

# D'Arcangelo & Co., LLP

Certified Public Accountants & Consultants

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

## 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, 2011. Professional standards require that we provide you with information about our responsibilities under generally 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 June 3, 2011. 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. As described in Note 1 to the financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" as of July 1, 2010. GASB 54 distinguishes fund balance between amounts that are considered nonspendable and other amounts that are classified based on the relative strength of constraints that control the purpose for which amounts can be spent. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

#### *Accounting Estimates*

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

1. The District, in accordance with GASB No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", requires significant actuarial estimates to calculate the District's postemployment benefits liability.
2. During the year ended June 30, 2011, other estimates affecting the financial statements are the accounting estimates involving depreciable lives of the District's equipment and the related depreciation, compensated absences, and overpayments relating to building aid received.

We evaluated the key factors and assumptions used to develop the above described accounting estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

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

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

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

*Corrected and Uncorrected Misstatements*

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

*Disagreements with Management*

For purposes of this letter, 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 24, 2011.

*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 William Floyd Union Free School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education, Administration of 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 24, 2011

Rome, New York

Client: **33850 - William Floyd Union Free School District**  
Engagement: **William Floyd Union Free School District**  
Period Ending: **6/30/2011**  
Trial Balance: **TB**  
Workpaper:

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>				
To Adjust for IBNR				
A 9060.8000-00	EMPLOYEE BENEFITS - HEALTH		376,504.00	
A601	ACCRUED LIABILITIES			376,504.00
<b>Total</b>			<b><u>376,504.00</u></b>	<b><u>376,504.00</u></b>
<b>Adjusting Journal Entries JE # 2</b>				
To adjust retirement incentives				
A 2110.1500-00	SALARIES:OTHER:INSTRUCTIO		246,929.00	
A601	ACCRUED LIABILITIES			246,929.00
<b>Total</b>			<b><u>246,929.00</u></b>	<b><u>246,929.00</u></b>
<b>Adjusting Journal Entries JE # 3</b>				
To Reclass Excess Revenues to Deferred				
02-F00-40-3289-010	4408 State Aid - Tuition		712,219.00	
02-F00-10-0410-000	Due From Other Government			208,623.00
02-F00-20-0601-000	Accrued Liabilities			1,135.00
02-F00-20-691-000	Deferred Revenue			502,461.00
<b>Total</b>			<b><u>712,219.00</u></b>	<b><u>712,219.00</u></b>
<b>Adjusting Journal Entries JE # 4</b>				
GW- To record CIP and additions				
GW-C00-10-0104-000	Equipment		659,611.00	
GW-C00-10-0105-000	Construction Work in Prog		19,943,940.00	
GW-C00-60-1621-400	Maintenance of Plant-Cont			20,603,551.00
<b>Total</b>			<b><u>20,603,551.00</u></b>	<b><u>20,603,551.00</u></b>
<b>Adjusting Journal Entries JE # 5</b>				
GW- To record depreciation				
GW-C00-60-1620-700	General Support - Depreciation		1,471,534.00	
GW-C00-60-2110-700	Instructional - Depreciation		5,886,138.00	
GW-C00-10-0112-000	Buildings - Acc Depr			6,581,020.00
GW-C00-10-0114-000	Equipment - Acc Depr			776,652.00
<b>Total</b>			<b><u>7,357,672.00</u></b>	<b><u>7,357,672.00</u></b>

Client: **33850 - William Floyd Union Free School District**  
Engagement: **William Floyd Union Free School District**  
Period Ending: **6/30/2011**  
Trial Balance: **TB**  
Workpaper:

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 6</b>				
GW- To record Longterm Debt and Bond Issuance Cost				
GW-C00-20-0628-000	Bonds Payable		9,390,000.00	
GW-C00-60-9711-700	Serial Bonds Interest-Sch		76,389.00	
GW-C00-20-0628-001	Bond Issuance Costs			76,389.00
GW-C00-60-9711-600	Serial Bonds Principal-Sc			9,390,000.00
<b>Total</b>			<b>9,466,389.00</b>	<b>9,466,389.00</b>
<b>Adjusting Journal Entries JE # 7</b>				
GW- To record Compensated Absences				
GW-C00-20-0687-000	Compensated Absences		416,929.00	
GW-C00-60-9089-800	Employee Benefits			416,929.00
<b>Total</b>			<b>416,929.00</b>	<b>416,929.00</b>
<b>Adjusting Journal Entries JE # 8</b>				
GW- To record OPEB				
GW-C00-60-9089-800	Employee Benefits		4,426,898.00	
GW-C00-20-0688	GASB 45 Liability			4,426,898.00
<b>Total</b>			<b>4,426,898.00</b>	<b>4,426,898.00</b>
<b>Adjusting Journal Entries JE # 9</b>				
GW- To record accrued interest				
GW-C00-20-0651-000	Accrued Interest Payable		17,758.00	
GW-C00-60-9711-700	Serial Bonds Interest-Sch			17,758.00
<b>Total</b>			<b>17,758.00</b>	<b>17,758.00</b>
<b>Adjusting Journal Entries JE # 10</b>				
GW- To allocate benefits				
GW-C00-60-1620-800	General Support - Employee Benefit		4,685,118.00	
GW-C00-60-2110-800	Instructional - Employee Benefit		43,911,981.00	
GW-C00-60-5510-800	Transportation - Employee Benefit		102,701.00	
GW-C00-60-9999-800	School Lunch - Employee Benefit		205,402.00	
GW-C00-60-9089-800	Employee Benefits			48,905,202.00
<b>Total</b>			<b>48,905,202.00</b>	<b>48,905,202.00</b>
<b>Adjusting Journal Entries JE # 11</b>				
to record deferred revenue recognition				
GW-C00-40-3101-010	State Aid-Basic Formula		67,367.00	
GW-C00-20-0691-000	Deferred Revenues			67,367.00
<b>Total</b>			<b>67,367.00</b>	<b>67,367.00</b>

