued Liability

Reserve for Employee Benefit Accrued Liability (GML, § 6-p) is used to reserve funds for the payment of accrued employee benefits 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. This reserve is accounted for in the General Fund.

### Unemployment Insurance Reserve

Reserve for Unemployment Insurance (GML, § 6-m) is 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 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. This reserve is accounted for in the General Fund.

### Reserve for Workers' Compensation

Reserve for Workers' Compensation (GML, § 6-j) is 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. This reserve is accounted for in the General Fund.

### Reserve for Debt Service

Mandatory Reserve for Debt Service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. This reserve is accounted for in the Debt Service Fund.

### Reserve for Tax Reduction

Reserve for Tax Reduction (Education Law §1604(36) and §1709(37)) is used for the gradual use of the proceeds of the sale of school district real property where such proceeds are not required to be placed in a mandatory reserve for debt service. Specifically, the District is permitted to retain the proceeds of the sale for a period not to exceed ten years, and to use them during that period for tax reduction. The reserve is accounted for in the General Fund.

### Capital Reserve

Capital Reserve (Education Law §3651) is 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 source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

T. New accounting standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable including the following which were effective for the year ended June 30, 2010:

- GASB Statement 51, Accounting and Reporting for Intangible Assets
- GASB Statement 52, Land and Other Real Estate Held as Investment by Endowments
- GASB Statement 53, Accounting and Financial Reporting for Derivative Instruments
- GASB Statement 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments
- GASB Statement 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards
- GASB Statement 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans
- GASB Statement 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies

U. Future changes in accounting standards

GASB has issued Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The District is currently studying the statement and plans on adoption when required, which will be for the June 30, 2011 financial statements.

2. **EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUNDS STATEMENTS AND DISTRICT-WIDE STATEMENTS**

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

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

Total fund balances of the District's governmental funds differ from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental funds Balance 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 governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-term debt transaction differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Assets.

4. Reclassifications and eliminations

Reclassifications and eliminations arise because the Statement of Activities reports program revenues (either charges for services or operating grants) net of their direct expenses. All other revenues are categorized as general revenues. Certain expenses have been reclassified so that all identifiable program expenses are accounted for within their proper program, such as the allocation of employee benefits and depreciation expense. Governmental funds account for all revenues and expenses based on their function.

3. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

Appropriations are adopted at the program line item level.

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

The following supplemental appropriations occurred during the year:

Various local sources, net	<u>\$ 101,466</u>
----------------------------	-------------------

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



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

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

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these Notes. The District's aggregate bank balances disclosed in the financial statements, included balances not covered by depository insurance at year-end, collateralized as follows:

Uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution, in the District's name	\$ 19,882,295

**5. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2010 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 125,075	\$ -	\$ -	\$ 125,075
Total nondepreciable assets	<u>125,075</u>	<u>-</u>	<u>-</u>	<u>125,075</u>
Capital assets that are depreciated:				
Buildings and building improvements	58,828,156	1,030,012	-	59,858,168
Furniture and equipment	<u>5,687,040</u>	<u>156,031</u>	<u>-</u>	<u>5,843,071</u>
Total depreciable assets	<u>64,515,196</u>	<u>1,186,043</u>	<u>-</u>	<u>65,701,239</u>
Less accumulated depreciation:				
Buildings and building improvements	14,177,533	1,506,721	-	15,684,254
Furniture and equipment	<u>3,023,074</u>	<u>336,041</u>	<u>-</u>	<u>3,359,115</u>
Total accumulated depreciation	<u>17,200,607</u>	<u>1,842,762</u>	<u>-</u>	<u>19,043,369</u>
Total capital assets, net	<u>\$ 47,439,664</u>	<u>\$ (656,719)</u>	<u>\$ -</u>	<u>\$ 46,782,945</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 218,367
Instruction	1,621,078
Pupil transportation	<u>3,317</u>
	<u>\$ 1,842,762</u>

## 6. SHORT-TERM DEBT

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
TAN matured 6/30/10 at 3.5%	\$ -	\$ 7,300,000	\$ 7,300,000	\$ -

