



**EAST MORICHES UNION FREE SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES WITH  
INDEPENDENT AUDITOR'S REPORTS**

**June 30, 2013**

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**TABLE OF CONTENTS**

---

	<b><u>Page</u></b>
<b>Independent Auditor's Report</b>	1
<b>Management's Discussion and Analysis (MD&amp;A)</b>	3
<b>Financial Statements:</b>	
Statement of Net Position – Governmental Activities	19
Statement of Activities and Changes in Net Position	20
Balance Sheet – Governmental Funds	21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	22
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	23
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	24
Statement of Fiduciary Net Position – Fiduciary Funds	25
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	26
Notes to Financial Statements	27
<b>Required Supplementary Information other than MD&amp;A:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	51
Schedule of Funding Progress – Other Postemployment Benefits (OPEB)	53
<b>Other Supplementary Information:</b>	
Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund	54
Schedule of Project Expenditures – Capital Projects Fund	55
Net Investment in Capital Assets	56
<b>Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	57

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
East Moriches Union Free School District  
East Moriches, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the East Moriches Union Free School District (District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the East Moriches Union Free School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Changes in Accounting Principles***

As described in Note 1T to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of June 30, 2013.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedule of funding progress – other postemployment benefits on pages 3 through 18 and 51 through 53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Moriches Union Free School District's basic financial statements. The other supplementary information on pages 54 through 56 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2013, on our consideration of the East Moriches Union Free School 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* in considering the East Moriches Union Free School District's internal control over financial reporting and compliance.

*Cullen & Danowski, LLP*

September 27, 2013

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

The East Moriches Union Free School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole. This should be read in conjunction with the financial statements.

**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year 2013 are as follows:

- The general fund's total fund balance, as reflected in the fund financial statements, decreased by \$794,209.
- The 2013-2014 budget in the amount of \$25,474,921 was approved by the voters.
- The District's net position, as reflected in the district-wide financial statements, decreased by \$1,083,613, which reflects the impact of the net other postemployment benefit liability that the District is not permitted to fund by law.
- The District implemented GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*".

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of 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 operations in *more detail* than the District-Wide Financial Statements.
- The *Governmental Fund Statements* tell how basic services such as instruction and support functions 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, including the employees of District.

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

The financial statements also include notes that provide additional information about the financial statements and the balances reported. 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 shows how the various parts of this annual report are arranged and relate to one another.

Table A-1: Organization of the District's Annual Financial Report

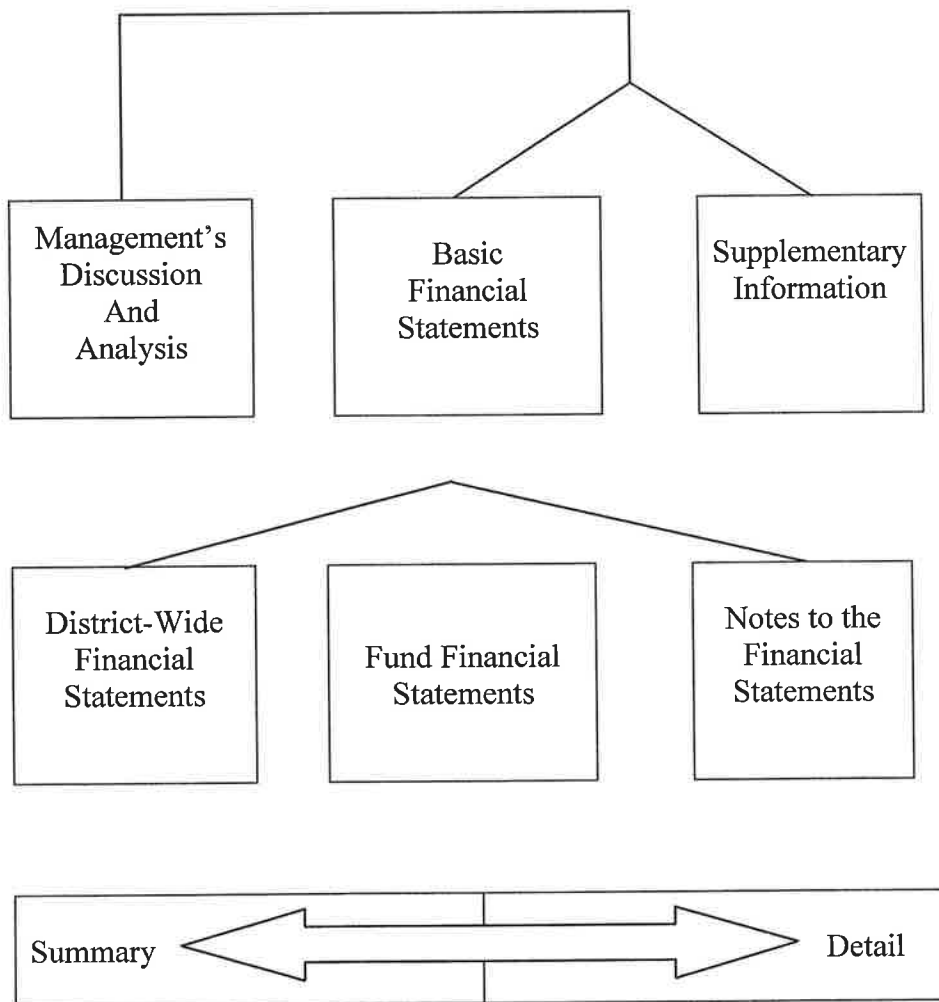


Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

Table A-2: Major Features of the District-Wide and Fund Financial Statements

	District-Wide Financial Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; 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

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

**A. District-Wide Financial Statements**

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

The two District-Wide Financial Statements report the District's *net position* and how they have changed. Net position, the difference between the assets, liabilities and deferred inflows of resources, is one way to measure the financial health or position of the District.

- Over time, increases and decreases in net position are an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) is expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

District-Wide Financial Statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
  - *Net Position* investment in capital assets;
  - *Restricted net position* are those with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation.
  - *Unrestricted net position* is net position that does not meet any of the above restrictions.



**EAST MORICHES UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

**B. Fund Financial Statements**

The Fund Financial Statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York.

The District has two kinds of funds:

- *Governmental funds:* Most of the 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 fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Financial Statements, reconciliations are provided to explain the relationship (or differences) between them. In summary, the government fund statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special aid fund, school lunch fund and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance.
- *Fiduciary funds:* The District is the trustee or *fiduciary* for assets that belong to others, such as 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. Fiduciary fund reporting focuses on net position and changes in net position.

**3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**A. Net Position**

The District's total net position decreased by \$1,083,613 between fiscal year 2013 and 2012. A summary of the District's Statements of Net Position for June 30, 2013 and 2012 is as follows:

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

	Fiscal Year 2013	Fiscal Year 2012	Increase/ (Decrease)	Total Percentage Change
Current assets and other assets	\$ 11,470,670	\$ 11,030,356	\$ 440,314	3.99%
Capital assets, net	22,496,963	22,826,204	(329,241)	-1.44%
Total Assets	<u>\$ 33,967,633</u>	<u>\$ 33,856,560</u>	<u>\$ 111,073</u>	0.33%
Current and other liabilities	\$ 8,634,739	\$ 8,157,465	\$ 477,274	5.85%
Long-term liabilities	21,278,337	22,127,108	(848,771)	-3.84%
Net OPEB obligation	5,930,199	4,328,780	1,601,419	36.99%
Total Liabilities	<u>35,843,275</u>	<u>34,613,353</u>	<u>1,229,922</u>	3.55%
Deferred inflows of resources	<u>14,662</u>	<u>49,898</u>	<u>(35,236)</u>	-70.62%
Net Position				
Net investment in capital assets	2,857,342	2,487,492	369,850	14.87%
Restricted	741,756	924,993	(183,237)	-19.81%
Unrestricted (deficit)	(5,489,402)	(4,219,176)	(1,270,226)	-30.11%
Total Net Position (Deficit)	<u>\$ (1,890,304)</u>	<u>\$ (806,691)</u>	<u>\$ (1,083,613)</u>	134.33%

Reclassifications have been made to deferred revenue in order to conform to the 2013 financial statement classification. This new classification is consistent to reporting on deferred inflows of resources per Governmental Accounting Standards Board (GASB) Statements No. 63 and No. 65. Such reclassification had no effect on net position as previously reported.

