

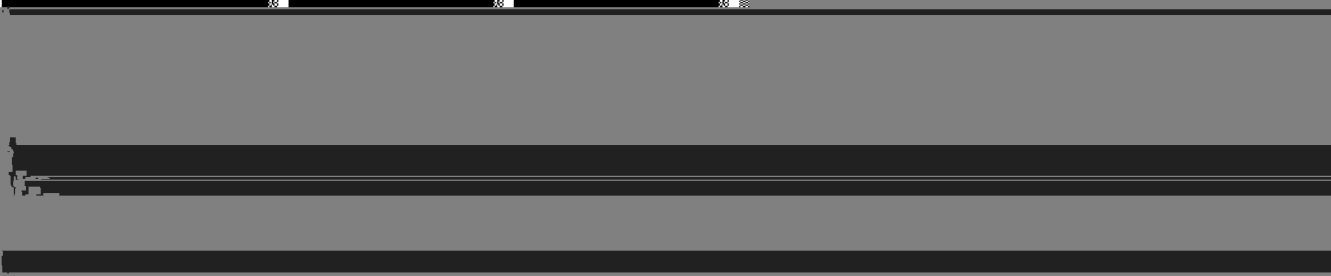
EAST ISLIP UNION FREE SCHOOL DISTRICT

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

June 30, 2012

**EAST ISLIP UNION FREE SCHOOL DISTRICT
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CERTIFIED PUBLIC ACCOUNTANTS

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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedule of funding progress - other postemployment benefits on pages 3 through 14 and 44 through 46, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's

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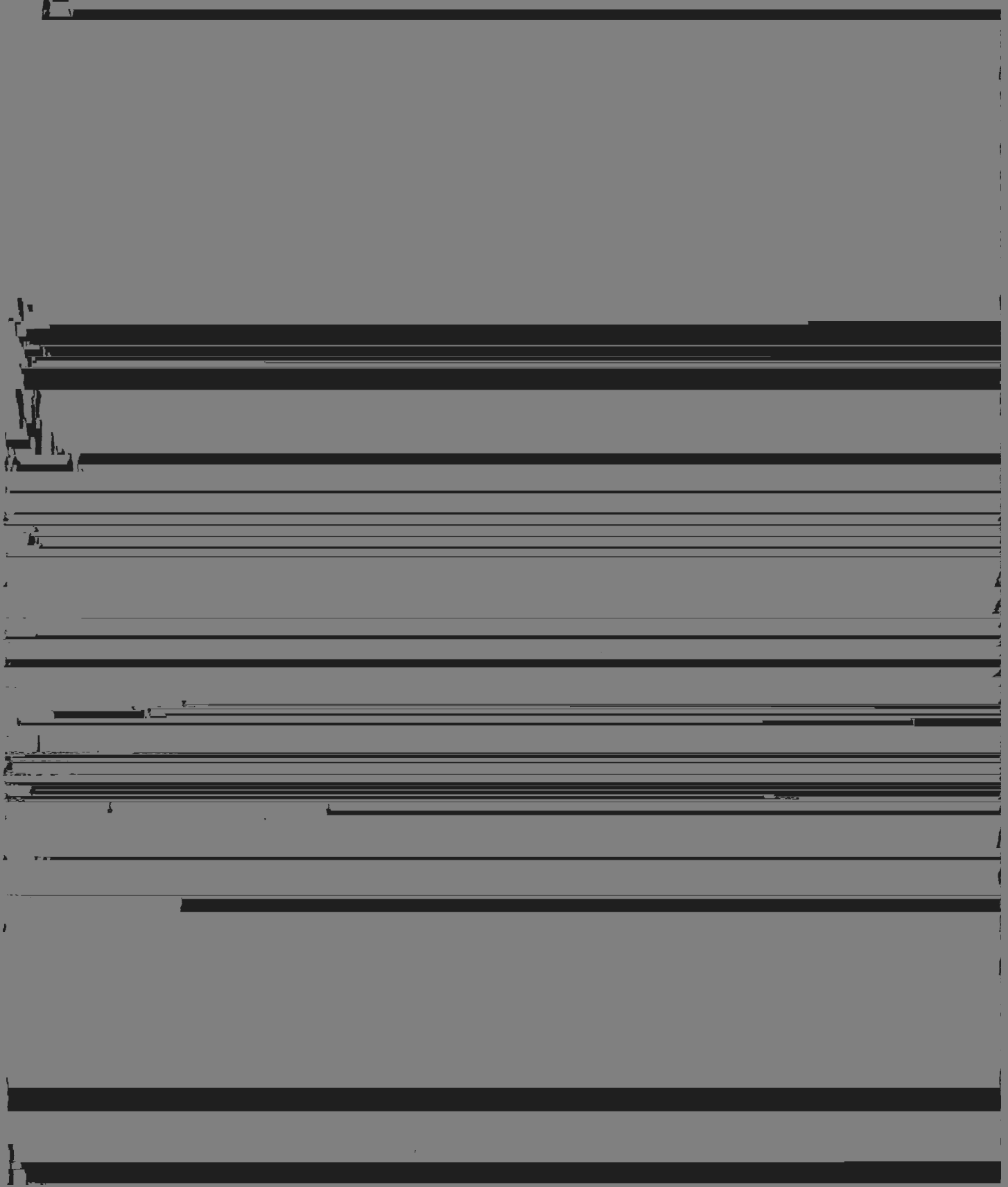
responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of

