

**SEAFORD UNION FREE SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014**

# SEAFORD UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Seaford Union Free School District

**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of Seaford Union Free School District, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of Seaford Union Free School District, as of June 30, 2014, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

ISLANDIA: 3033 EXPRESS DRIVE NORTH, SUITE 100 • ISLANDIA, NY 11749  
WHITE PLAINS: 50 MAIN STREET, SUITE 1000 • WHITE PLAINS, NY 10606  
PHONE: (631) 234-4444 • FAX: (631) 234-4234

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www.rsabrams.com

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 1 through 15 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 Boards, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Seaford Union Free School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2014 on our consideration of Seaford 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 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 Seaford Union Free School District's internal control over financial reporting and compliance.

*R. S. Abrams & Co., LLP*

R.S. Abrams & Co., LLP  
Islandia, NY  
September 30, 2014

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The following is a discussion and analysis of the Seaford Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2014. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

**1. FINANCIAL HIGHLIGHTS**

- The District closed the fiscal year ending June 30, 2014 with an unassigned fund balance in its general fund of \$2,505,517.
- On the District-Wide Financial Statements, revenues increased by 3.30% as a result of increased property taxes and other tax items and state sources.
- On the District-Wide Financial Statements, expenditures increased approximately 1.37% as a result of an increase in expense for instruction and general support.
- The District adopted a budget in the amount of \$62,637,930 for the fiscal ending June 30, 2015.
- On December 12, 2012 the residents of the Seaford School District approved the sale of the Seaford Avenue Building and property to BK at Seaford, LLC (a subsidiary of The Engel-Burman Group). During the year ended June 30, 2104, the Town of Hempstead approved, 6-0, the developer's request to change the zoning from residential to senior citizen housing. The Seasons of Seaford, a 112 unit, 62 and older condominium complex is proposed for the site. The gross sale of the property is \$5,193,500. The gross amount will be reduced by real estate agent commissions, attorney's fees and other adjustments based of the final number of units to be built. In no case will the gross selling price be less than the \$4,950,000 minimum specified in the contract of sale. The sale will save the District about \$100,000 in yearly maintenance and add more than \$975,000 to the tax rolls, which is expected to help offset school levies.

**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 optional supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

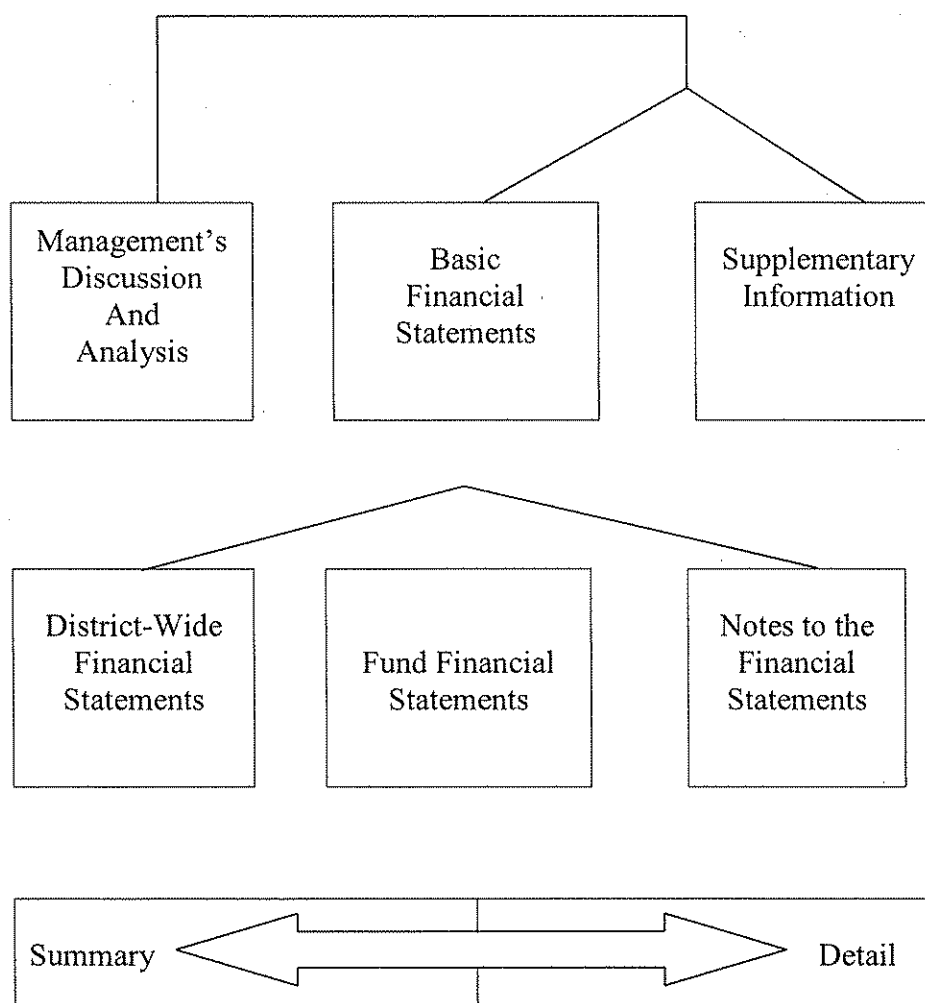
- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Financial Statements.

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

- 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 Financial 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.

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 related to one another.

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



**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

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 measurement 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

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases and decreases in net assets is 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) are 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 investment in capital assets*;
  - *Restricted net positions* 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.



**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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, additional information at the bottom of the Governmental Fund Financial Statements explains 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, debt service 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. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

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

**A) Net Position:**

The District's total net position decreased by \$2,499,717 in the fiscal year ended June 30, 2014, as detailed in Table A-3.

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Table A-3: Condensed Statement of Net Position

	Fiscal Year 2014	Fiscal Year 2013	Increase/ (Decrease)	Total Percentage Change
Current assets and other assets	\$11,880,809	\$10,201,436	\$1,679,373	16.46%
Capital assets, net	27,954,186	28,020,230	(66,044)	-0.24%
Total Assets	<u>\$39,834,995</u>	<u>\$38,221,666</u>	<u>\$1,613,329</u>	<u>4.22%</u>
Other liabilities	\$10,317,512	\$9,012,212	\$1,305,300	14.48%
Long-term liabilities	48,376,012	45,568,266	2,807,746	6.16%
Total Liabilities	<u>58,693,524</u>	<u>54,580,478</u>	<u>4,113,046</u>	<u>7.54%</u>
Net Position				
Net investment in capital assets	6,564,341	5,710,576	853,765	14.95%
Restricted	2,080,532	1,842,749	237,783	12.90%
Unrestricted (deficit)	(27,503,402)	(23,912,137)	(3,591,265)	15.02%
Total Net Position (deficit)	<u>(18,858,529)</u>	<u>(16,358,812)</u>	<u>(2,499,717)</u>	<u>15.28%</u>
Total Net Position and Liabilities	<u>\$39,834,995</u>	<u>\$38,221,666</u>	<u>\$1,613,329</u>	<u>4.22%</u>

Current assets and other assets increased by \$1,679,373 or 16.46% primarily due to an increase in cash, state and federal aid receivable, and taxes receivable. This increase was offset by a decrease in amounts due from other governments and a decrease in prepaid expenditures. Other liabilities increased by \$1,305,300 or 14.48%. This was primarily attributable to an increase in accounts payable and an increase in the amount due to the teachers' retirement system. Long term liabilities increased by \$2,807,746 or 6.16% primarily due to the increase in the net other postemployment benefits offset by a decrease in bonds payable.

The net investment in capital assets, relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt.

The restricted net position in the amount of \$2,080,532 consists of the District's reserves: employee benefit accrued liability, retirement contribution, workers' compensation, and repair as well as the net position of the debt service fund. This amount increased \$237,783 or 12.90% from the prior year.

The unrestricted deficit in the amount of \$27,503,402 relates to the balance of the District's net position. This number does not include the District's reserves, which are classified as restricted net position. Additionally, in accordance with state guidelines, the District is only permitted to fund other postemployment benefits (OPEB) on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligations. This deficit increased by \$3,591,265.

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Overall, net position decreased by \$2,499,717.