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

Interest paid	\$ 27,830
Less interest accrued in the prior year	-
Plus interest accrued in the current year	<u>-</u>
Total expense	<u>\$ 27,830</u>

## 7. LONG-TERM DEBT OBLIGATIONS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 31,510,000	\$ -	\$ 1,850,000	\$ 29,660,000	\$1,930,000
Post-employment benefits	3,934,133	8,845,774	-	12,779,907	-
Compensated absences	1,638,688	211,160	-	1,849,848	234,000
Workers' compensation claims payable	<u>375,502</u>	<u>24,372</u>	<u>-</u>	<u>399,874</u>	<u>-</u>
Total long-term liabilities	<u>\$ 37,458,323</u>	<u>\$ 9,081,306</u>	<u>\$ 1,850,000</u>	<u>\$ 44,689,629</u>	<u>\$2,164,000</u>

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

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

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 6/30/10
Serial Bonds	2002	2022	4.25-5.00%	\$ 8,205,000
Serial Bonds	2003	2022	3.125-4.375%	8,885,000
Serial Bonds	2004	2022	3.25-4.25%	9,335,000
Serial Bonds	2004	2022	3.375-4.00%	3,235,000
				<u>\$ 29,660,000</u>

The following is a summary of maturing debt service requirements:

Fiscal year ended June 30,	Principal	Interest	Total
2011	\$ 1,930,000	\$ 1,206,714	\$ 3,136,714
2012	2,015,000	1,136,218	3,151,218
2013	2,105,000	1,061,761	3,166,761
2014	2,200,000	983,689	3,183,689
2015	2,300,000	901,470	3,201,470
2016-2020	13,070,000	3,032,838	16,102,838
2021-2022	<u>6,040,000</u>	<u>393,215</u>	<u>6,433,215</u>
Totals	<u>\$ 29,660,000</u>	<u>\$ 8,715,905</u>	<u>\$ 38,375,905</u>

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

Interest paid	\$ 1,272,264
Less interest accrued in the prior year	(412,644)
Plus interest accrued in the current year	<u>375,670</u>
Total expense	<u>\$ 1,235,290</u>

## 8. PENSION PLANS

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

The New York State Teachers' Retirement Board administers NYSTRS. The system provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

The Systems are noncontributory for the employee, except those who joined the Systems after July 27, 1976, who contribute 3% of their salary and after ten years are no longer required to contribute. Effective January 1, 2010, new employees joining the Systems will contribute 3.5% of their salary and will contribute for their entire career. 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 accumulated fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

<u>Year</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2010	\$ 1,475,208	\$ 412,848
2009	1,876,713	370,583
2008	1,725,222	396,246

**9. INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS**

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 434,337	\$ -	\$ -	\$ 1,008,100
Special Aid Fund	-	400,685	8,100	-
School Lunch Fund	328	21,950	-	-
Debt Service Fund	-	1,206	-	-
Capital Projects Fund	-	5,289	1,000,000	-
Fiduciary Funds	-	5,535	-	-
Totals	<u>\$ 434,665</u>	<u>\$ 434,665</u>	<u>\$ 1,008,100</u>	<u>\$ 1,008,100</u>

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

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

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

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

**Plan description and annual OPEB cost**

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

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

Currently, 162 retired employees receive health benefits from the District. Retirees contribute 0% to 25% for coverage depending on position held, date of hire, years of service, and fiscal year of retirement.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2010, the District recognized \$1,601,764 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of June 30, 2010 which indicates that the total liability for other post-employment benefits is \$70,643,617.

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

	For the Year Ended June 30, 2010
Annual required contribution	\$ 5,518,958
Interest on net OPEB obligation	<u>328,565</u>
Annual OPEB cost	5,847,523
Adjustment based on revised actuarial valuation	4,600,015
Contributions made	<u>1,601,764</u>
Increase in net OPEB obligation	8,845,774
Net OPEB obligation – beginning of year	<u>3,934,133</u>
Net OPEB obligation – end of year	<u>\$ 12,779,907</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09	\$5,644,287	69.7%	\$ 3,934,133
6/30/10	5,847,523	27.4%	12,779,907

#### Funded status and funding progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$70,643,617 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$70,643,617. The covered payroll (annual payroll of active employees covered by the plan) was \$30,823,540, and the ratio of the UAAL to the covered payroll was 229.2%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of

the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### Actuarial methods and assumptions

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

In the June 30, 2010 actuarial valuation, the projected unit actuarial cost method was used. The actuarial assumptions included a 3.85% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after 6 years. Both rates included a 3% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010 was 28 years.

