

**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**TOWN OF HEMPSTEAD, NEW YORK**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTAL INFORMATION**  
**IN CONNECTION WITH OMB CIRCULAR A-133**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**LYNBROOK UNION FREE 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  
Lynbrook Union Free School District  
Town of Hempstead, New York:

We have audited the accompanying financial statements of the Lynbrook Union Free School District (the "District") as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the District's administration. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lynbrook Union Free School District as of June 30, 2009, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2009, 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 the 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.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of the administration regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Lynbrook Union Free School District's basic financial statements. The accompanying supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 basic financial statements. The supplemental information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Melville, New York  
August 31, 2009

*Nawrocki Smith LLP*

**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The following is a discussion and analysis of the Lynbrook Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2009. This section is a summary of the District's financial activities based on currently known facts, decisions or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's net assets decreased by \$611,168 or 2.5% to \$23,479,636. The adoption of Governmental Accounting Standards Board No. 45 which requires the accrual of post-employment benefits reduced net assets by \$3.6 million, and a restatement of capital assets as the result of an appraisal reduced net assets by \$1.2 million, both of which were more than the total decrease in net assets of \$611,168.
- The District's expenses totaled \$67,674,321, which is an increase of \$6,156,401 or 10%. More than half of the increase is attributable to the accrual of \$3.6 million of post-employment benefits.
- The District's total fund balance, as reflected in the fund financial statements, increased by \$1,650,818. This was due primarily to an excess of revenue over expenses on the modified accrual basis of accounting.

**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 Equity</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, additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

In the District-wide financial statements, the District's activities are shown as *governmental activities*; most of the District's basic services are included here, such as regular and special education, transportation and general support expenses. 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. In summary, the governmental fund statements focus primarily on the sources, uses and balances of current financial resources.
- **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 2.5% from the year before to \$23,479,636 as detailed in Tables A-2 and A-3. As discussed in Note 15 to the financial statements, capital assets have been restated as of July 1, 2008 to give effect to adjustments based upon an analysis performed by a third party.

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

	<b><u>6/30/08</u></b>	<b><u>6/30/09</u></b>	<b><u>% Change</u></b>
Current and other assets	\$ 18,003,160	\$ 19,056,777	5.9
Capital assets, net, as restated for 2008	<u>18,899,199</u>	<u>19,630,886</u>	3.9
Total assets	<b><u>\$ 36,902,359</u></b>	<b><u>\$ 38,687,663</u></b>	4.8
Current liabilities	\$ 6,052,068	\$ 5,561,372	(8.1)
Long-term liabilities	<u>6,759,487</u>	<u>9,646,655</u>	42.7
Total liabilities	<b><u>\$ 12,811,555</u></b>	<b><u>\$ 15,208,027</u></b>	18.7
Net assets:			
Investment in capital assets, net of related debt, as restated for 2008	\$ 12,393,753	\$ 13,977,143	12.8
Restricted	1,187,921	2,376,285	100.0
Unrestricted	<u>10,509,130</u>	<u>7,126,208</u>	(32.2)
Total net assets	<b><u>\$ 24,090,804</u></b>	<b><u>\$ 23,479,636</u></b>	(2.5)

### **Changes in Net Assets**

The District's fiscal year 2009 revenues totaled \$67,063,153, which is 5.6% greater than fiscal year 2008 (See Table A-3). Property taxes and state sources accounted for 87.6% of total revenues (See Table A-4). The remainder came from fees charged for services, operating grants and other miscellaneous sources.

- Revenue from state sources increased by 12.7% as a result of increases in excess cost aid and tax limitation aid.

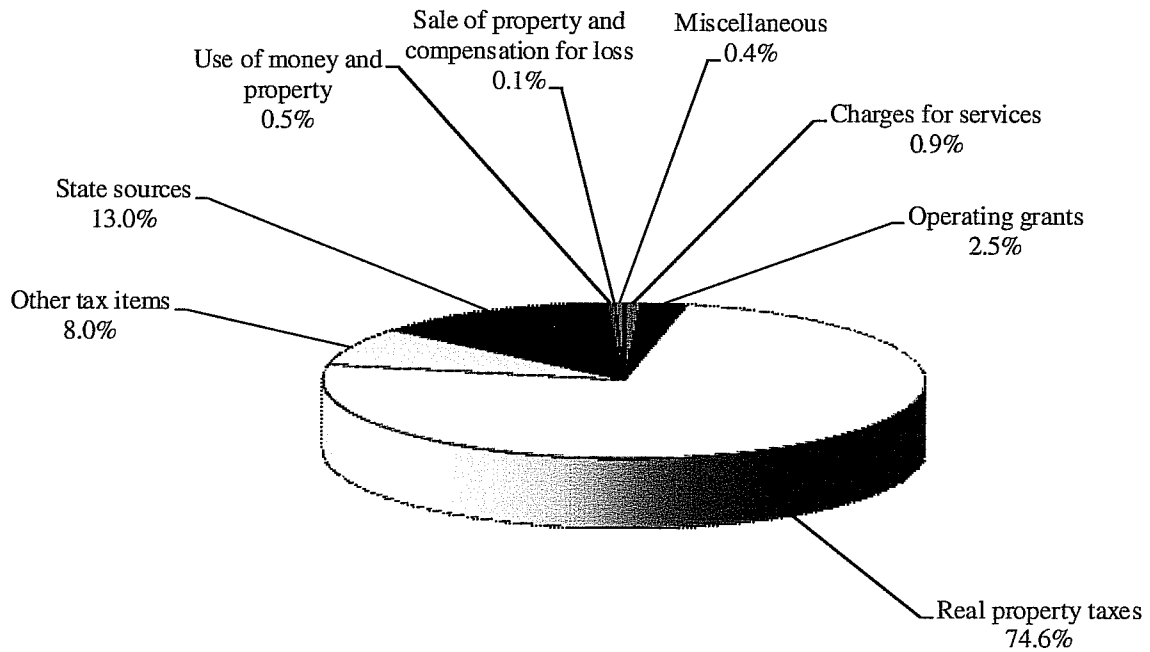
The District's fiscal year 2009 expenses totaled \$67,674,321, and reflect a 10% increase over the prior year's expenses (See Table A-3). Instruction accounts for 80.7% of the total expense, while general support (15.4%) and transportation (2.7%) are contributing to most of the remaining expenses. The most significant contributors to this higher expense are salary increases in accordance with collective bargaining agreements, health insurance and retirement system expenses (See Table A-5). Fiscal 2009 expenses reflect the initial recording of \$3,622,750 of additional post-employment retirement expenditures under the new accounting guidelines in this area (see Note 11 to the financial statements for further details).