**B) Changes in Net Position:**

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2014 and 2013 is as follows:

Table A-4: Change in Net Position from Operating Results  
Governmental Activities Only

	Fiscal Year 2014	Fiscal Year 2013	Increase (Decrease)	Total Percentage Change
Revenues				
Program Revenues				
Charges for services	\$2,058,182	\$1,856,763	\$201,419	10.85%
Operating grants	990,426	1,183,022	(192,596)	-16.28%
General Revenues				
Property taxes & other tax items	47,552,372	45,932,399	1,619,973	3.53%
State sources	10,374,325	9,572,932	801,393	8.37%
Use of money & property	69,435	89,431	(19,996)	-22.36%
Other	189,629	643,991	(454,362)	-70.55%
Total Revenues	<u>\$61,234,369</u>	<u>\$59,278,538</u>	<u>\$1,955,831</u>	<u>3.30%</u>
Expenses				
General support	\$6,653,894	\$6,376,489	\$277,405	4.35%
Instruction	53,028,046	52,327,705	700,341	1.34%
Pupil transportation	2,748,972	2,804,899	(55,927)	-1.99%
Community service	25,427	23,904	1,523	6.37%
Debt service - interest	725,084	776,819	(51,735)	-6.66%
Food service program	552,663	562,960	(10,297)	-1.83%
Total Expenses	<u>63,734,086</u>	<u>62,872,776</u>	<u>861,310</u>	<u>1.37%</u>
Increase (Decrease) in Net Position	<u>(\$2,499,717)</u>	<u>(\$3,594,238)</u>	<u>\$1,094,521</u>	<u>30.45%</u>

The District's fiscal year 2014 revenues totaled \$61,234,369. (See Table A-4). Property taxes and other items and state sources accounted for most of the District's revenue by contributing 77.66% and 16.94%, respectively of total revenue. (See Table A-5). The remainder came from fees charged for services, operating grants, use of money and property, and other miscellaneous sources.

The total cost of all programs and services totaled \$63,734,086 for fiscal year 2014. These expenses are primarily related to instruction (including pupil services) and general support, which account for 97.95% of District expenses. (See Table A-6).

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Table A-5: Revenues for Fiscal Year 2014 (See Table A-4)

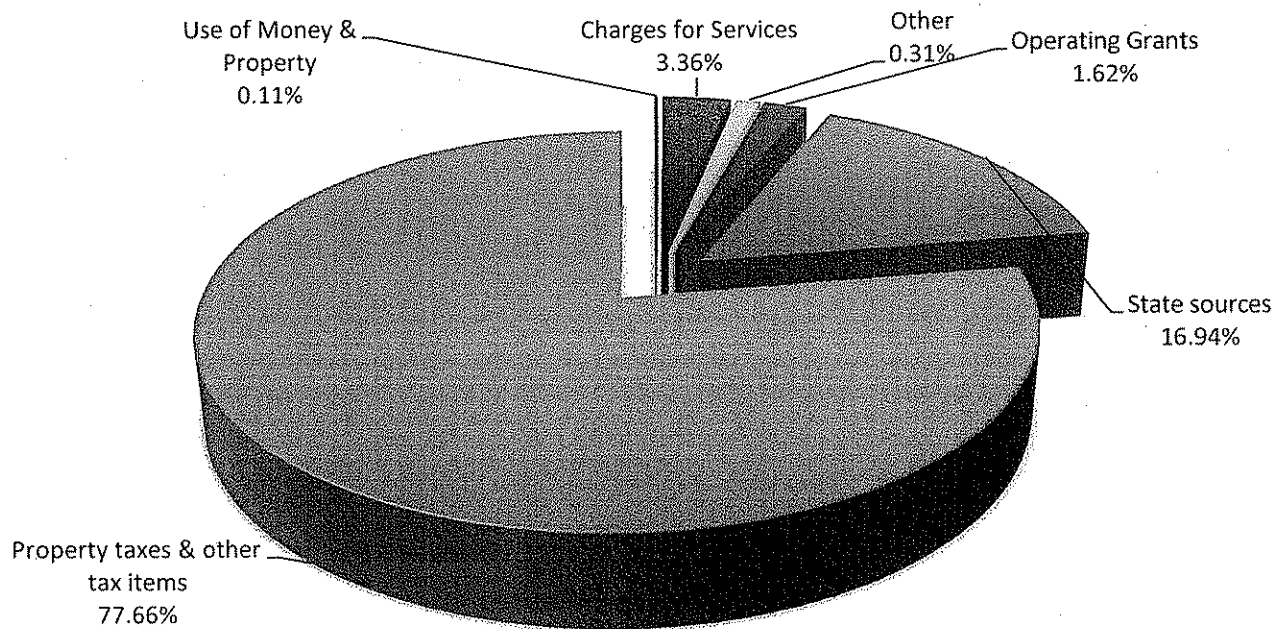
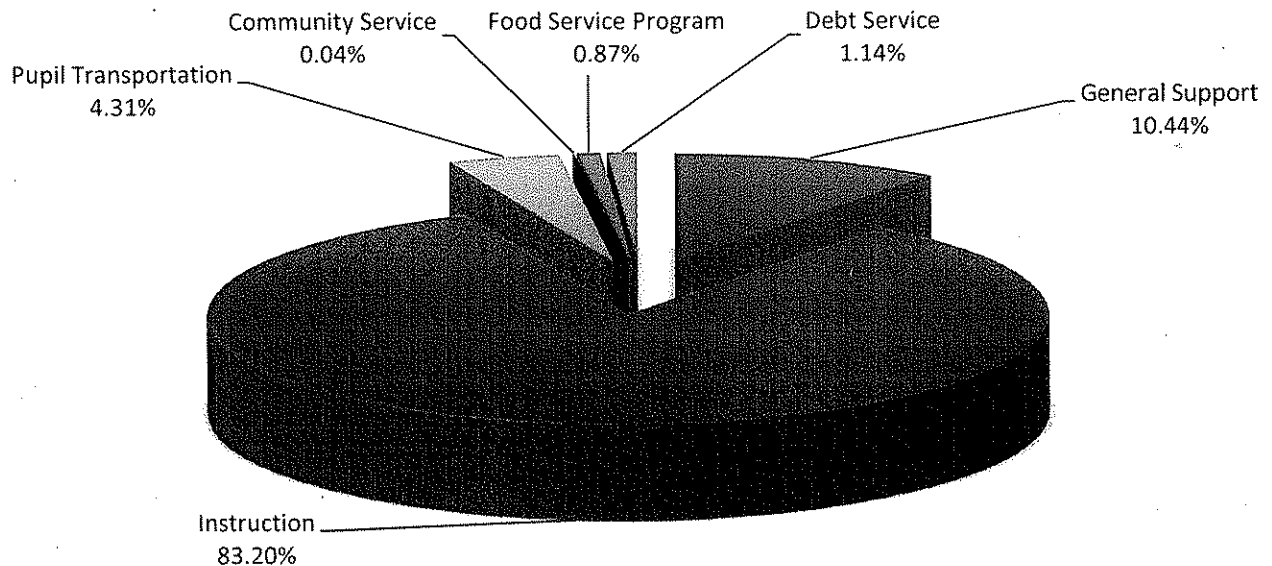


Table A-6: Expenses for Fiscal Year 2014 (See Tables A-4 and A-7)



**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**C) Governmental Activities:**

Revenues for the District's combined governmental activities totaled \$61,234,369 while combined total expenses equaled \$63,734,086, resulting in a decrease in net position of \$2,499,717 for 2014. Although expenses exceeded revenues, the overall good financial condition of the District, as a whole, can be credited to:

- Continued leadership of the District's Board and administration;
- Improved curriculum and community support
- Cost effective purchasing procedures;
- Participation in various consortiums;
- Proactive investment practices; and
- Strategic use of services from the Nassau BOCES

Table A-7 presents the cost of the major District activities: general support, instruction, 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 placed on 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 2014	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2013
General support	\$6,653,894	\$6,376,489	\$6,653,894	\$6,376,489
Instruction	53,028,046	52,327,705	50,700,525	50,009,817
Pupil transportation	2,748,972	2,804,899	2,668,045	2,712,761
Community service	25,427	23,904	25,427	23,904
Debt service - interest	725,084	776,819	725,084	776,819
School lunch program	552,663	562,960	(87,497)	(66,799)
Total	<u>\$63,734,086</u>	<u>\$62,872,776</u>	<u>\$60,685,478</u>	<u>\$59,832,991</u>

- The cost of all governmental activities this year was \$63,734,086. (Statement of Activities, Expenses column-see Exhibit 3).
- The users of the District's programs financed \$2,058,182 of the cost. (Statement of Activities, Charges for Services column-see Exhibit 3).

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

- The federal and state governments subsidized certain programs with grants of \$990,426. (Statement of Activities, Operating Grants column – see Exhibit 3).
- Most of the District's net costs of \$60,685,478 were financed by District taxpayers and state and federal aid. (Statements of Activities, Net (Expense) Revenue and Changes in Net Position column-see Exhibit 3)

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

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

As of June 30, 2014, the District's combined governmental funds reported a total fund balance of \$1,945,015 which is an increase of \$355,153 over the prior year. This increase is primarily due to an increase in fund balance in the general fund due to operations.

