

D'Arcangelo & Co., LLP

Certified Public Accountants & Consultants

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Required Communication with Those Charged with Governance (SAS 114)

To the Board of Education
William Floyd Union Free School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of William Floyd Union Free School District for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, 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 May 26, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by William Floyd Union Free School District are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year of which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

Significant Accounting Estimates

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.

Sensitive estimates effecting the financial statements are the estimates involving depreciation lives and methods and postemployment healthcare liability accrual accounts. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable to relation to the financial statements taken as a whole.

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 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 the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 October 15, 2010.

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 the governmental unit'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 Findings 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 the 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.

This information is intended solely for the use of the Board of Education and management of the William Floyd Union Free School District and the New York State Education Department and is not intended to be and should not be used by anyone other than these specified parties.

D'Arcangelo + Co., LLP

October 15, 2010

Rome, New York

**William Floyd UFSD
Adjusting Journal Entries
6/30/2010**

Adjusting Journal Entries JE # 1

To record current year bond principal payment

GW-C00-20-0628-000	Bonds Payable	9,165,000.00	
GW-C00-60-9711-600	Serial Bonds Principal-Sch		9,165,000.00
Total		9,165,000.00	9,165,000.00

Adjusting Journal Entries JE # 2

To adjust current year interest accrual

GW-C00-60-9711-700	Serial Bonds Interest-Sch	26,380.00	
GW-C00-20-0651-000	Accrued Interest Payable		26,380.00
Total		26,380.00	26,380.00

Adjusting Journal Entries JE # 3

To adjust for IBNR

A 9060.8000-00	EMPLOYEE BENEFITS - HEALTH	564,878.00	
A601	ACCRUED LIABILITIES		564,878.00
Total		564,878.00	564,878.00

Adjusting Journal Entries JE # 4

To adjust Retirement Incentive/Severance Pay to actual

A601	ACCRUED LIABILITIES	5,981.00	
A 2110.1505-00	RETIREMENT INCENTIVE/SEVERANCE PAY		5,981.00
Total		5,981.00	5,981.00

Adjusting Journal Entries JE # 5

To record taxable sales to revenue

C631	DUE TO OTHER GOVERNMENTS-NYS TAX	25,032.00	
C 1440	SALE OF TYPE A LUNCHES		25,032.00
Total		25,032.00	25,032.00

Adjusting Journal Entries JE # 6

To record current year amortization of bond issuance cost

GW-C00-60-9711-700	Serial Bonds Interest-Sch	76,389.00	
GW-C00-20-0628-002	Accumulated Amortization		76,389.00
Total		76,389.00	76,389.00

Adjusting Journal Entries JE # 7

To record Current Year Fixed Asset Activity

GW-C00-10-0104-000	Equipment	137,172.00	
GW-C00-10-0105-000	Construction Work in Prog	6,324,521.00	
GW-C00-60-1989-300	Depreciation	7,225,750.00	
GW-C00-10-0112-000	Buildings - Acc Depr		6,581,020.00
GW-C00-10-0114-000	Equipment - Acc Depr		644,730.00
GW-C00-60-1999-200	General Support Capital Outlays		27,434.00
GW-C00-60-1999-200	General Support Capital Outlays		6,324,521.00
GW-C00-60-2110-200	Instructional- Capital Outlays		109,738.00
Total		13,687,443.00	13,687,443.00

Adjusting Journal Entries JE # 8

To allocate current year depreciation

GW-C00-60-1620-700	General Support - Depreciation	1,449,750.00	
GW-C00-60-2110-700	Instructional - Depreciation	5,776,000.00	
GW-C00-60-1989-300	Depreciation		7,225,750.00
Total		7,225,750.00	7,225,750.00

Adjusting Journal Entries JE # 9

To record Current Year GASB 45 Liability

GW-C00-20-0688	GASB 45 Liability	3,162,315.00	
GW-C00-60-0688-000	Other Postemployment Expense	7,135,169.00	
GW-C00-20-0688	GASB 45 Liability		7,135,169.00
GW-C00-60-0688-000	Other Postemployment Expense		3,162,315.00
Total		10,297,484.00	10,297,484.00

Adjusting Journal Entries JE # 10

To allocate current year employee benefit expenditures

GW-C00-60-1620-800	General Support - Employee Benefit	7,862,921.00	
GW-C00-60-2110-800	Instructional - Employee Benefit	35,424,539.00	
GW-C00-60-9089-800	Employee Benefits		43,287,460.00
Total		43,287,460.00	43,287,460.00

Adjusting Journal Entries JE # 11

To adjust deferred revenue per G34

GW-C00-20-0691-000	Deferred Revenues	441,462.00	
GW-C00-40-3101-010	State Aid-Basic Formula		441,462.00
Total		441,462.00	441,462.00

Adjusting Journal Entries JE # 12

To allocate current year compensated absences

GW-C00-60-1620-800	General Support - Employee Benefit	73,579.00	
GW-C00-60-2110-800	Instructional - Employee Benefit	294,318.00	
GW-C00-20-0687-000	Compensated Absences		367,897.00
Total		367,897.00	367,897.00

Adjusting Journal Entries JE # 13

To record current year bond issuance

GW-C00-40-5710-000	PROCEEDS OF LONG TERM DEBT	30,000,000.00	
GW-C00-20-0628-000	Bonds Payable		30,000,000.00
Total		30,000,000.00	30,000,000.00

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Required Communication of Areas in Need of Improvement (SAS 115)

Board of Education

William Floyd Union Free School District

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of William Floyd Union Free School District as of June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the William Floyd Union Free School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraphs and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed in the attached, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

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. We consider the following deficiency in the School District's internal control to be a significant deficiency in the Extraclassroom Activity Fund and other matters are identified and described in the attached schedule of findings and recommendations.

This communication is intended solely for the use of management, the Board of Education, the New York State Education Department, and the New York State Comptroller's Office and is not intended to be and should not be used by anyone other than these specified parties.

D'Arcangelo & Co., LLP

October 15, 2010

Rome, New York

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND RECOMMENDATIONS

For the Year Ended June 30, 2010

A. Significant Deficiencies

No significant deficiencies or material weaknesses noted for the current year.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
STATUS OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS

For the Year Ended June 30, 2010

A. Significant Deficiency – Extraclassroom Fund Only

1. Cash Receipts

As in prior years, insufficient accounting controls exist over cash collections prior to the initial entry in the accounting records by the Central Treasurer. Internal accounting control and control over undeposited cash collections could be strengthened if receipts for cash collections were issued upon the point of sale and a preaudit of receipts was available for each major event.

We suggest the administrators of the School District review the Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds - Finance Pamphlet 2, issued by the State Education Department.

Status: Noted Again in the Current Year

B. Other Matters

Annual Financial Statement Preparation

While Management currently has informal procedures to ensure the annual financial statements are complete and accurate, there are no formal written procedures for the process.

We recommend that Management implement formal written policies and procedures to ensure that the financial statements are accurate and complete. Such policies and procedures should include items such as:

- Independence of the auditing firm is maintained in accordance with the safeguards described in Government Audit Standards regarding non-attest services;
- The understanding for the preparation of the financial statements incorporated into the auditor's engagement and representation letters;
- Methods used to document Management's review and acceptance of the financial statements as a whole;
- Methods used to resolve disagreements.

Status: The Board of Education established this policy in the current year.

B. Year End Closing Procedures

While management currently has informal procedures over its year end closing procedures, there are no formal written procedures for the process.

We recommend that management develop formal written procedures to ensure a timely and complete closing of the district books. We recommend as part of these procedures a year end closing checklist be developed that would be completed by the responsible parties and monitored by the Assistant Superintendent of Business.

Status: The District has implemented year end closing procedures, however, further effort should be taken to ensure that all procedures are completed prior to the year end audit fieldwork.

WILLIAM FLOYD UNION
FREE SCHOOL DISTRICT

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

AND

BASIC FINANCIAL
STATEMENTS

For the Year Ended
June 30, 2010

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
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Independent Auditor's Report

Board of Education
William Floyd Union Free School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the William Floyd Union Free School District, as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of William Floyd Union Free School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the William Floyd Union Free School District, as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2010, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on Pages 2 through 11 and budgetary comparison information and supplementary information on Pages 34 through 39 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America and the New York State Education Department. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the William Floyd Union Free School District's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

D'Arcangelo & Co, LLP

October 15, 2010

Rome, New York

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010**

The William Floyd Union Free School District's discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal years ended June 30, 2010 and 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole. This should be read in conjunction with the financial statements, which immediately follow this section.

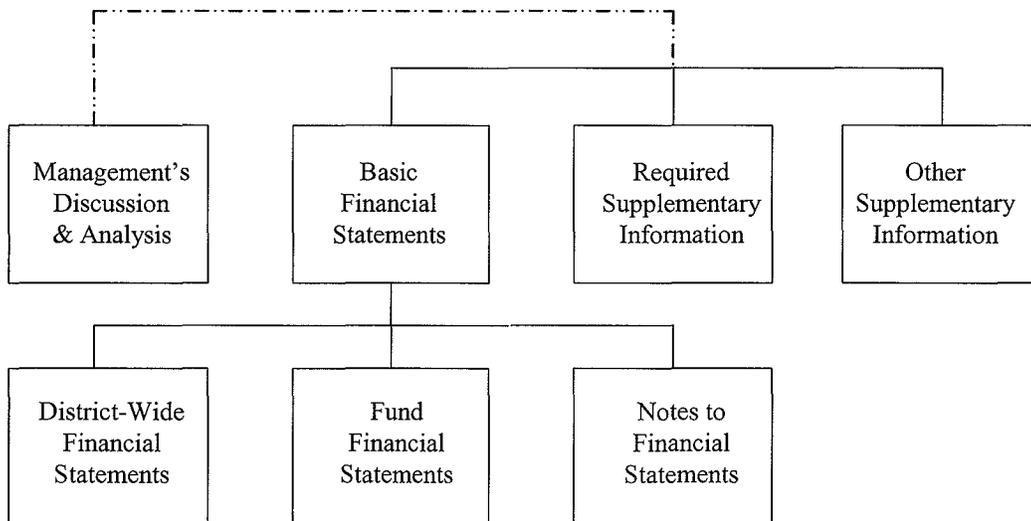
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2010, are as follows:

- The District's total net assets, as reflected in the District-wide financial statements, increased by \$436,185, which includes a prior period adjustment in the amount \$47,130 to record adjustments to prior year state aid accruals.
- The District's expenses for the year, as reflected in the District-wide financial statements, totaled \$201,995,912. Of this amount, \$1,659,639 was offset by program charges for services. General revenues of \$179,822,968 amount to 88.8% of total revenues. These revenues covered the balance of program expenses.
- The District received \$20,996,620 in operating grants to support instructional and food service programs. Of this amount \$9,154,612 was attributable to fiscal stabilization funds (ARRA).
- State and federal revenue decreased by 9.1% to \$102,622,559 in 2010 from \$112,939,996 in 2009.
- The General fund's total fund balance, as reflected in the fund financial statements on Pages 15 and 16, increased by \$1,917,781 to \$32,909,412. This was due to an excess of revenues over expenditures based on the modified accrual basis of accounting of \$2,123,033 less a prior period adjustment of \$202,252. Even in these difficult financial times, the District was able to retain as an undesignated, unreserved fund balance of 4% of the 2010-11 budget, the limit allowable under real property tax law.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – Management's Discussion and Analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of district-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010

A. District-wide Financial Statements

The District-wide financial statements are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two District-wide financial statements - the Statement of Net Assets and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Assets

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating, respectively.