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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, 2011, 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 24, 2011

Rome, New York

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND RECOMMENDATIONS  
For the Year Ended June 30, 2011**

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**A. Material Weakness**

None

**B. Significant Deficiencies**

See Independent Auditor's Report for Significant Deficiency related to the District's Fixed Asset Accounting.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
STATUS OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS  
For the Year Ended June 30, 2011**

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**A. Other Matters**

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 made significant improvement resulting in a timely closing process in the current year

WILLIAM FLOYD UNION  
FREE SCHOOL DISTRICT

MANAGEMENT'S  
DISCUSSION AND  
ANALYSIS

AND

BASIC FINANCIAL  
STATEMENTS

For the Year Ended  
June 30, 2011



**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, 2011, 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.

Except as discussed in the following paragraph, 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 the 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.

Our audit did not include the substantiation of fixed assets. At the time of our audit, the William Floyd Union Free School District did not have a complete fixed asset detail record. Accordingly, we did not audit such detail.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to substantiate the fixed assets, 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, 2011, 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.

As described in Note 1 to the basic financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" as of July 1, 2010. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. As summarized in Note 14, the beginning fund balances for the School District's governmental funds have been restated to reflect the new classifications.

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2011, 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.

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

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the William Floyd Union Free School District basic financial statements. The other supplementary information on Pages 39 through 42 is presented for purposes of additional analysis as required by New York State Education Department and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards and other supplementary information are the responsibility of management and were 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 24, 2011

Rome, New York

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2011**

The William Floyd Union Free School District's management's discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal years ended June 30, 2011 and 2010. The intent of this management 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.

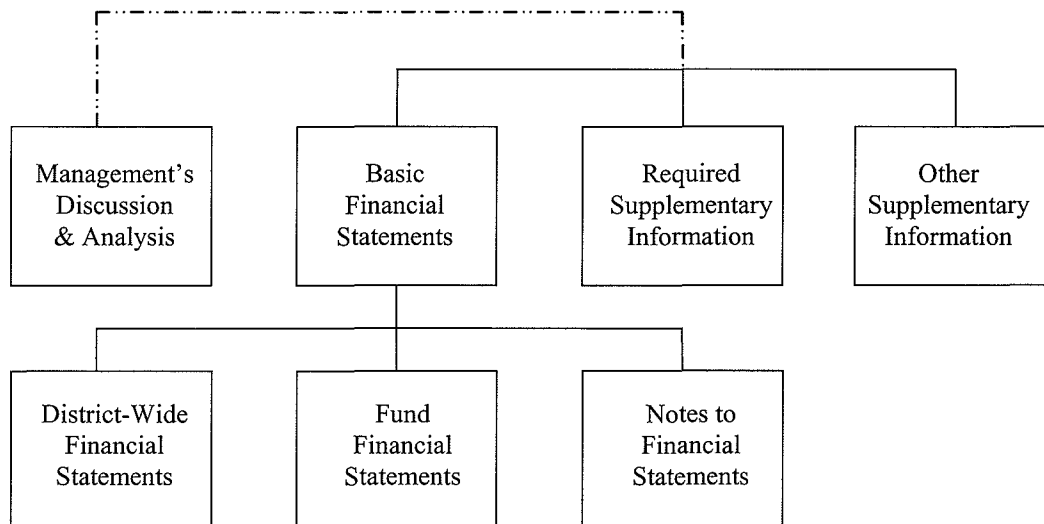
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2011, are as follows:

- The District's total net assets, as reflected in the District-wide financial statements, increased by \$6,381,590 , which includes a prior period adjustment in the amount \$72,235 to record adjustments to prior year state aid accruals. This increase is primarily due to the activity in the District's General Fund.
- The District's expenses for the year, as reflected in the District-wide financial statements, totaled \$201,367,164. Of this amount, \$1,727,525 was offset by program charges for services, \$17,073,093 was offset by Operating Grants and Contributions, \$617,658 was offset by Capital Grants and Contributions, and \$188,330,448 was offset by General Revenues.
- State and federal revenue decreased by \$3,656,291 to \$104,083,664 in 2011 from \$107,739,955 in 2010.
- The General Fund's total fund balance, as reflected in the fund financial statements on Pages 15 and 17, increased by \$7,218,846 to \$40,056,023. This was due to an excess of revenues over expenditures based on the modified accrual basis of accounting.

**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  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2011**

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**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.