A summary of the change in fund balance for all funds is as follows:

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Fiscal Year 2014	Fiscal Year 2013	Increase (Decrease)	Total Percentage Change
<b>General Fund</b>				
Nonspendable - prepaid expenditures		\$544,890	(\$544,890)	N/A
Restricted for employee benefit accrued liability	\$1,363,417	1,248,502	114,915	9.20%
Restricted for retirement contribution	300,000	262,239	37,761	14.40%
Restricted for workers' compensation	250,000	155,308	94,692	60.97%
Restricted for repairs	855	855	-	0.00%
Assigned - designated for subsequent year's expenditures	711,728	611,728	100,000	16.35%
Assigned - general support	50,607	47,425	3,182	6.71%
Assigned - instruction	37,217	25,041	12,176	48.62%
Unassigned	2,505,517	1,577,712	927,805	58.81%
Total Fund Balance- General Fund	<u>\$5,219,341</u>	<u>\$4,473,700</u>	<u>\$745,641</u>	<u>16.67%</u>
<b>School Lunch Fund</b>				
Nonspendable - inventory	\$6,804	\$5,419	\$1,385	25.56%
Assigned	156,690	92,945	63,745	68.58%
Total Fund Balance- School Lunch Fund	<u>\$163,494</u>	<u>\$98,364</u>	<u>\$65,130</u>	<u>66.21%</u>
<b>Capital Projects Fund</b>				
Restricted - Unspent energy performance proceeds	\$10,200	\$10,200	\$0	0.00%
Unassigned	(3,614,280)	(3,158,047)	(456,233)	-14.45%
Total Fund Balance - Capital Projects Fund	<u>(\$3,604,080)</u>	<u>(\$3,147,847)</u>	<u>(\$456,233)</u>	<u>-14.49%</u>
<b>Debt Service Fund</b>				
Restricted for debt service	\$166,260	\$165,645	\$615	0.37%
Total Fund Balance - Debt Service Fund	<u>\$166,260</u>	<u>\$165,645</u>	<u>\$615</u>	<u>0.37%</u>
Total Fund Balance - All Funds	<u>\$1,945,015</u>	<u>\$1,589,862</u>	<u>\$355,153</u>	<u>22.34%</u>

The District can attribute changes to fund balances and reserves primarily due to operating results, Board approved transfers, and allocation of interest earnings.

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A) 2013-2014 Budget:**

The District's general fund budget for the year ended June 30, 2014 was \$60,437,334. This amount was increased by encumbrances carried forward from the prior year in the amount of \$72,466 and budget revisions of \$128,960 which resulted in a final budget of \$60,638,760. The majority of the funding was property taxes and STAR revenue of \$47,547,584.

**B) Change in the General Fund Unassigned Fund Balance (Budget to Actual):**

The general fund's unassigned fund balance is a component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and assignments 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 are as follows:

Opening, Unassigned Fund Balance	\$1,577,712
Revenues Under Budget	(39,456)
Expenditures and Encumbrances Under Budget	1,530,283
Changes in Restricted Fund Balance	(396,184)
Change in Nonspendable Fund Balance	544,890
Appropriated for June 30, 2015 Budget	(711,728)
Closing, Unassigned Fund Balance	<u>\$2,505,517</u>

The unassigned fund balance represents the fund balance retained by the District that is not restricted or assigned for subsequent year's taxes. This amount is limited to 4% of the 2014-2015 budget.

The revenues under budget of \$39,456 were primarily in state sources and miscellaneous revenues. (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget of \$1,530,283 were primarily in instruction, central services and employee benefits. (see Supplemental Schedule #1 for detail).

The change in the restricted fund balance of \$396,184 is the result of funding the employee benefit accrued liability reserve in the amount of \$210,650, funding the retirement contribution reserve in the amount of \$36,866 and funding the workers' compensation reserve in the amount of \$142,977. In addition, interest earnings of \$5,691 were allocated to the reserves.



**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A) Capital Assets:**

The District paid for equipment and various building additions and renovations during the fiscal year 2014. A summary of the District's capital assets net of depreciation is as follows:

Table A-8: Capital Assets (Net of Depreciation)

Category	Fiscal Year 2014	Fiscal Year 2013	Increase (Decrease)	% Change
Land	\$ 1,517,000	\$ 1,517,000	\$ -	0.00%
Construction in progress	691,843	18,764	673,079	3587.08%
Buildings & building improvements	42,640,923	43,981,869	(1,340,946)	(3.05%)
Land improvements	2,853,629	1,153,089	1,700,540	147.48%
Furniture & equipment	3,435,767	5,237,492	(1,801,725)	(34.40%)
Vehicles	147,901	173,695	(25,794)	(14.85%)
Subtotal	51,287,063	52,081,909	(794,846)	(1.53%)
Less: Accumulated depreciated	23,332,877	24,061,679	(728,802)	(3.03%)
Total Net Capital Assets	<u>\$ 27,954,186</u>	<u>\$ 28,020,230</u>	<u>\$ (66,044)</u>	<u>(0.24%)</u>

The District spent \$691,843 in the capital projects fund and \$329,750 in the general fund on building improvements, vehicles and equipment purchases during the year.

**B) Long-Term Debt:**

At June 30, 2014, the District had total bonds payable of \$15,115,000 and energy performance debt payable of \$2,415,045. The decrease in outstanding serial bond debt and energy performance debt represents principal payments. A summary of outstanding debt at June 30, 2014 and 2013 is as follows:

	2014	2013	Increase (Decrease)
Serial bonds payable	\$15,115,000	\$15,765,000	(\$650,000)
Energy performance debt payable	2,415,045	2,609,654	(194,609)
Total	<u>\$17,530,045</u>	<u>\$18,374,654</u>	<u>(\$844,609)</u>

Refer to Note 11 for further detail on long-term debt disclosures.

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

- A) The 2014-2015 budget is negatively impacted by certain trends impacting school districts. These include the 2% property tax levy limit, unfunded state mandates and significant increases in retirement contributions and health insurance costs.
- B) The general fund budget for the 2014-2015 school year in the amount of \$62,637,930 was approved by the voters. This is an increase of \$2,200,596 or 3.64% over the previous year's budget. The increase was primarily due to increases in personnel costs and employee benefits.
- C) On July 10, 2014, the District issued serial bonds in the principal amount of \$3,970,000 maturing on July 1, 2034 with a net interest rate of 3.13 %.
- D) On July 10, 2014, the District issued tax anticipation notes in the amount of \$7,500,000 maturing on June 19, 2015, with a net interest rate of 0.26%.
- E) On December 12, 2012 the residents of the Seaford School District approved the sale of the Seaford Avenue Building and property to BK at Seaford, LLC (a subsidiary of The Engel-Burman Group). During the year ended June 30, 2014, the Town of Hempstead approved, 6-0, the developer's request to change the zoning from residential to senior citizen housing. The Seasons of Seaford, a 112 unit, 62 and older condominium complex is proposed for the site. The gross sale of the property is \$5,193,500. The gross amount will be reduced by real estate agent commissions, attorney's fees and other adjustments based of the final number of units to be built. In no case will the gross selling price be less than the \$4,950,000 minimum specified in the contract of sale. The sale will save the District about \$100,000 in yearly maintenance and add more than \$975,000 to the tax rolls, which is expected to help offset school levies.
- F) New York State recently enacted a law to effectively "freeze" property taxes for two years on the primary residences of homeowners with annual incomes at or below \$500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners will receive a credit, which will be distributed in the form of a check from New York State, up to the calculated amount of the tax cap. The program also requires the school districts and local governments in the second year to develop or participate in the development of a state approved government efficiency plan that will achieve savings for taxpayers. The law is effective for school districts starting with the 2014-2015 school year and homeowners will receive refund checks in the fall of 2014. This program will provide an incentive for the District to be tax cap compliant.
- G) The Patient Protection and Affordable Care Act or more commonly referred to as the Affordable Care Act was enacted into law on March 23, 2010. Beginning in 2015, the mandate requires large employers (generally those with fifty (50) or more full-time equivalent employees) to either offer affordable health coverage to full-time employees and their dependents, or pay a penalty if the employer fails to offer affordable health coverage, and at least one full-time employee receives a premium tax credit to help purchase coverage

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

through an Affordable Insurance Exchange. It is anticipated that implementation of this law will increase the health insurance costs for the District.