Current and other assets increased by \$440,314, compared to the prior year. This was primarily due to an increase in amounts due from other governments offset by a decrease in the District's cash balances.

Capital assets, net decreased by \$329,241 due to depreciation expense in excess of capital asset additions (see Note 7).

Current and other liabilities increased by \$477,274 compared to the prior year. This increase was primarily due to increases in accounts payable, retainage payable, bond interest payable, due to teachers' retirement system and due to employees' retirement system offset by decreases in accrued liabilities.

Long-term liabilities decreased by \$848,771 compared to the prior year. This decrease is the result of the repayment of the current maturity of the bond indebtedness net of an increase in compensated absences liabilities.

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

The District's net other postemployment benefits (OPEB) obligation increased over the prior year by \$1,601,419. This increase was the result of the current year unfunded OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis ("pay-as-you-go"). Under current NYS laws, there is no provision to fund this obligation by any other means than the "pay-as-you-go" method. The accompanying notes to the financial statements, Note 12 "Postemployment (Health Insurance) Benefits" provides additional information.

The net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, furniture & equipment and vehicles, net of depreciation and related debt. This number increased over the prior year by \$369,850 primarily due to capital additions (not financed by debt) and principal payments on debt used to finance capital additions in excess of the depreciation expense.

The restricted amount of \$741,756 relates to the District's restricted reserves. This balance decreased from the prior year by \$183,237 due to an appropriation from the retirement contribution reserve of \$191,579 and the unemployment reserve of \$50,000 offset by the funding of reserves in the amount of \$55,779 and interest earned by the reserves of \$2,563.

The unrestricted deficit of \$(5,489,402) relates to the balance of the District's net position. The deficit increased by \$1,270,226.

**B. Changes in Net Position**

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of these statements for the years ended June 30, 2013 and 2012 is as follows:

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

	Fiscal Year 2013	Fiscal Year 2012	Increase (Decrease)	Total Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 303,047	\$ 219,410	\$ 83,637	38.12%
Operating Grants	485,136	699,821	(214,685)	-30.68%
General Revenues				
Property Taxes & STAR	17,803,482	17,407,322	396,160	2.28%
State Sources	6,013,942	5,606,997	406,945	7.26%
Other	219,105	305,345	(86,240)	-28.24%
Total Revenues	<u>\$ 24,824,712</u>	<u>\$ 24,238,895</u>	<u>\$ 585,817</u>	2.42%
<b>Expenses</b>				
General Support	\$ 2,149,333	\$ 2,202,344	\$ (53,011)	-2.41%
Instruction	21,415,824	20,198,142	1,217,682	6.03%
Pupil Transportation	1,283,686	1,349,952	(66,266)	-4.91%
Debt Service - Interest	840,149	834,982	5,167	0.62%
Food Service Program	219,333	221,041	(1,708)	-0.77%
Total Expenses	<u>\$ 25,908,325</u>	<u>\$ 24,806,461</u>	<u>\$ 1,101,864</u>	4.44%
(Decrease) in Net Position	<u>\$ (1,083,613)</u>	<u>\$ (567,566)</u>	<u>\$ (516,047)</u>	90.92%

The District's net position decreased by \$1,083,613 and \$567,566 for the years ended June 30, 2013 and 2012, respectively.

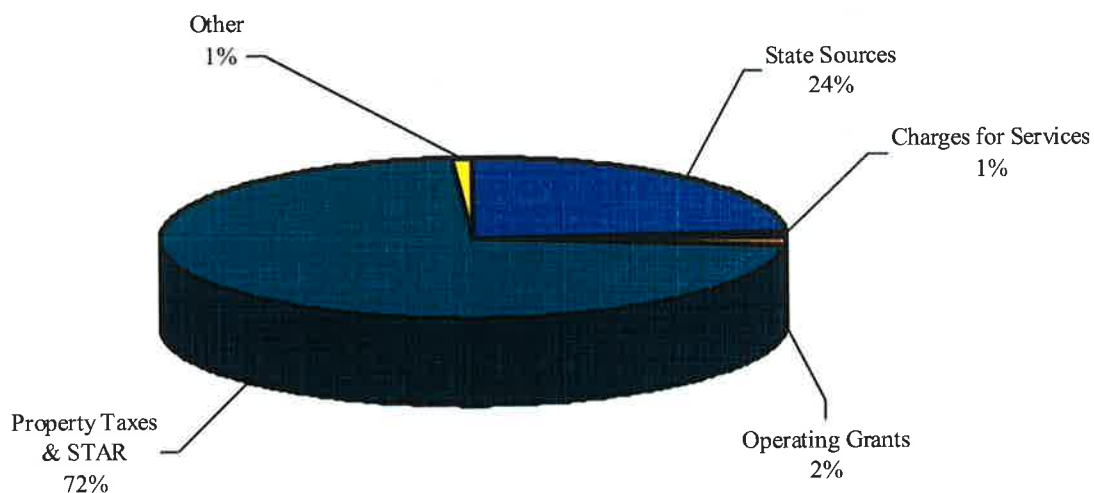
The District's revenues increased by \$585,817 or 2.42%. Most of the increase is attributable to an increase in property taxes and STAR and state sources offset by a decrease in operating grants, as federal aid provided through Education Stabilization Funds of the American Recovery and Reinvestment Act of 2009 (ARRA) was phased out in fiscal 2013.

The District's expenses increased by \$1,101,864, or 4.44%. The increases in expenses are predominately related to instruction and debt service, which were offset by decreases in general support, pupil transportation and food service. Instructional expenditures increased due to increases in salaries and tuition costs. General support expenditures decreased primarily as a result of decreased costs in central services.

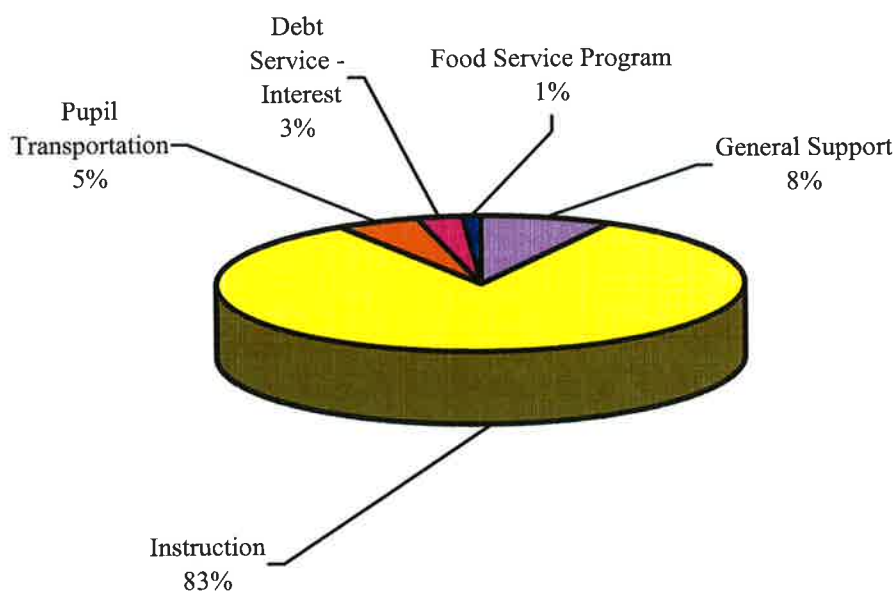
As indicated in the pie charts that follow, property taxes and STAR is the largest component of revenues recognized (i.e., 72% of the total for 2013.) Instructional expense is the largest category of expenses incurred (i.e., 83% of the total for 2013).