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 cannot use these assets to finance its operations.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2011**

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

**A. Net Assets**

The Districts total net assets increased between fiscal year 2010 and 2011. A summary of the District's Statement of Net Assets for June 30, 2011 and 2010, is as follows:

	2011	Restated 2010	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 67,722,573	\$ 75,307,640	\$ (7,585,067)	(10.1%)
Capital Assets, Net of Accumulated Depreciation	<u>234,230,348</u>	<u>220,912,238</u>	<u>13,318,110</u>	6.0%
Total Assets	<u>\$ 301,952,921</u>	<u>\$ 296,219,878</u>	<u>\$ 5,733,043</u>	1.9%
Non-Current Liabilities	\$ 145,849,639	\$ 151,153,281	\$ (5,303,642)	(3.5%)
Other Liabilities	<u>20,807,026</u>	<u>16,151,931</u>	<u>4,655,095</u>	28.8%
Total Liabilities	<u>\$ 166,656,665</u>	<u>\$ 167,305,212</u>	<u>\$ (648,547)</u>	(0.4%)
<b>Net Assets</b>				
Invested in Capital Assets (Net of Related Debt)	\$ 110,545,130	\$ 107,311,920	\$ 3,233,210	3.0%
Restricted	17,667,762	29,869,982	(12,202,220)	(69.1%)
Unrestricted (Deficit)	<u>7,083,364</u>	<u>(8,267,236)</u>	<u>15,350,600</u>	185.7%
Total Net Assets	<u>\$ 135,296,256</u>	<u>\$ 128,914,666</u>	<u>\$ 6,381,590</u>	5.0%

Current and other assets decreased by \$7,585,067, as compared to the prior year. The decrease is primarily due to a decrease in the District's cash balances due to the proceeds of a new serial bond in the prior year's cash balances.

Capital assets increased by \$13,318,110, as compared to the prior year. This increase is primarily due to the increase in construction-in-progress as a result of current year capital project expenditures. Note 5 to the Financial Statements provides additional information.

Non-current liabilities decreased by \$5,303,642, as compared to the prior year. This decrease is primarily a principal payments made on existing debt.

Other Liabilities increased by \$4,655,095 primarily due to the increases in NYS retirement system rates as well increases in accounts payable and retainage payable from the prior year.

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, 2011 is \$7,083,364, 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. Unrestricted net assets increased by \$15,350,600 primarily due to the proceeds of serial bonds restricted for capital projects being spent in the current year.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2011**

**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, 2011 and 2010 is as follows.

<b>Revenues</b>	<u>2011</u>	<u>Restated 2010</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>Program Revenues</b>				
Charges for Services	\$ 1,727,525	\$ 1,659,639	\$ 67,886	4.1%
Operating Grants	17,073,093	20,996,620	(3,923,527)	(18.7%)
Capital Grants	617,658		617,658	100.0%
<b>General Revenues</b>				
Property Taxes and STAR	80,002,993	74,057,001	5,945,992	8.0%
State and Federal Sources	104,083,664	102,622,559	1,461,105	1.4%
Other	<u>4,243,821</u>	<u>3,143,408</u>	<u>1,100,413</u>	35.0%
Total Revenues	<u>207,748,754</u>	<u>202,479,227</u>	<u>5,269,527</u>	2.6%
<b>Expenses</b>				
General Support	\$ 26,504,207	\$ 29,565,097	\$ (3,060,890)	(10.4%)
Instruction	153,598,219	151,186,951	2,411,268	1.6%
Pupil Transportation	11,750,827	12,277,975	(527,148)	(4.3%)
Community Service		3,052	(3,052)	(100.0%)
Debt Service-Unallocated Interest	6,008,505	6,048,829	(40,324)	(0.7%)
Food Service Program	<u>3,505,406</u>	<u>2,914,008</u>	<u>591,398</u>	20.3%
Total Expenses	<u>201,367,164</u>	<u>201,995,912</u>	<u>(628,748)</u>	(0.3%)
<b>Total Change in Net Assets</b>	<u>\$ 6,381,590</u>	<u>\$ 483,315</u>	<u>\$ 5,898,275</u>	

The District's revenues increased by 2.6% in 2011 or \$5,269,527. The major factors that contributed to the increase were:

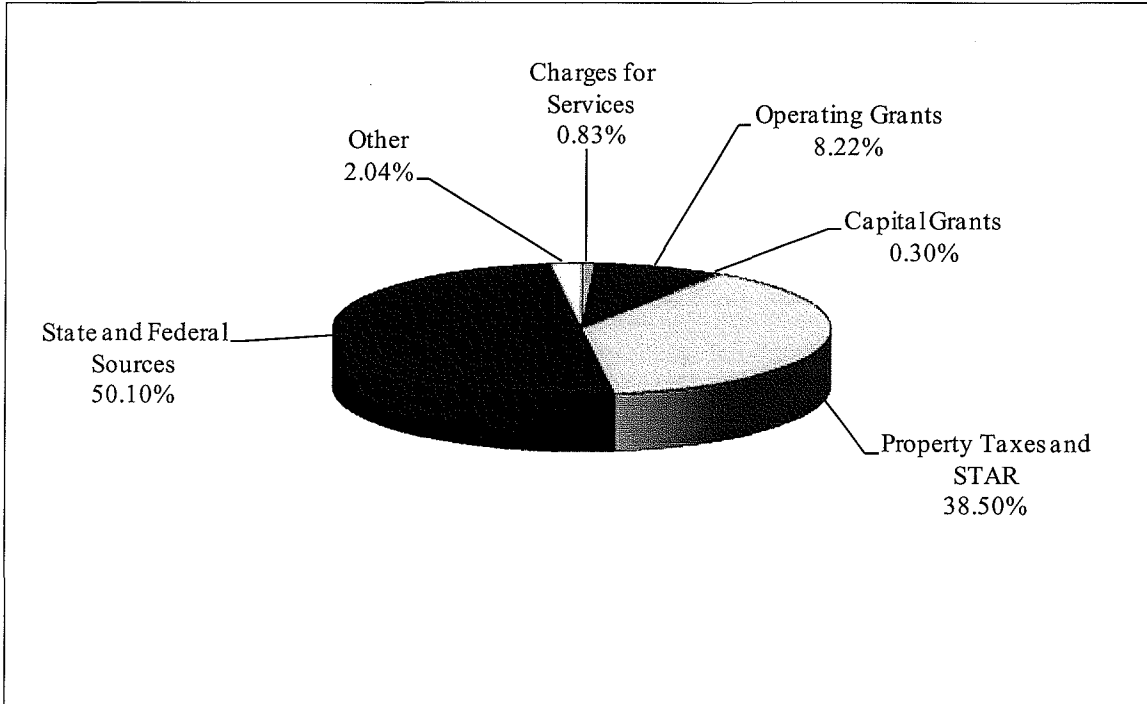
- Property tax and STAR revenues increased by 8.0%, or \$5,945,992.
- The District elected to use Education Jobs Funds in the current year