The Statement of Activities

The Statement of Activities presents information showing the change in net assets during the fiscal year. All changes in net assets are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary 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

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 useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds, general fund, school lunch fund, special aid fund, and capital projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010**

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. The fiduciary activities have been excluded from the District's District-wide financial statements because the District can not use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Assets

The Districts total net assets increased between fiscal year 2009 and 2010. A summary of the District's Statement of Net Assets for June 30, 2010 and 2009, is as follows:

	<u>2010</u>	<u>Restated 2009</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Current and Other Assets	\$ 75,307,640	\$ 50,240,718	\$ 25,066,922	49.9%
Capital Assets, (Net of Accumulated Depreciation)	<u>220,984,469</u>	<u>221,748,526</u>	<u>(764,057)</u>	(0.3%)
Total Assets	<u>\$296,292,109</u>	<u>\$271,989,244</u>	<u>\$ 24,302,865</u>	8.9%
Non-Current Liabilities	\$151,153,281	\$125,901,141	\$ 25,252,140	#####
Other Liabilities	<u>16,151,931</u>	<u>17,537,391</u>	<u>(1,385,460)</u>	(7.9%)
Total Liabilities	<u>\$167,305,212</u>	<u>\$143,438,532</u>	<u>\$ 23,866,680</u>	#####
Net Assets				
Invested in Capital Assets (Net of Related Debt)	\$107,311,920	\$113,874,953	\$ (6,563,033)	(5.8%)
Unrestricted	<u>21,674,977</u>	<u>14,628,629</u>	<u>7,046,348</u>	#####
Total Net Assets	<u>\$128,986,897</u>	<u>\$128,503,582</u>	<u>\$ 483,315</u>	0.4%

Current and other assets increased by \$25,066,922, as compared to the prior year. The increase is primarily due to an increase in the District's cash balances due to the proceeds of a new serial bond.

Capital assets decreased by \$764,057, as compared to the prior year. This decrease is primarily due to depreciation exceeding amounts expended for additions. Note 5 to the Financial Statements provides additional information.

Non-current liabilities increased by \$25,252,140, as compared to the prior year. This increase is primarily a result of a new Serial Bond in the amount of \$30,000,000, and the current year accrual of post employment benefits in the amount of \$3,972,854.

The net assets invested in capital assets is calculated by subtracting the amount of outstanding debt used for construction from the total cost of all asset acquisitions, net of accumulated depreciation. The total cost of these acquisitions includes expenditures to purchase land, construct and improve buildings and purchase vehicles, equipment and furniture to support District operations.

The unrestricted net assets at June 30, 2010 is \$21,674,977, which represents the amount by which the District's assets other than capital assets exceeded the District's liabilities, excluding debt related to capital construction.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010**

B. Changes in Net Assets

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2010 and 2009 is as follows.

Revenues	<u>2010</u>	<u>Restated 2009</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Program Revenues				
Charges for Services	\$ 1,659,639	\$ 1,595,001	\$ 64,638	4.1%
Operating Grants	20,996,620	10,054,848	10,941,772	108.8%
General Revenues				
Property Taxes and STAR	74,057,001	72,735,094	1,321,907	1.8%
State and Federal Sources	102,622,559	112,939,996	(10,317,437)	(9.1%)
Other	<u>3,143,408</u>	<u>4,010,510</u>	<u>(867,102)</u>	(21.6%)
Total Revenues	<u>202,479,227</u>	<u>201,335,449</u>	<u>1,143,778</u>	0.6%
Expenses				
General Support	\$ 29,565,097	\$ 31,545,164	\$ (1,980,067)	(6.3%)
Instruction	151,186,951	142,707,394	8,479,557	5.9%
Pupil Transportation	12,277,975	12,030,869	247,106	2.1%
Community Service	3,052	2,066	986	47.7%
Debt Service-Unallocated Interest	6,048,829	6,683,564	(634,735)	(9.5%)
Food Service Program	<u>2,914,008</u>	<u>3,049,444</u>	<u>(135,436)</u>	(4.4%)
Total Expenses	<u>201,995,912</u>	<u>196,018,501</u>	<u>5,977,411</u>	3.0%
Total Change in Net Assets	<u>\$ 483,315</u>	<u>\$ 5,316,948</u>	<u>\$ (4,833,633)</u>	

The District's revenues increased by .6% in 2010 or \$1,143,778. The major factors that contributed to the increase were:

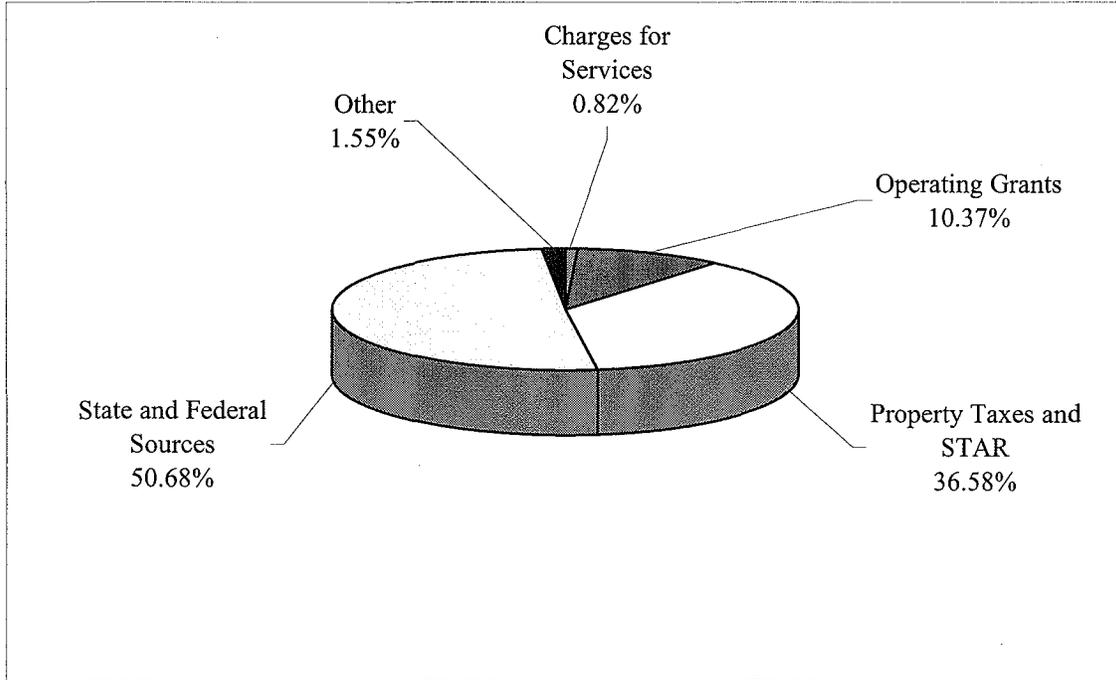
- Property tax and STAR revenues increased by \$1,321,907.
- The decrease in State and Federal Sources was offset by the increase in Operating Grants due to Economic Stimulus Funding.

The District's expenditures for the year increased by \$5,977,411 or 3.0%. This is mainly due to the current year accrual of postemployment benefits in accordance with GASB 45.

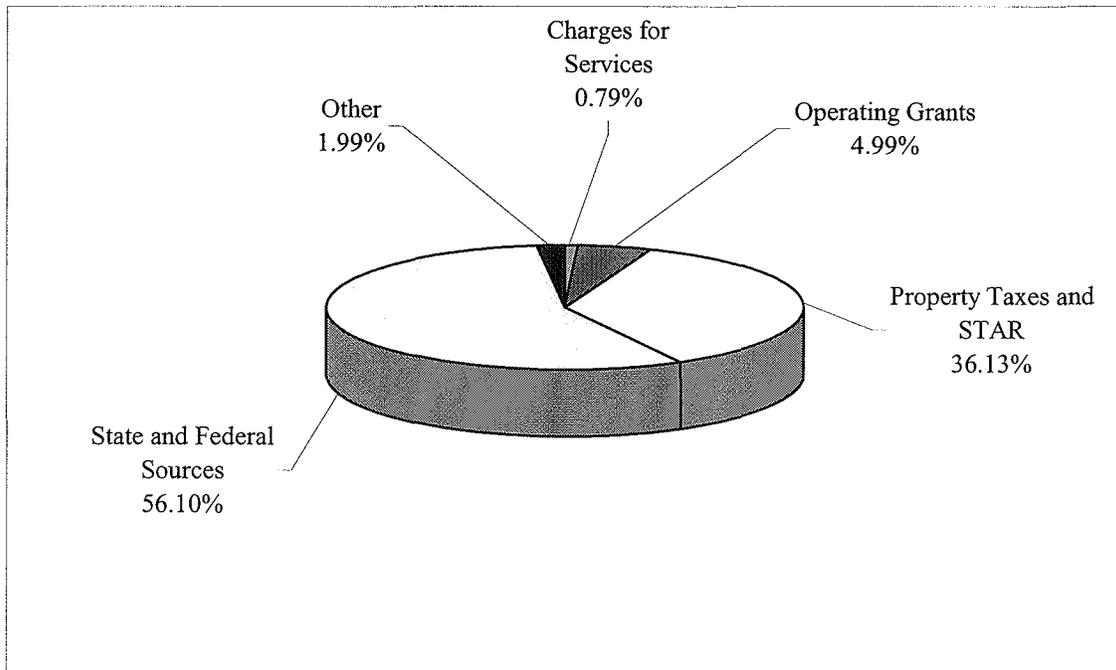
**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010**