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

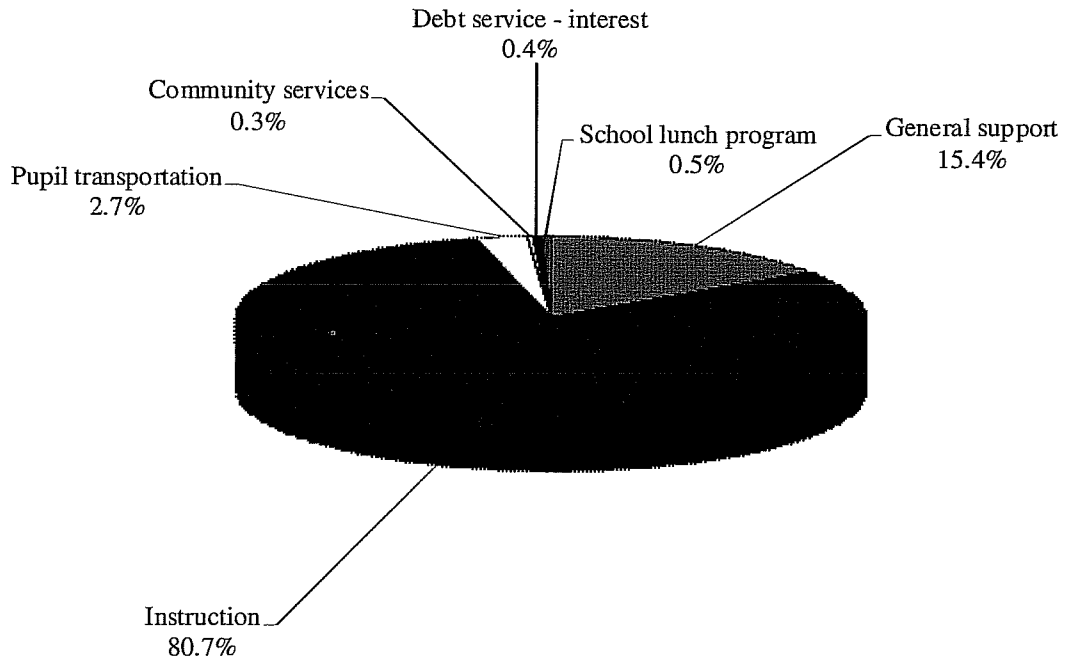
	<u>6/30/08</u>	<u>6/30/09</u>	<u>% Change</u>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 639,778	\$ 577,793	(9.7)
Operating grants	1,034,324	1,674,488	61.9
General revenues:			
Real property taxes	47,305,980	50,026,323	5.8
Other tax items	5,818,419	5,368,659	(7.7)
State sources	7,757,001	8,741,947	12.7
Use of money and property	687,231	307,371	(55.3)
Sale of property and compensation for loss	21,507	14,498	(32.6)
Miscellaneous	<u>248,943</u>	<u>352,074</u>	41.4
Total revenues	<u>63,513,183</u>	<u>67,063,153</u>	5.6
<b>Expenses</b>			
General support	7,998,600	10,416,088	30.2
Instruction	50,240,363	54,628,392	8.7
Pupil transportation	2,308,538	1,791,551	(22.4)
Community services	155,891	175,989	12.9
Debt service – interest	381,396	327,924	(14.0)
School lunch program	<u>433,132</u>	<u>334,377</u>	(22.8)
Total expenses	<u>61,517,920</u>	<u>67,674,321</u>	10.0
Increase (decrease) in net assets	<u>\$ 1,995,263</u>	<u>\$ (611,168)</u>	(130.6)



**Table A-4: Sources of Revenues for Fiscal Year 2009**



**Table A-5: Expenses for Fiscal Year 2009**



## **Governmental Activities**

Revenues for the District's governmental activities totaled \$67,063,153 while total expenses were \$67,674,321. Therefore, the decrease in net assets for governmental activities was \$611,168 in 2009. The District's financial condition was positively affected by:

- Community support of the District's annual budget;
- Continued state and federal aid;
- Strategic use of services from the Board of Cooperative Educational Services (BOCES).

## **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.

The District's governmental fund financial statements show three significant variances in the general fund. State and federal aid receivable as of June 30, 2009 increased by approximately \$174,000 as compared to the prior year due to the collection of prior period aid for excess cost and increases in the 2008-2009 excess cost aid and tax limitation aid. Reserve for encumbrances increased by approximately \$485,000 as compared to the prior year. Payments to the teachers' retirement system decreased by approximately \$221,000 for the 2008-2009 school year.

No other significant variances are reflected in the governmental fund financial statements for fiscal 2009.

## **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 higher than revised budgeted revenues by approximately \$72,000 due to higher than anticipated interest income and property taxes.
- Actual expenditures were approximately \$3,820,000 less than budget primarily due to lower than anticipated costs in the general support, instructional and employee benefit categories.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

By the end of 2009, the District had invested \$19,630,886, 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. As discussed in Note 15 to the financial statements, capital assets have been restated as of July 1, 2008 to give effect to adjustments based upon an analysis performed by a third party.

**Table A-7: Capital Assets (net of depreciation)**

<b><u>Category</u></b>	<b><u>6/30/08</u></b> <b><u>(As Restated)</u></b>	<b><u>6/30/09</u></b>	<b><u>% Change</u></b>
Land	\$ 1,120,041	\$ 1,120,041	-
Buildings and building improvements	11,133,543	16,764,657	50.6
Furniture and equipment	1,770,041	1,687,531	(4.7)
Construction-in-progress	<u>4,875,574</u>	<u>58,657</u>	(98.8)
Totals	<u>\$ 18,899,199</u>	<u>\$ 19,630,886</u>	3.9

### **Long-Term Debt**

At year-end, the District had \$11,052,827 in general obligation bonds and other long-term debt. During the year, the District paid down its debt by retiring \$960,000 of outstanding bonds. Other post-employment benefits is a new category which is now a disclosure required under Governmental Accounting Standards Board (GASB) Statement No. 45.

**Table A-8: Outstanding Long-Term Debt**

<b><u>Category</u></b>	<b><u>6/30/08</u></b>	<b><u>6/30/09</u></b>	<b><u>% Change</u></b>
General obligation bonds	\$ 5,755,000	\$ 4,795,000	(16.7)
Installment purchase debt payable	750,446	858,743	14.4
Other post-employment benefits	-	3,622,750	100.0
Compensated absences	<u>1,416,936</u>	<u>1,776,334</u>	25.4
Totals	<u>\$ 7,922,382</u>	<u>\$ 11,052,827</u>	39.5

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

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

- The national economy continues to have a negative impact on almost all municipal budgets. That is expected to continue for a number of years.
- Significant increases over the past several years in the cost of the State health insurance plan and the contributions to the retirement systems have placed a greater burden on the District's taxpayers. The TRS contribution is projected to increase significantly for the 2010-2011 school year.

- Enrollment has been declining in recent years and has decreased in the 2009-2010 school year. Therefore, the District has made reductions in staff as part of the 2009-2010 budget in order to contain costs.