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

A graphic display of the distribution of revenues for Fiscal Year 2013 as follows:



A graphic display of the distribution of expenses for Fiscal Year 2013 as follows:



**EAST MORICHES UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

**C. Governmental Activities**

Revenues for the District's governmental activities totaled \$24,824,712 while total expenses equaled \$25,908,325. Although total expenditures exceeded total revenues, the continuation of the overall good financial condition of the District, as a whole, can be credited to:

- Continued leadership of the District's board and administration;
- Use of prudent fiscal management practices;
- Effective use of services, including Eastern Suffolk BOCES, and various cost saving initiatives;
- Improved curriculum and student services along with community support;

Table A-7 presents the cost of major District activities: instruction, general support, pupil transportation, debt service and others. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden borne by the District's taxpayers by each of these functions.

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2012
General Support	\$2,149,333	\$2,202,344	\$2,149,333	\$2,202,344
Instruction	21,415,824	20,198,142	20,800,469	19,460,036
Pupil Transportation	1,283,686	1,349,952	1,283,686	1,349,952
Debt Service - Interest	840,149	834,982	840,149	834,982
School Lunch Program	219,333	221,041	46,505	39,916
Total	<u>\$25,908,325</u>	<u>\$24,806,461</u>	<u>\$25,120,142</u>	<u>\$23,887,230</u>

- The cost of all governmental activities this year was \$25,908,325. (Statement of Activities and Changes in Net Position Expenses column-see Exhibit 3)
- The users of the District's programs financed \$303,047 of the cost. (Statement of Activities and Changes in Net Position Charges For Services and Sales column-see Exhibit 3)
- The federal and state governments subsidized certain programs with grants of \$485,136 (Statement of Activities and Changes in Net Position Operating Grants column – see Exhibit 3)
- Most of the District's net costs of \$25,120,142 were financed by District taxpayers and state and federal aid. (Statements of Activities and Changes in Net Position Net (Expenses) Revenue and Changes in Net Position column-see Exhibit 3)

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

**4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At June 30, 2013, the District's governmental funds reported a combined fund balance of \$3,150,937, which is a decrease of \$485 from the prior year. A summary of the change in fund balance by fund is as follows:

	Fiscal Year 2013	Fiscal Year 2012	Changes
<b>General Fund</b>			
Restricted for employee benefits			
accrued liability	\$ 234,853	\$ 233,975	\$ 878
Restricted for unemployment insurance	94,432	100,680	(6,248)
Restricted for retirement contribution	325,970	504,160	(178,190)
Restricted for workers' compensation	86,501	86,178	323
Assigned-appropriated for			
subsequent year's expenditures	225,000	321,000	(96,000)
Assigned-general support	170,918	28,536	142,382
Assigned-instruction	3,506	13,516	(10,010)
Unassigned	749,046	1,396,390	(647,344)
	<u>1,890,226</u>	<u>2,684,435</u>	<u>(794,209)</u>
<b>School Lunch Fund</b>			
Nonspendable	2,354	4,300	(1,946)
Assigned	8,503	45,535	(37,032)
	<u>10,857</u>	<u>49,835</u>	<u>(38,978)</u>
<b>Capital Projects Fund</b>			
Assigned	1,249,854	417,152	832,702
	<u>1,249,854</u>	<u>417,152</u>	<u>832,702</u>
<b>Total Fund Balance</b>	<u>\$ 3,150,937</u>	<u>\$ 3,151,422</u>	<u>\$ (485)</u>

**A. General Fund**

The net change in the general fund – fund balance is a decrease of \$794,209, as expenditures exceeded revenues on the modified accrual basis of accounting. When compared to the prior year, revenues increased by approximately \$750,000 and expenditures increased by approximately \$1,673,000. The increase in revenues was primarily due to an increase in real property taxes, which increased approximately \$345,000 and state aid, which increased approximately \$358,000. The increase in expenditures was primarily due to an increase of approximately \$683,000 in the interfund transfer to the capital projects fund to fund the District's middle school renovations, as well as increases in instruction of approximately \$1,030,000, employee benefits of approximately \$172,000 and debt service – principal of approximately \$70,000.

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

The transfer to capital was approved by the voters of the district on May 21, 2013 as part of a special proposition. These increases were offset by decreases in general support, pupil transportation and debt service – interest.

Changes in the components of the District's fund balance, include a decrease in the amount assigned – appropriated for the 2013-14 budget of \$96,000, and net decreases in the District's reserves of \$183,237 due to the use of restricted reserves offset by interest earned on the restricted reserves.

**B. School Lunch Fund**

The net change in the school lunch fund – fund balance is a decrease of \$38,978, which was the operating loss of the school lunch fund.

**C. Capital Projects Fund**

The net change in the capital projects fund – fund balance is an increase of \$832,702. The increase is the result of operating transfers in from the general fund of \$1,120,040 to fund the middle school renovations, offset by capital outlay of \$287,338 on the cupola and masonry reconstruction projects.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2012-2013 Adopted Budget**

The District's adopted General Fund budget for the year ended June 30, 2013 was \$24,570,068. This amount was increased by encumbrances carried forward from the prior year in the amount of \$42,052 and budget revisions of \$1,254,351, which resulted in a final budget of \$25,866,471. The majority of the funding was estimated to come from property taxes and STAR revenue of \$17,803,436.

**B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)**

The general fund's unassigned fund balance is a component to total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and appropriations to fund subsequent years' budgets. It is this balance that is commonly referred to as "Fund Balance".

The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget is as follows:



**EAST MORICHES UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

Opening, Unassigned Fund Balance	\$ 1,396,390
Revenues Over Budget	134,003
Expenditures and Encumbrances Under Budget	715,404
Appropriations for budget revision	(1,213,409)
Net Transfers to Restricted Reserves	(55,779)
Interest earned in Restricted Reserves	(2,563)
Appropriated to fund the June 30, 2014 Budget	(225,000)
Closing, Unassigned Fund Balance	<u>\$ 749,046</u>

Opening, Unassigned Fund Balance

The opening, unassigned fund balance represents the fund balance retained by the District as of June 30, 2013 that was not restricted or assigned for subsequent year's taxes. This amount is limited to 4% of the subsequent year's budget. The District's unassigned fund balance was 5.68% of the 2012-2013 adopted budget.

Revenues Over budget

The 2012-2013 final budget for revenues was \$24,048,431. Actual revenues received for the year were \$24,182,434. The excess of actual revenue to estimated revenue was \$134,003.

Expenditures and Encumbrances Under Budget

The 2012-2013 final budget for expenditures was \$25,866,471. Actual expenditures for the year were \$24,976,643 and outstanding encumbrances were \$174,424 at June 30, 2013. Combined, the expenditures plus encumbrances for 2012-13 were \$25,151,067. The final budget was under expended by \$715,404. The expenditures and encumbrances under budget were primarily in general support, instruction and pupil transportation codes within the budget.

Appropriations for Budget Revision

The appropriations for budget revision in the amount of \$1,213,409 represent increases to the general fund budget funded from unassigned fund balance. These additional appropriations represent an appropriation for a transfer to the capital fund and an increase in general fund appropriations for repairs to the parking lot.

Transfers to Restricted Reserves

Monies transferred from budget lines within the general fund operating budget into required reserves do not affect the combined reserved, assigned, and unassigned fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned portion of the fund balance by the amount of the transfers.

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

The \$(55,779) shown in the previous table consists of net transfers to the retirement contribution reserve in the amount of \$12,217 and to the unemployment reserve in the amount of \$43,562.

Interest Earned in Restricted Reserves

Revenues such as interest earned in a general fund reserve increase the reserve and, therefore, decrease the unassigned portion of the general fund-fund balance.

The reserves earned interest as follows:

Unemployment insurance	\$ 190
Retirement contributions	1,172
Workers' compensation	323
Employee benefits accrued liabilities	878
	<u>\$2,563</u>

Appropriated Fund Balance

The District has chosen to use \$225,000 of available fund balance to partially fund the approved budget for the year ending June 30, 2014.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the District will begin the 2013-2014 fiscal year with an unassigned fund balance of \$749,046. This amount is 2.94% of the 2013-2014 adopted budget.