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

For the Year Ended June 30, 2010



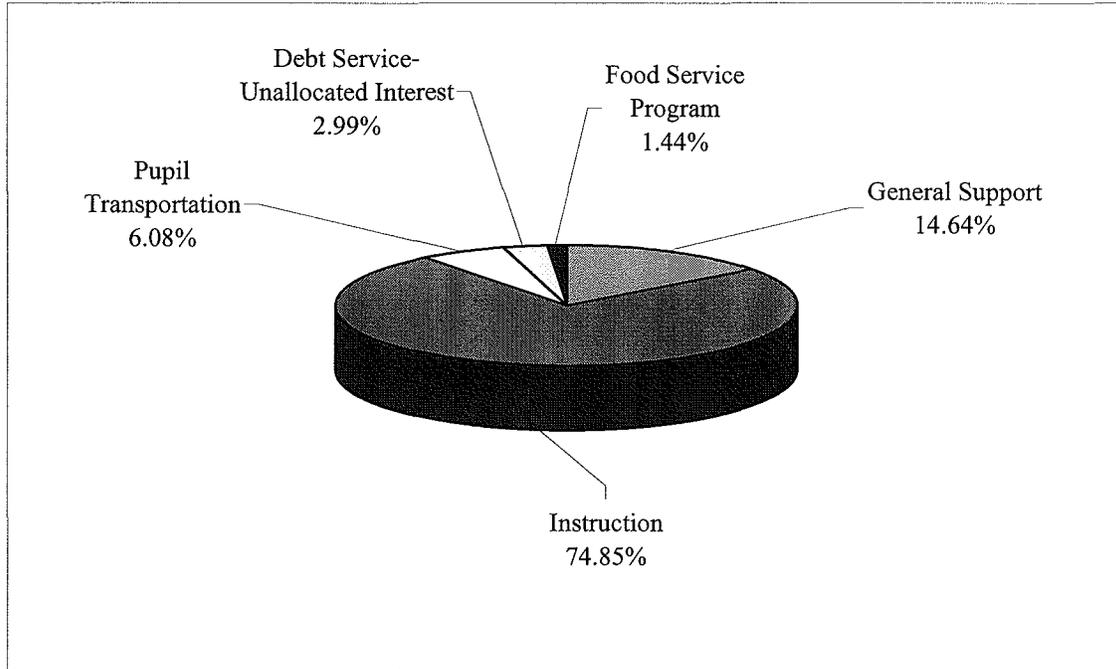
For the Year Ended June 30, 2009



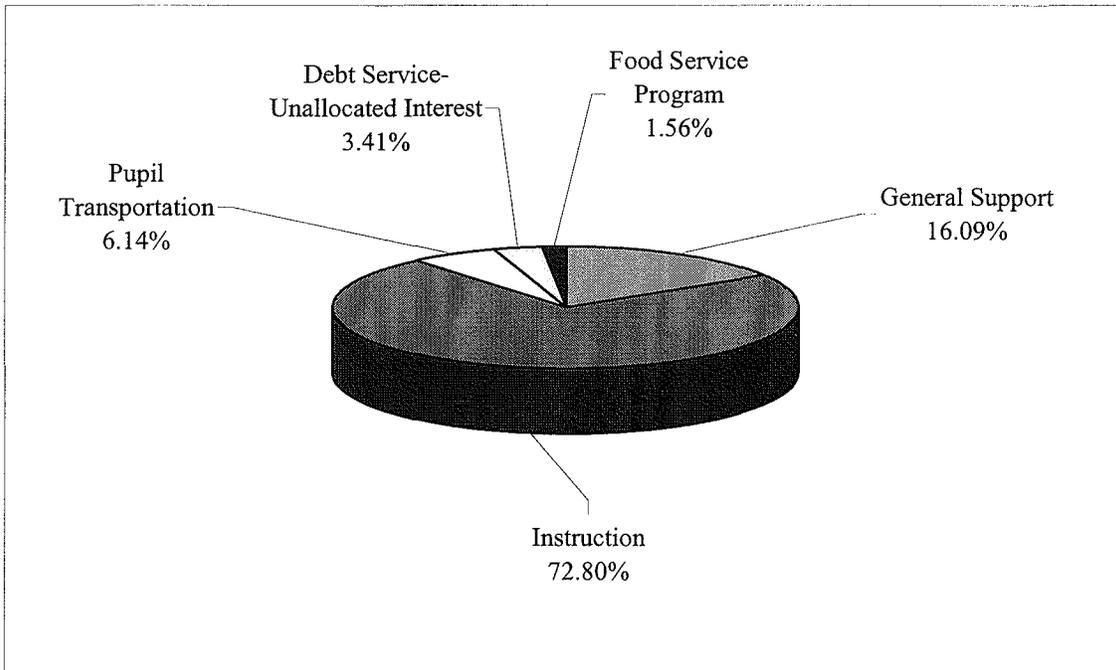
**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010**

A graphic display of the distribution of expenses for the two years follows:

For the Year Ended June 30, 2010



For the Year Ended June 30, 2009



**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010**

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUND BALANCES

At June 30, 2010, the District's governmental funds reported a combined fund balance of \$53,770,768, which is an increase of \$26,037,300 over the prior year, including a prior-period adjustment. This increase is due to an excess of revenues over expenditures for the year primarily due to the proceeds of serial bonds in the amount of \$30,000,000. A summary of the change in fund balance by fund is as follows:

General Fund	<u>2010</u>	<u>Restated 2009</u>	<u>Increase (Decrease)</u>
Reserve for:			
Encumbrances	\$ 2,300,812	\$ 2,701,016	\$ (400,204)
Workers' Compensation	3,342,856	2,880,200	462,656
Unemployment Insurance	116,053	115,000	1,053
Employee Benefit Accrued Liability	6,130,738	7,159,774	(1,029,036)
Retirement Contribution	706,412	700,000	6,412
Insurance	100,916	100,000	916
Unreserved - Designated for Subsequent Year's Expenditures	12,210,441	9,552,692	2,657,749
Unreserved - Undesignated	<u>8,001,184</u>	<u>7,577,697</u>	<u>423,487</u>
	<u>32,909,412</u>	<u>30,786,379</u>	<u>2,123,033</u>
 School Lunch Fund			
Reserve for Inventory	17,491	26,803	(9,312)
Unreserved - Undesignated	<u>1,370,858</u>	<u>1,075,628</u>	<u>295,230</u>
	<u>1,388,349</u>	<u>1,102,431</u>	<u>285,918</u>
 Special Aid Fund			
Reserve for Encumbrances	57,493	240,494	(183,001)
Unreserved - Undesignated (Deficit)	<u>(57,493)</u>	<u>(240,494)</u>	<u>183,001</u>
	<u> </u>	<u> </u>	<u> </u>
 Capital Projects Fund			
Reserve for Encumbrances	26,429,225		26,429,225
Unreserved - Undesignated (Deficit)	<u>(6,956,218)</u>	<u>(4,360,594)</u>	<u>(2,595,624)</u>
	<u>19,473,007</u>	<u>(4,360,594)</u>	<u>23,833,601</u>
 Total Fund Balance	<u>\$ 53,770,768</u>	<u>\$ 27,528,216</u>	<u>\$ 26,242,552</u>

Combined decreases of \$557,998 from the general fund reserved fund balances (excluding encumbrances) during the year ended June 30, 2010 is a result of reserves expenditures approved by the Board of Education.

The increase in the amount of \$23,833,601 in the Capital Fund is a result of the District obtaining permanent financing on the EXCEL project in the amount of \$30,000,000.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2009-2010 Budget

The District's General Fund adopted budget for the year ended June 30, 2010, was \$194,666,853. This is an increase of \$1,761,060 over the prior years adopted budget.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010**

The budget was funded through a combination of revenues and designated fund balance. The majority of this funding source was \$74,031,061 in estimated property taxes and STAR, and State Aid in the amount of \$108,541,000.

B. Change in General Fund's Unreserved – Undesignated Fund Balance (Budget to Actual)

The general fund's unreserved – undesignated fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and designations to fund the subsequent year's budget. It is this balance that is commonly referred to as the "fund balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unreserved – Undesignated Fund Balance	\$ 7,577,697
Prior Period Adjustment	(205,252)
Revenues under Budget	4,057,716
Expenditures and Encumbrances under Budget	8,018,214
Net Decrease in Reserved Funds	557,998
Appropriated for June 30, 2011 Budget	<u>(12,210,441)</u>
Closing, Unreserved – Undesignated Fund Balance	<u>\$ 8,001,184</u>

Opening, Unreserved - Undesignated Fund Balance

The \$7,782,949 shown in the table is the portion of the District's June 30, 2009, fund balance that was retained undesignated. This was 4% of the District's 2009-2010 approved operating budget.

Revenues Over Budget

The 2009-2010 budget for revenues was \$185,158,548. The actual revenues received for the year were \$189,216,264. The actual revenue over estimated or budgeted revenue was \$4,057,716. This variance contributes directly to the change to the undesignated portion of the General fund balance from June 30, 2009 to June 30, 2010.

Expenditures and Encumbrances Under Budget

The 2009-2010 budget for expenditures was \$197,412,257. The actual expenditures and encumbrances were \$189,394,043. The final budget was under expended by \$8,018,214. This under expenditure contributes to the change to the undesignated portion of the general fund balance from June 30, 2009 to June 30, 2010.

Appropriated Fund Balance

The District has chosen to use \$12,210,441 of its available June 30, 2010, fund balance to partially fund its 2010-2011 approved operating budget.

Closing, Unreserved - Undesignated Fund Balance

Based upon the summary changes shown in the above table, the District will begin the 2010-2011 fiscal year with an undesignated fund balance of \$8,001,184. This is an increase of \$423,487 over the undesignated balance from the prior year as of June 30, 2009.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010**

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2010, the District had invested in a broad range of capital assets, including land, buildings and improvements and equipment. The net decrease in capital assets is due to depreciation expense exceeding capital expenditures for the year ended June 30, 2010. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2010 and 2009, is as follows:

	<u>2010</u>	<u>2009</u>	<u>(Decrease)</u>
Land	\$ 35,132,218	\$ 35,132,218	\$
Construction in Process	10,687,355	4,362,834	6,324,521
Buildings	169,407,311	175,988,331	(6,581,020)
Improvements	3,963,935	3,963,935	
Vehicles, Furniture, and Equipment	<u>1,793,650</u>	<u>2,301,208</u>	<u>(507,558)</u>
Capital Assets, Net	<u>\$ 220,984,469</u>	<u>\$ 221,748,526</u>	<u>\$ (764,057)</u>

B. Debt Administration

At June 30, 2010, the District had total bonds payable of \$134,215,000. A summary of the outstanding debt at June 30, 2010 and 2009, is as follows:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>
12/15/2002	4.00%	\$ 26,860,000	\$ 28,980,000	\$ (2,120,000)
2/19/2003	3.50%	17,830,000	22,085,000	(4,255,000)
6/21/2006	4.20%-4.25%	13,205,000	13,865,000	(660,000)
3/22/2007	4.00%-5.00%	46,320,000	48,450,000	(2,130,000)
2/1/2010	2.00%-4.00%	<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>
		<u>\$ 134,215,000</u>	<u>\$ 113,380,000</u>	<u>\$ 20,835,000</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The designated fund balance applied to the June 30, 2011 budget in the amount of \$12,210,441 is an increase of \$2,657,749 from the previous year.