#### **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:

Lynbrook Union Free School District  
Attn: Assistant Superintendent for Business  
111 Atlantic Avenue  
Lynbrook, New York 11563  
(516) 887-0258

**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

**ASSETS**

Current assets:		
Cash:		
Unrestricted	\$	17,409,891
Receivables:		
Due from fiduciary funds		17,359
State and federal aid		1,546,155
Due from other governments		68,280
Other receivables		12,201
Inventories		2,891
		<hr/>
Total current assets		19,056,777
Noncurrent assets:		
Capital assets, net of accumulated depreciation of \$17,629,769		19,630,886
		<hr/>
Total assets	\$	<u>38,687,663</u>

**LIABILITIES**

Current liabilities:		
Payables:		
Accounts payable	\$	499,595
Accrued liabilities		144,995
Accrued interest payable		84,717
Due to other governments		23,944
Deferred revenues		32,481
Long-term liabilities, due within one year:		
Bonds payable		1,005,000
Due to teachers' retirement system		2,834,321
Due to employees' retirement system		100,147
Compensated absences - current		120,000
Installment purchase debt payable		281,172
Workers' compensation claims payable		435,000
		<hr/>
Total current liabilities		5,561,372
Noncurrent liabilities:		
Long-term liabilities, due after one year:		
Bonds payable		3,790,000
Installment purchase debt payable		577,571
Compensated absences		1,656,334
Other post-employment benefits		3,622,750
		<hr/>
Total noncurrent liabilities		9,646,655
		<hr/>
Total liabilities		<u>15,208,027</u>

**NET ASSETS**

Invested in capital assets, net of related debt		13,977,143
Restricted for:		
Debt service		62,041
Capital		2,314,244
Unrestricted		7,126,208
		<hr/>
Total net assets		23,479,636
		<hr/>
Total liabilities and net assets	\$	<u>38,687,663</u>

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

**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	
Functions and programs:			
General support	\$ 10,416,088	\$ -	\$ (10,416,088)
Instruction	54,628,392	328,225	(52,697,766)
Pupil transportation	1,791,551	-	(1,791,551)
Community services	175,989	-	(175,989)
Debt service - interest	327,924	-	(327,924)
School lunch program	334,377	249,568	(12,722)
Total functions and programs	\$ 67,674,321	\$ 577,793	(65,422,040)
General revenues:			
Real property taxes			50,026,323
Other tax items			5,368,659
Use of money and property			307,371
Sale of property and compensation for loss			14,498
State sources			8,741,947
Miscellaneous			352,074
Total general revenues			64,810,872
Change in net assets			(611,168)
Total net assets, beginning of year, as restated (see Note 15)			24,090,804
Total net assets, end of year			\$ 23,479,636

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

**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Cash:	\$ 15,793,417	\$ 132,111	\$ 39,470	\$ -	\$ 1,444,893	\$ 17,409,891
Receivables:						
Due from other funds	1,020,372	-	25,484	62,041	945,859	2,053,756
Due from fiduciary funds	17,359	-	-	-	-	17,359
State and federal aid	629,739	912,198	4,218	-	-	1,546,155
Due from other governments	68,280	-	-	-	-	68,280
Other receivables	12,201	-	-	-	-	12,201
Inventories	-	-	2,891	-	-	2,891
Total assets	\$ 17,541,368	\$ 1,044,309	\$ 72,063	\$ 62,041	\$ 2,390,752	\$ 21,110,533
<b>LIABILITIES</b>						
Payables:						
Accounts payable	\$ 442,909	\$ 12,568	\$ 13,718	\$ -	\$ 30,400	\$ 499,595
Accrued liabilities	141,942	538	2,515	-	-	144,995
Due to other funds	987,276	1,020,372	-	-	46,108	2,053,756
Due to other governments	23,569	-	375	-	-	23,944
Due to teachers' retirement system	2,823,490	10,831	-	-	-	2,834,321
Due to employees' retirement system	100,147	-	-	-	-	100,147
Deferred revenues	32,481	-	-	-	-	32,481
Compensated absences	120,000	-	-	-	-	120,000
Workers' compensation claims payable	435,000	-	-	-	-	435,000
Total liabilities	5,106,814	1,044,309	16,608	-	76,508	6,244,239
<b>FUND EQUITY (DEFICIT)</b>						
Fund balance:						
Reserve for encumbrances	263,216	-	-	-	1,155,607	1,418,823
Reserve for workers' compensation	828,213	-	-	-	-	828,213
Reserve for employee benefit accrued liability	1,656,307	-	-	-	-	1,656,307
Reserve for retirement contribution	250,766	-	-	-	-	250,766
Reserve for capital projects	5,293,482	-	-	-	-	5,293,482
Reserve for inventories	-	-	2,891	-	-	2,891
Reserve for debt service	-	-	-	62,041	-	62,041
Unreserved:						
Designated for subsequent year's expenditures	1,400,000	-	-	-	-	1,400,000
Undesignated	2,742,570	-	52,564	-	1,158,637	3,953,771
Total fund equity	12,434,554	-	55,455	62,041	2,314,244	14,866,294
Total liabilities and fund equity	\$ 17,541,368	\$ 1,044,309	\$ 72,063	\$ 62,041	\$ 2,390,752	\$ 21,110,533

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

**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

ASSETS						
Cash:						
Unrestricted	\$	17,409,891	\$	-	\$	17,409,891
Receivables:						
Due from other funds		2,053,756		-	(2,053,756)	-
Due from fiduciary funds		17,359		-	-	17,359
State and federal aid		1,546,155		-	-	1,546,155
Due from other governments		68,280		-	-	68,280
Other receivables		12,201		-	-	12,201
Inventories		2,891		-	-	2,891
Capital assets, net		-		19,630,886	-	19,630,886
Total assets	\$	21,110,533	\$	19,630,886	\$	38,687,663
LIABILITIES						
Payables:						
Accounts payable	\$	499,595	\$	-	\$	499,595
Accrued liabilities		144,995		-	-	144,995
Accrued interest payable		-		84,717	-	84,717
Due to other funds		2,053,756		-	(2,053,756)	-
Due to other governments		23,944		-	-	23,944
Due to teachers' retirement system		2,834,321		-	-	2,834,321
Due to employees' retirement system		100,147		-	-	100,147
Deferred revenues		32,481		-	-	32,481
Workers' compensation claims payable		435,000		-	-	435,000
Compensated absences		120,000		1,656,334	-	1,776,334
Other post-employment benefits		-		3,622,750	-	3,622,750
Installment purchase debt payable		-		858,743	-	858,743
Bonds payable		-		4,795,000	-	4,795,000
Total liabilities		6,244,239		11,017,544	(2,053,756)	15,208,027
FUND EQUITY/NET ASSETS						
Fund equity/net assets		14,866,294		8,613,342	-	23,479,636
Total liabilities and fund equity/net assets	\$	21,110,533	\$	19,630,886	\$	38,687,663