**8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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 money we receive. If you have any questions about this report or need additional financial information, contact:

Seaford Union Free School District  
Ms. Elisa Pellati  
Assistant Superintendent for Business  
1600 Washington Avenue  
Seaford, New York 11783  
(516) 592-4004

**SEAFORD UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

**ASSETS**

Cash	
Unrestricted	\$6,621,703
Restricted	2,090,690
Receivables	
State and federal aid	1,275,422
Due from other governments	609,048
Due from fiduciary funds	13,777
Taxes receivable	1,242,023
Accounts receivable	21,342
Inventories	6,804
Capital assets	
Not being depreciated	2,208,843
Being depreciated, net of accumulated depreciation	25,745,343
<b>TOTAL ASSETS</b>	<b><u>\$39,834,995</u></b>

**LIABILITIES**

Payables	
Accounts payable	\$1,062,189
Accrued liabilities	297,334
Accrued interest payable	381,718
Due to other governments	11,004
Compensated absences payable	136,303
Due to teachers' retirement system	4,237,176
Due to employees' retirement system	270,127
Due to fiduciary funds	5,619
Unearned credits	
Collections in advance	46,042
Note payable	
Bond anticipation notes payable	3,870,000
Long-term liabilities	
Due and payable within one year	
Bonds payable	660,000
Energy performance debt payable	202,180
Compensated absences payable	200,159
Claims payable	390,262
Due and payable after one year	
Bonds payable	14,455,000
Energy performance debt payable	2,212,865
Compensated absences payable	4,933,206
Claims payable	448,777
Net other postemployment benefits obligation	24,873,563
<b>TOTAL LIABILITIES</b>	<b><u>58,693,524</u></b>

**NET POSITION**

Net investment in capital assets	<u>6,564,341</u>
Restricted	
Employee benefit accrued liability	1,363,417
Retirement contribution	300,000
Workers' compensation	250,000
Repair	855
Debt service	166,260
	<u>2,080,532</u>
Unrestricted (Deficit)	<u>(27,503,402)</u>
<b>TOTAL NET POSITION (DEFICIT)</b>	<b><u>(18,858,529)</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$39,834,995</u></b>

**SEAFORD UNION FREE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

		<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>FUNCTIONS / PROGRAMS</b>				<b>Net Position</b>
General support	(\$6,653,894)			(\$6,653,894)
Instruction	(53,028,046)	\$1,558,780	\$768,741	(50,700,525)
Pupil transportation	(2,748,972)		80,927	(2,668,045)
Community services	(25,427)			(25,427)
Debt service- Interest	(725,084)			(725,084)
Food service program	(552,663)	499,402	140,758	87,497
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<u>(\$63,734,086)</u>	<u>\$2,058,182</u>	<u>\$990,426</u>	<u>(60,685,478)</u>
<b>GENERAL REVENUES</b>				
Real property taxes				40,156,932
Other tax items - including STAR reimbursement				7,395,440
Use of money & property				69,435
Miscellaneous				160,677
State sources				10,374,325
Medicaid reimbursement				28,952
<b>TOTAL GENERAL REVENUES</b>				<u>58,185,761</u>
<b>CHANGES IN NET POSITION</b>				(2,499,717)
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>				<u>(16,358,812)</u>
<b>TOTAL NET POSITION - END OF YEAR</b>				<u>(\$18,858,529)</u>

**SEAFORD UNION FREE SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	General	Special Aid	School Lunch	Capital Projects	Debt Service	Total Governmental Funds
<b>ASSETS</b>						
Cash						
Unrestricted	\$6,153,703	\$8,144	\$183,637	\$276,219		\$6,621,703
Restricted	1,914,272			10,200	\$166,218	2,090,690
Receivables						
State and federal aid	740,209	523,292	11,921			1,275,422
Taxes receivable	1,242,023					1,242,023
Accounts receivable	18,248		3,094			21,342
Due from other governments	609,048					609,048
Due from other funds	637,104	104,752	40,912	17,030	42	799,840
Inventories			6,804			6,804
<b>TOTAL ASSETS</b>	<b>\$11,314,607</b>	<b>\$636,188</b>	<b>\$246,368</b>	<b>\$303,449</b>	<b>\$166,260</b>	<b>\$12,666,872</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Payables						
Accounts payable	\$979,299	\$28,554	\$38,948	\$15,388		\$1,062,189
Accrued liabilities	295,904	1,430				297,334
Due to other governments	9,412		1,592			11,004
Due to other funds	163,069	606,204	22,367	42		791,682
Due to teachers' retirement system	4,237,176					4,237,176
Due to employees' retirement system	270,127					270,127
Compensated absences	136,303					136,303
Deferred credits						
Collections in advance	3,976		19,967	22,099		46,042
Note payable						
Bond anticipation notes payable				3,870,000		3,870,000
<b>TOTAL LIABILITIES</b>	<b>\$6,095,266</b>	<b>\$636,188</b>	<b>\$82,874</b>	<b>\$3,907,529</b>	<b>\$0</b>	<b>\$10,721,857</b>
<b>FUND BALANCES</b>						
Nonspendable: Inventory			\$6,804			\$6,804
Restricted						
Employee benefit accrued liability	\$1,363,417					1,363,417
Retirement contribution	300,000					300,000
Workers' compensation	250,000					250,000
Repair	855					855
Debt service					\$166,260	166,260
Unspent energy performance proceeds				\$10,200		10,200
Assigned						
Appropriated fund balance	711,728					711,728
Unappropriated fund balance	87,824		156,690			244,514
Unassigned: Fund balance	2,505,517			(3,614,280)		(1,108,763)
<b>TOTAL FUND BALANCES</b>	<b>\$5,219,341</b>	<b>\$0</b>	<b>\$163,494</b>	<b>(\$3,604,080)</b>	<b>\$166,260</b>	<b>\$1,945,015</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$11,314,607</b>	<b>\$636,188</b>	<b>\$246,368</b>	<b>\$303,449</b>	<b>\$166,260</b>	<b>\$12,666,872</b>

**SEAFORD UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET POSITION  
JUNE 30, 2014**

Total Governmental Fund Balances \$1,945,015

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

The cost of 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 include 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 capital assets	51,287,063	
Accumulated depreciation	<u>(23,332,877)</u>	27,954,186

Payables - that are associated with long-term liabilities that are not payable in the current period and, therefore, are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of: (381,718)

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

Bonds payable	(15,115,000)	
Energy performance debt payable	(2,415,045)	
Compensated absences payable	(5,133,365)	
Claims payable	(839,039)	
Net other postemployment benefits obligation	<u>(24,873,563)</u>	<u>(48,376,012)</u>

Total Net Position (\$18,858,529)

**SEAFORD UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General	Special Aid	School Lunch	Capital Projects	Debt Service	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$40,156,932					\$40,156,932
Other tax items - including STAR reimbursement	7,395,440					7,395,440
Charges for services	1,558,780					1,558,780
Use of money and property	68,821				\$614	69,435
Miscellaneous	160,677					160,677
State sources	10,374,325	\$231,482	\$8,284			10,614,091
Federal sources	28,952	618,186	93,671			740,809
Surplus food			38,803			38,803
Sales - school lunch			499,402			499,402
<b>TOTAL REVENUES</b>	<b>59,743,927</b>	<b>849,668</b>	<b>640,160</b>	<b>-</b>	<b>614</b>	<b>61,234,369</b>
<b>EXPENDITURES</b>						
General support	5,015,175					5,015,175
Instruction	35,112,957	847,601				35,960,558
Pupil transportation	2,584,216	80,927				2,665,143
Community service	16,284					16,284
Employee benefits	14,388,937					14,388,937
Debt service- principal					844,609	844,609
Debt service - interest	53,995				690,009	744,004
Cost of sales			552,663			552,663
Capital outlay				691,843		691,843
<b>TOTAL EXPENDITURES</b>	<b>57,171,564</b>	<b>928,528</b>	<b>552,663</b>	<b>691,843</b>	<b>1,534,618</b>	<b>60,879,216</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,572,363</b>	<b>(78,860)</b>	<b>87,497</b>	<b>(691,843)</b>	<b>(1,534,004)</b>	<b>355,153</b>
<b>OTHER FINANCING SOURCES AND USES</b>						
Operating transfers in	22,367	78,860		235,610	1,534,619	1,871,456
Operating transfers (out)	(1,849,089)		(22,367)			(1,871,456)
<b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>	<b>(1,826,722)</b>	<b>78,860</b>	<b>(22,367)</b>	<b>235,610</b>	<b>1,534,619</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>745,641</b>	<b>-</b>	<b>65,130</b>	<b>(456,233)</b>	<b>615</b>	<b>355,153</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>4,473,700</b>	<b>-</b>	<b>98,364</b>	<b>(3,147,847)</b>	<b>165,645</b>	<b>1,589,862</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$5,219,341</b>	<b>\$ -</b>	<b>\$163,494</b>	<b>(\$3,604,080)</b>	<b>\$166,260</b>	<b>\$1,945,015</b>



**SEAFORD UNION FREE SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balance	\$355,153
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Amounts reported for governmental activities in the Statement of Activities are different because:

Long-Term Revenue and Expense Differences

In the Statement of Activities, compensated absences are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. Compensated absences payable for the year ended June 30, 2014 changed by

9,205

Claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Claims payable for the year ended June 30, 2014 changed by

(31,129)

Net other post-employment benefits obligation payable in the Statement of Activities differs from the amount reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. Net other post-employment benefits obligation payable for the year ended June 30, 2014 changed by

(3,630,431)

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 Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.