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A. Capital Assets**

At June 30, 2013, the District had invested in a broad range of capital assets, including land; construction in progress; buildings and building improvements; furniture and equipment; and, vehicles. The decrease in capital assets is due to depreciation expense in excess of capital additions recorded for the year ended June 30, 2013. A summary of the District's capital assets, net of depreciation at June 30, 2013 and 2012 are as follows:

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

Category	Fiscal Year 2013	Fiscal Year 2012	Increase (Decrease)
Land	\$ 265,000	\$ 265,000	-
Construction in Progress	306,786	19,448	287,338
Buildings & Building Improvements	27,395,504	27,395,504	-
Furniture & Equipment	870,346	845,287	25,059
Vehicles	18,000	18,000	-
Subtotal	28,855,636	28,543,239	312,397
Less: Accumulated Depreciation	6,358,673	5,717,035	641,638
Total Net Capital Assets	<u>\$ 22,496,963</u>	<u>\$ 22,826,204</u>	<u>\$ (329,241)</u>

**B. Debt Administration**

At June 30, 2013, the District had total bonds payable of \$20,030,000. The July 2003 bonds were issued for the renovation of an existing school building and the construction of a new elementary school building. The June 2007 bonds were issued to finance the June 30, 2006 deficit in the general fund pursuant to Chapter 354 of the Laws of 2006 of the State of New York. On March 2, 2012, the District issued \$13,120,000 in serial bonds with an interest rate of 2.00 – 5.00% to advance refund \$13,765,000 of outstanding serial bonds. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$881,000. The net decrease in outstanding debt represents principal payments made during the current year and the refunding transaction.

A summary of the outstanding debt at June 30, 2013 and 2012 is as follows:

Issue Date	Interest Rate	2013	2012	Increase (Decrease)
July 2, 2003	4.0-5.0%	\$ 5,490,000	\$ 6,090,000	\$ (600,000)
June 15, 2007	3.75-4.375%	980,000	1,200,000	(220,000)
July 1, 2011	4.0-4.75%	485,000	500,000	(15,000)
January 10, 2012	2.0-5.0%	13,075,000	13,120,000	(45,000)
		<u>\$ 20,030,000</u>	<u>\$ 20,910,000</u>	<u>\$ (880,000)</u>

Additionally, the District carries a deferred financing premium of \$589,621, as a result of the refunding.

The District's latest municipal bond rating from Standard and Poor's is A+ with a stable outlook. The District's total outstanding indebtedness of \$20,030,000 is 24% of its debt limit of \$82,078,659.

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

**7. FACTORS BEARING ON THE DISTRICT'S FUTURE**

The General Fund budget for the 2013-2014 school year in the amount of \$25,474,921 was approved by the voters. This is an increase of \$904,853 or 3.7% over the previous year's budget. The increase was primarily due to increases in instructional costs and general support services.

The assigned appropriated fund balance applied to June 30, 2014 budget was \$225,000, which is a decrease of \$96,000.

Future budgets may be negatively affected by certain trends impacting school districts. These factors include rising retirement system rates, rising health care premiums, lower state aid, the end of federal government assistance through ARRA funding, and the enactment of the Real Property Tax Levy Limit ("Tax Cap") Law by New York State.

The NYS Legislature has introduced and approved a property tax cap beginning in the 2012-2013 school year. This law limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year's levy. If the tax levy proposed to the voters is within the district's tax levy cap, then a majority vote would be required for approval. If the proposed tax levy exceeds the district's tax levy cap, the threshold required for approval would be 60 percent of the vote. A school district that does not levy an amount up to the cap in any one year would be allowed to carry over unused tax levy capacity into the next fiscal year. The District's adopted 2013-2014 budget complies with the tax levy limit, which was an increase of 2.87% over the 2012-2013 tax levy, and was adjusted for the TRS pension contribution, a PILOT and the capital tax levy exclusion, net of State building aid.

**8. CONTACTING THE DISTRICT**

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

Dr. Charles Russo  
Superintendent of Schools  
East Moriches Union Free School District  
Administrative Office  
9 Adelaide Avenue  
East Moriches, New York 11940

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION-GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2013**

<b>ASSETS</b>	
Cash	\$ 9,541,101
Receivables	
Accounts receivable	500
Due from other governments	1,830,959
Due from other funds	95,756
Inventories	2,354
Capital assets, net	
Capital assets not being depreciated	571,786
Capital assets being depreciated, net of accumulated depreciation	<u>21,925,177</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 33,967,633</u></b>
<b>LIABILITIES</b>	
Payables	
Accounts payable	\$ 1,442,397
Accrued liabilities	2,249
Retainage payable	13,928
Bond interest payable	378,490
Tax anticipation notes payable	6,000,000
Due to other governments	100
Due to teachers' retirement system	739,868
Due to employees' retirement system	57,707
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	924,091
Due and payable after one year	
Bonds payable, net	19,695,530
Compensated absences payable	658,716
Net OPEB obligation	<u>5,930,199</u>
<b>TOTAL LIABILITIES</b>	<b><u>35,843,275</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred revenues	<u>14,662</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,857,342
Restricted	741,756
Unrestricted (deficit)	<u>(5,489,402)</u>
<b>TOTAL NET POSITION (DEFICIT)</b>	<b><u>\$ (1,890,304)</u></b>

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013**

		<b>Program Revenues</b>		<b>Net (Expense)</b>
	<b>Expenses</b>	<b>Charges for</b>	<b>Operating</b>	<b>Revenue and</b>
		<b>Services</b>	<b>Grants</b>	<b>Changes in</b>
				<b>Net Position</b>
<b>FUNCTIONS / PROGRAMS</b>				
General support	\$ (2,149,333)	\$ -	\$ -	\$ (2,149,333)
Instruction	(21,415,824)	188,049	427,306	(20,800,469)
Pupil transportation	(1,283,686)			(1,283,686)
Debt service - interest	(840,149)			(840,149)
Food Service program	(219,333)	114,998	57,830	(46,505)
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<u>\$ (25,908,325)</u>	<u>\$ 303,047</u>	<u>\$ 485,136</u>	<u>(25,120,142)</u>
 <b>GENERAL REVENUES</b>				
Real property taxes				15,872,118
Other tax items				1,932,298
Use of money & property				60,139
Sale of property and compensation for loss				44,245
Miscellaneous				113,787
State sources				6,013,942
<b>TOTAL GENERAL REVENUES</b>				<u>24,036,529</u>
 <b>CHANGE IN NET POSITION</b>				(1,083,613)
 <b>TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR</b>				<u>(806,691)</u>
 <b>TOTAL NET POSITION (DEFICIT) - END OF YEAR</b>				<u>\$ (1,890,304)</u>

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 9,530,159	\$ 3,564	\$ 7,378	\$ -	\$ 9,541,101
Receivables					500
Accounts receivable	500				
Due from other governments	1,126,877	694,603	9,479		1,830,959
Due from other funds	790,438		1,409	1,263,782	2,055,629
Inventories			2,354		2,354
<b>TOTAL ASSETS</b>	<b>\$ 11,447,974</b>	<b>\$ 698,167</b>	<b>\$ 20,620</b>	<b>\$ 1,263,782</b>	<b>\$ 13,430,543</b>
<b>LIABILITIES</b>					
Payables					
Accounts payable	\$ 1,429,249	\$ 3,485	\$ 9,663	\$ -	\$ 1,442,397
Accrued liabilities	2,249				2,249
Retainage payable				13,928	13,928
Tax anticipation notes payable	6,000,000				6,000,000
Due to other governments			100		100
Due to other funds	1,265,191	694,682			1,959,873
Due to teachers' retirement system	739,868				739,868
Due to employees' retirement system	57,707				57,707
<b>TOTAL LIABILITIES</b>	<b>9,494,264</b>	<b>698,167</b>	<b>9,763</b>	<b>13,928</b>	<b>10,216,122</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue	63,484				63,484
<b>FUND BALANCES</b>					
Nonspendable			2,354		2,354
Restricted	741,756				741,756
Assigned	399,424		8,503	1,249,854	1,657,781
Unassigned	749,046		10,857	1,249,854	749,046
<b>TOTAL FUND BALANCES</b>	<b>1,890,226</b>	<b>-</b>	<b>10,857</b>	<b>1,249,854</b>	<b>3,150,937</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 11,447,974</b>	<b>\$ 698,167</b>	<b>\$ 20,620</b>	<b>\$ 1,263,782</b>	<b>\$ 13,430,543</b>