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



**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 50,026,323	\$ -	\$ -	\$ -	-	\$ 50,026,323
Other tax items	5,368,659	-	-	-	-	5,368,659
Charges for services	328,225	-	-	-	-	328,225
Use of money and property	307,287	-	84	-	-	307,371
Sale of property and compensation for loss	14,498	-	-	-	-	14,498
State sources	8,741,947	332,253	4,692	-	380,537	9,459,429
Federal sources	22,902	866,709	67,395	-	-	957,006
Sales	-	-	249,568	-	-	249,568
Miscellaneous	351,903	-	171	-	-	352,074
Total revenues	65,161,744	1,198,962	321,910	-	380,537	67,063,153
<b>EXPENDITURES</b>						
General support	7,536,471	-	6,942	-	-	7,543,413
Instruction	39,579,191	1,222,587	-	-	-	40,801,778
Pupil transportation	1,771,854	-	-	-	-	1,771,854
Community services	164,409	-	-	-	-	164,409
Employee benefits	12,230,207	-	531	-	-	12,230,738
Debt service -						
Principal	960,000	-	-	-	-	960,000
Interest	294,547	-	-	-	-	294,547
Cost of sales	-	-	327,169	-	-	327,169
Capital outlay	-	-	28,790	-	1,289,637	1,318,427
Total expenditures	62,536,679	1,222,587	363,432	-	1,289,637	65,412,335
Excess (deficiency) of revenues over (under) expenditures	2,625,065	(23,625)	(41,522)	-	(909,100)	1,650,818
<b>OTHER FINANCING SOURCES (USES)</b>						
Interfund transfers in	737,634	23,625	-	-	2,835,098	3,596,357
Interfund transfers out	(2,858,723)	-	-	-	(737,634)	(3,596,357)
Total other financing sources (uses)	(2,121,089)	23,625	-	-	2,097,464	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	503,976	-	(41,522)	-	1,188,364	1,650,818
Fund equity, beginning of year	11,930,578	-	96,977	62,041	1,125,880	13,215,476
Fund equity, end of year	\$ 12,434,554	\$ -	\$ 55,455	\$ 62,041	\$ 2,314,244	\$ 14,866,294

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

**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	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	\$ 50,026,323	\$ -	\$ -	\$ -	\$ -	\$ 50,026,323
Other tax items	5,368,659	-	-	-	-	5,368,659
Charges for services	328,225	-	-	-	249,568	577,793
Use of money and property	307,371	-	-	-	-	307,371
Sale of property and compensation for loss	14,498	-	-	-	-	14,498
State sources	9,459,429	-	-	-	(717,482)	8,741,947
Federal sources	957,006	-	-	-	(957,006)	-
Sales	249,568	-	-	-	(249,568)	-
Operating grants	-	-	-	-	1,674,488	1,674,488
Miscellaneous	352,074	-	-	-	-	352,074
Total revenues	67,063,153	-	-	-	-	67,063,153
<b>EXPENDITURES</b>						
General support	7,543,413	-	-	-	2,872,675	10,416,088
Instruction	40,801,778	-	(358,964)	58,148	14,127,430	54,628,392
Pupil transportation	1,771,854	-	-	-	19,697	1,791,551
Community services	164,409	-	-	-	11,580	175,989
Employee benefits	12,230,738	-	-	3,862,148	(16,092,886)	-
Debt service -						
Principal	960,000	-	-	(960,000)	-	-
Interest	294,547	-	-	33,377	-	327,924
Cost of sales	327,169	-	-	-	(327,169)	-
School lunch program	-	-	-	-	334,377	334,377
Depreciation	-	-	945,704	-	(945,704)	-
Capital outlay	1,318,427	-	(1,318,427)	-	-	-
Total expenditures	65,412,335	-	(731,687)	2,993,673	-	67,674,321
Excess (deficiency) of revenues over (under) expenditures	1,650,818	-	731,687	(2,993,673)	-	(611,168)
<b>OTHER FINANCING SOURCES (USES)</b>						
Interfund transfers in	3,596,357	-	-	-	(3,596,357)	-
Interfund transfers out	(3,596,357)	-	-	-	3,596,357	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	1,650,818	-	731,687	(2,993,673)	-	(611,168)
Fund equity, beginning of year, as restated (see Note 15)	13,215,476	-	18,899,199	(8,023,871)	-	24,090,804
Fund equity, end of year	\$ 14,866,294	\$ -	\$ 19,630,886	\$ (11,017,544)	\$ -	\$ 23,479,636

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

**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
**JUNE 30, 2009**

<b>ASSETS</b>	<b>Private Purpose Trust</b>	<b>Agency Funds</b>
Cash:		
Unrestricted	\$ -	\$ 85,605
Restricted	102,053	99,615
	<hr/>	<hr/>
Total assets	\$ 102,053	\$ 185,220
	<hr/>	<hr/>
<b>LIABILITIES</b>		
Due to governmental funds	\$ -	\$ 17,359
Extraclassroom activity balances	-	99,615
Other liabilities	-	68,246
	<hr/>	<hr/>
Total liabilities	-	\$ 185,220
	<hr/>	<hr/>
<b>NET ASSETS</b>		
Reserved for:		
Endowment scholarships	102,053	
	<hr/>	
Total net assets	102,053	
	<hr/>	
Total liabilities and net assets	\$ 102,053	
	<hr/>	

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

**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Private Purpose Trust</b>
<b>ADDITIONS</b>	
Contributions	\$ 16,687
Investments earnings:	
Interest	374
Total additions	17,061
<b>DEDUCTIONS</b>	
Scholarships and awards	25,629
Total deductions	25,629
Change in net assets	(8,568)
Net assets, beginning of year	110,621
Net assets, end of year	\$ 102,053

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

**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

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

**A. Reporting entity**

The District is governed by the laws of 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 one of 56 component school districts in the Nassau County Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services and programs that provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

During the year, the District was billed \$4,157,743 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$972,082.

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 are levied annually by the Board of Education no later than October 1, and become a lien on December 1. Taxes are collected during the period from December 1 to June 30.

Uncollected real property taxes are subsequently enforced by the County in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1<sup>st</sup>.

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

H. Estimates

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

I. Cash and investments

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

New York State law governs the District's investment policies. Resources must be deposited in 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 inventorable 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	\$ 10,000	Straight line	50 years
Site improvements	\$ 10,000	Straight line	20 years
Furniture and equipment	\$ 1,000	Straight line	5-20 years

Certain infrastructure capital assets are accounted for using the modified approach permitted for eligible assets under GASB Statement 34. The modified approach requires that an asset management system be established which assures that an expenditure amount sufficient to preserve the assets in good condition for proper and efficient functioning is budgeted each year in lieu of depreciation. Accordingly, all expenditures made for those assets, other than additions and improvements that increase capacity or efficiency, are charged to expense in the period incurred instead of calculating depreciation. The District is required to conduct a condition assessment of these assets at least once every three years.

N. Deferred revenues

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

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

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

O. Vested employee benefits - compensated absences

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

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

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

Consistent with GASB 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.

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

P. Other benefits

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

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

Q. Short-term debt

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

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

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

R. Accrued liabilities and long-term obligations

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

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

S. Equity classifications

District-wide statements

In the District-wide statements there may be 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 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. The reserve is accounted for in the General Fund.

#### 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 benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

#### Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

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

#### Reserve for Inventories

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

#### 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 that 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. The reserve is accounted for in the Debt Service Fund.

T. New accounting standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2009, the District implemented the following new standards issued by GASB:

- GASB Statement 43, Financial Reporting for Post-employment Benefit Plans Other than Pension Plans
- GASB Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions

GASB Statement 43 establishes the uniform standards of reporting for post-employment benefits (OPEB) for governmental entities. OPEB refers to benefits provided to retirees other than pensions, which include healthcare benefits. The Statement provides standards for financial reporting of the plan and disclosure of actuarial information about the funded status of the plan and the progress toward funding the post-employment liability. The financial disclosures relating to the District's other post-employment benefits have changed and those changes are reflected in Note 11.

GASB Statement 45 establishes standards for the accrual basis measurement and recognition of OPEB costs over a period that relates to when the service is provided to the employer, rather than recognizing those costs on a pay-as-you-go basis. The Statement provides information about the actuarial accrued liabilities for OPEB and its funding status. The Statement was implemented prospectively, with no beginning net OPEB obligation.