[REDACTED]

[REDACTED]

**EAST ISLIP UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The East Islip Union Free School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole. This should be read in



EAST ISLIP UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Governmental Funds

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period that they become measurable, funded through available resources and payable within a current period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is

The table content is almost entirely obscured by black redaction bars. Only faint horizontal lines and some illegible characters are visible, suggesting a table with multiple rows and columns. The redaction covers the vast majority of the page's content below the introductory text.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Assets

	2012	2011
Assets		
Current Assets		
Cash and equivalents		
Accounts receivable		
Inventory		
Prepaid expenses		
Other current assets		
Non-current Assets		
Capital assets		
Investments		
Other non-current assets		
Liabilities		
Current Liabilities		
Accounts payable		
Accrued liabilities		
Deferred liabilities		
Other current liabilities		
Non-current Liabilities		
Long-term debt		
Other non-current liabilities		
Net Assets		
Current Assets		
Non-current Assets		
Liabilities		
Current Liabilities		
Non-current Liabilities		
Net Assets		

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Other liabilities increased by \$1,455,767 when compared to the prior year. This increase is primarily due

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

\$

to the increased amounts due to NYS retirement systems in the current year.

The net assets invested in capital assets, net of related debt, relates to the investment in capital assets at

[REDACTED]

**EAST ISLIP UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

The District's net assets decreased by \$4,625,902 and \$5,541,110 for the years ended June 30, 2012 and 2011.

continuing accrual of OPEB liability in accordance with GASB 45.

As indicated on the pie charts that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 62% and 59% of the total for the two years for the years 2012 and 2011, respectively). Instructional expenses is the largest category of expenses incurred (i.e., 81% and 79% of the total for the two years for the years 2012 and 2011, respectively).