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

Total Governmental Fund Balances	<u>\$ 3,150,937</u>
----------------------------------	---------------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

The cost of the building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of the capital assets	28,855,636
Accumulated depreciation	<u>(6,358,673)</u>
	<u>22,496,963</u>

Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities

Deferred financing premium	<u>(589,621)</u>
----------------------------	------------------

Deferred Revenue - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual.	<u>48,822</u>
---	---------------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Accrued interest on bonds payable	(378,490)
Bonds payable	(20,030,000)
Compensated absences payable	(658,716)
Net OPEB obligation	<u>(5,930,199)</u>
	<u>(26,997,405)</u>

Total Net Position (Deficit)	<u><u>\$ (1,890,304)</u></u>
------------------------------	------------------------------



**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
Real property taxes	\$15,872,118	\$ -	\$ -	\$ -	\$ 15,872,118
Other tax items	1,932,298				1,932,298
Charges for services	188,049				188,049
Use of money and property	60,074		65		60,139
Sale of property and compensation for loss	44,245				44,245
Miscellaneous	113,787				113,787
State sources	5,965,120	208,689	3,074		6,176,883
Federal sources	6,743	211,874	43,976		262,593
Surplus food			10,780		10,780
Sales			114,998		114,998
<b>TOTAL REVENUES</b>	<u>24,182,434</u>	<u>420,563</u>	<u>172,893</u>	<u>-</u>	<u>24,775,890</u>
<b>EXPENDITURES</b>					
General support	1,650,342				1,650,342
Instruction	16,357,880	402,407			16,760,287
Pupil transportation	1,220,783	62,903			1,283,686
Employee benefits	2,873,672				2,873,672
Debt service - principal	880,000				880,000
Debt service - interest	829,179		211,871		829,179
Cost of sales				287,338	287,338
Capital outlay					
<b>TOTAL EXPENDITURES</b>	<u>23,811,856</u>	<u>465,310</u>	<u>211,871</u>	<u>287,338</u>	<u>24,776,375</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>370,578</u>	<u>(44,747)</u>	<u>(38,978)</u>	<u>(287,338)</u>	<u>(485)</u>
<b>OTHER FINANCING SOURCES AND USES</b>					
Operating transfers in		44,747		1,120,040	1,164,787
Operating transfers (out)	(1,164,787)				(1,164,787)
<b>TOTAL OTHER SOURCES (USES)</b>	<u>(1,164,787)</u>	<u>44,747</u>	<u>-</u>	<u>1,120,040</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(794,209)</u>	<u>-</u>	<u>(38,978)</u>	<u>832,702</u>	<u>(485)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>2,684,435</u>	<u>-</u>	<u>49,835</u>	<u>417,152</u>	<u>3,151,422</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,890,226</u>	<u>\$ -</u>	<u>\$ 10,857</u>	<u>\$ 1,249,854</u>	<u>\$ 3,150,937</u>

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Net Change in Fund Balances \$ (485)

Amounts reported for governmental activities in the Statement of Activities are different because:

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating expenses do not require the use of current financial resources, therefore, are not reported as expenditures in the governmental funds.

Increase in the compensated absence liability	(70,320)
Increase in the net OPEB Obligation	<u>(1,601,419)</u>
	<u>(1,671,739)</u>

Potential revenues that do not meet both the measurable and available criteria for recognition in the current year are reported as deferred revenues in the Governmental Funds, but are recognized as current revenues in the Statement of Activities.

48,822

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays for the period

Capital outlay	312,397
Depreciation expense	<u>(641,638)</u>
	<u>(329,241)</u>

Long-Term Debt Transaction Differences

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

880,000

Amortization of deferred financing premium, net

39,091

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest increased from June 30, 2012 to June 30, 2013.

(50,061)

Change in Net Position of Governmental Activities

\$ (1,083,613)

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2013**

	<u>Agency Funds</u>	<u>Private Purpose Trust Funds</u>
<b>ASSETS</b>		
Cash	\$ 143,288	\$ 1,378
<b>TOTAL ASSETS</b>	<u>\$ 143,288</u>	<u>\$ 1,378</u>
<b>LIABILITIES</b>		
Due to other funds	\$ 95,756	\$ -
Other liabilities	47,532	
<b>TOTAL LIABILITIES</b>	<u>\$ 143,288</u>	<u>\$ -</u>
<b>NET POSITION</b>		
Reserved for scholarships		\$ 1,378
<b>TOTAL LIABILITIES AND NET POSITION</b>		<u>\$ 1,378</u>

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b><u>Private Purpose Trust Fund</u></b>
<b>ADDITIONS</b>	
Gifts and contributions	\$ -
Interest and earnings	1
<b>TOTAL ADDITIONS</b>	<u>1</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	50
<b>TOTAL DEDUCTIONS</b>	<u>50</u>
<b>CHANGE IN NET POSITION</b>	(49)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>1,427</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 1,378</u></u>

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of East Moriches Union Free School District (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies utilized by the District are described as follows:

**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 five 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 financial reporting entity is based on criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District’s reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities which would be included in the District’s reporting entity as a component unit.

**B) Joint Venture**

The District is a component district in the Board of Cooperative Educational Services of Eastern Suffolk, (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs, which provides educational and support activities. 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 under Section §1950(6). In addition, BOCES Boards are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n (a) of the 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 Education Law, Section §1950(4)(b)(7). There is no authority or process

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

by which a school district can terminate its status as a BOCES component. In addition, component districts pay tuition or a service fee for programs in which its students participate.

**C) Basis of Presentation**

**i) District-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities present financial information about the overall financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The Statement of Net Position presents the financial position of the District at fiscal year end. 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. 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, grants, contributions and other revenues that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

**ii) Fund Financial Statements**

The Fund Financial 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 as defined by GASB, each displayed in a separate column. The District financial statements reflect the following major fund categories:

**Governmental Funds:**

**General Fund** - is the general operating fund and is used to account for all financial transaction except those required to be accounted for in another fund.

**Special Aid Fund** - is used to account for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

**School Lunch Fund** - is used to account for the activities of the school lunch operations.

**Capital Project Funds** - is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

**Fiduciary Funds** - are used to account for activities 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:

**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 and for payroll or employee withholding.

**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.

**D) Basis of Accounting and Measurement Focus**

The district-wide and fiduciary fund financial statements are reported on the accrual basis of accounting using the economic resources measurement focus. 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 real property taxes, grants and donations. On an accrual basis, revenue from real 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 and the related expenditures are incurred.

The fund financial statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. 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 180 days 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, compensated absences and other postemployment benefits 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.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**E) Real Property Taxes**

Calendar

Real property taxes are levied annually by the Board of Education no later than November 1<sup>st</sup> and become a lien on December 1<sup>st</sup>. Taxes are collected by the Town of Brookhaven and remitted to the District from December to June.

Enforcement

Uncollected real property taxes are subsequently enforced by Suffolk County in June.

**F) Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net resources 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 to Financial Statements.

**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 transfers in and transfers out to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

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

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are 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.

A detailed disclosure by individual fund for interfund receivables, payables, transfers in and transfers out activity is provided subsequently in these Notes to Financial Statements.