### **11. RISK MANAGEMENT**

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

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported claims and do not include claims which were incurred on or before year end but not reported (IBNR). Claims activity is summarized below:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Year
Incurring but not reported for the fiscal years ended June 30:				
2009	\$ 157,390	\$ 375,502	\$ 157,390	\$ 375,502
2010	375,502	399,874	375,502	399,874

### **12. LEASE COMMITMENTS**

The District has entered into seventeen leases for rental of office equipment. The operating lease expense for the year ended June 30, 2010 was \$116,306. Future minimum payments are as follows:

Fiscal year ended June 30,

2011	\$ 99,709
2012	46,938
2013	7,466
2014	3,352
2015	<u>1,117</u>
	<u>\$ 158,582</u>

**13. CONTINGENCIES AND COMMITMENTS**

Government grants

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

Library indebtedness

On August 1, 2004, the District entered into a tax pledge agreement with the Cold Spring Harbor Village Improvement Society Library and the Bank of New York Mellon, as trustee, in connection with issuance of \$9,500,000 of civic facility revenue bonds for the acquisition and construction of a library facility. Under the terms of the agreement, the District has agreed to cause to be levied on behalf of the Library the aggregate annual amount necessary to pay the debt service on the bonds; said payment to be remitted directly from the District to the trustee according to a time schedule established in the agreement. The annual debt service approximates \$700,000 and will be satisfied in full with the August 15, 2024 semi-annual payment.

**14. SUBSEQUENT EVENTS**

The District has evaluated subsequent events occurring after the Statement of Net Assets through the date of August 18, 2010 which is the date the financial statements were available to be issued.

**SUPPLEMENTAL  
SCHEDULE 1**

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Year-end Encumbrances</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>					
Local sources:					
Real property taxes	\$ 50,097,853	\$ 50,097,853	\$ 48,123,990		\$ (1,973,863)
Other tax items	-	-	1,974,304		1,974,304
Charges for services	120,000	120,000	234,728		114,728
Use of money and property	350,000	350,000	53,310		(296,690)
Miscellaneous	408,240	509,706	475,131		(34,575)
Total local sources	50,976,093	51,077,559	50,861,463		(216,096)
State sources	3,393,531	2,757,794	2,774,742		16,948
Federal sources	30,000	665,737	658,414		(7,323)
Total revenues	54,399,624	54,501,090	54,294,619		(206,471)
<b>OTHER FINANCING SOURCES</b>					
Appropriated reserves	660,000	964,627	-		(964,627)
Total revenues and other financing sources	55,059,624	55,465,717	54,294,619		(1,171,098)
<b>EXPENDITURES</b>					
General support:					
Board of Education	37,950	40,170	30,863	\$ -	9,307
Central administration	358,104	358,104	359,247	12	(1,155)
Finance	817,658	818,689	748,056	54	70,579
Staff	448,629	554,986	473,767	12,847	68,372
Central services	4,871,082	4,867,366	4,305,006	92,777	469,583
Special items	400,822	502,188	494,621	-	7,567
Total general support	6,934,245	7,141,503	6,411,560	105,690	624,253
Instruction:					
Instruction, administration and improvement	2,069,981	1,860,211	1,830,717	45	29,449
Teaching - regular school	19,505,826	19,950,373	20,123,391	14,659	(187,677)
Programs for children with handicapping conditions	3,667,955	3,652,089	3,382,033	61,980	208,076
Teaching - special school	23,000	23,000	22,467	-	533
Instructional media	1,092,758	1,115,102	1,064,642	19,271	31,189
Pupil services	3,782,150	3,822,495	3,943,067	9,062	(129,634)
Total instruction	30,141,670	30,423,270	30,366,317	105,017	(48,064)
Pupil transportation	3,962,524	3,957,928	3,775,422	-	182,506
Community services	1,250	935	-	-	935
Employee benefits	10,627,670	10,588,170	9,239,232	-	1,348,938
Debt service:					
Principal	1,850,000	1,850,000	1,850,000	-	-
Interest	1,517,265	1,478,911	1,300,094	-	178,817
Total expenditures	55,034,624	55,440,717	52,942,625	210,707	2,287,385
<b>OTHER FINANCING USES</b>					
Interfund transfers	25,000	25,000	1,008,100	-	(983,100)
Total expenditures and other financing uses	55,059,624	55,465,717	53,950,725	\$ 210,707	1,304,285
Net change in fund balance	\$ -	\$ -	343,894		\$ 133,187
Fund balance, beginning of year			10,065,422		
Fund balance, end of year			\$ 10,409,316		