A graphic display of the distribution of revenues for the two years follows

June 30, 2012

June 30, 2011

Charges for
Other Services

Charges for
Other

**EAST ISLIP UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

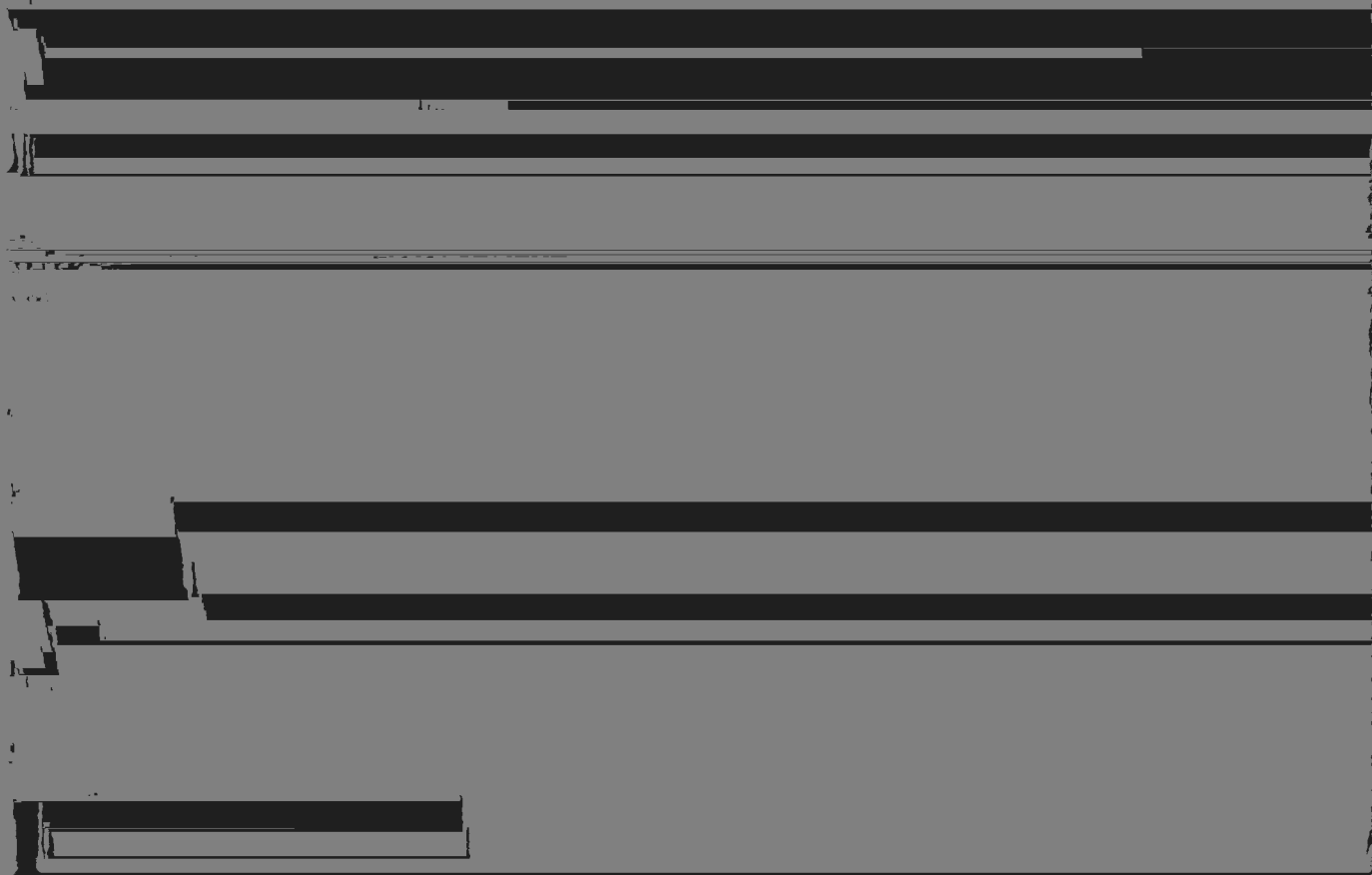
4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2012, the District's governmental funds reported a combined fund balance of \$15,110,714, which

Changes

\$

is a decrease of \$1,498,074 from the prior year. This decrease is due to an excess of expenditures over revenues based upon the modified accrual basis of accounting. A summary of the changes in fund balance by



(Continued)

The 2012-13 tax levy of \$66.5 million was approved by the voters in June 2012; as in prior years, such amount was calculated utilizing an estimate of the Islip Town Property Tax Assessment (the "Assessment"). When finalized and issued in August, the Assessment was reduced from the prior year. While the tax levy does not change, the resulting tax rate will be slightly higher than previously estimated as a result of this change.