The District's expenditures for the year decreased by \$628,748. This is partly due to a reduction in the current year accrual of postemployment benefits in accordance with GASB 45 and reduced expenditures in the General Fund.

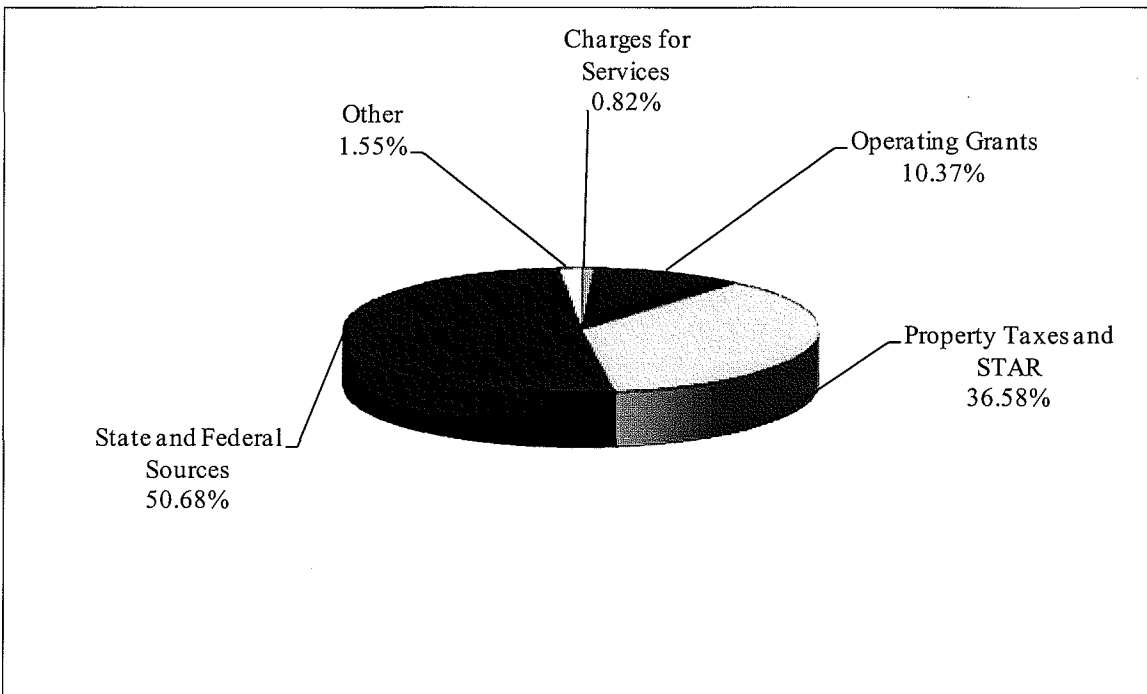
**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2011**