**H) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make



**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, other postemployment benefits, potential contingent liabilities and useful lives of long-lived assets.

**I) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

**J) Receivables**

Receivables are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectibles has been provided since it is believed that such allowance would not be material.

**K) Inventories**

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 donated by the U. S. Department of Agriculture, at the Government's assigned value, which approximates market. These inventories are accounted for on the consumption method.

Purchases of inventorable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

A portion of fund balance has been classified as nonspendable to indicate that inventories do not constitute available spendable resources.

**L) Capital Assets**

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at estimated fair market value at the date of donation.

All capital assets, except land and construction in progress, are depreciated on a straight line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the district-wide statements are as follows:

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 15,000	30 - 50 years
Furniture and equipment	500	5-20 years
Vehicles	500	5-20 years

**M) Deferred Revenues**

Deferred revenues are reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. In subsequent periods, when the availability criterion is met, deferred revenues are reclassified as revenues. In the District-wide financial statements, deferred revenues are generally treated as revenues.

**N) 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 collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. Certain collectively bargained agreements require these termination payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources.

**O) Other Benefits**

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are 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 benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District accounts for these postemployment benefits in accordance with GASB Statement No. 45 (GASB 45) *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (OPEB). The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the general fund, in the year paid. In the district-wide statements, post employment costs are measured and disclosed using the accrual basis of accounting.

**P) Short-Term Debt**

The District may issue 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 TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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 BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

**Q) Accrued Liabilities and Long-Term Obligations**

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent they have matured. 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 and payable within one year or due and payable after one year in the Statement of Net Position.

**R) Equity Classifications**

**District-Wide Financial Statements**

In the district-wide financial statements, the District is permitted to use three classes of net position:

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

Net investment in capital assets 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 - reports net position when constraints placed on the assets or deferred inflows of resources 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 – reports all other amounts that do not meet the definition of the above classifications and are deemed to be available for general use by the District.

**Fund Financial Statements**

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used as follows:

- 1) **Non-Spendable Fund Balance** - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund of \$2,354.
- 2) **Restricted Fund Balance** - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Currently, New York State laws still use the terminology “reserves” and Districts are allowed to use reserves authorized by law. The District has classified the following reserves as restricted:

**General Fund**

Workers' Compensation	\$ 86,501
Unemployment insurance	94,432
Retirement contribution	325,970
Employee Benefit Accrued Liability	234,853
	<u>\$ 741,756</u>

**Workers' Compensation Reserve**

According to General Municipal Law §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-

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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.

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

According to General Municipal Law §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.

Employee Benefit Accrued Liability Reserve

According to General Municipal Law §6-p, is used to reserve funds for the payment of accrued employee benefits due to 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.

Restricted Fund Balance – Appropriated Reserves

The District expects to appropriate \$230,410 from the retirement contribution reserve, which is reported in the June 30, 2013 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2014.

- 3) **Committed Fund Balance** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school district's highest level of decision making authority, (i.e., the Board of Education). The District has no committed fund balances as of June 30, 2013.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

- 4) **Assigned Fund Balance**- Includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District management through Board policies.

The District has established a fund balance policy that allows the Board of Education or its designated official to set forth the fund balance that is assigned.

This classification also includes the remaining positive fund balance for all governmental funds except for the general fund. The District has classified the following as assigned:

<u>Assigned for:</u>	<u>General</u>	<u>School Lunch</u>	<u>Capital</u>	<u>Total</u>
Designated for subsequent				
year's expenditures	\$ 225,000	\$ -	\$ -	\$ 225,000
General support	170,918			170,918
Instruction	3,506			3,506
School lunch		8,503		8,503
Capital			1,249,854	1,249,854
Total	<u>\$ 399,424</u>	<u>\$ 8,503</u>	<u>\$ 1,249,854</u>	<u>\$ 1,657,781</u>

**Designated for Subsequent Year's Expenditures**

The amount of \$225,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2014.

**Encumbrances**

Encumbrances have been assigned based upon the District's intent to be used for a specific purpose such as general support, instruction and capital projects. See Note 3 for further detail regarding accountability and Note 15 for further detail regarding significant encumbrances.

5) **Unassigned Fund Balance**

Unassigned – represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in the assigned fund balance are also excluded from the 4% limitation.

Order of Use of Fund Balance:

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the Board will assess the current financial condition of the District and then determine the order of application of expenditures to which the fund balance classification will be charged.

**S) Changes in Accounting Principles**

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2013, the District implemented the following new standards issued by GASB:

**GASB Statement No. 63**

GASB released GASB Statement No. 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was implemented by the District during the year ended June 30, 2013. GASB 63 requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. Deferred outflows and inflows relate to service concession agreements and certain derivative transactions. In addition, it amends certain provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and related pronouncements to report the difference between assets plus deferred outflow and liabilities plus deferred inflows as net position rather than net assets.

**GASB Statement No. 65**

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

**NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

The differences result primarily from the economic resource measurement focus of the district wide statements, compared with the current financial resource measurement focus of the governmental funds.

**(A) Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities**

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

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of the three broad categories.

**(i) Long-Term Revenue and 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.

**(ii) Capital Related Differences**

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund statements and the gain or loss on the sale of assets reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

**(iii) Long-Term Debt Transaction Differences**

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In additions, both interest and principal payments are recorded as expenditures in the 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 Position.



**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets**

The District administration prepares a proposed budget for approval by the Board of Education for the general fund, the only fund with a legally adopted budget.

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 authorized for the year are increased by the amount of encumbrances carried forward from the prior year. 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 can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. 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:

	Fiscal Year 2013
<u>Budget Revisions:</u>	
Repair for Middle School parking lot	\$ 93,369
Insurance funds - Hurricane Sandy	40,942
Middle School renovations	143,000
Capital projects approved by the voters	977,040
	<u>\$ 1,254,351</u>

Budgets are adopted annually on a basis consistent with GAAP.

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

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**Encumbrances**

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as assigned, unappropriated fund balance, unless classified as restricted or committed 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.

**Over Expenditures of Certain Appropriations**

Certain general fund appropriations were over expended in the general support, instruction and other financing uses categories. The general fund budget in total was not over expended.

**NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. 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 New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

None of the District's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year-end.

The District did not have any investments at year-end or during the year. Consequently, the District was not exposed to any material interest rate risk or foreign currency risk.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 5 – PARTICIPATION IN BOCES**

During the year ended June 30, 2013, the District was billed \$1,396,326 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$145,452. Financial statements for the BOCES are available from the BOCES administrative office at 201 Sunrise Highway, Patchogue, New York 11772.

**NOTE 6 – DUE FROM OTHER GOVERNMENTS**

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

General Fund

New York State Aid - General Aid	\$ 45,840
New York State Aid - Excess Cost Aid	287,678
New York State Aid - Tuition Chapter 47	629,162
BOCES Aid	65,454
Homeless	48,822
Tuition - Charges for Services	49,921
	<u>1,126,877</u>

Special Aid Fund

Federal and State Grants	694,603
--------------------------	---------

School Lunch Fund

Federal and State Food Service	
Program Reimbursements	<u>9,479</u>
	<u><u>\$ 1,830,959</u></u>

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 7 - CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2013 were as follows:

	Balance June 30, 2012	Additions	Reductions/ Reclassifications	Balance June 30, 2013
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 265,000	\$ -	\$ -	\$ 265,000
Construction in Progress	19,448	287,338	-	306,786
Total capital assets not being depreciated	284,448	287,338	-	571,786
Capital assets that are depreciated:				
Building and Improvements	27,395,504	-	-	27,395,504
Furniture and equipment	845,287	25,059	-	870,346
Vehicles	18,000	-	-	18,000
Total capital assets being depreciated	28,258,791	25,059	-	28,283,850
Less accumulated depreciation for:				
Building and Improvements	5,169,398	579,197	-	5,748,595
Furniture and equipment	529,637	62,441	-	592,078
Vehicles	18,000	-	-	18,000
Total accumulated depreciation	5,717,035	641,638	-	6,358,673
Capital assets, net	\$ 22,826,204	\$ (329,241)	\$ -	\$ 22,496,963

Depreciation expense was charged to governmental functions as follows:

General support	\$ 7,530
Instruction	621,194
School lunch program	12,914
	<u>\$ 641,638</u>

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 8 – INTERFUND TRANSACTIONS**

	Interfund		Interfund	
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 790,438	\$ 1,265,191	\$ -	\$ 1,164,787
Special Aid Fund		694,682	44,747	
School Lunch Fund	1,409			
Capital Projects Fund	1,263,782		1,120,040	
Total government activities	2,055,629	1,959,873	1,164,787	1,164,787
Fiduciary Agency Funds		95,756		
Totals	<u>\$ 2,055,629</u>	<u>\$ 2,055,629</u>	<u>\$ 1,164,787</u>	<u>\$ 1,164,787</u>

The District typically transfers from the general fund to the special aid fund for the District's share of the costs for the summer handicapped program.