The 2.99% levy budget was made possible through a combination of personnel and other reductions, a



**EAST ISLIP UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

8. CONTACTING THE DISTRICT

EAST ISLIP UNION FREE SCHOOL DISTRICT
Statement of Net Assets
June 30, 2012

ASSETS



EAST ISLIP UNION FREE SCHOOL DISTRICT

Statement of Activities

For The Year Ended June 30, 2012

	Operating	Capital	Grants	Net Assets	Program Revenue	Revenue and Charges for	Net (Expense)
PROGRAMS/FUNCTIONS							
General support ...							
Community service							
Debt service - interest							
Food service program							
Total Functions and Programs					\$ 108,633,687	\$ 1,451,126	\$

EAST ISLIP UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
 June 30, 2012

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
		263,509	\$ 34,461	\$ 3,692		

ASSETS

Cash						
Total Assets	\$ 11,955,452	\$			\$ 741,593	\$ 12,998,707
Restricted	31,328				3,576,547	3,607,875
Receivables						
Accounts receivable	128,759		2,815			131,574
Due from other funds	4,312,373		423,890	201,673	110,165	5,048,101
Due from state and federal	2,302,978	1,563,509	8,726			3,875,213
Due from other governments	281,239			343,916		625,155
Inventories		,018	8,818			8,818
	\$ 19,012,129	\$ 1,827,018	\$ 478,710	\$ 549,281	\$ 4,428,305	\$ 26,295,443

LIABILITIES

Payables						
Accrued liabilities	286,972	7,826				294,798
Due to other funds	537,705	1,672,002			707,619	7,917,206

EAST ISLIP UNION FREE SCHOOL DISTRICT

to the Statement of Net Assets

For the year ended

Amounts reported for governmental activities in the

Statement of Net Assets are different because:

EAST ISLIP UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2012

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 55,960,926	\$	\$	\$	\$	\$ 55,960,926
Charges for services	671,827					671,827
Use of money and property	521,303			8,816		530,119
Intergovernmental revenues				619,169		619,169
Sale of property and compensation for loss	273,088					273,088
Miscellaneous	944,024	12,544				956,568
Interfund revenues	37,787					37,787
State sources	21,606,000	838,756	22,005			22,546,761
					350,016	
					350,016	
OTHER FINANCING SOURCES AND (USES)						
Federal sources	2,141,585	2,263,796	270,533			4,675,914
	(5,414,840)			5,334,404		
	\$ 10,454,985	\$				

EAST ISLIP UNION FREE SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenue, Expenditures and

Net Change in Fund Balances \$ (1,498,074)

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

~~Long Term Revenue and Expense Differences~~

In the Statement of Activities, certain operating revenues are measured by the amounts earned

For The Year Ended June 30, 2012

\$ (78,987)

by the amount of financial resources provided (essentially, the amounts actually received).

Change in deferred revenue

In the Statement of Activities, deferred premiums on refinancing bonds are amortized, which does not require the use of current financial resources and, therefore, are not reported as revenues in the

239,675

(580,585)

(340,910)

(5,014,355)

624,196

(2,955,205)

(1,399)

Some expenses reported in the Statement of Activities do not require the use of current financial

Proceeds from the issuance of refunding bonds is an other funding source in the governmental funds, but it

EAST ISLIP UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Assets -
Fiduciary Funds
June 30, 2012

\$

\$

\$

Total Liabilities and Net Assets

\$

\$

EAST ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the East Islip Union Free School District (District) have been prepared in

[REDACTED]

conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for

[REDACTED]

[REDACTED]

[REDACTED]

NOTES TO FINANCIAL STATEMENTS
(Continued)

§110 of the General Municipal Law. A ROCFE budget is comprised of separate budgets for

[REDACTED]

[REDACTED]

[REDACTED]

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 Education Law, Section §10506(1)(7). There is no authority or process by which a school district can terminate its status as

[REDACTED]

[REDACTED]

[REDACTED]

EAST ISLIP UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

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

Private Purpose Trust Funds - These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors manage or committees determine who benefits.