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

**For the Year Ended June 30, 2011**



**For the Year Ended June 30, 2010**



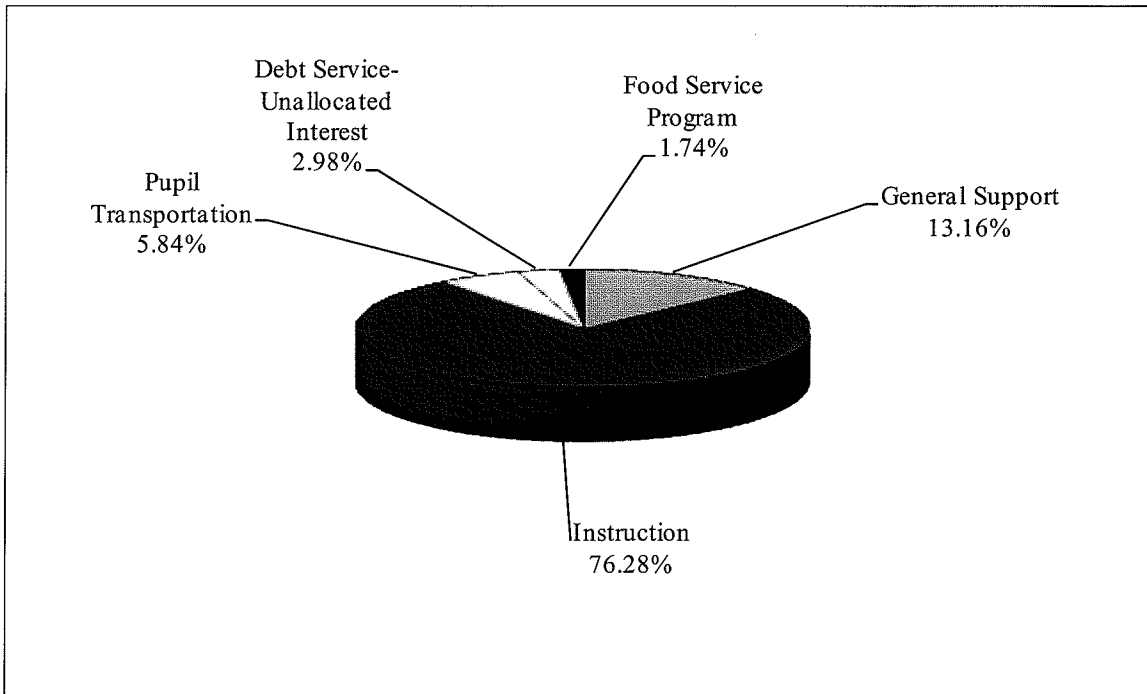


**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2011**

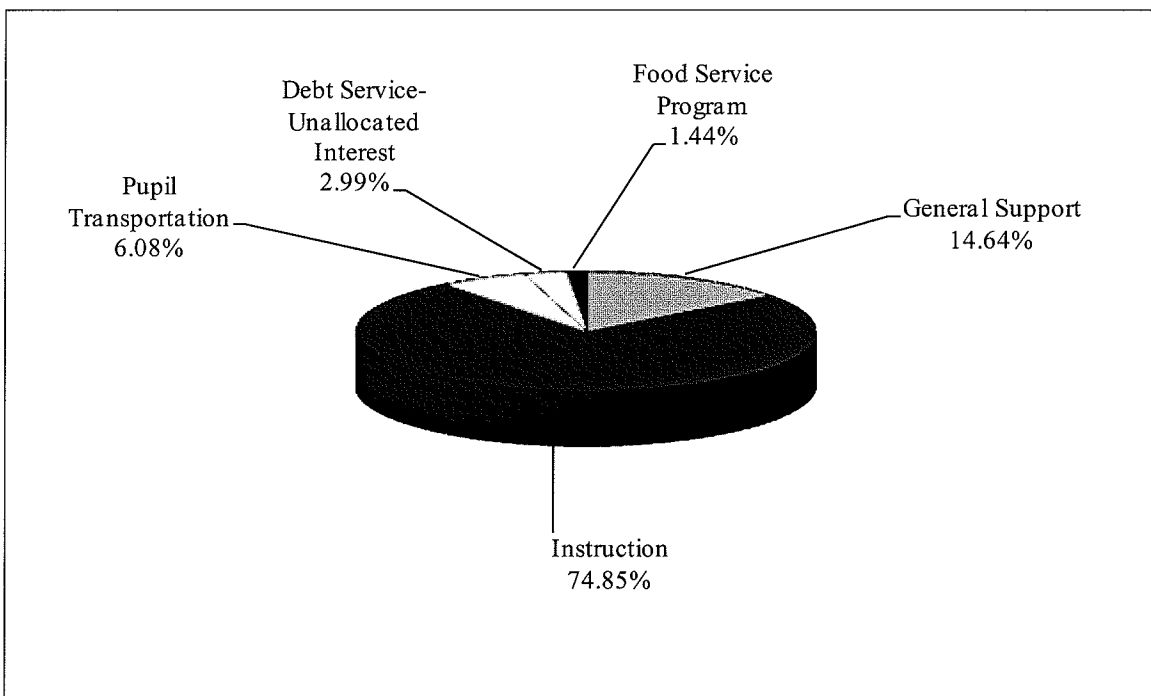
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A graphic display of the distribution of expenses for the two years follows:

**For the Year Ended June 30, 2011**



**For the Year Ended June 30, 2010**



**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2011**

**4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUND BALANCES**

At June 30, 2011, the District's governmental funds reported a combined fund balance of \$41,580,215, which is a decrease of \$12,190,553 from the prior year, including a prior-period adjustment. This decrease is primarily due to prior year Capital Fund activity related to proceeds of serial bonds in the amount of \$30,000,000. A summary of the change in fund balance by fund is as follows:

	<u>2011</u>	<u>Restated 2010</u>	<u>Increase (Decrease)</u>
<b>General Fund</b>			
Restricted for:			
Workers' Compensation	3,542,069	3,342,856	199,213
Unemployment	491,785	116,053	375,732
Employee Benefit Accrued Liability	6,607,966	6,130,738	477,228
Retirement Contribution	6,047,663	706,412	5,341,251
Insurance	<u>831,552</u>	<u>100,916</u>	<u>730,636</u>
Total Restricted	<u>17,521,035</u>	<u>10,396,975</u>	<u>7,124,060</u>
Assigned	14,255,207	14,511,253	(256,046)
Unassigned	<u>8,279,781</u>	<u>8,001,184</u>	<u>278,597</u>
Total General Fund	<u>40,056,023</u>	<u>32,909,412</u>	<u>7,146,611</u>
<b>School Lunch Fund</b>			
Nonspendable	15,827	17,491	(1,664)
Assigned	<u>1,361,638</u>	<u>1,370,858</u>	<u>(9,220)</u>
Total School Lunch Fund	<u>1,377,465</u>	<u>1,388,349</u>	<u>(10,884)</u>
<b>Capital Projects Fund</b>			
Restricted	<u>146,727</u>	<u>19,473,007</u>	<u>(19,326,280)</u>
Total Capital Projects Fund	<u>146,727</u>	<u>19,473,007</u>	<u>(19,326,280)</u>
 Total Fund Balance	 <u>\$ 41,580,215</u>	 <u>\$ 53,770,768</u>	 <u>\$ (12,190,553)</u>

Combined increases of \$7,124,060 in General Fund restricted fund balances during the year ended June 30, 2011 is a result of District funding of reserves approved by the Board of Education.