Capital outlays and allocated gain on reclassification	\$1,694,913	
Depreciation expense	<u>(1,760,957)</u>	

(66,044)

Long-Term Debt 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.

650,000

Repayment of energy performance contract 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.

194,609

Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2013 to June 30, 2014 changed by

18,920

Changes in Net Position

(\$2,499,717)

**SEAFORD UNION FREE SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014**

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash- Restricted	\$36,910	\$181,758
Due from other Funds	150	5,469
<b>TOTAL ASSETS</b>	<u>\$37,060</u>	<u>\$187,227</u>
<b>LIABILITIES</b>		
Due to other funds		\$13,777
Extraclassroom activity balance		87,373
Other liabilities	\$150	86,077
<b>TOTAL LIABILITIES</b>	<u>\$150</u>	<u>\$187,227</u>
<b>NET POSITION</b>		
Reserved for scholarships	\$36,910	
<b>TOTAL NET POSITION</b>	<u>\$36,910</u>	
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$37,060</u>	

SEAFORD UNION FREE SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>	
Gifts and contributions	\$27,665
Interest and earnings	24
<b>TOTAL ADDITIONS</b>	<u>27,689</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	<u>12,275</u>
<b>TOTAL DEDUCTIONS</b>	<u>12,275</u>
<b>CHANGE IN NET POSITION</b>	15,414
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>21,496</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$36,910</u></u>

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

The financial statements of Seaford Union Free School District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as apply to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the District are described below:

**A) Reporting entity:**

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of five (5) members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. 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 and its component unit and other organizational entities determined to be includable in the District’s financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District’s reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of an entity that is included in the District’s reporting entity.

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District's business office. The District reports these assets held by its agent for the Extraclassroom organizations in the Statement of Fiduciary Net Position – Fiduciary Fund. Separate financial statements of the Extraclassroom Activity Funds can be found at the District's business office.

**B) Joint venture:**

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

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

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

**C) Basis of presentation:**

**i) District-Wide Financial Statements:**

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

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

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, each displayed in a separate column.

The District reports the following major governmental funds:

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

**Special Aid Fund:** This fund accounts 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.

**School Lunch Fund:** This fund is used to account for the activities of the District's food service operations.

**Capital Projects Fund:** This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

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

The District reports the following fiduciary funds:

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

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

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

**D) Measurement focus and basis of accounting:**

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

The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 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, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**E) Real Property taxes:**

i) Calendar:

Real property taxes are levied annually by the Board of Education no later than August 15, and become a lien on October 1 and April 1. Taxes are collected by the Town of Hempstead during the period of October 1 through November 10, and April 1 through May 10 without penalty.

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ii) Enforcement:

Uncollected real property taxes are subsequently enforced by Nassau County (the "County") in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than July.

**F) Restricted resources:**

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

**G) Interfund transactions:**

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

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

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

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

**H) Estimates:**

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



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**I) Cash and cash equivalents:**

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

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

**J) Receivables:**

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

**K) Inventories and prepaid items:**

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market.

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

A reserve for these non-liquid assets (inventories) has been recognized in the school lunch fund as non-spendable under GASB Statement No. 54 to signify that a portion of fund balance is not available for other subsequent expenditures.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District had no prepaid items at June 30, 2014.

**L) Capital assets:**

Capital assets are reported at actual cost for acquisitions subsequent to 20 years. For assets acquired prior to 20 years, estimated historical costs, based on appraisals conducted by independent third-party professionals are used. Donated assets are reported at estimated fair market value at the time received.

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

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	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building & Building Improvements	\$500	Straight-line	30 years
Furniture & Equipment	\$500	Straight-line	10 years
Site Improvements	\$500	Straight-line	30 years
Vehicles	\$500	Straight-line	5 years

**M) Collections in advance:**

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded.

In the fund level statements, collections in advance consist of amounts received in advance for meals that have not yet been purchased in the school lunch fund and for amounts received in advance for grants in the special aid fund.

**N) Vested employee benefits:**

**Compensated absences**

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

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

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

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

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

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**O) Other benefits:**

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).

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are eligible for these benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as expenditures in the governmental funds as the liabilities for premiums mature (come due for payment). In the District-Wide Statements, the cost of post employment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

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

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

**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 that they are due for payment in the current year. Bonds and other long-term obligations that will be paid

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from governmental funds are recognized as a liability in the fund financial statements when due.

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

**R) Equity Classifications:**

**i) District-Wide Financial Statements:**

In the District-Wide Financial Statements there are three classes of net assets:

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 net of any unexpended proceeds.

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

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

**ii) Fund Financial Statements:**

There are five classifications of fund balance as detailed below; however, in the Fund Financial Statements there are four classifications of fund balance presented:

- (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 \$6,804.
- (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.

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The District has classified the following as restricted:

Employee Benefit Accrued Liability Reserve

Employee benefit accrued liability reserve (GML§6-p), must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the general fund under restricted fund balance.

Retirement Contribution Reserve

Retirement contribution reserve (GML§6-r), must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the general fund under restricted fund balance.

Workers' Compensation Reserve

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

Repair Reserve

Repair reserve (GML§6-d), is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the general fund under restricted fund balance.

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Debt Service

Unexpended balances of proceeds from borrowings for capital projects; interest and earnings from investing proceeds of obligations, and premium and accrued interest are recorded as amounts restricted for debt service and held until appropriated for debt payments. The restricted funds are accounted for in the debt service fund.

Unspent Energy Performance Proceeds

Unspent long-term energy performance proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

Scholarships

Amounts restricted for scholarships are used to account for monies donated for scholarship purposes, net of earnings and awards. These restricted funds are accounted for in the private purpose fund.

- (3) **Committed fund balance** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority (i.e., Board of Education). The District has no committed fund balances as of June 30, 2014.
- (4) **Assigned fund balance** – Includes amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year's budget. Assigned fund balance also includes Board designations and encumbrances not classified as restricted or committed at the end of the fiscal year.
- (5) **Unassigned fund balance** – Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

Deficit Fund Balance

The capital projects fund had a deficit fund balance of \$3,614,280. This will be funded when the District obtains permanent financing for its bonds projects.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District's budget for the general

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fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in 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 expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

**S) Future Changes in Accounting Standards**

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*, effective for the year ending June 30, 2015.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for fiscal years ending June 30, 2015.

GASB has issued Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, effective for the years ending June 30, 2015.

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

**NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS:**

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

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

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

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Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

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

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

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 accruals 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 for the sale of capital assets reported on governmental 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 Financial 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 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.

iv) Employee benefits allocations:

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Balance based on the requirements of New York State. These costs have been allocated based on total salary for each function in the Statement of Activities.

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

**A) Budgets:**

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



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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) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Supplemental appropriations that occurred during the fiscal year are shown on Supplemental Schedule #3.

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

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

**B) 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 fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

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

**A) Cash:**

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

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations

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of the United States and its agencies and obligations of the state and its municipalities and districts.

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 Statement 40, *Deposit and Investment Risk Disclosures*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- A) Uncollateralized;
- B) Collateralized with securities held by the pledging financial institution in the District's name; or
- C) Collateralized with 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.

**Restricted Cash:**

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2014 included \$2,090,690 within the governmental funds for general reserve purposes, debt service, and capital projects and \$218,668 in the fiduciary funds.

**B) Investments:**

The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

**NOTE 5 – PARTICIPATION IN BOCES**

During the year ended June 30, 2014, the District was billed \$4,406,265 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$920,305. Financial statements for the BOCES are available from the Nassau BOCES administrative office at 71 Clinton Road, Garden City, NY 11530-9195.