EAST ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Enforcement

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

F. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are

available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes to Financial Statements.

G. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the

EAST ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Consistent with CASB Statement No. 16, Accounting for Compensated Absences, the liability has been

[REDACTED]

[REDACTED]

[REDACTED]

1. Lateral pay is the vesting method and an accrual for that liability is included in the district-wide

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

EAST ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Long-term obligations represent the District's future obligations or future economic outflows. The

Statement of Net Assets.

R. Equity Classifications

District-Wide Statements

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

EAST ISLIP UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

Workers' Compensation Reserve

Workers' Compensation Reserve (GML §6-j) is used to pay for compensation benefits and other

expenses authorized by Article 3 of the Workers' Compensation Law and for payment of expenses

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

EAST ISLIP UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

Debt Service Reserve

Mandatory Reserve for Debt Service (GML §6-1) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. Unexpended balances of proceeds of borrowings for capital projects; interest and earnings from investing proceeds of obligations, and premium and accrued interest are recorded in the Reserve for Debt and held until appropriated for debt payments. The reserve is accounted for in the debt service fund.

Restricted – Unspent Debt Proceeds

Unspent debt proceeds are recorded as restricted fund balance because they are subject to external


constraints contained in the bond agreement. These restricted funds are accounted for in the capital projects fund.

Assigned – Consists of 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 necessary

EAST ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

A. Total Fund Balances of Governmental Funds vs. Net Assets of Governmental Activities

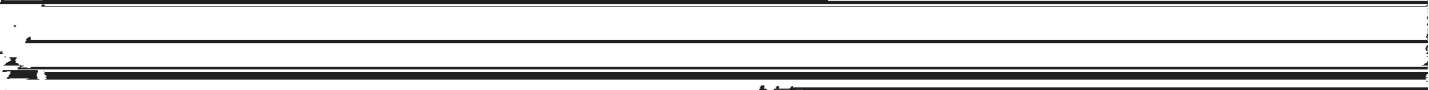
Total fund balances of the District's governmental funds differ from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional



long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental fund Balance Sheet.

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

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



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

EAST ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Included in the original budget (when committed by law) These supplemental appropriations

\$

subject to legal restrictions if the Board approves them because of a need that exists which cannot

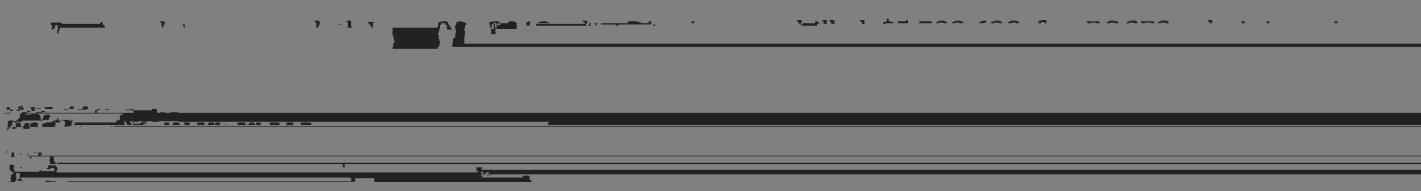
EAST ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)



\$

exposed to any material interest rate risk or foreign currency risk.