The decrease in the amount of \$19,326,280 in the Capital Fund balance is a result of District expenditures in the Capital Fund related to ongoing capital projects.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2010-2011 Budget**

The District's General Fund adopted budget for the year ended June 30, 2011, was \$200,029,600. This is an increase of \$5,362,747 over the prior years adopted budget.

The budget was funded through a combination of revenues and designated fund balance. The majority of this funding source was \$80,152,159 in estimated property taxes and STAR, and State Aid in the amount of \$101,477,606.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2011**

**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, Unassigned Fund Balance	\$	8,001,184
Prior Period Adjustment		(72,235)
Revenues over Budget		4,417,700
Expenditures and Encumbrances under Budget		16,023,220
Appropriated Reserves		(710,000)
Net Increase in Restricted Funds		(7,124,060)
Appropriated For Subsequent Year's Expenditures		<u>(12,256,028)</u>
Closing, Unassigned Fund Balance	\$	<u>8,279,781</u>

Opening, Unassigned Fund Balance

The \$8,001,184 shown in the table is the portion of the District's June 30, 2010, fund balance that was retained unassigned. This was 4% of the District's 2010-2011 approved operating budget.

Revenues Over Budget

The 2010-2011 budget for revenues was \$ 187,218,519 . The actual revenues received for the year were \$191,636,219. The actual revenue over estimated or budgeted revenue was \$4,417,700. This variance contributes directly to the change to the unassigned portion of the General fund balance from June 30, 2010 to June 30, 2011.

Expenditures and Encumbrances Under Budget

The 2010-2011 budget for expenditures was \$202,439,772. The actual expenditures and encumbrances were \$186,416,552. The final budget was under expended by \$16,023,220. This under expenditure also contributes to the change to the unassigned portion of the general fund balance from June 30, 2010 to June 30, 2011.

Appropriated Fund Balance

The District has chosen to use \$12,256,028 of its available June 30, 2011, fund balance to partially fund its 2011-2012 approved operating budget.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the District will begin the 2011-2012 fiscal year with an unassigned fund balance of \$8,279,781.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2011**

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A. Capital Assets**

At June 30, 2011, the District had invested in a broad range of capital assets, including land, buildings and improvements and equipment. The net increase in capital assets is due to capital expenditures exceeding depreciation expense for the year ended June 30, 2011. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2011 and 2010, is as follows:

	<u>2011</u>	<u>2010</u>	<u>Increase/ (Decrease)</u>
Land	\$ 35,132,218	\$ 35,132,218	\$
Construction in Process	30,631,295	10,687,355	19,943,940
Buildings and Improvements	166,790,226	173,371,246	(6,581,020)
Vehicles, Furniture, and Equipment	<u>1,676,609</u>	<u>1,793,650</u>	<u>(117,041)</u>
Capital Assets, Net	<u>\$ 234,230,348</u>	<u>\$ 220,984,469</u>	<u>\$ 13,245,879</u>

**B. Debt Administration**

At June 30, 2011, the District had total bonds payable of \$124,825,000 . A summary of the outstanding debt at June 30, 2011 and 2010, is as follows:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
12/15/2002	4.00%	\$ 24,650,000	\$ 26,860,000	\$ (2,210,000)
2/19/2003	3.50%	13,550,000	17,830,000	(4,280,000)
6/21/2006	4.20%-4.25%	12,520,000	13,205,000	(685,000)
3/22/2007	4.00%-5.00%	44,105,000	46,320,000	(2,215,000)
2/1/2010	2.00%-4.00%	<u>30,000,000</u>	<u>30,000,000</u>	
		<u>\$ 124,825,000</u>	<u>\$ 134,215,000</u>	<u>\$ (9,390,000)</u>

**7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

- The voters of the School District approved the 2011-2012 budget in the amount of \$208,134,194 during May 2011.
- 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 district continues to review and update operational policies and procedures.
- The State continues to reduce its financial support to school districts and operates under an inefficient system which oftentimes hinders the budget development process and timeline that the School District is legally mandated to adhere to. The adoption of the State's budget has in some instances, occurred after the District's legally mandated budget vote. These significant state issues, along with federal changes, 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 State released district-specific Aid figures it then informed all districts there would be further reductions to the agreed-upon support. Unfortunately, this type of scenario occurs on a regular basis and results in unnecessary and highly complex budgetary implications.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2011**

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- 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.
- Legally required contributions by school districts into the State retirement systems continue on an upward trajectory. It is expected that the contribution level 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 continued economic issues facing Suffolk County has played itself out in a number of ways for the William Floyd School District. Investment earnings have continued 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.
- Continued financial hardships and foreclosure rates within the communities William Floyd serves requires increased expenditures as the District adheres to State and Federal mandates related to homeless and foster children, even though funding for these mandates continues to be reduced.
- With the approval of the 2% tax levy cap, the district is utilizing all of its resources to maintain current programs, support services and administration levels. During the last two years, we have used available reserves to help offset state aid cuts which continue to unfairly attack low wealth high needs districts such as ours. We will continue to provide available resources in an effort to maintain the educational integrity that our students deserve. The State’s refusal to fully fund foundation aid along with the continuous increase in unfunded mandates and cost shifting initiatives has and will continue to adversely affect all schools. The use of reserves is intended to help offset one time financial hardships and will ultimately create a greater financial burden that districts will not be able to recover from.