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**NOTE 6 - STATE AND FEDERAL AID RECEIVABLE:**

State and federal aid receivable at June 30, 2014 consisted of:

General Fund	
Excess cost aid	\$235,872
BOCES aid	472,615
FEMA	13,246
General aid	18,476
Total	<u>740,209</u>
Special Aid Fund	
Federal aid	184,432
State aid	318,246
Local aid	20,614
Total	<u>523,292</u>
School Lunch Fund	
Federal aid	9,376
State aid	2,545
Total	<u>11,921</u>
Total - All funds	<u><u>\$1,275,422</u></u>

District management has deemed the amounts to be fully collectible.

**NOTE 7- DUE FROM OTHER GOVERNMENTS:**

Due from other governments in the general fund at June 30, 2014 consisted of the following:

Tuition and health services - other Districts	\$492,817
Non-public school districts-special education	116,231
Total	<u><u>\$609,048</u></u>

District management has deemed the amounts to be fully collectible.

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**NOTE 8 - CAPITAL ASSETS:**

Capital asset balances and activity for the year ended June 30, 2014 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$1,517,000			\$1,517,000
Construction in progress	<u>18,764</u>	<u>\$691,843</u>	<u>(\$18,764)</u>	<u>691,843</u>
Total capital assets not being depreciated	<u>1,535,764</u>	<u>691,843</u>	<u>(18,764)</u>	<u>2,208,843</u>
Capital assets being depreciated:				
Building & building improvements	43,981,869		(1,340,946)	42,640,923
Land improvements	1,153,089		1,700,540	2,853,629
Furniture and equipment	5,237,492	307,950	(2,109,675)	3,435,767
Vehicles	<u>173,695</u>	<u>21,800</u>	<u>(47,594)</u>	<u>147,901</u>
Total capital assets being depreciated	<u>50,546,145</u>	<u>329,750</u>	<u>(1,797,675)</u>	<u>49,078,220</u>
Less accumulated depreciation:				
Building & building improvements	18,106,682	1,289,380	322,724	19,718,786
Land improvements	1,100,947	138,214	79,893	1,319,054
Furniture and equipment	4,711,425	323,683	(2,832,981)	2,202,127
Vehicles	<u>142,625</u>	<u>9,680</u>	<u>(59,395)</u>	<u>92,910</u>
Total accumulated depreciation	<u>24,061,679</u>	<u>1,760,957</u>	<u>(2,489,759)</u>	<u>23,332,877</u>
Total capital assets being depreciated, net	<u>26,484,466</u>	<u>(1,431,207)</u>	<u>692,084</u>	<u>25,745,343</u>
Capital assets, net	<u>\$28,020,230</u>	<u>(\$739,364)</u>	<u>\$673,320</u>	<u>\$27,954,186</u>
Depreciation expense was charged to governmental functions as follows:				
General support	\$ 86,629			
Instruction	<u>1,674,328</u>			
Total depreciation expense	<u>\$ 1,760,957</u>			

During the 2013-2014 fiscal year, the District hired an appraisal company to complete a full capital asset inventory valuation. This valuation resulted in reclassifying certain assets to separate categories such as separating vehicles from furniture and equipment, recalculating depreciation, and accounting for certain assets that are no longer in usable condition or present. These adjustments are present in the retirement and reclassification column presented above.

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:**

	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General fund	\$637,104	\$163,069	\$22,367	\$1,849,089
Special aid fund	104,752	606,204	78,860	
School lunch fund	40,912	22,367		22,367
Capital projects fund	17,030	42	235,610	
Debt service fund	42		1,534,619	
Total government activities	<u>799,840</u>	<u>791,682</u>	<u>1,871,456</u>	<u>1,871,456</u>
Private purpose fund	150			
Fiduciary agency fund	<u>5,469</u>	<u>13,777</u>		
Totals	<u>\$805,459</u>	<u>\$805,459</u>	<u>\$1,871,456</u>	<u>\$1,871,456</u>

The District typically transfers from the general fund to the special aid fund to fund the District's 20% share of summer school handicap expenses required by New York State law and to fund the State Supported Section 4201 schools. The District typically transfers from the general fund to the debt service fund for annual debt service obligations. The District typically transfers from the school lunch fund to the general fund for various utility expenditures utilized by the school lunch operations. The District transferred from the general fund to the capital fund to fund projects.

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 10 - SHORT-TERM DEBT:**

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN	7/11/2014	0.429%	\$	\$3,870,000		\$3,870,000
TAN	6/21/2014	0.419%		7,500,000	(\$7,500,000)	
Total			<u>\$</u>	<u>\$11,370,000</u>	<u>(\$7,500,000)</u>	<u>\$3,870,000</u>

Interest expense on short-term debt for the year was \$53,995.

The TAN was issued for interim financing of general fund operations.

The BAN was issued for interim financing of the capital projects fund.

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 11 – LONG-TERM LIABILITIES:**

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Long-term debt:					
Bonds payable	\$15,765,000		(\$650,000)	\$15,115,000	\$660,000
Energy performance debt payable	2,609,654		(194,609)	2,415,045	202,180
Other long-term liabilities:					
Compensated absences payable	5,142,570	258,174	(267,379)	5,133,365	200,159
Claims payable	807,910	415,873	(384,744)	839,039	390,262
Net other postemployment benefits obligation	21,243,132	6,144,655	(2,514,224)	24,873,563	
Total long-term liabilities	<u>\$45,568,266</u>	<u>\$6,818,702</u>	<u>(\$4,010,956)</u>	<u>\$48,376,012</u>	<u>\$1,452,601</u>

The general fund has typically been used to liquidate long-term liabilities such as compensated absences, claims payable, net other post employment benefits obligation, bonds payable and energy performance debt.

**A) Bonds Payable**

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Serial Bonds	7/13/2011	7/1/2031	3.00 -4.25%	<u>\$15,115,000</u>

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The following is a summary of debt service requirements for bonds payable:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$660,000	\$568,844	\$1,228,844
2016	665,000	548,969	1,213,969
2017	675,000	528,869	1,203,869
2018	690,000	508,394	1,198,394
2019	705,000	487,469	1,192,469
2020-2024	3,855,000	2,008,569	5,863,569
2025-2029	4,605,000	1,166,747	5,771,747
2030-2034	3,260,000	211,213	3,471,213
	<u>\$15,115,000</u>	<u>\$6,029,074</u>	<u>\$21,144,074</u>

**B) Energy Performance Debt**

Energy performance debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Energy Performance Debt	4/11/2008	7/1/2023	3.89%	<u>\$2,415,045</u>

The following is a summary of debt service requirements for energy performance debt:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$202,180	\$93,945	\$296,125
2016	210,044	86,080	296,124
2017	218,215	77,910	296,125
2018	226,704	69,421	296,125
2019	235,522	60,602	296,124
2020-2024	1,322,380	158,248	1,480,628
	<u>\$2,415,045</u>	<u>\$546,206</u>	<u>\$2,961,251</u>

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**C) Long-Term Interest**

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

	<u>Total</u>
Interest paid	\$690,009
Less interest accrued in the prior year	(400,638)
Plus interest accrued in the current year	<u>381,718</u>
Total expense	<u>\$671,089</u>

**NOTE 12 – PENSION PLANS:**

**A) 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.

**B) Provisions and administration:**

i) 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.

ii) 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 or accessed at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php).



**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**C) Funding policies:**

The Systems are noncontributory for the employee who joined the Systems prior to July 27, 1976. For employees who joined after July 27, 1976, and prior to January 1, 2010, employees 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 NYERS contribute 3% of their salary throughout their active membership and those in NYTRS contribute 3.5% throughout their active membership. For employees hired on or after April 1, 2012, employee contribution rates are dependent upon salaries and range from 3% to 6% of salary throughout active membership. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

	<u>NYSTRS</u>	<u>NYSERS</u>
2014	\$3,163,104	\$1,237,371
2013	3,026,370	1,198,173
2012	2,759,844	891,677

**D) 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. Contributions made by the District and the employees for the year ended June 30, 2014, totaled \$188,009 and \$1,574,057 respectively.

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 13 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:**

**A) Plan Description:**

The District primarily provides postemployment health insurance coverage to retired employees and their spouses in accordance with the provisions of various employment contracts. Benefits are provided through the New York State Health Insurance Program Empire Plan, (The “Plan”) which is a single-employer defined benefit healthcare plan.

**B) Funding Policy:**

The District shares of the costs of premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the Fund Financial Statements as payments are made. For the fiscal year 2014, the District recognized an estimated general fund expenditure of \$2,514,224 for insurance premiums for currently enrolled retirees. Plan members receiving benefits contributed 0% - 25% of the health insurance premium. Currently, there is no provision in the law to permit the District to fund other post-employment benefits by any means other than the “pay as you go” method. Therefore, there are no plan assets and no reports issued.