- The voters of the school district overwhelmingly approved the 2010-2011 budget in the amount of \$200,029,600 during May 2010.
- Annual single audits of major programs have reaffirmed the District as a Low Risk Auditee based on compliance of operational policies and procedures from external and internal guidance documents.
- The State continues to reduce its financial support to school districts and operate under an inefficient system which often times results in a State-level budget which is adopted well after a school district's legally mandated budget vote. These two significant issues make fiscal planning for school districts like William Floyd who are highly dependent on State Aid incredibly challenging as they are required to build their budgets with estimates and assumptions rather than tangible, reliable information. Further, even after the State adopts its budget, Aid which has been committed to school districts and which they have used to balance their budgets is taken away mid-year. In fact, for the 2010-11 school year, less than a month after the

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010**

State released district-specific Aid figures it then informed all districts there would be further reductions to the agreed-upon support. This particular reduction is due to the State's passage of legislation that would implement a plan to keep the State budget in balance in the event the Federal government does not extend enhanced Federal Medical Assistance Percentages (FMAP) through the end of the current fiscal year. Unfortunately, this type of scenario occurs on a regular basis and results in unnecessary and highly complex budgetary implications.

- As the State continues to reduce its financial commitment to school districts, it seeks to utilize Federal funds to address the reductions in funding from the State. While this "pass through" funding has assisted school districts in balancing their budgets, it also serves to create a debilitating effect on future budget years when what has been called the "funding cliff" occurs. At that point, it is realistically expected that the State will still remain in its deficit situation with no other mechanism or source to rely on to fill the financial void for school districts.
- Required contributions by school districts into the State retirement systems continue on an upward trajectory. It is expected that the contribution level required will once again increase substantially for the 2011-12 school year. Further, while the retirement systems offer incentives to certain employees, it is the employer which bears the expense for extending such incentives to the employees.
- The county's troubled economy has played itself out in a number of ways for the William Floyd School District. Investment earnings continue to shrink and make up a smaller portion of the District's revenue stream. Even though assessed values have declined only slightly, the District believes the most significant decreases will be seen in the future, consistent with what neighboring districts have already experienced.
- Financial hardships and foreclosure rates within the communities William Floyd serves continue to increase expenditures as the District adheres to State mandates related to homeless and foster children.

8. CONTACTING THE DISTRICT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, at William Floyd Union Free School District, 240 Mastic Beach Road, Mastic Beach, NY 11951.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2010

Assets	
Cash and Cash Equivalents	\$ 46,107,444
Restricted Cash and Cash Equivalents	10,396,975
Receivables	
Other Governments	12,469,877
Due from Fiduciary Funds	5,847,270
Other Receivables	468,583
Inventory	17,491
Capital Assets (Net of Accumulated Depreciation)	<u>220,984,469</u>
Total Assets	<u>\$ 296,292,109</u>
Liabilities	
Accounts Payable	\$ 1,314,675
Accrued Liabilities	6,845,831
Due To	
Other Governments	1,748,607
Teacher's Retirement System	5,593,809
Employees' Retirement System	402,466
Bond Interest and Matured Bonds	246,543
Noncurrent Liabilities	
Due Within One Year	
Bonds Payable	9,390,000
Due in More Than One Year	
Bonds Payable	123,755,556
Other Postemployment Benefits	10,480,054
Compensated Absences	<u>7,527,671</u>
Total Liabilities	<u>167,305,212</u>
Net Assets	
Investment in Capital Assets (Net of Related Debt)	107,311,920
Unrestricted	<u>21,674,977</u>
Total Net Assets	<u>128,986,897</u>
Total Liabilities and Net Assets	<u>\$ 296,292,109</u>

The Accompanying Notes are an Integral Part of These Financial Statement.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Assets</u>
General Support	\$ 29,565,097	\$	\$	\$ (29,565,097)
Instruction	151,186,951	261,145	19,158,518	(131,767,288)
Pupil Transportation	12,277,975			(12,277,975)
Community Service	3,052			(3,052)
Debt Service - Unallocated Interest	6,048,829			(6,048,829)
Food Service	2,914,008	1,398,494	1,838,102	322,588
Total Functions/Programs	<u>\$ 201,995,912</u>	<u>\$ 1,659,639</u>	<u>\$ 20,996,620</u>	<u>(179,339,653)</u>
 General Revenues				
Real Property Taxes				62,106,458
STAR and Other Real Property Tax Items				11,950,543
Use of Money and Property				1,426,500
Sales of Property and Compensation for Loss				223,285
State and Federal Sources				102,622,559
Miscellaneous				<u>1,493,623</u>
Total General Revenues				<u>179,822,968</u>
Change in Net Assets				483,315
Net Assets, Beginning of Year				128,550,712
Prior Period Adjustments				<u>(47,130)</u>
Net Assets, Beginning of Year (Restated)				<u>128,503,582</u>
Net Assets, End of Year				<u>\$ 128,986,897</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010

	<u>General</u>	<u>School Lunch</u>	<u>Special Aid</u>	<u>Capital</u>	<u>Total</u>
Assets					
Cash and Cash Equivalents	\$ 25,392,301	\$ 901,125	\$	\$ 19,814,018	\$ 46,107,444
Restricted Cash and Cash Equivalents	10,396,975				10,396,975
Receivables					
Other Governments	8,383,798	165,720	3,920,359		12,469,877
Due from Other Funds	16,642,958	734,992	10,029,034		27,406,984
Other Receivables	463,758	161	4,664		468,583
Inventory		<u>17,491</u>			<u>17,491</u>
Total Assets	<u>\$ 61,279,790</u>	<u>\$ 1,819,489</u>	<u>\$ 13,954,057</u>	<u>\$ 19,814,018</u>	<u>\$ 96,867,354</u>
Liabilities					
Payables					
Accounts Payable	\$ 798,551	\$	\$ 516,124	\$	\$ 1,314,675
Accrued Liabilities	6,845,831				6,845,831
Due To					
Other Governments	1,748,607				1,748,607
Other Funds	7,349,630	431,140	13,437,933	341,011	21,559,714
Teacher's Retirement System	5,593,809				5,593,809
Employees' Retirement System	402,466				402,466
Bond Interest and Matured Bonds	16,611				16,611
Deferred Revenue	<u>5,614,873</u>				<u>5,614,873</u>
Total Liabilities	<u>28,370,378</u>	<u>431,140</u>	<u>13,954,057</u>	<u>341,011</u>	<u>43,096,586</u>
Fund Balance (Deficit)					
Fund Balance - Reserved					
Special Reserves	10,396,975				10,396,975
Reserve for Inventory		17,491			17,491
Reserve for Encumbrances	2,300,812		57,493	26,429,225	28,787,530
Fund Balance - Unreserved					
Designated for Subsequent Year's Expenditures	12,210,441				12,210,441
Undesignated (Deficit)	<u>8,001,184</u>	<u>1,370,858</u>	<u>(57,493)</u>	<u>(6,956,218)</u>	<u>2,358,331</u>
Total Fund Balance	<u>32,909,412</u>	<u>1,388,349</u>	<u>19,473,007</u>	<u>53,770,768</u>	
Total Liabilities and Fund Balance	<u>\$ 61,279,790</u>	<u>\$ 1,819,489</u>	<u>\$ 13,954,057</u>	<u>\$ 19,814,018</u>	<u>\$ 96,867,354</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
June 30, 2010**

	Total Governmental Funds (Modified Accrual)	Long-Term Assets & Liabilities	Reclassifications and Eliminations	Statement of Net Assets Total
Assets				
Cash and Cash Equivalents	\$ 46,107,444	\$	\$	\$ 46,107,444
Restricted Cash and Cash Equivalents	10,396,975			10,396,975
Receivables				
Other Governments	12,469,877			12,469,877
Due from Other Funds	27,406,984		(21,559,714)	5,847,270
Other Receivables	468,583			468,583
Inventory	17,491			17,491
Capital Assets		220,984,469		220,984,469
Total Assets	<u>\$ 96,867,354</u>	<u>\$ 220,984,469</u>	<u>\$ (21,559,714)</u>	<u>\$ 296,292,109</u>
Liabilities				
Accounts Payable	\$ 1,314,675	\$	\$	\$ 1,314,675
Accrued Liabilities	6,845,831			6,845,831
Bonds Payable		133,145,556		133,145,556
Due To				
Other Governments	1,748,607			1,748,607
Other Funds	21,559,714		(21,559,714)	
Teacher's Retirement System	5,593,809			5,593,809
Employees' Retirement System	402,466			402,466
Bond Interest and Matured Bonds	16,611	229,932		246,543
Compensated Absences		7,527,671		7,527,671
Other Postemployment Benefits		10,480,054		10,480,054
Deferred Revenue	5,614,873	(5,614,873)		
Total Liabilities	<u>43,096,586</u>	<u>145,768,340</u>	<u>(21,559,714)</u>	<u>167,305,212</u>
Total Fund Balance/Net Assets	<u>53,770,768</u>	<u>75,216,129</u>		<u>128,986,897</u>
Total Liabilities and Net Assets	<u>\$ 96,867,354</u>	<u>\$ 220,984,469</u>	<u>\$ (21,559,714)</u>	<u>\$ 296,292,109</u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	General	School Lunch	Special Aid	Capital	Total
Revenues					
Real Property Taxes	\$ 62,106,458				\$ 62,106,458
STAR and Other Real Property Tax Items	11,950,543				11,950,543
Charges for Services	261,145				261,145
Use of Money and Property	1,421,143	5,357			1,426,500
Sale of Property and Compensation for Loss	223,285				223,285
Miscellaneous	1,476,519		17,104		1,493,623
State Aid	102,622,559	77,633	2,595,264		105,295,456
Federal Aid	9,154,612	1,760,469	6,967,180		17,882,261
School Lunch Sales		1,398,494			1,398,494
Total Revenues	<u>189,216,264</u>	<u>3,241,953</u>	<u>9,579,548</u>		<u>202,037,765</u>
Expenditures					
General Support	20,181,383	24,898		6,324,521	26,530,802
Instruction	101,877,780		7,924,052		109,801,832
Pupil Transportation	11,975,758		302,217		12,277,975
Community Service	3,052				3,052
Food Service Program		2,914,008			2,914,008
Employee Benefits	37,682,933	17,129	1,614,544		39,314,606
Debt Service - Principal	9,165,000				9,165,000
Debt Service - Interest	5,946,060				5,946,060
Total Expenditures	<u>186,831,966</u>	<u>2,956,035</u>	<u>9,840,813</u>	<u>6,324,521</u>	<u>205,953,335</u>
Excess (Deficit) Revenues Over Expenditures	<u>2,384,298</u>	<u>285,918</u>	<u>(261,265)</u>	<u>(6,324,521)</u>	<u>(3,915,570)</u>
Other Financing Sources (Uses)					
Proceeds of Debt				30,000,000	30,000,000
Transfers from Other Funds			261,265		261,265
Transfers to Other Funds	(261,265)				(261,265)
Total Other Financing Sources (Uses)	<u>(261,265)</u>		<u>261,265</u>	<u>30,000,000</u>	<u>30,000,000</u>
Excess Revenues Over Expenditures and Other Financing Sources	2,123,033	285,918		23,675,479	26,084,430
Fund Balance (Deficit), Beginning of Year	30,991,631	1,102,431		(4,360,594)	27,733,468
Prior-Period Adjustment	(205,252)			158,122	(47,130)
Fund Balance (Deficit), End of Year	<u>\$ 32,909,412</u>	<u>\$ 1,388,349</u>	<u>\$</u>	<u>\$ 19,473,007</u>	<u>\$ 53,770,768</u>