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



**SUPPLEMENTAL  
SCHEDULE 2**

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET**  
**AND USE OF UNRESERVED FUND BALANCE - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Change from adopted budget to revised budget:**

Adopted budget	\$ 55,059,624
Add:	
Prior year encumbrances	304,627
Add:	
Budget revisions	<u>101,466</u>
Revised budget	<u>\$ 55,465,717</u>
Next year's budget is a voter-approved budget	<u><u>\$ 56,795,990</u></u>

**Use of unreserved fund balance:**

Unreserved fund balance, beginning of year	\$ 2,948,337
Less:	
Designated fund balance used for levy of taxes - adopted budget	<u>660,000</u>
Undesignated fund balance, beginning of year	<u><u>\$ 2,288,337</u></u>

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

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT  
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING SOURCES - CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2010**

Project Title	Expenditures				Methods of Financing						Fund Balance June 30, 2010
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	Total	
<b>1997-1998 Interfund Transfers</b>											
Athletic Fields	\$ 569,823	\$ -	\$ 280,837	\$ -	\$ 280,837	\$ 288,986	\$ -	\$ -	\$ 569,823	\$ 569,823	\$ 288,986
<b>1999-2000 Interfund Transfers</b>											
Lloyd Harbor Windows	143,000	143,000	132,880	-	132,880	10,120	-	-	143,000	143,000	10,120
Goosehill Heating	156,000	156,320	-	-	-	156,320	-	-	156,320	156,320	156,320
West Side Roof	151,000	151,000	128,927	-	128,927	22,073	-	-	151,000	151,000	22,073
West Side Windows	55,000	55,000	51,136	-	51,136	3,864	-	-	55,000	55,000	3,864
High School Labs	233,000	233,000	226,695	-	226,695	6,305	-	-	233,000	233,000	6,305
Athletic Fields Comfort Station	115,000	115,000	147,052	-	147,052	(32,052)	-	-	115,000	115,000	(32,052)
Field House	155,000	155,000	149,740	-	149,740	5,260	-	-	155,000	155,000	5,260
<b>2000-2001 Interfund Transfers</b>											
Goose Hill Addition	976,140	976,140	973,662	-	973,662	2,478	-	-	976,140	976,140	2,478
High School Roof	135,400	135,400	105,945	-	105,945	29,455	-	-	135,400	135,400	29,455
High School Intercom	148,700	148,700	100,980	-	100,980	47,720	-	-	148,700	148,700	47,720
<b>2001-2002 Interfund Transfers</b>											
Athletic Fields Phase #2	839,543	839,543	789,482	-	789,482	50,061	-	-	839,543	839,543	50,061
Goose Hill Misc.	72,954	72,954	161,258	-	161,258	(88,304)	-	-	72,954	72,954	(88,304)
RFZ	109,944	109,944	80,774	-	80,774	29,170	-	-	109,944	109,944	29,170
West Side Misc.	46,980	46,980	37,217	-	37,217	9,763	-	-	46,980	46,980	9,763
Lloyd Harbor Fire Alarm	67,392	67,392	64,234	-	64,234	3,158	-	-	67,392	67,392	3,158
High School Locker/Science Room	81,000	81,000	199,279	-	199,279	(118,279)	-	-	81,000	81,000	(118,279)
Districtwide Technology	118,454	118,454	113,063	-	113,063	5,391	-	-	118,454	118,454	5,391