**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, 2011**

<b>Assets</b>	
Cash and Cash Equivalents	\$ 29,507,546
Restricted Cash and Cash Equivalents	17,667,762
Receivables	
Due from Other Governments	13,497,806
Due from Fiduciary Funds	6,155,518
Other Receivables	878,114
Inventory	15,827
Capital Assets (Net of Accumulated Depreciation)	<u>234,230,348</u>
Total Assets	<u>\$ 301,952,921</u>
 <b>Liabilities</b>	
Accounts Payable	\$ 2,926,800
Retainage Payable	933,089
Accrued Liabilities	6,189,696
Due To	
Other Governments	1,748,607
Teacher's Retirement System	7,879,556
Employees' Retirement System	398,032
Bond Interest	228,785
Deferred Revenue	502,461
Noncurrent Liabilities	
Due Within One Year	
Bonds Payable	11,005,000
Due in More Than One Year	
Bonds Payable	112,826,945
Other Postemployment Benefits	14,906,952
Compensated Absences	<u>7,110,742</u>
Total Liabilities	<u>166,656,665</u>
 <b>Net Assets</b>	
Investment in Capital Assets (Net of Related Debt)	110,545,130
Restricted	17,667,762
Unrestricted	<u>7,083,364</u>
Total Net Assets	<u>135,296,256</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 301,952,921</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, 2011**

<b>Functions/Programs</b>	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
General Support	\$ 26,504,207	\$	\$	\$ 617,658	\$ (25,886,549)
Instruction	153,598,219	368,987	15,126,067		(138,103,165)
Pupil Transportation	11,750,827				(11,750,827)
Debt Service - Unallocated Interest	6,008,505				(6,008,505)
Food Service	3,505,406	1,358,538	1,947,026		(199,842)
Total Functions/Programs	\$ 201,367,164	\$ 1,727,525	\$ 17,073,093	\$ 617,658	(181,948,888)
 <b>General Revenues</b>					
Real Property Taxes					66,365,252
STAR and Other Real Property Tax Items					13,637,741
Use of Money and Property					1,103,512
Sales of Property and Compensation for Loss					1,596,722
State and Federal Sources					104,083,664
Miscellaneous					1,543,587
Total General Revenues					188,330,478
Change in Net Assets					6,381,590
Net Assets, Beginning of Year					128,986,901
Prior Period Adjustments					(72,235)
Net Assets, Beginning of Year (Restated)					128,914,666
Net Assets, End of Year					\$ 135,296,256

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

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2011**

	General	School Lunch	Special Aid	Capital	Total
<b>Assets</b>					
Cash and Cash Equivalents	\$ 15,761,237	\$ 1,754,584	\$ 515,205	\$ 11,476,520	\$ 29,507,546
Restricted Cash and Cash Equivalents	17,521,035			146,727	17,667,762
Receivables					
Due from Other Governments	8,932,513	138,302	4,426,991		13,497,806
Due from Other Funds	21,994,555		10,476,762		32,471,317
Other Receivables	876,127	154	1,833		878,114
Inventory		15,827			15,827
Total Assets	<u>\$ 65,085,467</u>	<u>\$ 1,908,867</u>	<u>\$ 15,420,791</u>	<u>\$ 11,623,247</u>	<u>\$ 94,038,372</u>
<b>Liabilities</b>					
Payables					
Accounts Payable	\$ 861,756	\$ 1,381	\$ 20	\$ 2,063,643	\$ 2,926,800
Retainage Payable				933,089	933,089
Accrued Liabilities	6,189,696				6,189,696
Due To					
Other Governments	1,748,607				1,748,607
Other Funds	2,387,680	530,021	14,918,310	8,479,788	26,315,799
Teacher's Retirement System	7,879,556				7,879,556
Employees' Retirement System	398,032				398,032
Bond Interest	16,611				16,611
Deferred Revenue	5,547,506		502,461		6,049,967
Total Liabilities	<u>25,029,444</u>	<u>531,402</u>	<u>15,420,791</u>	<u>11,476,520</u>	<u>52,458,157</u>
<b>Fund Balance</b>					
Nonspendable		15,827			15,827
Restricted	17,521,035			146,727	17,667,762
Assigned	14,255,207	1,361,638			15,616,845
Unassigned	8,279,781				8,279,781
Total Fund Balance	<u>40,056,023</u>	<u>1,377,465</u>		<u>146,727</u>	<u>41,580,215</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 65,085,467</u>	<u>\$ 1,908,867</u>	<u>\$ 15,420,791</u>	<u>\$ 11,623,247</u>	<u>\$ 94,038,372</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, 2011**