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES AND
EXPENDITURES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010**

Net Changes in Fund Balance - Total Governmental Funds \$ 26,084,430

Capital Outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over their useful lives as depreciation expenses in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the period.

Depreciation Expense	(7,225,750)	
Capital Outlays	<u>6,461,693</u>	(764,057)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayments of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Serial Bond Proceeds	(30,000,000)	
Amortized Issue Costs	(76,389)	
Repayment Bond Principal	<u>9,165,000</u>	(20,911,389)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 441,462

Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest on Serial Bonds	(26,380)	
Other Post Employment Benefits	(3,972,854)	
Compensated Absences	<u>(367,897)</u>	<u>(4,367,131)</u>

Change in Net Assets Governmental Activities \$ 483,315

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2010

	Private Purpose	
	<u>Trusts</u>	<u>Agency</u>
Assets		
Cash and Cash Equivalents - Unrestricted	\$ 94,367	5,392,180
Receivables		\$ 781,801
Due from Other Funds	<u>170</u>	<u>115,130</u>
Total Assets	<u>\$ 94,537</u>	<u>\$ 6,289,111</u>
Liabilities		
Due to Other Funds	\$ 410	\$ 5,962,160
Agency Liabilities		131,615
Extraclassroom Activity Balances		<u>195,336</u>
Total Liabilities	<u>410</u>	<u>\$ 6,289,111</u>
Net Assets		
Restricted for Scholarships	<u>94,127</u>	
Total Net Assets	<u>94,127</u>	
Total Liabilities and Net Assets	<u>\$ 94,537</u>	

The Accompanying Notes are an Integral Part of These Financial Statements.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended June 30, 2010

	<u>Private Purpose Trusts</u>
Additions	
Investment Income	\$ 786
Gifts and Contributions	<u>65,677</u>
Total Additions	<u>66,463</u>
Deductions	
Scholarships and Awards	<u>87,676</u>
Change in Net Assets	(21,213)
Net Assets, Beginning of Year	<u>115,340</u>
Net Assets, End of Year	<u>\$ 94,127</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the William Floyd Union Free School District (the School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (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 School District are described below:

Reporting Entity

The School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education consisting of 7 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 School District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

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

(a) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School 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 School District's business office. The School District accounts for assets held as an agent for various student organizations in an agency fund.

Joint Venture

The School District is a component district in the Eastern Suffolk Board of Cooperative 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.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Basis of Presentation

(a) *District-Wide Statements*

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School 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.

(b) *Fund Financial Statements*

The fund statements provide information about the School 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. All funds of the School District are displayed as major funds. The School District reports the following major governmental funds:

General Fund: This is the School 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.

School Lunch Fund: This fund is used to account for transactions of the School District's lunch and breakfast programs.

Capital Projects Funds: This fund is used to account for the financial resources used for the acquisition, construction, and major repair of the School District's facilities.

(c) *Fiduciary Funds*

This fund is used to account for fiduciary activities. Fiduciary activities are those in which the School 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 School District, and are not available to be used. There are two classes of fiduciary funds:

Private Purpose Trust Funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the School 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 School District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Measurement Focus and Basis of Accounting

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the School District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, State aid, 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 governmental fund 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 School District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 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.

Estimates

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

Cash and Cash Equivalents

The School District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements, and obligations of New York State or its localities.

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

Property Taxes

Real property taxes are levied annually by the Board of Education. Taxes were collected during the period December 1, 2009, to June 1, 2010.

Uncollected real property taxes are subsequently enforced by the County in which the School District is located.

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.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Interfund Transactions

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

The amounts reported on the Statement of Net Assets for due to and due from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the interfund transactions for governmental funds throughout the year is shown in Note 11 to the financial statements.

Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received.

The School District uses capitalization thresholds of \$2,000, (the dollar value above which asset acquisitions are added to the capital asset accounts for grouped like assets or individual assets). Depreciation methods and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	Lives	Depreciation Method
Land Improvements	20 Years	Straight Line
Furniture, Equipment, and Vehicles	5-20 Years	Straight Line
Buildings and Improvements	40 Years	Straight Line

Inventories

The inventory, which consists of surplus food in the School Lunch Fund, is recorded at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and year-end balances are not maintained.

Compensated Absences

The School 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.

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

Consistent with GASB, an accrual for accumulated sick leave is included in the compensated absences liability at year end. The compensated absences liability is calculated based on the pay rates in effect at year end.

Retirement Plans

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Postemployment Benefits

In addition to providing pension benefits, the School District provides both health insurance coverage and medicare premium reimbursements for retired employees. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Currently approximately 262 retirees meet those eligibility requirements. The School District paid an aggregated amount of approximately \$3,178,381 for these benefits for the year ended June 30, 2010.

Budgetary Procedures and Budgetary Accounting

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund for which legal (appropriated) budgets are adopted:

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. 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. No supplemental appropriations occurred during the year.

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

Budget Revisions

The Board of Education voted to amend the General Fund Budget as follows:

Adopted Budget	\$ 194,666,853
Encumbrances Carried Over	<u>2,701,017</u>
Original Budget	197,367,870
Budget Revisions	<u>44,387</u>
Final Budget	<u>\$ 197,412,257</u>

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

Deferred Revenue

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the School District 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 School District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

Deferred revenues recorded in governmental funds are generally not recognized in the District-wide statements.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Restricted Resources

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

Fund Balance – Reservations and Designations

The following reserve funds are available to school districts. Any capital gains or interest earned on reserve fund resources becomes part of the respective reserve fund. While a separate bank account is not necessary for each reserve fund, a separate identity for each reserve fund must be maintained.

(a) *Reserve for Employee Benefit Accrued Liability*

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

(b) *Reserve for Encumbrances*

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

(c) *Restricted for Scholarships*

This restriction is used to account for monies donated for scholarships, net of earnings and expenditures.

(d) *Reserve for Inventory*

Reserve for Inventory is used to segregate that portion of fund balance that is not available for appropriation.

(e) *Insurance Reserve*

Insurance Reserve is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment and compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the General Fund.

(f) *Workers' Compensation Reserve*

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

(g) Retirement Contribution Reserve Fund

The Retirement Contribution Reserve Fund (GML 6-r) (Chapter 260 of the NYS Laws of 2004) is used to reserve funds for the payment of retirement contributions to the New York State and Local Employees' Retirement System. This reserve was established by a Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

(h) Reserve for Unemployment Insurance

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

2. DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

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

Total Fund Balances of Governmental Funds Compared To Net Assets of Governmental Activities

Total fund balances of the School District's governmental funds differs 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 Sheets.

Statement of Revenues, Expenditures, and Changes In Fund Balances Compared To 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 three broad categories. The amounts shown below represent:

(a) Long-Term Revenue Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

(b) 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 as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

(c) Long-Term Debt Transaction Differences

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

(d) Employee Benefit Allocation

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

3. CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District has a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these notes.

As of June 30, 2010, \$60,940,792 of the School District's total bank balances of \$70,600,662 were exposed to custodial credit risk as follows:

\$ 60,940,792 Collateralized with securities held by a pledging financial institution in an account in the District's name.

Restricted Cash and Cash Equivalents

Restricted cash of \$10,396,975 in the General Fund represents the following:

<u>Description</u>	<u>Amount</u>
Reserve for Employee Benefit Accrued Liability	\$ 6,130,738
Reserve for Workers' Compensation	3,342,856
Reserve for Insurance	100,916
Reserve for Unemployment	116,053
Reserve for Retirement Contribution	<u>706,412</u>
Total	<u>\$ 10,396,975</u>

4. PARTICIPATION IN BOCES

During the year, the School District was billed \$23,331,624 for BOCES' administrative and program costs. Financial statements for the BOCES are available from the BOCES' administrative office at Eastern Suffolk BOCES, 201 Sunrise Highway, Patchogue, New York 11772.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 35,132,218	\$	\$	\$ 35,132,218
Construction in Process	<u>4,362,834</u>	<u>6,324,521</u>	<u> </u>	<u>10,687,355</u>
	<u>39,495,052</u>	<u>6,324,521</u>	<u> </u>	<u>45,819,573</u>
Capital Assets Being Depreciated				
Buildings and Improvements	256,193,231			256,193,231
Furniture, Equipment, and Vehicles	<u>15,538,403</u>	<u>137,172</u>	<u> </u>	<u>15,675,575</u>
	<u>271,731,634</u>	<u>137,172</u>	<u> </u>	<u>271,868,806</u>
Accumulated Depreciation				
Buildings and Improvements	76,240,965	6,581,020		82,821,985
Furniture, Equipment, and Vehicles	<u>13,237,195</u>	<u>644,730</u>	<u> </u>	<u>13,881,925</u>
	<u>89,478,160</u>	<u>7,225,750</u>	<u> </u>	<u>96,703,910</u>
Net Capital Assets	<u>\$ 221,748,526</u>	<u>\$ (764,057)</u>	<u>\$</u>	<u>\$ 220,984,469</u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Depreciation expense of \$7,225,750 is charged as follows:

General Support	\$ 1,449,750
Instruction	<u>5,776,000</u>
Total	<u>\$ 7,225,750</u>

6. SHORT-TERM DEBT

Tax Anticipation Notes

The School District may issue Tax Anticipation Notes (TANs), in anticipation of the receipt of property tax revenues. These notes are recorded as a liability of the General Fund, 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.