5. PARTICIPATION IN BOCES



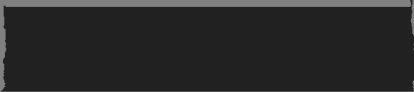
EAST ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

8. CAPITAL ASSETS

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,161,500			\$ 2,161,500
Construction in progress	17,408,955	350,017	(12,578,790)	5,180,182
Total capital assets	<u>19,570,455</u>	<u>350,017</u>	<u>(12,578,790)</u>	<u>17,341,682</u>

EAST ISLIP UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS



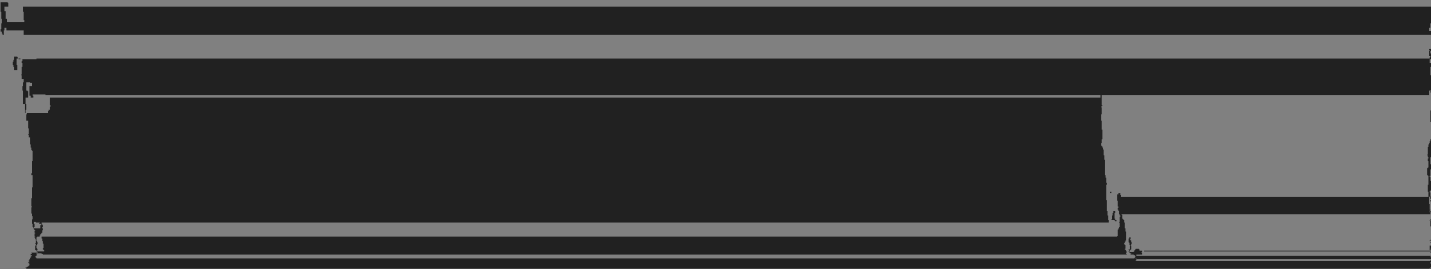
(Continued)

The amount of debt service earnings on the bond proceeds is being held by the Library to offset future debt service requirements. As of June 30, 2012 the District recorded \$343,916, as the amount of debt service interest earnings due from the Library.

The following is a summary of the maturing debt service requirements for the refunding bond issue, and is

Total

Balance
June 30, 2011



Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 435,000	\$ 181,419	616,419
2014	445,000	168,369	613,369
2015	470,000	150,569	620,569
2016	485,000	131,769	616,769
2017	500,000	112,369	612,369
2018-2022	2,785,000	276,668	3,061,668

EAST ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Bonds payable are comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2012
Serial Bonds	7/31/2007	7/1/2022	4.13-4.25%	\$ 5,020,000
Refunding Serial Bonds	5/27/2010	6/15/2021	2.00-5.00%	12,135,000
Refunding Serial Bonds (Library)	5/27/2010	3/15/2022	2.50-3.25%	5,120,000
Refunding Serial Bonds	7/20/2011	6/15/2021	2.50-5.00%	17,260,000
Refunding Serial Bonds	2/1/2012	6/15/2021	2.00-4.00%	7,170,000
				\$ 46,705,000

The following is a summary of debt service requirements

<u>Fiscal Year Ending June 30,</u>	Principal	Interest	Total
2013	\$ 4,375,000	\$ 1,992,720	\$ 6,367,720
2014	4,375,000	1,855,245	6,230,245
2015	4,550,000	1,686,598	6,236,598
2016	4,820,000	1,505,200	6,325,200
2017	5,020,000	1,298,337	6,318,337
2018-2022	23,685,000	2,811,400	26,496,400
Total	\$ 46,705,000	\$ 11,140,500	\$ 57,845,500



h

\$

NOTES TO FINANCIAL STATEMENTS
(Continued)

The District is amortizing deferred charges on the advanced refunding and non-refunding bond issuances. The
Total

h



amortization is netted against the bonds payable and is calculated on a straight-line basis over the respective bond term, as applicable. The future net amortization is as follows:

Net Revenue

EAST ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Funding Policies

[REDACTED]

Year

[REDACTED]

1976 with less than ten years of credited service, who contribute 3% of their salary or joined the Systems on or after January 1, 2010 and before April 1, 2012, who contribute 3% of their salary to NYSERS or 3.5% of their salary to NYSTRS throughout 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.