<b>Bonds (Feb. 6, 2002 proposition)</b>	40,888,509	40,015,049	41,075,036	-	41,075,036	(1,059,987)	40,015,049	-	-	40,015,049	(1,059,987)
<b>2002-2003 Interfund Transfers</b>											
489,600	489,600	489,600	302,042	-	302,042	187,558	-	-	489,600	489,600	187,558
<b>2003-2004 Interfund Transfers</b>											
55,062	55,062	55,062	43,553	-	43,553	11,509	-	-	55,062	55,062	11,509
<b>2004-2005 Interfund Transfers</b>											
75,000	75,000	75,000	57,353	-	57,353	17,647	-	-	75,000	75,000	17,647
<b>2005-2006 Interfund Transfers</b>											
Conversion of Former Library Space	-	130,000	-	38,238	38,238	91,762	-	-	130,000	130,000	91,762
Renovation of Guidance Suite	-	20,000	10,976	-	10,976	9,024	-	-	20,000	20,000	9,024
<b>Lloyd Harbor Fire Restoration</b>	-	1,290,208	817,202	-	817,202	473,006	-	-	1,123,746	1,123,746	306,544
<b>2006-2007 Interfund Transfers</b>											
8,538	8,538	-	32,118	-	32,118	(23,580)	-	-	175,000	175,000	142,882
<b>Bonds (Feb. 6, 2002 proposition) Phase 5</b>											
High School Interior Reconstruction	191,160	179,130	165,130	14,000	179,130	-	179,130	-	-	179,130	-
High School Roof/Fire Alarms	346,920	354,416	354,416	-	354,416	-	354,416	-	-	354,416	-
Junior High School Library	196,370	192,815	12,572	180,243	192,815	-	192,815	-	-	192,815	-
Reconstruction Old Library Goosehill	787,779	876,726	876,726	-	876,726	-	476,726	-	400,000	876,726	-
Goosehill Security	20,000	19,977	19,977	-	19,977	-	19,977	-	-	19,977	-
West Side Security	25,000	24,996	24,996	-	24,996	-	24,996	-	-	24,996	-
Lloyd Harbor Security	35,000	34,978	34,978	-	34,978	-	34,978	-	-	34,978	-
High School Security	70,000	67,149	67,149	-	67,149	-	67,149	-	-	67,149	-
<b>2006/2007 Capital Reserve Interfund Transfers and EXCEL Projects</b>											
Goosehill Roof Replacement	597,080	502,372	502,372	-	502,372	-	-	-	502,372	502,372	-
West Side Masonry/Windows, Roof	289,572	194,895	175,088	19,807	194,895	-	-	144,438	50,457	194,895	-
Lloyd Harbor Masonry/Paving/Curbs	329,277	166,024	-	149,825	149,825	16,199	-	166,024	-	166,024	16,199
High School Bathrooms/Water Main/Se	901,520	582,752	58,794	523,958	582,752	-	-	-	582,752	582,752	-
<b>2008/2009 Capital Reserve Projects Interfund Transfers</b>											
Field House Lighting and Painting	-	62,614	-	49,327	49,327	13,287	-	-	62,614	62,614	13,287
<b>2009/2010 Capital Reserve Interfund Transfers</b>											
Goosehill Roof Top Fans/Ventilation	177,000	89,442	-	9,873	9,873	79,569	-	-	89,442	89,442	79,569
West Side Art Room/Bathrooms	182,900	-	-	2,445	2,445	(2,445)	-	-	-	-	(2,445)
Lloyd Harbor Science/Music Rooms/HV	402,380	-	-	5,148	5,148	(5,148)	-	-	-	-	(5,148)
High School Roof/Doc/Paving	501,500	448,616	-	14,583	14,583	434,033	-	-	448,616	448,616	434,033
High School Bleachers	263,500	-	-	22,565	22,565	(22,565)	-	-	-	-	(22,565)
Totals	\$ 51,009,997	\$ 50,055,009	\$ 48,373,639	\$ 1,030,012	\$ 49,403,651	\$ 651,358	\$ 41,365,236	\$ 310,462	\$ 8,379,311	\$ 50,055,009	\$ 651,358