The District also transferred \$1,120,040 from the general fund to the capital fund to fund the cupola, masonry projects and the middle school renovations.

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.

**NOTE 9 - SHORT-TERM DEBT**

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

	Maturity	Interest Rate (Effective)	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	6/20/2013	1.50%	\$ 6,000,000	\$ -	\$ 6,000,000	\$ -
TAN	6/19/2014	0.47%	-	3,000,000	-	3,000,000
TAN	6/19/2014	1.00%	-	3,000,000	-	3,000,000
Total			<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>

The District received \$14,310 in premiums on the TAN. This amount is deferred in both the fund financial statements as well as the district-wide financial statements.

Interest expense on short-term debt for the year ended June 30, 2013 was \$39,480.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 10 – LONG-TERM DEBT OBLIGATIONS**

The following tables summarize the balances and activity, excluding other postemployment benefits, in long-term liabilities for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Long-term liabilities:					
Bonds payable	\$ 20,910,000	\$ -	\$ 880,000	\$ 20,030,000	\$ 885,000
Deferred financing premium	628,712	-	39,091	589,621	39,091
Bonds payable, net	21,538,712	-	919,091	20,619,621	924,091
Other long-term liabilities:					
Compensated absences	588,396	70,320	-	658,716	-
	<u>\$ 22,127,108</u>	<u>\$ 70,320</u>	<u>\$ 919,091</u>	<u>\$ 21,278,337</u>	<u>\$ 924,091</u>

The General Fund has typically been used to liquidate long-term liabilities.

Bonds payable are comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Serial bonds - construction	7/2/2003	6/30/2034	4.0-5.0%	\$ 5,490,000
Serial bonds - deficit	6/15/2007	6/30/2017	3.75-4.375%	980,000
Serial bonds - EXCEL	7/1/2011	7/1/2026	4.0-4.75%	485,000
Serial bonds - advance refunding	1/10/2012	6/30/2029	2.0-5.0%	13,075,000
				<u>\$ 20,030,000</u>

The following is a summary of debt service requirements:

Fiscal Year Ended June 30,	Principal	Interest	Total
2014	\$ 885,000	\$ 786,268	\$ 1,671,268
2015	910,000	755,955	1,665,955
2016	940,000	727,981	1,667,981
2017	960,000	699,136	1,659,136
2018	720,000	666,124	1,386,124
2019-2023	4,005,000	2,959,880	6,964,880
2024-2028	5,020,000	1,973,473	6,993,473
2029-2033	6,190,000	785,289	6,975,289
2034	400,000	9,000	409,000
	<u>\$ 20,030,000</u>	<u>\$ 9,363,106</u>	<u>\$ 29,393,106</u>

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

In prior years, the District defeased certain general obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The outstanding principal balance of the defeased bonds is \$19,255,000 at June 30, 2013.

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

	<u>Total</u>
Interest paid	\$789,699
Less interest accrued in the prior year	(328,429)
Plus interest accrued in the current year	378,490
Less deferred amounts on financing	<u>(39,091)</u>
Total expense	<u><u>\$800,669</u></u>

**NOTE 11 – PENSION PLANS**

**General Information:**

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

**Provisions and Administration:**

**Teachers' Retirement System**

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. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

**Employees' Retirement System**

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, Office of the State Comptroller, 110 State Street, Albany, New York 12244.

**EAST MORICHES UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**Funding Policies:**

The Systems are noncontributory, except for employees who joined the Systems after July 27, 1976 and before January 1, 2010, who contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined on or after January 1, 2010 and before April 1, 2012, employees in NYSERS contribute 3% of their salary throughout their active membership and those in NYSTRS contribute 3.5% throughout their active membership. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career. For NYSTRS, employers are required to contribute at an actuarially determined rate, currently 11.84% of the annual covered payroll for the fiscal year ended June 30, 2013. Rates applicable to the fiscal years ended June 30, 2012 and 2011 were respectively, 11.11% and 8.62%. During the fiscal year ended June 30, 2013 (Final Billing Date November 1, 2012), the required contributions paid to the system were \$686,858. This represents 100% of the contributions due. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2012 - 2013	\$ 179,362	\$ 686,858
2011 - 2012	145,906	611,703
2010 - 2011	120,342	483,416

**Tax Sheltered Annuities**

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contribution made by the District and the employees for the year ended June 30, 2013 totaled \$0 and \$312,244, respectively.

**Deferred Compensation Plan**

The District has established a deferred compensation plan in accordance with the Internal Revenue Code §457 for all employees. The District makes no contributions into this plan. The amount deferred by eligible employees for the year ended June 30, 2013 totaled \$26,774.



**EAST MORICHES UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS**

**Plan Description**

The District provides primarily postemployment health insurance coverage (the Healthcare Plan) to retired employees and their spouses in accordance with the provisions of various employment contracts. The Healthcare Plan is a single-employer defined benefit healthcare plan. Benefits are provided through the New York State Health Insurance Program Empire Plan. The Plan does not issue a stand-alone financial report.

**Funding Policy**

The District assumes a portion of the premium costs and recognizes the cost of the healthcare plan annually as an expenditure in the general fund of the fund financial statements as payments are made. For the year ended June 30, 2013, the District recognized a general fund expenditure of \$512,554 for insurance premiums for 53 currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the “pay as you go” method.

**Annual OPEB Cost and Net OPEB Obligation**

The District’s annual other postemployment benefit (OPEB) cost (expense) 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 amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District net OPEB obligation to the plan:

	For the Year Ended June 30, 2013
<b>Annual OPEB Cost and Net OPEB Obligation</b>	<b>June 30, 2013</b>
Annual required contribution	\$ 2,200,538
Interest on net OPEB obligation	156,405
Adjustment to Annual Required Contribution	(242,970)
Annual OPEB cost (expense)	2,113,973
Contributions made	(512,554)
Increase in net OPEB obligation	1,601,419
Net OPEB obligation-beginning of year	4,328,780
Net OPEB obligation-end of year	<u>\$ 5,930,199</u>

The District’s annual OPEB cost, OPEB contributions, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2013, 2012 and 2011 were as follows:

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>OPEB Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/11	\$ 1,393,795	\$ 394,874	28%	\$ 2,870,950
6/30/12	2,029,122	571,292	28%	4,328,780
6/30/13	2,113,973	512,554	24%	5,930,199

**Funded Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$21,084,560 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$21,084,560. The covered payroll (annual payroll of active employees covered by the plan) was \$6,480,586, and the ratio of the UAAL to the covered payroll was 325.35%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions**

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

In the July 1, 2012 actuarial valuation prepared by an outside actuarial firm, the projected unit credit actuarial cost method was used to value the actuarial accrued liability and normal cost. The actuarial assumptions included a 3.5% investment rate of return and the healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after years 2014-15. The UAAL is being amortized using the level dollar amortization method over a period of 30 years. The remaining amortization period at July 1, 2012 was 24 years.