<u>Date of</u> <u>Maturity</u>	<u>Interest</u>	<u>Beginning</u> <u>Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending</u> <u>Balance</u>
06/30/10	2.25%		35,000,000	35,000,000	
Total		<u>\$</u>	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>	<u>\$</u>

Interest on short-term debt for the year was \$619,063.

7. LONG-TERM DEBT

Serial Bonds

The School District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government. The provision to be made in the General Fund's future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

Long-term liability balances and activity are as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Bonds Payable	\$113,380,000	\$ 30,000,000	\$ 9,165,000	\$134,215,000	\$ 9,390,000
Bond Issuance Costs Net	(1,145,833)		(76,389)	(1,069,444)	
Compensated Absences	7,159,774	367,897		7,527,671	
OPEB Liability	<u>6,507,200</u>	<u>3,972,854</u>		<u>10,480,054</u>	
Total Long-Term Liabilities	<u>\$125,901,141</u>	<u>\$ 34,340,751</u>	<u>\$ 9,088,611</u>	<u>\$151,153,281</u>	<u>\$ 9,390,000</u>

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

Interest Paid	\$ 5,326,998
Plus: Interest Accrued in the Current Year	229,932
Amortization on Bond Issuance Costs	76,389
Less: Interest Accrued in the Prior Year	<u>(203,551)</u>
Total Expense	<u>\$ 5,429,766</u>

Long-Term Debt Maturity Schedule - The following is a statement of serial bonds with corresponding maturity schedules:

<u>Serial Bonds</u>	<u>Issue</u> <u>Date</u>	<u>Original</u> <u>Amount</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate (%)</u>	<u>Outstanding</u> <u>at 6/30/10</u>
2002 Serial Bond	12/15/02	\$40,000,000	06/15/20	4.00%	\$ 26,860,000
2003 Serial Bond	02/19/03	\$52,780,000	06/15/15	3.50%	17,830,000
2006 Serial Bond	06/21/06	\$15,690,000	06/15/24	4.20%-4.25%	13,205,000
2007 Refunding	03/22/07	\$54,865,000	06/15/25	4.00%-5.00%	46,320,000
2010 Serial Bond	02/01/10	\$30,000,000	12/15/29	2.00%-4.00%	<u>30,000,000</u>
Total					<u>\$134,215,000</u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

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

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 9,390,000	\$ 5,595,014
2012	11,005,000	5,162,894
2013	11,385,000	4,678,204
2014	10,420,000	4,218,537
2015-2019	42,165,000	15,549,430
2020-2024	35,905,000	6,795,796
2024-2030	<u>13,945,000</u>	<u>1,333,000</u>
Total	<u>\$ 134,215,000</u>	<u>\$ 43,332,875</u>

Prior-Year Defeasance of Debt

In prior years, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. On June 30, 2010, \$45,765,000 of bonds outstanding are considered defeased.

Compensated Absences

Compensated absences represent the value of earned and unused portion of the liability for compensated absences.

8. PENSION PLANS

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

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

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

The Systems are noncontributory, except for employees who joined the Systems after July 27, 1976, who contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The School District is required to contribute at an actuarially determined rate. The NYSERS bills the School District based on a fiscal year end of March 31. All required contributions for the NYSERS fiscal year ended March 31, 2010, were paid. The required contributions for the next System fiscal year will be made in 2010-2011. The amount below for 2010-2011 represents the three months of the School District's fiscal year that will be covered in the NYSERS 2010-2011 billing cycle. The TRS contribution for the 2009-2010 year will be made in 2010-2011. The required contributions for the School District's current year and two preceding years were:

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

	TRS		ERS	
	Rate	Amount	Rate	Amount
2007-2008	8.73%	\$ 6,126,286	10.00%	\$ 955,872
2008-2009	7.63%	\$ 5,566,356	8.14%	\$ 943,499
2009-2010	6.19%	\$ 4,685,260	7.95%	\$ 888,880
2010-2011	8.62%		12.10%	\$ 402,466

9. OTHER POSTRETIREMENT BENEFITS (OPEB)

(a) Plan Description

The District provides medical, prescription drug and vision to retirees and their covered dependents. Currently, there are about 1,336 current and former employees participating in the District's OPEB plan. Benefit provisions are established and amended through negotiations between the District and the respective unions.

(b) Funding Policy

For the District Retired Employee Health plan (DREHP), contribution requirements of the plan members and the District are established by the Board of Education. The District's annual other post-employment benefit (OPEB) cost (expense) for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's annual OPEB cost for the current year and the related information for each plan are as follows.

(c) Annual OPEB Cost

	2010
Normal Cost	\$ 4,043,032
Amortization of UAL	3,010,502
Annual Required Contribution (ARC)	7,053,534
Interest on OPEB Obligation	325,360
Adjustment to ARC	(243,725)
OPEB Expense	\$ 7,135,169

(d) Reconciliation of Net OPEB Obligation

	2010
Net OPEB Obligation at the Beginning of the Year	\$ 6,507,200
Annual Required Contribution	7,135,169
Net OPEB Contributions Made During the Fiscal Year	(3,162,315)
Net OPEB Obligation at the End of the Year	\$ 10,480,054
Percentage of Expense Contributed	44.3%

(e) Trend Information

Fiscal Year Ending	Annual Net OPEB Expense	OPEB Expense Contributed	% of Expense Contributed	Net OPEB Obligation
June 30, 2010	\$ 7,135,169	\$ 3,162,315	44.3%	\$ 10,480,054
June 30, 2009	\$ 8,685,500	\$ 5,555,600	63.9%	\$ 6,507,200
June 30, 2008	\$ 8,685,500	\$ 5,308,200	61.1%	\$ 3,377,300

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

(f) Funding Status

	2010
Actuarial Accrued Liability (AAL)	\$ 80,377,368
Actuarial Value of Assets	0
Unfunded Actuarial Accrued Liability (UAAL)	\$ <u>80,377,368</u>
Funded Ratio (Assets as a Percentage of AAL)	0%
Annual Covered Payroll	\$ 93,986,982
UAAL as a Percentage of Covered Payroll	85.52%

(g) Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. For this reason, the results in this report should be viewed as estimates. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The projections of benefits are based on the types of benefits provided under the substantive plan at the time of the valuation date and on the pattern of cost-sharing between the employer and Plan members. In addition, the projections do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and Plan members in the future. The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial measurement date was dated July 1, 2009.

Effective January 1, 2008, the School District's other postemployment benefit (OPEB) cost for all employee health insurance benefits is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 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 over a period not to exceed thirty years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the School District's net OPEB obligation.

(h) Health Care Trend Factors

Medical care costs are assumed to increase in accordance with the following schedule:

Year	Trend
2011	7.0%
2012	6.5%
2013	6.0%
2014 and Later	5.5 - 4.0%

(i) Additional Information

Actuarial Cost Method	Projected Unit Credit
Amortization Period	Single Amortization Period
Amortization Period (Years)	30
Amortization Discount	5.0%
Method Used to Determine Actuarial Value of Assets	N/A

10. RISK MANAGEMENT

General Information

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Self Insured Health Insurance

The School District has chosen to establish a self-funded health and dental benefit program for its employees. The benefit programs administrator, Island Group Administration, is responsible for the approval, processing, and payment of claims, after which they bill the School District for reimbursement. The School District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30. The program is accounted for in the General Fund of the School District. At year-end, the School District has a liability of \$3,679,305, which represents reported and unreported claims, which were incurred on or before year end, but which were not paid by the School District as of that date.

Changes in the balances of claims liabilities during the year are as follows:

	Beginning of Year <u>Liability</u>	Incurred Claims Including <u>IBNRs</u>	Claim <u>Payments</u>	End of Year <u>Liability</u>
2007-2008	\$ 2,999,178	\$ 17,757,901	\$ 17,896,023	\$ 2,861,056
2008-2009	\$ 2,861,056	\$ 19,718,541	\$ 19,465,170	\$ 3,114,427
2009-2010	\$ 3,114,427	\$ 23,560,537	\$ 22,995,659	\$ 3,679,305

11. INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

<u>Fund</u>	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General	\$ 16,642,958	\$ 7,349,630	\$	\$ 261,265
School Lunch	734,992	431,140		
Special Aid	10,029,034	13,437,933	261,265	
Fiduciary	115,301	5,962,570		
Capital Projects		341,011		
Total Government Activities	<u>\$ 27,522,285</u>	<u>\$ 27,522,285</u>	<u>\$ 261,265</u>	<u>\$ 261,265</u>

- The School District typically transfers from the General Fund to the Special Aid Fund, as a required local match for Federal and State grants.
- All interfund payables are expected to be repaid within one year.
- Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Assets.

12. FUND BALANCES – SPECIAL RESERVES

Portions of fund balances are reserved and not available for current expenses or expenditures as reported in the Governmental Funds Balance Sheet.

The following is a summary of the change in reserve funds during the year ended June 30, 2010:

<u>Reserve</u>	<u>Balance at 07/01/09</u>	<u>Additions</u>	<u>Balance at 06/30/10</u>
General Fund			
Employee Benefit Accrued Liability	\$ 7,159,773	\$ (1,029,035)	\$ 6,130,738
Workers' Compensation	2,880,200	462,656	3,342,856
Retirement Contribution	700,000	6,412	706,412
Insurance	100,000	916	100,916
Unemployment	115,000	1,053	116,053
Total Reserves	<u>\$ 10,954,973</u>	<u>\$ (557,998)</u>	<u>\$ 10,396,975</u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

13. CONTINGENCIES AND COMMITMENTS

Potential Grantor Liability

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Litigation

The School District is party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings.

While the outcome of the above-noted proceedings cannot be predicted due to the insurance coverage maintained by the School District, the School District feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the School District.

14. PRIOR-PERIOD ADJUSTMENT

General Fund

A prior-period adjustment of \$205,252 was made in the General Fund to adjust for State Aid adjustments for prior years in the amount of \$47,130 and an adjustment of \$158,122 to adjust for capital project deficits in the Capital Fund.

Capital Fund

A prior-period adjustment of \$158,122 was made in the Capital Fund to adjust for deficits incurred on previous capital projects.