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

**SUPPLEMENTAL  
SCHEDULE 4**

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT  
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES  
COMPARED TO ST-3 DATA - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
<b>REVENUES</b>			
Real property taxes	A-1001	\$ 48,123,990	\$ 48,123,990
Non-property taxes	AT-1199	-	-
State aid	AT-3999	2,774,742	2,774,742
Federal aid	AT-4999	658,414	658,414
Total revenues and other financing sources	AT-5999	54,294,619	54,294,619
<b>EXPENDITURES</b>			
General support	AT-1999	6,411,560	6,411,560
Pupil transportation	AT-5599	3,775,422	3,775,422
Debt service - principal	AT-9798.6	1,850,000	1,850,000
Debt service - interest	AT-9798.7	1,300,094	1,300,094
Total expenditures and other uses	AT-9999	53,950,725	53,950,725

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

**SUPPLEMENTAL  
SCHEDULE 5**

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Capital assets, net		\$ 46,782,945
Deduct:		
Short-term portion of bonds payable	\$ 1,930,000	
Long-term portion of bonds payable	<u>27,730,000</u>	<u>29,660,000</u>
Investment in capital assets, net of related debt		<u><u>\$ 17,122,945</u></u>

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

**SUPPLEMENTAL  
SCHEDULE 6**

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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

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

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
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Nawrocki Smith LLP

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON EXTRACLASSROOM  
ACTIVITY FUNDS FINANCIAL STATEMENT**

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

We have audited the accompanying statement of cash receipts and disbursements of the various Extraclassroom Activity Funds of the Cold Spring Harbor Central School District (the "District") for the year ended June 30, 2010. This financial statement is the responsibility of the District's administration. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of cash receipts and disbursements. An audit also includes assessing the accounting principles used and significant estimates made by the administration, as well as evaluating the overall presentation of the statement of cash receipts and disbursements. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the statement of cash receipts and disbursements referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Extraclassroom Activity Funds of the Cold Spring Harbor Central School District for the year ended June 30, 2010 on the basis of accounting described in Note 1.

*Nawrocki Smith LLP*

Melville, New York  
September 20, 2010

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**EXTRACLASROOM ACTIVITY FUNDS**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Cash Balances June 30, 2009	Receipts	Disbursements	Cash Balances June 30, 2010
High School:				
Class of 2008	\$ 2,886	\$ -	\$ 2,886	\$ -
Class of 2009	1,796	9,414	11,210	-
Class of 2010	15,775	32,309	43,089	4,995
Class of 2011	1,140	55,877	45,073	11,944
Class of 2012	2,119	3,151	5,019	251
Class of 2013	-	120	-	120
Amnesty International	150	1,010	200	960
Aviation Club	670	2,749	1,223	2,196
Brainstormers	114	-	-	114
Cheerleaders	180	-	-	180
Cooking for a Cause	417	1,088	619	886
Drama Club	264	871	264	871
Environmental Club	1,192	2,134	1,997	1,329
Fashion Club	-	9,435	2,010	7,425
French Club	232	20,824	20,282	774
Friends of Rachel	166	3,707	3,658	215
Gay/Straight Alliance	280	261	-	541
History Club	124	506	370	260
Holocaust Project	1,268	4,107	5,296	79
Home Economics Club	418	1,088	619	887
H.O.P.E. Committee	2,021	1,605	2,930	696
International Club	1,180	1,744	1,411	1,513
Jr. High Student Organization	(1,501)	13,533	7,853	4,179
Jr. High Yearbook	470	1,905	870	1,505
Kids For Wish Kids	338	964	1,000	302
Knitting for the Needy	176	-	-	176
Latin Club	357	15	170	202
Literary Magazine	2,582	7,470	7,615	2,437
Locks of Love	3,589	9,625	10,176	3,038
Model Congress	405	1,821	424	1,802
Model United Nations	-	253	-	253
Music Activities	1,221	7,417	7,812	826
Musical Club (Jr. High)	5,255	17,558	15,449	7,364
Musical Club (Sr. High)	943	13,667	10,700	3,910
Musical Club (Stage Crew)	401	-	-	401
Natural Helpers	-	620	-	620
Newspaper	400	755	755	400
Outreach	77	-	-	77
Political Science Club	341	-	-	341
S.A.D.D.	316	50	172	194
S.W.W.A.T.: Other	274	1,286	419	1,141
School Store	(3,532)	3,532	-	-
Science Club	293	152	269	176
Spanish Club	454	-	454	-
Speech & Debate Club	3,045	12,048	11,990	3,103
Sr. High Art Club	1,739	1,739	1,739	1,739
Student Booster Club	9	200	-	209
Student Organization	9,657	15,388	24,522	523
Technology Club	4,355	7,371	7,212	4,514
Varsity Club	824	858	824	858
Yearbook	7,940	68,079	57,425	18,594
Total High School	\$ 72,820	\$ 338,306	\$ 316,006	\$ 95,120