U. Future changes in accounting standards

GASB has issued Statement 51, Accounting and Reporting for Intangible Assets, which improves financial reporting by reducing inconsistencies that have developed in accounting and financial reporting for intangible assets. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2011 financial statements.

GASB has issued Statement 52, Land and Other Real Estate Held as Investment by Endowments, which establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2010 financial statements.

GASB has issued Statement 53, Accounting and Financial Reporting for Derivative Instruments, which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2010 financial statements.

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 if and when required, which will be for the June 30, 2012 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 Equity vs. Statement of Activities**

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Equity 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>143,176</u>
----------------------------	-------------------

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

Budgets are established and used for individual capital project 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	\$	13,990,199

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$201,668 in the fiduciary funds.

#### **5. INVESTMENT POOL**

The District participates in a multi-municipal, cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, §119-O, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents.

Total investments of the cooperative as of year-end are \$732,283,569, which consisted of \$216,674,214 in repurchase agreements, \$209,082,762 in U.S. Treasury Securities, \$6,526,593 in U.S. Government Guaranteed Securities, \$200,000,000 in FDIC guarantees, and \$100,000,000 in collateralized bank deposits, with various interest rates and due dates.

The following amounts are included as unrestricted and restricted cash:

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Description of Investments</u>
General Fund	\$ 170,931	\$ 170,931	
Special Aid Fund	12,208	12,208	(NYCLASS Investment Pool;
Capital Fund	656,625	656,625	investments described above)
Capital Reserve Fund	<u>3,640,686</u>	<u>3,640,686</u>	
	<u>\$ 4,480,450</u>	<u>\$ 4,480,450</u>	

The above amounts represent the cost of the investment pool shares, and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of New York Class - Board of Cooperative Educational Services of Putnam/Northern Westchester, 200 BOCES Drive, Yorktown Heights, New York 10596-4399.

## 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2009 were as follows:

	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 1,120,041	\$ -	\$ -	\$ 1,120,041
Construction-in-progress	<u>4,875,574</u>	<u>815,502</u>	<u>(5,632,419)</u>	<u>58,657</u>
Total nondepreciable assets	<u>5,995,615</u>	<u>815,502</u>	<u>(5,632,419)</u>	<u>1,178,698</u>
Capital assets that are depreciated:				
Buildings and building improvements	25,504,570	136,630	6,012,069	31,653,269
Furniture and equipment	<u>4,083,079</u>	<u>725,259</u>	<u>(379,650)</u>	<u>4,428,688</u>
Total depreciable assets	<u>29,587,649</u>	<u>861,889</u>	<u>5,632,419</u>	<u>36,081,957</u>
Less accumulated depreciation:				
Buildings and building improvements	14,371,027	517,585	-	14,888,612
Furniture and equipment	<u>2,313,038</u>	<u>428,119</u>	<u>-</u>	<u>2,741,157</u>
Total accumulated depreciation	<u>16,684,065</u>	<u>945,704</u>	<u>-</u>	<u>17,629,769</u>
Total capital assets, net	<u>\$ 18,899,199</u>	<u>\$ 731,687</u>	<u>\$ -</u>	<u>\$ 19,630,886</u>

Capital asset balances as of July 1, 2008 have been restated to reflect the results of an analysis performed by a third party (see Note 15).



Depreciation expense was charged to governmental functions as follows:

General support	\$ 73,331
Instruction	865,165
School lunch program	<u>7,208</u>
	<u>\$ 945,704</u>

## 7. SHORT-TERM DEBT

Transactions in short-term debt for the year are summarized below:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
TAN maturing 6/26/09 at 3.50%	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>

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

Interest paid	\$ 50,167
Less interest accrued in the prior year	-
Plus interest accrued in the current year	<u>-</u>
Total expense	<u>\$ 50,167</u>

## 8. 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	\$ 5,755,000	\$ -	\$ 960,000	\$ 4,795,000	\$ 1,005,000
Installment purchase debt payable	750,446	358,964	250,667	858,743	281,172
Other post-employment benefits	-	3,622,750	-	3,622,750	-
Compensated absences	1,416,936	359,398	-	1,776,334	120,000
Workers' compensation claims payable	<u>481,000</u>	<u>289,415</u>	<u>335,415</u>	<u>435,000</u>	<u>435,000</u>
Total long-term liabilities	<u>\$ 8,403,382</u>	<u>\$ 4,630,527</u>	<u>\$ 1,546,082</u>	<u>\$11,487,827</u>	<u>\$ 1,841,172</u>

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

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at 6/30/09</u>
Serial Bonds	7/15/1998	7/15/2012	4.3 – 4.35%	\$ 2,680,000
Serial Bonds	9/15/1999	9/15/2013	4.9-5%	<u>2,115,000</u>
				<u>\$ 4,795,000</u>

The following is a summary of maturing debt service requirements:

<u>Fiscal year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,005,000	\$ 199,236	\$ 1,204,236
2011	1,055,000	151,896	1,206,896
2012	1,110,000	102,143	1,212,143
2013	1,155,000	50,068	1,205,068
2014	<u>470,000</u>	<u>11,750</u>	<u>481,750</u>
Totals	<u>\$ 4,795,000</u>	<u>\$ 515,093</u>	<u>\$ 5,310,093</u>

Installment purchase debt is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2009</u>
Installment purchase debt	2006	2011	5.5%	\$ 244,009
Installment purchase debt	2007	2012	5.5%	303,542
Installment purchase debt	2008	2013	5.5%	<u>311,192</u>
				<u>\$ 858,743</u>

The following is a summary of installment purchase debt requirements:

<u>Fiscal year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 281,172	\$ 40,214	\$ 321,386
2011	297,032	24,354	321,386
2012	181,365	10,903	192,268
2013	78,791	3,488	82,279
2014	<u>20,383</u>	<u>187</u>	<u>20,570</u>
	<u>\$ 858,743</u>	<u>\$ 79,146</u>	<u>\$ 937,889</u>

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

Interest paid	\$ 244,380
Less interest accrued in the prior year	(101,489)
Plus interest accrued in the current year	<u>84,699</u>
Total expense	<u>\$ 227,590</u>

## 9. 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, except that employees in the Systems more than ten years are no longer required to contribute. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension 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>
2009	\$ 2,428,603	\$ 477,188
2008	2,649,828	413,984
2007	2,467,073	495,583

## 10. INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 1,037,731	\$ 987,276	\$ 737,634	\$ 2,858,723
Special Aid Fund	-	1,020,372	23,625	-
School Lunch Fund	25,484	-	-	-
Debt Service Fund	62,041	-	-	-
Capital Projects Fund	945,859	46,108	2,835,098	737,634
Fiduciary Funds	-	17,359	-	-
Totals	<u>\$ 2,071,115</u>	<u>\$ 2,071,115</u>	<u>\$ 3,596,357</u>	<u>\$ 3,596,357</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.

# 11. **POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS**

## Plan description and annual OPEB cost

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

The District implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions, in the school year ended June 30, 2009. This required 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, 277 retired employees receive health benefits from the District. Retirees contribute 0% to 65% 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, 2009, the District recognized \$2,021,223 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2007 which indicates that the total liability for other post-employment benefits is \$53,319,246.