15. ACCOUNTING PRONOUNCEMENT APPLICABLE FOR SUBSEQUENT YEAR

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

GASB 54 is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. GASB 54 establishes a hierarchy of fund balance classifications based primarily on the extent to which a government is bound to observe spending constraints imposed upon how resources reported in governmental funds may be used. Specifically, GASB 54 distinguishes fund balance between amounts that are considered nonspendable and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Under GASB 54, fund balance amounts will be reported in the following classifications:

Nonspendable – amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained;

Restricted - amounts constrained by external parties, constitutional provision, or enabling legislation;

Committed - amounts constrained by a government using its highest level of decision-making authority;

Assigned - amounts a government intends to use for a particular purpose; and

Unassigned - amounts that are not constrained at all will be reported in the general fund.

GASB 54 is effective for financial statements for periods beginning after June 15, 2010. Early adoption is encouraged.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
SCHEDULES OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET
AND USE OF UNRESERVED FUND BALANCE - GENERAL FUND
For the Year Ended June 30, 2010**

Change from Adopted Budget to Revised Budget

Adopted Budget	\$ 194,666,853
Add: Prior Year's Encumbrances	<u>2,701,017</u>
Original Budget	197,367,870
Add: Board Approved Increase for Unanticipated Revenues	<u>44,387</u>
Final Budget	<u>\$ 197,412,257</u>

Use of Unreserved Fund Balance

Unreserved Fund Balance - As of the Beginning of the Year	\$ 17,335,641
Less: Designated Fund Balance Used For Subsequent Year's Appropriations	<u>9,552,692</u>
Undesignated Fund Balance - As of the Beginning of the Year	<u>\$ 7,782,949</u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
 SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
 For the Year Ended June 30, 2010

PROJECT TITLE	Original Authorization	Revised Authorization	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2010
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	
Excel Projects	\$ 56,905,000	\$ 56,905,000	\$ 4,362,833	\$ 6,324,521	\$ 10,687,354	\$ 46,217,646	\$ 30,000,000		\$ 30,000,000	\$ 19,312,646
Totals	<u>\$ 56,905,000</u>	<u>\$ 56,905,000</u>	<u>\$ 4,362,833</u>	<u>\$ 6,324,521</u>	<u>\$ 10,687,354</u>	<u>\$ 46,217,646</u>	<u>\$ 30,000,000</u>		<u>\$ 30,000,000</u>	19,312,646
									Additional Unspent Proceeds	160,361
										<u>\$ 19,473,007</u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual		Final Budget Variance With Actual
Revenues					
Local Sources					
Real Property Taxes	\$ 60,255,396	\$ 62,080,529	\$ 62,106,458		\$ 25,929
Other Real Property Tax Items	12,435,000	11,950,532	11,950,543		11
Charges for Services	185,000	220,105	261,145		41,040
Use of Money and Property	1,936,000	1,464,100	1,421,143		(42,957)
Sale of Property and Compensation for Loss	5,000	5,000	223,285		218,285
Miscellaneous	848,000	847,282	1,476,519		629,237
State Aid	109,349,765	108,541,000	102,622,559		(5,918,441)
Federal Aid	100,000	50,000	9,154,612		9,104,612
Total Revenues	<u>185,114,161</u>	<u>185,158,548</u>	<u>189,216,264</u>		<u>4,057,716</u>
Other Financing Sources					
Appropriated Fund Balance	<u>12,253,709</u>	<u>12,253,709</u>			<u>(12,253,709)</u>
Total Revenues and Other Financing Sources	<u>\$ 197,367,870</u>	<u>\$ 197,412,257</u>	<u>189,216,264</u>		<u>\$ (8,195,993)</u>
				Year-End Encumbrances	Final Budget Variance With Actual And Encumbrances
Expenditures					
General Support					
Board of Education	\$ 64,189	70,889	51,368	\$ 6,600	\$ 12,921
Central Administration	899,219	889,565	877,400		12,165
Finance	1,240,982	823,362	731,643	34,800	56,919
Staff	1,867,839	1,459,151	1,232,469	61,738	164,944
Central Services	17,859,775	16,235,565	14,918,328	169,508	1,147,729
Special Items	<u>2,496,653</u>	<u>2,476,920</u>	<u>2,370,175</u>		<u>106,745</u>
Total General Support	<u>24,428,657</u>	<u>21,955,452</u>	<u>20,181,383</u>	<u>272,646</u>	<u>1,501,423</u>
Instruction					
Instruction, Administration, and Improvement	6,252,612	7,093,203	6,773,797	19,821	299,585
Teaching - Regular School	55,348,562	56,262,401	54,692,374	264,883	1,305,144
Programs for Children With Special Needs	34,587,548	33,698,790	30,408,118	1,114,562	2,176,110
Occupational Education	1,284,250	1,267,448	1,115,732	31,716	120,000
Teaching - Special School	190,509	208,179	167,204	2,179	38,796
Instructional Media	2,295,682	2,306,058	2,092,440	115,638	97,980
Pupil Services	<u>7,453,841</u>	<u>7,513,524</u>	<u>6,628,115</u>	<u>7,075</u>	<u>878,334</u>
Total Instruction	<u>107,413,004</u>	<u>108,349,603</u>	<u>101,877,780</u>	<u>1,555,874</u>	<u>4,915,949</u>
Pupil Transportation	12,870,209	13,216,206	11,975,758	105	1,240,343
Community Services		3,052	3,052		
Employee Benefits	35,993,655	38,266,286	37,682,933	472,187	111,166
Debt Service - Principal	9,165,000	9,165,000	9,165,000		
Debt Service - Interest	<u>7,272,345</u>	<u>6,231,658</u>	<u>5,946,060</u>		<u>285,598</u>
Total Expenditures	<u>197,142,870</u>	<u>197,187,257</u>	<u>186,831,966</u>	<u>2,300,812</u>	<u>8,054,479</u>
Other Financing Uses					
Transfers to Other Funds	<u>225,000</u>	<u>225,000</u>	<u>261,265</u>		<u>(36,265)</u>
Total Expenditures and Other Financing Uses	<u>\$ 197,367,870</u>	<u>\$ 197,412,257</u>	<u>187,093,231</u>	<u>\$ 2,300,812</u>	<u>\$ 8,018,214</u>
Net Change in Fund Balances			2,123,033		
Fund Balances - Beginning of Year			30,991,631		
Prior-Period Adjustment			<u>(205,252)</u>		
Fund Balances - End of Year			<u>\$ 32,909,412</u>		

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES
COMPARED TO ST-3 DATA
For the Year Ended June 30, 2010**

	Code	ST-3 Amount	Audited Amount
Revenues			
Real Property Taxes	A -1001	\$ 62,106,458	\$ 62,106,458
State Aid	AT-3999	\$ 102,622,559	\$ 102,622,559
Federal Aid	AT-4999	\$ 9,154,612	\$ 9,154,612
Total Revenues	AT-5999	\$ 189,216,264	\$ 189,216,264
Expenditures			
General Support	AT-1999	\$ 20,181,383	\$ 20,181,383
Pupil Transportation	AT-5599	\$ 11,975,758	\$ 11,975,758
Debt Service - Principal	AT-9798.6	\$ 9,165,000	\$ 9,165,000
Debt Service - Interest	AT-9798.7	\$ 5,946,060	\$ 5,946,060
Total Expenditures	AT-9999	\$ 187,093,231	\$ 187,093,231

* Denotes Rounding Adjustment

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
For the Year Ended June 30, 2010

Capital Assets, Net	\$ 220,984,469
Add:	
Unamortized Bond Issuance Costs	1,069,444
Capital Fund Unspent Bond Proceeds	<u>19,473,007</u>
Total Additions	<u>20,542,451</u>
Deduct:	
Serial Bonds Payable	<u>134,215,000</u>
Total Deductions	<u>134,215,000</u>
Investment in Capital Assets, Net of Related Debt	<u>\$ 107,311,920</u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
SCHEDULES OF FUNDING PROGRESS OF OTHER POST-EMPLOYMENT BENEFITS
For the Year Ended June 30, 2010

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability-Projected Unit Credit	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
	(a)	(b)	(b)-(a)	(a)/(b)	(c)	[(b)-(a)]/(c)
June 30, 2008	\$	\$ 116,222,300	\$ 116,222,300	0%	\$ 86,206,448	134.82%
June 30, 2009	\$	\$ 116,222,300	\$ 116,222,300	0%	\$ 90,056,903	129.05%
June 30, 2010	\$	\$ 80,377,368	\$ 80,377,368	0%	\$ 93,986,982	85.52%

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

Board of Education
William Floyd Union Free School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the William Floyd Union Free School District, as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the William Floyd Union Free School District, in a separate letter dated October 15, 2010.

This report is intended solely for the information and use of the Board of Education, management, New York State Education Department, and the New York State Comptroller's Office, and Federal and other awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

D'Arcangelo & Co., LLP

October 15, 2010

Rome, New York

Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Education
William Floyd Union Free School District

Compliance

We have audited the compliance of William Floyd Union Free School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major Federal programs for the year ended June 30, 2010. William Floyd Union Free School District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of William Floyd Union Free School District's management. Our responsibility is to express an opinion on William Floyd Union Free School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about William Floyd Union Free School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on William Floyd Union Free School District's compliance with those requirements.

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

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management, New York State Education Department, and the New York State Comptroller's Office and Federal and other awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

D'Arcangelo & Co., LLP

October 15, 2010

Rome, New York

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Current Year Expenditures</u>
<u>U.S. Department of Agriculture</u>		
(Passed Through the State Education Department of the State of New York)		
School Breakfast Program	10.553	\$ 315,809
National School Lunch Program	10.555	<u>1,430,206</u>
Cash Assistance Subtotal		1,746,015
National School Lunch Program-Food Donation (Noncash)	10.555	<u>14,454</u>
Total U.S. Department of Agriculture		<u>1,760,469</u>
<u>U.S. Department of Education</u>		
(Passed Through the State Education Department of the State of New York)		
Title I Grants to Local Educational Agencies	84.010	2,550,767
Special Education - Grants to States, (IDEA, Part B)	84.027	2,245,710
Special Education - Preschool Grants, (IDEA Preschool)	84.173	171,249
Safe and Drug-Free Schools and Communities, Title IV	84.186	46,860
Education of Homeless Children and Youth	84.196	123,801
Educational Technology State Grants, (Title IID)	84.318	31,112
Title III	84.365	39,419
Improving Teacher Quality State Grants, (Title IIA)	84.367	542,412
Title I, School Improvement Grants	84.377	43,844
Education for Homeless Children and Youth, Recovery Act	84.387	13,706
Title I, Recovery Act	84.389	167,492
Special Education-Grants to States (IDEA Part B), Recovery Act	84.391	943,233
Special Education-Preschool Grants (IDEA Preschool), Recovery Act	84.392	47,575
State Fiscal Stabilization Fund (SFSF) Government Services, Recovery Act	84.397	93,991
State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	<u>9,060,621</u>
Total U.S. Department of Education		<u>16,121,792</u>
<u>Total Federal Financial Assistance</u>		<u>\$ 17,882,261</u>

See Notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

1. SIGNIFICANT ACCOUNTING POLICIES

Organization

The accompanying Schedule of Expenditures of Federal Awards represents all Federal awards administered by the William Floyd Union Free School District. The School District's organization is defined in Note I to the School District's basic financial statements.