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



**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
**NOTE TO FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Cold Spring Harbor Central School District.

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

**SUPPLEMENTAL  
SCHEDULE 7**

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Total Federal Expenditures
<b><u>U.S. Department of Education</u></b>			
Passed - Through New York State Department of Education:			
Special Education Cluster:			
IDEA, Part B, Section 611, Special Education Grants to States	84.027A	0032 - 0425	\$ 390,262
IDEA, Part B, Section 611, ARRA, Special Education Grants to States	84.391A	5032-10-0428	127,265
IDEA, Part B, Section 619, Special Education Preschool Grants	84.173A	0033 - 0425	8,093
IDEA, Part B, Section 619, ARRA, Special Education Preschool Grants	84.392A	5033-10-0428	9,039
			<hr/> 534,659
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021 - 1535	15,956
ESEA, Title II, Part A, Improving Teacher Quality State Grants	84.367A	0147 - 1535	29,214
State Fiscal Stabilization Fund, ARRA	84.394		635,737
			<hr/> 1,215,566
<b><u>U.S. Department of Agriculture</u></b>			
Passed - Through New York State Office of General Services			
School Breakfast Program	10.553	N/A	849
National School Lunch Program	10.555	N/A	35,448
			<hr/> 36,297
<b>TOTAL FEDERAL EXPENDITURES</b>			<hr/> <b>\$ 1,251,863</b> <hr/>

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

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

**1. Basis of Presentation**

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

**2. Basis of Accounting**

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

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

**3. Indirect Costs**

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

**4. Matching Costs**

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

**5. Major Program Determination**

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



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CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of the governmental activities, each major fund and the fiduciary funds of the Cold Spring Harbor Central School District (the "District") as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

**Compliance And Other Matters**

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

We noted certain matters that we have reported in the Findings and Recommendations section of this report.

## Nawrocki Smith LLP

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

Melville, New York  
September 20, 2010

*Nawrocki Smith LLP*



Nawrocki Smith LLP

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**  
**ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO**  
**EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER**  
**COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the compliance of the Cold Spring Harbor Central School District (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's administration. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

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

## Nawrocki Smith LLP

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

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

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

Melville, New York  
September 20, 2010

*Nawrocki Smith LLP*

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**A. Summary Of Audit Results:**

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

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

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Auditee was determined not to be a low-risk auditee.

**B. Findings - Financial Statement Audit**

None reported.

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

None reported.



**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Findings - Financial Statement Audit**

None reported.

**Findings And Questioned Costs - Major Federal Award Programs Audit**

Not applicable for fiscal 2009.

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

This section presents findings and recommendations noted during the audit of the financial statements of the Cold Spring Harbor Central School District as of and for the year ended June 30, 2010, as well as the status of recommendations made in connection with prior audits of the financial statements.