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:

	<u>For the Year Ended June 30, 2009</u>
Annual required contribution	\$ 5,426,897
Interest on net OPEB obligation	217,076
Adjustment to annual required contribution	<u>0</u>
Annual OPEB cost	5,643,973
Contributions made	<u>2,021,223</u>
Increase in net OPEB obligation	3,622,750
Net OPEB obligation – beginning of year	<u>0</u>
Net OPEB obligation – end of year	<u>\$ 3,622,750</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	\$5,643,973	35.8%	\$3,622,750

#### Funded status and funding progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$54,666,150 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$54,666,150. The covered payroll (annual payroll of active employees covered by the plan) was \$38,042,049, and the ratio of the UAAL to the covered payroll was 143.7%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### Actuarial methods and assumptions

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

In the July 1, 2007 actuarial valuation, the projected unit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10.5% initially, reduced by decrements to an ultimate rate of 5% after 6 years. Both rates included a 5.5 % 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, 2009 was 29 years.

## 12. RISK MANAGEMENT

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

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its District property and liability insurance coverage. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events in excess of certain defined limits, and the District has essentially transferred all related risk to the pool.

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

	<u>2008</u>	<u>2009</u>
Unpaid claims at beginning of year	\$ 492,530	\$ 481,000
Incurred claims and claim adjustments expenses	187,155	289,415
Claim payments	<u>(198,685)</u>	<u>(335,415)</u>
Unpaid claims at year end	<u>\$ 481,000</u>	<u>\$ 435,000</u>

## 13. CONTINGENCIES AND COMMITMENTS

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, will be immaterial.

The District is involved in lawsuits arising from the normal conduct of its affairs. Some of these lawsuits seek damages which may be in excess of the District's insurance coverage. However, it is not possible to determine the District's potential exposure, if any, at this time.

An audit of certain issues in the District is currently being conducted by the New York State Comptroller's Office. As of the date of issuance of these financial statements no report has been received.

## 14. OPERATING LEASES

The District leases copier equipment under the terms of non-cancelable leases. Rental expense for the year was \$123,221.

Minimum annual rentals for each of the remaining operating lease payments are:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2010	\$ 126,407
2011	125,938
2012	66,615
2013	12,213
2014	<u>11,078</u>
	<u>\$ 342,251</u>

**15. PRIOR PERIOD ADJUSTMENT**

Net assets in the District-wide financial statements have been restated as of July 1, 2008 to give effect to the adjustments of capital assets based upon an analysis performed by a third party as follows:

Balance as of July 1, 2008, as reported	\$ 25,286,319
Less: reduction in previously reported capital assets, net	<u>(1,195,515)</u>
Balance as of July 1, 2008, as restated	<u>\$ 24,090,804</u>

SUPPLEMENTAL  
SCHEDULE 1

**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Revised Budget	Actual	Year-end Encumbrances	Variance Favorable (Unfavorable)
<b>REVENUES</b>					
Local sources:					
Real property taxes	\$ 48,948,962	\$ 48,948,962	\$ 50,026,323		\$ 1,077,361
Other tax items	6,210,000	6,210,000	5,368,659		(841,341)
Charges for services	295,294	295,294	328,225		32,931
Use of money and property	668,000	668,000	307,287		(360,713)
Sale of property and compensation for loss	4,500	4,500	14,498		9,998
Miscellaneous	93,000	136,176	351,903		215,727
Total local sources	56,219,756	56,262,932	56,396,895		133,963
State sources	8,727,038	8,827,038	8,741,947		(85,091)
Federal sources	-	-	22,902		22,902
Total revenues	64,946,794	65,089,970	65,161,744		71,774
<b>OTHER FINANCING SOURCES</b>					
Interfund transfers	-	-	737,634		737,634
Appropriated reserves	1,400,000	4,387,924	-		(4,387,924)
Total revenues and other financing sources	66,346,794	69,477,894	65,899,378		(3,578,516)
<b>EXPENDITURES</b>					
General support:					
Board of Education	70,876	95,876	78,850	\$ -	17,026
Central administration	316,956	325,456	318,030	-	7,426
Finance	672,128	719,028	624,325	39,138	55,565
Staff	280,300	335,300	247,139	31,880	56,281
Central services	6,237,796	6,342,596	5,523,740	29,359	789,497
Special items	1,795,654	881,047	744,387	1,560	135,100
Total general support	9,373,710	8,699,303	7,536,471	101,937	1,060,895
Instruction:					
Instruction, administration and improvement	3,499,823	3,484,283	3,352,300	475	131,508
Teaching - regular school	22,875,252	23,551,481	23,179,205	607	371,669
Programs for children with handicapping conditions	6,589,735	6,831,081	6,307,327	149,266	374,488
Occupational education	467,064	464,984	368,482	-	96,502
Teaching - special school	269,511	269,511	239,395	-	30,116
Instructional media	2,897,119	2,962,047	2,740,440	10,277	211,330
Pupil services	3,601,989	3,722,075	3,392,042	654	329,379
Total instruction	40,200,493	41,285,462	39,579,191	161,279	1,544,992
Pupil transportation	2,042,017	2,072,097	1,771,854	-	300,243
Community services	170,857	172,357	164,409	-	7,948
Employee benefits	13,256,093	13,105,572	12,230,207	-	875,365
Debt service:					
Principal	960,000	960,000	960,000	-	-
Interest	324,380	324,380	294,547	-	29,833
Total expenditures	66,327,550	66,619,171	62,536,679	263,216	3,819,276
<b>OTHER FINANCING USES</b>					
Interfund transfers	19,244	2,858,723	2,858,723	-	-
Total expenditures and other financing uses	66,346,794	69,477,894	65,395,402	\$ 263,216	3,819,276
Net change in fund balance	-	-	503,976		\$ 240,760
Fund balance, beginning of year	-	-	11,930,578		
Fund balance, end of year	\$ -	\$ -	\$ 12,434,554		

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



**SUPPLEMENTAL  
SCHEDULE 2**

**LYNBROOK UNION FREE 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, 2009**

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

Adopted budget	\$ 66,346,794
Add:	
Prior year encumbrances	152,826
Planned use of specific reserves	<u>2,835,098</u>
Revised budget	69,334,718
Budget revisions relating to:	
Various local sources, net	<u>143,176</u>
Final budget	<u><u>\$ 69,477,894</u></u>
Next year's budget is a voter-approved budget	<u><u>\$ 68,564,261</u></u>

**Use of unreserved fund balance**

Unreserved fund balance, beginning of year	\$ 4,053,871
Less:	
Designated fund balance used for levy of taxes - adopted budget	<u>1,400,000</u>
Undesignated fund balance, beginning of year	<u><u>\$ 2,653,871</u></u>

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

SUPPLEMENTAL  
SCHEDULE 3

LYNBROOK UNION FREE SCHOOL DISTRICT  
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING SOURCES - CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2009