Basis Of Accounting

The expenditures in the accompanying schedule are presented on an accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements

Food Donation

Nonmonetary assistance is reported in the schedule at fair market value of the food commodities received. At June 30, 2010, the School District had food commodities totaling \$17,491, in inventory.

Cluster Programs

The following programs are identified by "OMB Circular A-133 Compliance Supplement" to be part of a cluster of programs:

U.S. Department of Agriculture

Nutrition Cluster

CFDA #10.553	School Breakfast Program
CFDA #10.555	National School Lunch Program

U.S. Department of Education

Special Education Cluster

CFDA #84.027	Special Education - Grants to States (IDEA, Part B)
CFDA #84.173	Special Education - Preschool Grants (IDEA Preschool)
CFDA #84.391	Special Education – Grants to States (IDEA, Part B), Recovery Act
CFDA #84.392	Special Education – Preschool Grants (IDEA, Preschool), Recovery Act

Title I Cluster

CFDA #84.010	Title I – Grants to Local Educational Agencies
CFDA #84.389	Title I – Recovery Act

State Fiscal Stabilization Fund Cluster:

CFDA #84.394	State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
CFDA #84.397	State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL
 COMPLIANCE REQUIREMENTS
 For the Year Ended June 30, 2010**

Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major Federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	a. <u>U.S. Department of Education</u> Special Education Cluster CFDA #84.027 Special Education - Grants to States (IDEA, Part B) CFDA #84.173 Special Education - Preschool Grants (IDEA Preschool) CFDA #84.391 Special Education – Grants to States (IDEA, Part B), Recovery Act CFDA #84.392 Special Education – Preschool Grants (IDEA, Preschool), Recovery Act Title I Cluster CFDA #84.010 Title I – Grants to Local Educational Agencies CFDA #84.389 Title I – Recovery Act State Fiscal Stabilization Fund Cluster: CFDA #84.394 State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act CFDA #84.397 State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act b. <u>U.S. Department of Agriculture</u> Nutrition Cluster CFDA #10.553 School Breakfast Program CFDA #10.555 National School Lunch Program
(d)(1)(viii)	Dollar Threshold: Type A \B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

(Continued)

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL
COMPLIANCE REQUIREMENTS
For the Year Ended June 30, 2010**

(Continued)

Findings – Financial Statement Audit

None noted.

Findings and Questioned Costs – Major Federal Award Program Audit

None noted.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED
COSTS – FEDERAL COMPLIANCE REQUIREMENTS
For the Year Ended June 30, 2010**

None Noted.

D'Arcangelo & Co LLP
Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, NY 13442-4300
315-336-9220 Fax: 315-336-0836

Independent Auditor's Report

Board of Education
William Floyd Union Free School District

We have audited the accompanying statement of assets, liabilities, and fund equity - cash basis of the Extraclassroom Activity Fund of William Floyd Union Free School District as of June 30, 2010, and the related statement of revenues, expenditures, and changes in fund equity - cash basis for the year then ended. These basic financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

Insufficient accounting controls are exercised over cash receipts at the point of collection to the time of submission to the central treasurer. Accordingly, it was impracticable to extend our audit of such receipts beyond the amounts recorded.

As explained in Note 1, it is the School District's policy to prepare the basic financial statements of the Extraclassroom Activity Fund on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of any adjustments which might have resulted had the cash collections referred to above been susceptible to satisfactory audit tests, the basic financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund equity - cash basis of the Extraclassroom Activity Fund of William Floyd Union Free School District at June 30, 2010, arising from cash collected and disbursements made during the year then ended on the basis of accounting described in Note 1.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of cash receipts and disbursements - cash basis is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the basic financial statements, and we are not aware of any material modifications that should be made in order for such information to be in conformity with accounting principles generally accepted in the United States of America except as described in the fourth paragraph.

D'Arcangelo & Co, LLP

October 15, 2010

Rome, New York

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
EXTRACLASROOM ACTIVITY FUND
STATEMENT OF ASSETS, LIABILITIES, AND FUND EQUITY - CASH BASIS
June 30, 2010**

<u>Assets</u>	
Cash	\$ 195,336
<u>Total Assets</u>	<u>\$ 195,336</u>
<u>Liabilities and Fund Equity</u>	
Fund Equity	
Unreserved and Undesignated	\$ 195,336
Total Fund Equity	<u>195,336</u>
<u>Total Liabilities and Fund Equity</u>	<u>\$ 195,336</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY - CASH BASIS
For the Year Ended June 30, 2010**

Revenues	
Charges for Services, Sale of Property, and Miscellaneous	\$ 346,884
Total Revenues	<u>346,884</u>
Expenditures	
Instruction - Club Activities	<u>348,549</u>
Total Expenditures	<u>348,549</u>
Revenues Over (Under) Expenditures	(1,665)
<u>Fund Equity</u> , Beginning of Year	<u>197,001</u>
<u>Fund Equity</u> , End of Year	<u>\$ 195,336</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
EXTRACLASROOM ACTIVITY FUND
SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS - CASH BASIS
For the Year Ended June 30, 2010

Activities	Balance at 07/01/09	Cash Receipts	Cash Disbursements	Balance at 06/30/10
William Floyd High School				
Chamber Players	\$ 426	\$	\$ 229	\$ 197
Best Buddies	545	500	597	448
Business Honor Society	128	3,478	3,481	125
Business Service Club	2,942	1,668	2,882	1,728
Jazz Choir	1,628			1,628
Class of 2009		57	57	
Class of 2010	4,115	62,009	66,124	
Class of 2011	844	596	638	802
Class of 2012	8,940		1,528	7,412
Class of 2013	14,843	1,568	971	15,440
Class of 2014		5,740		5,740
Colonial Times Newspaper	16		16	
Coalition for Humanity	71			71
Life Smarts	479		479	
DECA	125	2,461	2,308	278
Drama	815		815	
Environmental Defense Club	471	1,044	762	753
Floyd Medical Society	70		70	
Foreign Language Honor Society	744	787	993	538
French Club	154			154
Future Business Leaders of America	657	10,535	9,336	1,856
Interact Club	160	856		1,016
International Club	168			168
Italian Club	121			121
JV Rockettes (JV Kickline)	364		364	
Key Club	2,720	1,823	3,714	829
Literary Magazine	113	1,682	686	1,109
Math Club	346		176	170
Math Honor Society	293			293
National Art Honor Society	993	1,305	1,999	299
National Honor Society	606	1,114	1,500	220
Natural Helpers	137	123	260	
Quiz Bowl/LI Challenge	436		125	311
Renaissance	6,719	490	4,799	2,410
Robotics	182			182
Rockettes (Kickline)	229	364		593
SADD	169	918	426	661
Sales Tax Payable	120	2,114	2,183	51
Friends of Rachel	70			70
Spanish Club	12			12
Sports Club	9,572	30,230	26,255	13,547
Stage Band/Jazz Ensemble	665	3,340		4,005
Step Squad	605			605
Marching Band	2			2
Music Club	15,311	60,869	66,199	9,981
Student Council	17,108	13,025	21,803	8,330
Student's General Fund	(1)	1		
Tri-M (Modern Music Masters)	5,120	2,398	1,700	5,818
Yearbook	3,055	35,515	340	38,230
Youth and Government	15,957	4,970	13,356	7,571
Total	<u>119,365</u>	<u>251,580</u>	<u>237,171</u>	<u>133,774</u>

(Continued)

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS - CASH BASIS
For the Year Ended June 30, 2010
(Continued)

Activities	Balance at 07/01/09	Cash Receipts	Cash Disbursements	Balance at 06/30/10
<u>William Paca Middle School</u>				
Cadet Band	\$ 50	\$	\$	\$ 50
Jazz Band	2,527	13,394	15,127	794
Drama Club	6,071		176	5,895
Festival Orchestra	713			713
Fitness Club	1,616			1,616
Girl's Chorus	1,917		1,125	792
Honor Society	436	136	372	200
Robotics	675	135	282	528
Sales Tax Payable	574	1,990	2,057	507
Student Council	13,703	5,745	10,538	8,910
Yearbook	4,044	3,654	2,485	5,213
Total	<u>32,326</u>	<u>25,054</u>	<u>32,162</u>	<u>25,218</u>
<u>William Floyd Middle School</u>				
6th Grade Advisory	\$ 3,873	\$ 13,712	\$ 11,154	6,431
6th Grade Field Trip	556	2,062	2,618	
7th Grade Advisory	3,339	12,187	13,947	1,579
8th Grade Advisory	4,045	12,195	14,769	1,471
8th Grade Italian Team Trip	6			6
Best Buddies	450	392	572	270
Cadet Band	50	294	294	50
Cheerleading	1			1
Concert Band	546	15,053	15,519	80
Cultural Arts		5,012	5,012	
Drama Club	3,976			3,976
Festival Orchestra	7	352	359	
Girl's Chorus	685			685
Home and Careers Club	721		93	628
Honor Society	989	1,293	1,768	514
Math Club	2,541		63	2,478
Mrs. Smith's lifeskills	470		66	404
Peace Project/National Helper	2,839	576	2,760	655
Remembrance Garden Club	2,160			2,160
SADD	510			510
Sales Tax Payable	113	2,016	1,338	791
School Store	114			114
Student Council	13,210	23	7,690	5,543
Woodworking Club	250			250
CIA	42	724	164	602
Yearbook	3,817	4,359	1,030	7,146
Total	<u>45,310</u>	<u>70,250</u>	<u>79,216</u>	<u>36,344</u>
Grand Total	<u>\$ 197,001</u>	<u>\$ 346,884</u>	<u>\$ 348,549</u>	<u>\$ 195,336</u>

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
EXTRAClassroom Activity Fund
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

The transactions of the Extraclassroom Activity Funds represent Funds of the students of the School District. The related year-end cash balances are shown as part of the William Floyd Union Free School District's Fiduciary Fund with an offsetting liability.

The Board of Education makes rules and regulations for the conduct, operation, and maintenance of the Extraclassroom Activity Fund and for the safeguarding, accounting, and auditing of all monies received and derived therefrom.

Basis Of Accounting

The accounts of the Extraclassroom Activity Funds of William Floyd Union Free School District are maintained on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under this basis of accounting, revenues are recognized when cash is received, and expenditures are recognized when cash is disbursed.