**C) Annual OPEB Cost and Net OPEB Obligation:**

The District’s annual other post-employment 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’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to the plan:

Annual required contribution	\$6,507,875
Interest on net OPEB obligation	902,833
Adjustment to Annual Required Contribution	<u>(1,266,053)</u>
Annual OPEB cost (expense)	6,144,655
Contributions made	<u>(2,514,224) *</u>
Increase in net OPEB obligation	3,630,431
Net OPEB obligation-beginning of year	<u>21,243,132</u>
Net OPEB obligation-end of year	<u><u>\$24,873,563</u></u>

\*Contributions made are estimated based on actuary report.

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year ended June 30, 2014 and the preceding two years were as follows:

Fiscal Year Ending	Annual OPEB Cost	OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Adjustment to Net OPEB Obligation	Net OPEB Obligation
6/30/12	\$7,455,192	\$2,550,075	34%	\$71,418	\$17,280,591
6/30/13	6,635,124	2,672,583	40%	0	21,243,132
6/30/14	6,144,655	2,514,224	41%	0	24,873,563

**D) 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 \$79,433,667 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$79,433,667. The covered payroll (annual payroll of active employees covered by the plan) was \$28,027,067 and the ratio of the UAAL to the covered payroll was 283%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the health care trend. 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 following the notes to the financial statements 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.

**E) 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 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 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 discount rate of 3.5% and an annual healthcare cost trend rate of 10.50% initially, reduced by decrements to an ultimate rate of 5% after 6 years. The UAAL is being amortized as a level of percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2014 was twenty-four years.

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 14 – RISK MANAGEMENT:**

**A) General:**

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

**B) Consortiums and Self Insured Plans:**

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

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported claims which were incurred on or before year-end. As of June 30, 2014, the District has recorded potential workers' compensation claims of \$839,039 and has a workers' compensation reserve balance of \$250,000. Claims activity is summarized below:

	2014	2013
Unpaid claims at beginning of year	\$807,910	\$1,145,514
Incurred claims and claim adjustment expenses	415,873	58,176
Claims payments	(384,744)	(395,780)
Unpaid claims at year end	<u>\$839,039</u>	<u>\$807,910</u>

**NOTE 15 – FUND BALANCES- ASSIGNED:**

**A) Assigned: Appropriated:**

The amount of \$711,728 has been designated as the amount estimated to be appropriated to reduce taxes for the fiscal year ending June 30, 2015 in the general fund.

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**B) Assigned: Encumbered:**

All encumbrances are classified as assigned fund balance. At June 30, 2014, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance	
General Fund	
General Support	\$50,607
Instruction	<u>37,217</u>
	<u>\$87,824</u>

**NOTE 16 – COMMITMENTS AND CONTINGENCIES:**

**A) Grants:**

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

**B) Litigation:**

As of June 30, 2014, the District is unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

**C) Operating Leases:**

The District leases various types of equipment under non-cancelable operating leases. Rental expense for the fiscal year was approximately \$284,579. The following is a summary of obligations of government activities under operating lease payments:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2015	\$330,571
2016	210,648
2017	131,069
2018	56,000
2019	<u>56,000</u>
Total Lease Payments	<u>\$784,288</u>

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 17 – SUBSEQUENT EVENTS**

- A. On July 10, 2014, the District issued serial bonds in the principal amount of \$3,970,000, maturing on July 1, 2034 with a net interest rate of 3.13%.
- B. On July 10, 2014, the District issued tax anticipation notes in the amount of \$7,500,000, maturing on June 19, 2015 with a net interest rate of 0.26%.
- C. On December 12, 2012 the residents of the Seaford School District approved the sale of the Seaford Avenue Building and property to BK at Seaford, LLC (a subsidiary of The Engel-Burman Group). During the year ended June 30, 2014, the Town of Hempstead approved, 6-0, the developer's request to change the zoning from residential to senior citizen housing. The Seasons of Seaford, a 112 unit, 62 and older condominium complex is proposed for the site. The gross sale of the property is \$5,193,500. The gross amount will be reduced by real estate agent commissions, attorney's fees and other adjustments based of the final number of units to be built. In no case will the gross selling price be less than the \$4,950,000 minimum specified in the contract of sale. The sale will save the District about \$100,000 in yearly maintenance and add more than \$975,000 to the tax rolls, which is expected to help offset school levies.

## **SUPPLEMENTARY INFORMATION**

**SEAFORD UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
<b>REVENUES</b>				
<b>Local Sources</b>				
Real property taxes	\$40,156,932	\$40,156,932	\$40,156,932	\$ -
Other real property tax items	7,390,652	7,390,652	7,395,440	4,788
Charges for services	1,310,000	1,310,000	1,558,780	248,780
Use of money & property	70,000	70,000	68,821	(1,179)
Miscellaneous	280,000	378,960	160,677	(218,283)
<b>State Sources</b>				
Basic formula	5,522,148	5,522,148	5,483,701	(38,447)
Excess cost aid	1,681,145	1,681,145	1,558,009	(123,136)
Lottery aid	2,124,552	2,124,552	2,124,579	27
BOCES aid	813,981	813,981	920,305	106,324
Textbook aid	167,000	167,000	161,702	(5,298)
Computer software aid	40,000	40,000	44,551	4,551
Computer hardware aid	32,880	32,880	32,891	11
Lirbary A/V loan program aid	17,500	17,500	18,587	1,087
Other state aid	40,000	70,000	30,000	(40,000)
<b>Federal Sources</b>				
Medicaid reimbursement	10,000	10,000	28,952	18,952
<b>TOTAL REVENUES</b>	<u>59,656,790</u>	<u>59,785,750</u>	<u>59,743,927</u>	<u>(41,823)</u>
<b>Other Financing Sources</b>				
Transfers from other funds	<u>20,000</u>	<u>20,000</u>	<u>22,367</u>	<u>2,367</u>
<b>TOTAL REVENUES AND OTHER SOURCES</b>	<u>59,676,790</u>	<u>59,805,750</u>	<u>\$59,766,294</u>	<u>(\$39,456)</u>
Appropriated Fund Balance	611,728	611,728		
Appropriated Reserves	<u>221,282</u>	<u>221,282</u>		
<b>TOTAL REVENUES, OTHER SOURCES &amp; APPROPRIATED FUND BALANCE</b>	<u>\$60,509,800</u>	<u>\$60,638,760</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.



**SEAFORD UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL- GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$46,301	\$45,931	\$35,243		\$10,688
Central administration	271,253	266,678	263,226		3,452
Finance	685,067	666,641	638,659		27,982
Staff	215,580	236,135	221,471		14,664
Central services	3,289,916	3,400,009	3,157,659	\$50,607	191,743
Special items	675,618	704,525	698,917		5,608
Instructional					
Instruction, adm. & imp.	1,852,077	1,845,694	1,811,361	19,118	15,215
Teaching - regular school	18,847,326	19,105,939	19,028,583	5,283	72,073
Programs for children with handicapping conditions	8,353,694	8,355,415	8,223,372	1,000	131,043
Occupational education	914,901	1,115,263	1,107,512		7,751
Teaching special schools	72,035	73,127	65,045		8,082
Instructional media	2,020,170	2,071,227	2,006,880	11,816	52,531
Pupil services	2,827,170	2,911,499	2,870,204		41,295
Pupil Transportation	2,754,689	2,761,234	2,584,216		177,018
Community Services	16,820	16,820	16,284		536
Employee Benefits	15,718,184	15,141,113	14,388,937		752,176
Debt Service					
Debt service - principal					
Debt service - interest	84,397	53,997	53,995		2
<b>TOTAL EXPENDITURES</b>	<b>58,645,198</b>	<b>58,771,247</b>	<b>57,171,564</b>	<b>87,824</b>	<b>1,511,859</b>
Other Financing Uses					
Transfers to other funds	1,864,602	1,867,513	1,849,089		18,424
<b>TOTAL EXPENDITURES AND OTHER USES</b>	<b>\$60,509,800</b>	<b>\$60,638,760</b>	<b>59,020,653</b>	<b>\$87,824</b>	<b>\$1,530,283</b>
Change In Fund Balance			745,641		
Fund Balance - Beginning of Year			4,473,700		
Fund Balance - End of Year			<u>\$5,219,341</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.