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 13 – RISK MANAGEMENT**

**General Information**

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 combination of self-insurance reserves, public entity risk pool, and commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded available reserves and commercial insurance coverage for the past three years.

**Public Entity Risk Pool – Risk Sharing**

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its 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.

In addition, the District participates in the New York State Public Schools Workers' Compensation Trust, a risk sharing pool, to insure workers' compensation claims. This is a public entity risk pool created under Article 5 of the workers' compensation law, to finance liability and risks related to Workers' compensation claims.

The Plan's total liability, discounted at 3%, at June 30, 2013 was \$17,236,149. The District's share of this liability is \$2,967. During the year ended June 30, 2013, the District's contribution to the plan was \$61,805.

Financial statements for the year ended June 30, 2013 can be obtained from the District's administrative office.

**NOTE 14 – LITIGATION**

The District is involved in lawsuits arising from the normal conduct of its affairs. Management believes that the outcome of any matters will not have a material effect on these financial statements.

**NOTE 15 – COMMITMENTS AND CONTINGENCIES**

**Grants**

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

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$58,919. The minimum remaining operating lease payments are as follows:

Fiscal Year Ending June 30,	
2014	\$ 58,919
2015	58,919
	<u>\$ 117,838</u>

Encumbrances:

Significant encumbrances included in governmental fund balances have been classified as assigned fund balance and are as follows:

- i) **General Fund** - Total encumbrances of the general fund as of June 30, 2013 were \$174,424. Significant encumbrances of \$144,302 were assigned to supplies and \$30,122 was assigned to contractual.
- ii) **Special Aid Fund** - Total encumbrances of the special aid fund as of June 30, 2013 were \$1,191. Significant encumbrances of \$1,191 were assigned to travel.
- iii) **Capital Projects Fund** - Total encumbrances of the capital projects fund as of June 30, 2013 were \$182,779. Significant encumbrances of \$182,779 were assigned to general construction.

EAST MORICHES UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance with Actual</u>
<b>REVENUES</b>				
Local Sources				
Real Property Taxes	\$ 15,997,997	\$ 15,872,072	\$ 15,872,118	\$ 46
Other Tax Items	1,805,439	1,931,364	1,932,298	934
Charges for Services	70,000	70,000	188,049	118,049
Use of Money & Property	90,000	90,000	60,074	(29,926)
Sale of property and compensation for loss		40,942	44,245	3,303
Miscellaneous	29,500	29,500	113,787	84,287
State Sources	6,014,553	6,014,553	5,965,120	(49,433)
Federal Sources	-	-	6,743	6,743
	<u>\$ 24,007,489</u>	<u>\$ 24,048,431</u>	<u>\$ 24,182,434</u>	<u>\$ 134,003</u>

**Note to Required Supplementary Information**

Budget Basis of Accounting

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

Final Budget

EAST MORICHES UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL - GENERAL FUND (continued)  
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Year-End Encumbrances	Variance with Actual and Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of Education	\$ 21,103	\$ 21,103	\$ 19,182	\$ -	\$ 1,921
Central Administration	274,965	279,873	269,799	3,236	6,838
Finance	261,009	262,843	241,543	30,123	(8,823)
Staff	30,000	36,000	16,475	-	19,525
Central Services	1,099,287	1,233,599	906,978	137,559	189,062
Special Items	196,515	196,515	196,365	-	150
Total General Support	1,882,879	2,029,933	1,650,342	170,918	208,673
Instruction					
Instruction, Adm. & Imp.	224,626	234,956	244,147	-	(9,191)
Teaching - Regular School	10,586,073	10,521,902	10,594,684	551	(73,333)
Programs for Children with					
Handicapping Conditions	4,967,182	4,920,393	4,621,146	-	299,247
Occupational Education	121,100	205,870	201,205	-	4,665
Instructional Media	353,957	353,957	324,136	2,955	26,866
Pupil Services	379,350	387,468	372,562	-	14,906
Total Instruction	16,632,288	16,624,546	16,357,880	3,506	263,160
Pupil Transportation	1,381,046	1,381,046	1,220,783	-	160,263
Employee Benefits	2,896,707	2,896,707	2,873,672	-	23,035
Debt Service					
Debt Service Principal	880,000	880,000	880,000	-	-
Debt Service Interest	899,700	894,699	829,179	-	65,520
Total Debt Service	1,779,700	1,774,699	1,709,179	-	65,520
<b>TOTAL EXPENDITURES</b>	<b>24,572,620</b>	<b>24,706,931</b>	<b>23,811,856</b>	<b>174,424</b>	<b>720,651</b>
Other Financing Uses					
Transfers to Other Funds	39,500	1,159,540	1,164,787	-	(5,247)
	\$ 24,612,120	\$ 25,866,471	24,976,643	\$ 174,424	\$ 715,404
Net changes in fund balance	(604,631)	(1,818,040)	(794,209)		
Fund balance - beginning	604,631	1,818,040	2,684,435		
Fund balance - ending	\$ -	\$ -	\$ 1,890,226		

Note to Required Supplementary Information

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

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
JUNE 30, 2013**

Valuation Date	Actuarial Value of Assets	Accrual Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
July 1, 2010	\$ -	\$ 13,881,207	\$ 13,881,207	N/A	\$ 6,632,170	209.30%
July 1, 2011	-	19,881,133	19,881,133	N/A	6,171,987	322.12%
July 1, 2012	-	21,084,560	21,084,560	N/A	6,480,586	325.35%

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET  
AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 24,570,068
Add: Prior year's encumbrances	42,052
Original Budget	<u>\$ 24,612,120</u>
Budget Revision:	<u>1,254,351</u>
Final Budget	<u><u>\$ 25,866,471</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2013-14 voter-approved expenditure budget	<u>\$ 25,474,921</u>
Maximum allowed (4% of 2013-14 budget)	<u>\$ 1,018,997</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:	
Unrestricted fund balance:	
Assigned fund balance	399,424
Unassigned fund balance	749,046
Total unrestricted fund balance	<u>1,148,470</u>
Less:	
Appropriated fund balance	225,000
Encumbrances included in assigned fund balance	174,424
Total adjustments	<u>399,424</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 749,046</u></u>
Actual percentage of 2013-14 budget	<u><u>2.94%</u></u>

\* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.



EAST MORICHES UNION FREE SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2013

Project Title	Project #	Budget		Expenditures		Unexpended Balance	Methods of Financing			Fund Balance June 30, 2013
		June 30, 2012	June 30, 2013	Prior Years	Current Year	Total	State Aid	Local Sources	Total	
Cupola Project	0001-016	\$ 143,000	\$ 143,000	\$ -	\$ 136,162	\$ 136,162		\$ 143,000	\$ 143,000	\$ 6,838
Masonry Reconstruction	0001-017	293,600	436,600	19,448	151,176	170,624		436,600	436,600	265,976
Middle School Renovation	0001-018	-	977,040	-	-	-		977,040	977,040	977,040
<b>TOTAL</b>		<b>\$ 436,600</b>	<b>\$ 1,556,640</b>	<b>\$ 19,448</b>	<b>\$ 287,338</b>	<b>\$ 306,786</b>	<b>\$ -</b>	<b>\$ 1,556,640</b>	<b>\$ 1,556,640</b>	<b>\$ 1,249,854</b>

**EAST MORICHES UNION FREE SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
NET INVESTMENT IN CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>Capital assets, net</b>		<b>\$ 22,496,963</b>
<b>Deduct:</b>		
Short-term portion of construction bonds payable, net	\$ (694,091)	
Long-term portion of construction bonds payable, net	<u>(18,945,530)</u>	
		<u>(19,639,621)</u>
<b>Net investment in capital assets</b>		<b><u><u>\$ 2,857,342</u></u></b>

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

To the Board of Education  
East Moriches Union Free School District  
East Moriches, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the East Moriches Union Free School District (District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 27, 2013.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the East Moriches Union Free School District in a separate letter dated September 27, 2013.

## **Purpose of this Report**

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

*Cullen & Danowski, LLP*

September 27, 2013