Project Title	Expenditures					Methods of Financing					Fund Balance June 30, 2009	
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Adjustments and Transfers	Total	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources		Total
Marion Street Window Replacement	\$ 1,433,303	\$ 1,433,303	\$ 1,288,110	\$ 77,320	\$ 67,873	\$ 1,433,303	\$ -	\$ -	\$ -	\$ 1,433,303	\$ 1,433,303	\$ -
Marion Street Roof	69,013	449,551	69,013	380,538	-	449,551	-	-	449,551	-	449,551	-
North Classroom Lighting	189,601	189,601	136,308	23,445	29,848	189,601	-	-	-	189,601	189,601	-
North Curtain Facade Wall	1,110,000	1,110,000	525,736	285,729	298,535	1,110,000	-	-	-	1,110,000	1,110,000	-
South Classroom Lighting	279,412	279,412	235,830	-	43,582	279,412	-	-	-	279,412	279,412	-
West End Burtis St. Roof	178,240	178,240	172,858	-	5,382	178,240	-	-	-	178,240	178,240	-
Atlantic Avenue Roof	199,820	199,820	191,378	-	8,442	199,820	-	-	-	199,820	199,820	-
North Middle School Expansion	710,676	710,676	573,399	-	137,277	710,676	-	-	-	710,676	710,676	-
West End Project	491,000	491,000	412,713	-	78,287	491,000	-	-	-	491,000	491,000	-
South Middle Music Addition	1,679,379	1,679,379	1,611,121	-	68,258	1,679,379	-	-	-	1,679,379	1,679,379	-
Capital - Marion St.	39,360	33,360	33,360	-	-	33,360	-	-	-	33,360	33,360	-
Capital - District Wide	-	464,098	-	463,948	150	464,098	-	-	-	464,098	464,098	-
HS Electric Backup Project	-	36,000	-	443	-	443	35,557	-	-	36,000	36,000	35,557
HS Gym Roof & A/C	-	985,000	-	14,085	-	14,085	970,915	-	-	985,000	985,000	970,915
South Curtain Wall	-	1,351,901	-	44,129	-	44,129	1,307,772	-	-	1,351,901	1,351,901	1,307,772
Capital - HS Lockers/Lighting	171,911	171,911	171,911	-	-	171,911	-	-	-	171,911	171,911	-
	\$ 6,551,715	\$ 9,763,252	\$ 5,421,737	\$ 1,289,637	\$ 737,634	\$ 7,449,008	\$ 2,314,244	\$ -	\$ 449,551	\$ 9,313,701	\$ 9,763,252	\$ 2,314,244

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

**SUPPLEMENTAL  
SCHEDULE 4**

**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES**  
**COMPARED TO ST-3 DATA - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
<b>REVENUES</b>			
Real property taxes	A-1001	\$ 50,026,323	\$ 50,026,323
Non-property taxes	AT-1099	5,368,659	5,368,659
State aid	AT-3999	8,741,947	8,741,947
Federal aid	AT-4999	22,902	22,902
Total revenues and other financing sources	AT-5999	65,899,378	65,899,378
<b>EXPENDITURES</b>			
General support	AT-1999	7,536,471	7,536,471
Pupil transportation	AT-5599	1,771,854	1,771,854
Debt service - principal	AT-9798.6	960,000	960,000
Debt service - interest	AT-9798.7	294,547	294,547
Total expenditures and other uses	AT-9999	65,395,402	65,395,402

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

**SUPPLEMENTAL  
SCHEDULE 5**

**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Capital assets, net		\$ 19,630,886
Deduct:		
Short-term portion of bonds payable	\$ 1,005,000	
Long-term portion of bonds payable	3,790,000	
Short-term portion of installment purchase debt payable	281,172	
Long-term portion of installment purchase debt payable	<u>577,571</u>	
		<u>5,653,743</u>
Investment in capital assets, net of related debt		<u><u>\$ 13,977,143</u></u>

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

**SUPPLEMENTAL  
SCHEDULE 6**

**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/07	\$ -	\$ 54,666,150	\$ 54,666,150	\$ -	\$ 38,042,049	143.7%

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

**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**EXTRACLASROOM ACTIVITY FUNDS**  
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Nawrocki Smith LLP  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Education of the  
Lynbrook Union Free School District  
Town of Hempstead, New York:

We have audited the accompanying statements of cash receipts and disbursements of the Extraclassroom Activity Funds of the Lynbrook Union Free School District (the "District") for the year ended June 30, 2009. These financial statements are the responsibility of the District's administration. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements of cash receipts and disbursements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements 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 statements of cash receipts and disbursements. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements have 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 statements of cash receipts and disbursements referred to above present fairly, in all material respects, the cash receipts and disbursements of the Extraclassroom Activity Funds of the Lynbrook Union Free School District for the year ended June 30, 2009, on the basis of accounting described in Note 1.

*Nawrocki Smith LLP*

Melville, New York  
August 31, 2009

**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Cash Balances June 30, 2008	Receipts	Disbursements	Cash Balances June 30, 2009
High School:				
Class of 2008	\$ 482.92	\$ 2,674.00	\$ 3,156.92	\$ -
Class of 2009	9,293.97	15,912.00	24,588.28	617.69
Class of 2010	7,231.36	4,000.00	800.00	10,431.36
Class of 2011	2,583.50	3,103.00	700.00	4,986.50
Class of 2012	-	3,413.26	300.00	3,113.26
Yearbook	5,143.77	37,055.00	39,030.77	3,168.00
Driftstone	550.00	145.00	506.96	188.04
Athletic Club	14,276.94	20,942.00	19,582.37	15,636.57
Athletes Creating Excellence	600.57	-	-	600.57
Chess Club	40.00	-	-	40.00
Drama Club	1,645.73	16,068.23	11,776.50	5,937.46
Facing History	5.00	4,779.00	4,782.00	2.00
Gay/Straight Alliance	16.47	-	-	16.47
Globe Club	1,303.90	857.00	1,516.77	644.13
Horizon	4,108.38	3,473.00	1,730.35	5,851.03
Leadership	811.41	2,804.00	2,853.21	762.20
L.I. Toy Lending	2.27	300.00	62.80	239.47
Model Congress	381.07	-	-	381.07
Tri-M Fund	366.04	2,950.00	2,967.75	348.29
Music Fund	1,163.83	3,946.00	3,940.52	1,169.31
National Art Honor Society	475.33	919.00	1,365.72	28.61
National Honor Society	3,052.67	3,062.00	3,139.60	2,975.07
Italian Club	98.35	1,652.00	1,682.22	68.13
Spanish Club	848.40	516.00	400.00	964.40
SADD	2,142.58	1,247.00	793.16	2,596.42
Student Government Association	3,307.17	19,304.18	17,698.03	4,913.32
Key Club	490.25	745.00	631.21	604.04
	<u>\$ 60,421.88</u>	<u>\$ 149,866.67</u>	<u>\$ 144,005.14</u>	<u>\$ 66,283.41</u>