**SEAFORD UNION FREE SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB)**  
**JUNE 30, 2014**

Valuation Date	Actuarial		Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
July 1, 2008	\$0	\$ 66,936,522	\$ 66,936,522	0%	\$ 21,507,371	311%
July 1, 2010	0	78,135,441	78,135,441	0%	27,570,809	283%
July 1, 2012	0	79,433,667	79,433,667	0%	28,027,067	283%

**SEAFORD UNION FREE SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET  
AND THE REAL PROPERTY TAX LIMIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$60,437,334
Add: Prior year's encumbrances	72,466
Original Budget	<u>60,509,800</u>
Budget revisions:	
Special legislative grant	30,000
Donations	<u>98,960</u>
	128,960
Final Budget	<u><u>\$60,638,760</u></u>

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

2014-15 voter approved expenditure budget	<u><u>\$62,637,930</u></u>
Maximum allowed (4% of the 2014-2015 budget)	<u><u>\$2,505,517</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$799,552
Unassigned fund balance	<u>2,505,517</u>
Total unrestricted fund balance	3,305,069
Less:	
Appropriated fund balance	711,728
Encumbrances included in assigned fund balance	<u>87,824</u>
Total adjustments	<u>799,552</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$2,505,517</u></u>
Actual percentage	4.00%

SEAFORD UNION FREE SCHOOL DISTRICT  
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND  
JUNE 30, 2014

Project Title	Original Budget	Revised Budget	Expenditures to Date			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2014
			Prior Year's	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Capital Improvements - High School	\$13,281,883	\$13,337,262	\$12,677,558	\$637,747	\$13,315,305	\$21,957	\$10,859,770	\$ 64,365	\$786,181	\$11,710,316	(1,604,989) *
Capital Improvements - Middle School	6,708,974	4,929,867	4,855,684	46,507	4,902,191	27,676	3,885,815	64,365	144,112	4,094,292	(807,899) *
Capital Improvements - Manor School	1,719,966	1,823,030	1,823,030		1,823,030	-	495,516	416,431		911,947	(911,083) *
Capital Improvements - Harbor School	2,883,463	2,722,074	2,188,082	7,589	2,195,671	\$26,403	918,900	322,000	664,462	1,905,362	(290,309) *
Energy Performance Contract - General	3,289,503	3,289,503	3,279,303		3,279,303	10,200	3,289,503			3,289,503	10,200
<b>TOTAL</b>	<b>\$27,883,789</b>	<b>\$26,101,736</b>	<b>\$24,823,657</b>	<b>\$691,843</b>	<b>\$25,515,500</b>	<b>\$586,236</b>	<b>\$19,449,504</b>	<b>\$867,161</b>	<b>\$1,594,755</b>	<b>\$21,911,420</b>	<b>(\$3,604,080)</b>

\* The current deficit fund balance will be eliminated when permanent financing is obtained.

**SEAFORD UNION FREE SCHOOL DISTRICT**  
**NET INVESTMENT IN CAPITAL ASSETS**  
**JUNE 30, 2014**

<b>Capital assets, net</b>		<b>\$27,954,186</b>
<b>Deduct:</b>		
Bond anticipation notes payable	\$3,870,000	
Short-term portion of bonds payable	660,000	
Long-term portion of bonds payable	<u>14,455,000</u>	
		(18,985,000)
Short-term portion of energy performance debt	202,180	
Long-term portion of energy performance debt	2,212,865	
Less: Unspent energy performance proceeds	<u>(10,200)</u>	
		<u>(2,404,845)</u>
<b>Net Investment in capital assets</b>		<u><u>\$6,564,341</u></u>



**R.S. ABRAMS & CO., LLP**

*Accountants & Consultants for Over 75 years*

Robert S. Abrams  
(1926–2014)

Marianne E. Van Duyne, CPA  
Alexandria M. Battaglia, CPA

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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  
Seaford Union Free School District

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 Seaford Union Free School District, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Seaford Union Free School District's basic financial statements, and have issued our report thereon dated September 30, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Seaford 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 Seaford Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Seaford 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

ISLANDIA: 3033 EXPRESS DRIVE NORTH, SUITE 100 • ISLANDIA, NY 11749  
WHITE PLAINS: 50 MAIN STREET, SUITE 1000 • WHITE PLAINS, NY 10606  
PHONE: (631) 234-4444 • FAX: (631) 234-4234

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www.rsabrams.com

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Seaford 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*.

## **Purpose of this Report**

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

*R.S. Abrams & Co., LLP*

R.S. Abrams & Co., LLP  
Islandia, NY  
September 30, 2014

September 30, 2014

To the Board of Education and  
Ms. Elisa Pellati, CPA  
Assistant Superintendent of Business of  
Seaford Union Free School District

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the fiduciary funds of Seaford Union Free School District as of and for the fiscal year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Seaford Union Free School District's internal control over financial reporting (internal control) as a basis for designing 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 Seaford Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Seaford 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

However, during our audit we became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning these matters.



## **CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

### **BANKING SECURITY**

#### **Policies and Procedures**

During our audit we noted that the District does not have a policy in place regarding Online/Electronic Banking. We recommend the District develop and adopt a policy regarding Online/Electronic Banking procedures that specifies online banking activities and electronic funds transactions consistent with the statutory and other legal responsibilities of the District.

## **STATUS OF PRIOR YEAR RECOMMENDATIONS**

### **ATTENDANCE**

#### **Compensated Absences**

**FINDING:** During our prior year audit we noted the Treasurer was responsible for preparing the year end compensated absences schedule. We noted although there was an administrator review, we noted discrepancies in the compensated absences schedule. We recommended an administrator review the compensated absences schedule to ensure that the employees were awarded with the correct amount of sick, personal, or vacation days as compared to their respective employment contracts.

**STATUS:** **Implemented.** During our current year audit, we noted that there were no discrepancies in the schedule.

### **COMPUTER CONTROLS**

#### **Audit Trails**

**FINDING:** During our prior year audit we noted the Assistant Superintendent for Business reviewed the audit trails of the Treasurer, however, this review was not documented. We recommended the Assistant Superintendent for Business document the review of the audit trails.

**STATUS:** **Implemented.** During our current year audit, we noted the Interim Assistant Superintendent for Business documented the audit trails of the Treasurer.

Board of Education and  
Ms. Elisa Pellati, CPA  
Seaford Union Free School District  
September 30, 2014

\* \* \* \* \*

We would like to acknowledge the courtesy and assistance extended to us by personnel of the District and also compliments the business office on their excellent financial operations during our audit. Should you have any questions concerning the matters referred to in this letter, we shall be pleased to discuss them with you, at your convenience.

This communication is intended solely for the information and use of the Board of Education, the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*R.S. Abrams & Co., LLP*

R.S. Abrams & Co., LLP  
Islandia, New York  
September 30, 2014



September 30, 2014

To the Board of Education  
Seaford Union Free School District

We have audited the financial statements of the governmental activities, each major fund, and the fiduciary funds of Seaford Union Free School District for the fiscal year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 6, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Seaford Union Free School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending June 30, 2014. We noted no transactions entered into by the Seaford Union Free School District during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Seaford Union Free School District's financial statements were:

- Useful Life of Capital Assets – Management's estimate of the useful life of capital assets is based on the historical asset life information for Seaford Union Free School District's capital assets and industry standards, in order to determine the value and period of time over which individual capital assets are to be depreciated.
- Compensated Absences Liability – Management's estimate of the liability for compensated absences is based on historical information regarding employees who have separated from Seaford Union Free School District and their terminal payout

ISLANDIA: 3033 EXPRESS DRIVE NORTH, SUITE 100 • ISLANDIA, NY 11749  
WHITE PLAINS: 50 MAIN STREET, SUITE 1000 • WHITE PLAINS, NY 10606  
PHONE: (631) 234-4444 • FAX: (631) 234-4234

amounts, in order to determine the probability and amount of future payouts to employees for vested accumulated sick, vacation and/or leave terminal payouts. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

- Other Post-Employment Benefits Obligation – Management’s estimate of the liability for other post-employment benefits is based on an actuarial valuation report prepared by a third party. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Workers Compensation Claims Payable – Management’s estimate of the liability for workers compensation payable is provided by Benetech. The liability is based on incurred claims and claim adjustments from various actuarial reports and claim payments during the fiscal year ending June 30, 2014. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 30, 2014.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to Seaford Union Free School District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Finding or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Seaford Union Free School District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to management’s discussion and analysis, budgetary comparison information, and schedule of funding progress, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of change from adopted budget to final budget – general fund and section 1318 of real property tax law limit calculation, schedule of project expenditures - capital projects fund and net investment in capital assets which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Education, Audit Committee and management of Seaford Union Free School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*R.S. Abrams & Co., LLP*

R.S. Abrams & Co., LLP