**CURRENT YEAR RECOMMENDATIONS:**

1. **Segregation of payroll responsibilities**

We noted that the Personnel Department is responsible for entering new employee information into the Finance Manager System, except for salary information which is entered by the Payroll Department. Although there is an independent review of the "Payroll Change Report" performed by the Claims Auditor, this review should be performed by an administrator who is independent of the payroll process to ensure changes to payroll are in accordance with management's authorization.

We recommend that an administrator who is independent of the Personnel and Payroll Departments review the salary information entered into the Finance Manager System and document this review via signature and date. In this manner, internal control over payroll processing may be enhanced.

2. **Claims audit reports**

We noted that the Board of Education is provided with claims audit reports on a consistent basis within the "Weekly Update" provided from the Business Office. However, these reports are not formally accepted by the Board and reflected in meeting minutes.

We recommend that the Board of Education formally accept the claims audit reports. This procedure will ensure proper oversight over the claims audit function.

3. **Treasurer's reports**

Although we noted that bank reconciliations are performed on consistent basis, the Treasurer's reports are not provided to the Board of Education in a timely manner. This situation increases the risk that significant issues could occur and not be readily detected.

We recommend that the Board of Education be provided with more timely Treasurer's reports. In this manner, internal control over cash assets may be enhanced.

4. **Cash disbursements – employee reimbursements**

We noted instances in which employee travel and conference reimbursements were lacking sufficient supporting documentation which identified the business purpose. All disbursements should contain the necessary documentation to verify that they are valid and reasonable expenditures.

We recommend policies and procedures be enforced to ensure all employee reimbursements have sufficient documentation to identify the business purpose. In this manner, internal control over employee reimbursements may be enhanced.

5. Budget transfers

According to District policy, the Superintendent is permitted to approve budget transfers under \$5,000. During our audit work on budget transfers, we noted two instances in which budget transfers were posted to the system prior to documented approval of the Superintendent. In addition, we noted two instances in which the Superintendent did not date the approval signatures. Accordingly, we were unable to confirm whether the budget transfers were made after documented approval.

We recommend that formal, documented approval of the Superintendent be obtained prior to entry of budget transfers into the Finance Manager System. In this manner, internal control over budget transfers may be enhanced.

6. Capital Projects Fund balance

We noted numerous capital projects that have been completed for a long period of time but still have fund balances. Such projects should be formally closed and funding should be redirected to other areas.

We recommend that the District review and formally close out completed projects and redirect the fund balances as deemed appropriate. In this manner, internal control over fund balances may be enhanced.

STATUS OF PRIOR YEAR RECOMMENDATIONS:

1. Recommendation - It was recommended that the District develop policies and procedures to include the following:
  - (1) Performing periodic reviews of the vendor database to ensure consistency and appropriateness of stored data.
  - (2) Periodically reviewing any changes or deletions to vendor data listed in the existing vendor master file.
  - (3) Limiting the amount of time a vendor can remain in an "active" status but not be used.

Status - We noted that this recommendation has been implemented.

2. Recommendation - It was recommended that policies and procedures be established with respect to the timely disposition of funds relating to a graduating class. We also recommended that negative account balances be identified and resolved on a timely basis.

Status - We noted that this recommendation has been implemented.

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

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

4. Recommendation - It was recommended that systems permissions and privileges be updated and reviewed on a quarterly basis to ensure incompatible duties are appropriately addressed.

Status - We noted that this recommendation has been implemented.

5. Recommendation - It was recommended that the District consider the utilization of a request for approval of overtime form for planned overtime.

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

6. Recommendation - It was recommended that:

- The District continue to explore ways to have the School Lunch Program operate at a breakeven point.
- The inventory count be done at the end of each month, and that the inventory control list be provided to the Business Office.
- All adult meals sold be charged sales tax.
- All reports prepared by the School Lunch Director be mathematically correct, and reflect all transactions.
- Cash collections per the cashiers' reports agree with the daily deposit.
- Cash be second counted and that this be indicated on the cashier's report.

Status - We noted that this recommendation has been implemented.

7. Recommendation - It was recommended that the District consider reviewing certain Trust and Agency activities and account balances to determine if they should be part of the General Fund or maintained by an outside organization.

Status - We noted that this recommendation has been implemented.