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



**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Cash Balances June 30, 2008</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Cash Balances June 30, 2009</b>
Middle Schools:				
No. Middle-Student Activity	\$ 4,740.11	\$ 8,315.82	\$ 7,152.97	\$ 5,902.96
No. Middle-Yearbook	6,033.21	3,425.00	6,225.24	3,232.97
No. Middle-Play	3,677.10	948.00	638.58	3,986.52
No. Middle-Environment	-	9,980.00	9,980.00	-
So. Middle-Student Activity	3,329.42	22,072.76	20,971.38	4,430.80
So. Middle-Drama	2,544.43	300.00	85.00	2,759.43
So. Middle-Environment	102.00	28,008.00	27,958.00	152.00
So. Middle-Science	-	332.50	20.36	312.14
So. Middle-Yearbook	2,076.12	7,049.00	5,554.10	3,571.02
	<u>\$ 22,502.39</u>	<u>\$ 80,431.08</u>	<u>\$ 78,585.63</u>	<u>\$ 24,347.84</u>
Elementary Schools:				
Kindergarten-Student Activity	\$ 35.49	\$ 9,232.29	\$ 9,228.90	\$ 38.88
Marion Street-Student Activity	1,113.50	32,381.73	32,910.10	585.13
Waverly Park-Student Activity	458.02	10,078.58	10,005.60	531.00
West End-Student Activity	5,832.92	28,497.27	26,501.02	7,829.17
	<u>\$ 7,439.93</u>	<u>\$ 80,189.87</u>	<u>\$ 78,645.62</u>	<u>\$ 8,984.18</u>

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

**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
**NOTE TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Lynbrook Union Free School District.

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

**SUPPLEMENTAL  
SCHEDULE 7**

**LYNBROOK UNION FREE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>Federal Grantor/ Pass - Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass - Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>MAJOR PROGRAMS:</b>			
<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	0032-08-0428	\$ 36,748
IDEA, Part B, Section 611, Special Education Grants to States	84.027A	0032-09-0428	574,611
IDEA, Part B, Section 619, Special Education Preschool Grants	84.173A	0033-09-0428	<u>20,069</u>
<b>Total Major Programs</b>			<u>631,428</u>
<b>NON-MAJOR PROGRAMS:</b>			
<b><u>U.S. Department of Agriculture</u></b>			
Child Nutrition Cluster:			
Surplus Food	10.550	N/A	21,408
Passed-Through New York State Office of General Services			
National School Lunch Program	10.555	N/A	<u>45,987</u>
<b>Total U.S. Department of Agriculture</b>			<u>67,395</u>
<b><u>U.S. Department of Education</u></b>			
Passed-Through New York State Department of Education			
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021-08-1545	3,866
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021-09-1545	119,875
ESEA, Title IV, Part A, Safe and Drug-Free Schools	84.186A	0180-09-1545	9,280
ESEA, Title V, Part A, State Grants for Innovative Programs	84.298A	0002-09-1545	241
ESEA, Title II, Part D, Education Technology State Grants	84.318A	0292-09-1545	985
ESEA, Title III, Part A, English Language Acquisition Grants	84.365A	0293-09-0145	9,957
ESEA, Title II, Part A, Training	84.367A	0147-08-1545	2,363
ESEA, Title II, Part A, Training	84.367A	0147-09-1545	<u>88,714</u>
<b>Total Non-Major Programs</b>			<u>235,281</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<u><u>\$ 934,104</u></u>

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

**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**1. Basis of Presentation**

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

**2. Basis of Accounting**

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

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

**3. Indirect Costs**

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

**4. Matching Costs**

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

**5. Major Program Determination**

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



Nawrocki Smith LLP  
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  
Lynbrook Union Free School District  
Town of Hempstead, New York:

We have audited the financial statements of the Lynbrook Union Free School District (the "District") as of and for the year ended June 30, 2009, and have issued our report thereon dated August 31, 2009. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

## Nawrocki Smith LLP

### Compliance And Other Matters

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

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

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

Melville, New York  
August 31, 2009

*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  
Lynbrook Union Free School District  
Town of Hempstead, New York:

**Compliance**

We have audited the compliance of the Lynbrook Union Free 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, 2009. 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

**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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

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

Melville, New York  
August 31, 2009

*Nawrocki Smith LLP*



**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**A. Summary Of Audit Results:**

1. The auditors' report expresses an unqualified opinion on the financial statements.
2. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.
3. No instances of noncompliance were disclosed during the audit.
4. No significant 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

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Auditee was determined to be a low-risk auditee.

**B. Findings - Financial Statement Audit**

None reported.

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

None reported.

**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**Findings - Financial Statement Audit**

08-01 Recommendation - The District should implement procedures to ensure sufficient time to comply with New York State Education Department reporting requirements.

Status - We noted this recommendation was implemented.

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

None reported.

**LYNBROOK UNION FREE SCHOOL DISTRICT**  
**FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

This section presents our finding and recommendation noted during the audit of the financial statements of the Lynbrook Union Free School District as of and for the year ended June 30, 2009, as well as the status of recommendations made in connection with prior audits of the financial statements.

**CURRENT YEAR RECOMMENDATION:**

1. User permissions – purchasing

We noted that the Accounts Payable Clerk has the ability to increase purchase orders without an established limit. This situation increases the risk of improper purchasing activities.

We recommend that a limit be established within the system for increasing purchase orders without the Purchasing Agent's approval. Any increases in excess of this established limit would require the Purchasing Agent's approval. In this manner, internal control over purchasing may be enhanced.

**STATUS OF PRIOR YEAR RECOMMENDATIONS:**

1. Recommendation - It was recommended that the District establish policies and procedures to ensure that terminated employees be classified as inactive within the computer system on a timely basis.

Status – We noted that this recommendation has been implemented.

2. Recommendation - It was recommended that the District designate the duties of the System Administrator to someone outside of the Business Office.

Status – We noted that this recommendation has been implemented.

3. Recommendation - It was recommended that the District identify the current portion of its obligation for compensated absences on a current basis and reflect this liability in the General Fund.

Status – We noted that this recommendation has been implemented.

4. Recommendation - It was recommended that the District's elementary schools Extraclassroom Activity Fund accounts be closed to ensure such funds are transacted in accordance with requisite guidelines.

Status – We noted that the District has had these programs for many years, understands the issue, and considers it minor with regard to any laws, rules and regulations as the benefits of these programs are so valuable to the students. The District provides central oversight for those funds. On a control basis, it cannot justify costs to maintain the additional staff necessary to handle all the additional cash each building would be submitting through the actual budget and still make payments for special events in a timely manner.

5. Recommendation – It was recommended that reconciliations of cash receipts be prepared as part of the monthly closing process for Extraclassroom Activity Funds.

Status – We noted that this recommendation has been implemented.

6. Recommendation – It was recommended that the District establish a formal year end financial reporting timetable.

Status – We noted that this recommendation has been implemented.

7. Recommendation – It was recommended that the Board review and update District policies on a regular basis and that all newly required policies be implemented.

Status – We noted that this recommendation has been implemented.

8. Recommendation – It was recommended that the District designate a Purchasing Agent who is completely independent of all other Business Office operations.

Status – We noted that the Assistant Superintendent for Business reviews all purchase orders to ensure compliance with Board policy and fosters the environment amongst all staff to secure the best possible price for services and merchandise. The District understands this position of the Business Official and believes it cannot justify the expenditure to hire a separate individual to act as the Purchasing Agent.

9. Recommendation – It was recommended that the District monitor the Extraclassroom Activity Funds regularly to ensure compliance with State guidelines.

Status – Please refer to status discussion in recommendation #4 above.