[REDACTED]

Annual required contribution (ARC) \$ 9,960,869

Interest on net OPEB obligation 837,130
Adjustment to ARC (651,841)
Annual OPEB cost (expense) 10,146,158
Contributions made (5,401,782)

Increase in net OPEB obligation 4,744,376
Net OPEB obligation - beginning of year 18,602,890

EAST ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

For the year ended 6/30/11, the estimated cost method was used. The

\$

\$

For the year ended 6/30/11, the estimated cost method was used. The

\$

EAST ISLIP UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2012

	\$	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES					
Local Sources					
Real property taxes		56,215,103	\$ 56,215,103	\$ 55,960,926	(254,177)
Other tax items		8,861,708	8,861,708	9,148,412	286,704
Charges for services		524,529	524,529	673,927	149,398
<hr/>					
Use of money and property		979,000	979,000	521,303	(457,697)
Sale of property and compensation for loss		216,115	268,955	273,088	4,133
Miscellaneous		969,948	1,156,195	944,024	(212,171)
Interfund revenues		94,343	94,343	37,787	(56,556)
Total Local Sources		67,870,755	68,109,842	67,557,367	(552,475)
State Sources		31,721,230	31,721,230	31,696,989	(24,241)
Federal Sources		668,093	668,093	11,256	(656,837)
Total Revenues		100,260,078	100,499,165	99,265,612	\$ (

EAST ISLIP UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2012

Final Budget
Variance with

	Budget	Budget	Actual	Encumbrances	& Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 59,766	\$ 73,797	\$ 67,299	\$	\$ 6,498
Finance	821,764	818,714	740,153	8,000	70,561
Staff	580,617	609,574	527,420	7,750	74,404
Central services	7,095,154	7,129,004	6,405,200	96,770	645,034
Special items	1,256,800	1,256,800	1,099,350		157,450
Total General Support	10,165,430	10,258,208	9,029,927	102,520	1,125,761
Instruction					
Instruction, administration	5,000,000	5,100,000	4,850,000	5,000	250,000

EAST ISLIP UNION FREE SCHOOL DISTRICT
Schedule of Funding Progress for Other Postemployment Benefits (OPEB)
June 30, 2012

Actuarial	Unfunded Actuarial Accrual	UAAL as a Percentage
-----------	----------------------------------	-------------------------

EA

EE SCHOOL DISTRICT
Object Expenditures -
Projects Fund
ended June 30, 2012

Methods of Financing

Grant Aid

Local Sources

Total

Plus

0
38
0
0
4
1
0
4
2
0
0

1,575,110
1,164,830
1,005,110
50,000
50,000
12,207,884
6,507,887
17,343,100
29,113,124
6,686,975
977,462
71,689,700
251,335
240,640
175,000
666,975
31,000

68,980,263

3,486,711

70,002,019

63,247

\$

9

\$

\$

\$

\$

\$

\$

\$

\$

68,980,263

\$

3,486,711

\$

70,002,019

\$

12
16
11
18
12
19)
13)
15)
19)
16
19)
11
12)
18)
11)
10)
18
36,85
36,85
36,96
16
38
2

EAST ISLIP UNION FREE SCHOOL DISTRICT
Schedule of Certain Revenues and Expenditures
Compared to ST-3 Data
For The Year Ended June 30, 2012

	ST-3 Amount	Audited Amount
REVENUES		
Real Property Taxes	\$ 55,960,926	\$ 55,960,926
Non-Property Taxes		
State Aid		
Federal Aid		

CULLEN & DANOWSKI, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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CHRISTOPHER V. REINO, CPA
ALAN YU, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported

Cullen & Danowski, LLP