	Total Governmental Funds (Modified Accrual)	Long-Term Assets & Liabilities	Reclassifications and Eliminations	Statement of Net Assets Total
<b>Assets</b>				
Cash and Cash Equivalents	\$ 29,507,546	\$	\$	\$ 29,507,546
Restricted Cash and Cash Equivalents	17,667,762			17,667,762
Receivables				
Other Governments	13,497,806			13,497,806
Due from Other Funds	32,471,317		(26,315,799)	6,155,518
Other Receivables	878,114			878,114
Inventory	15,827			15,827
Capital Assets		234,230,348		234,230,348
<b>Total Assets</b>	<b>\$ 94,038,372</b>	<b>\$ 234,230,348</b>	<b>\$ (26,315,799)</b>	<b>\$ 301,952,921</b>
<b>Liabilities</b>				
Accounts Payable	\$ 2,926,800	\$	\$	\$ 2,926,800
Retainage Payable	933,089			933,089
Accrued Liabilities	6,189,696			6,189,696
Bonds Payable		123,831,945		123,831,945
Due To				
Other Governments	1,748,607			1,748,607
Other Funds	26,315,799		(26,315,799)	
Teacher's Retirement System	7,879,556			7,879,556
Employees' Retirement System	398,032			398,032
Bond Interest	16,611	212,174		228,785
Compensated Absences		7,110,742		7,110,742
Other Postemployment Benefits		14,906,952		14,906,952
Deferred Revenue	6,049,967	(5,547,506)		502,461
<b>Total Liabilities</b>	<b>52,458,157</b>	<b>140,514,307</b>	<b>(26,315,799)</b>	<b>166,656,665</b>
<b>Total Fund Balance/Net Assets</b>	<b>41,580,215</b>	<b>93,716,041</b>		<b>135,296,256</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 94,038,372</b>	<b>\$ 234,230,348</b>	<b>\$ (26,315,799)</b>	<b>\$ 301,952,921</b>

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2011**

	General	School Lunch	Special Aid	Capital	Total
<b>Revenues</b>					
Real Property Taxes	\$ 66,365,252	\$	\$	\$	\$ 66,365,252
STAR and Other Real Property Tax Items	13,637,741				13,637,741
Charges for Services	368,987				368,987
Use of Money and Property	1,099,550	3,962			1,103,512
Sale of Property and Compensation for Loss	1,596,722				1,596,722
Miscellaneous	1,445,670		165,284		1,610,954
State Aid	104,091,170	80,123	2,507,946	617,658	107,296,897
Federal Aid	3,031,127	1,866,903	9,579,488		14,477,518
School Lunch Sales		<u>1,358,538</u>			<u>1,358,538</u>
Total Revenues	<u>191,636,219</u>	<u>3,309,526</u>	<u>12,252,718</u>	<u>617,658</u>	<u>207,816,121</u>
<b>Expenditures</b>					
General Support	21,004,670	2,496		19,943,940	40,951,106
Instruction	93,450,842		10,349,258		103,800,100
Pupil Transportation	11,344,372		303,754		11,648,126
Food Service Program		3,300,004			3,300,004
Employee Benefits	43,011,499	17,912	1,865,822		44,895,233
Debt Service - Principal	9,390,000				9,390,000
Debt Service - Interest	<u>5,949,874</u>				<u>5,949,874</u>
Total Expenditures	<u>184,151,257</u>	<u>3,320,412</u>	<u>12,518,834</u>	<u>19,943,940</u>	<u>219,934,443</u>
Excess (Deficit) Revenues Over Expenditures	<u>7,484,962</u>	<u>(10,886)</u>	<u>(266,116)</u>	<u>(19,326,282)</u>	<u>(12,118,322)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers from Other Funds			266,116		266,116
Transfers to Other Funds	<u>(266,116)</u>				<u>(266,116)</u>
Total Other Financing Sources (Uses)	<u>(266,116)</u>		<u>266,116</u>		
<b>Excess (Deficit) Revenues Over Expenditures and Other Financing Sources</b>	<u>7,218,846</u>	<u>(10,886)</u>		<u>(19,326,282)</u>	<u>(12,118,322)</u>
<b>Fund Balance, Beginning of Year</b>	<u>32,909,412</u>	<u>1,388,351</u>		<u>19,473,009</u>	<u>53,770,772</u>
Prior-Period Adjustment	<u>(72,235)</u>				<u>(72,235)</u>
<b>Fund Balance, End of Year</b>	<u>\$ 40,056,023</u>	<u>\$ 1,377,465</u>	<u>\$</u>	<u>\$ 146,727</u>	<u>\$ 41,580,215</u>

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

**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, 2011**

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Net Changes in Fund Balance - Total Governmental Funds \$ (12,118,322)

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 capital outlays exceeded depreciation expense in the period.

	Depreciation Expense	(7,357,672)	
	Capital Outlays	<u>20,603,551</u>	13,245,879

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.

	Amortized Issue Costs	(76,389)	
	Repayment Bond Principal	<u>9,390,000</u>	9,313,611

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (67,367)

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	17,758	
	Other Post Employment Benefits	(4,426,898)	
	Compensated Absences	<u>416,929</u>	<u>(3,992,211)</u>

Change in Net Assets Governmental Activities \$ 6,381,590

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2011**

	Private Purpose	
	Trusts	Agency
<b>Assets</b>		
Cash and Cash Equivalents - Unrestricted	\$	6,886,254
Cash and Cash Equivalents - Restricted		118,128
Receivables		
Due from Other Funds		180
Total Assets	\$ 118,308	\$ 7,313,416
<b>Liabilities</b>		
Due to Other Funds	\$ 410	\$ 6,582,450
Agency Liabilities		586,011
Extraclassroom Activity Balances		144,955
Total Liabilities	410	\$ 7,313,416
<b>Net Assets</b>		
Restricted for Scholarships		117,898
Total Net Assets		117,898
<b>Total Liabilities and Net Assets</b>	<b>\$ 118,308</b>	

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, 2011**

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	<u>Private Purpose Trusts</u>
<b>Additions</b>	
Investment Income	\$          486
Gifts and Contributions	<u>          121,985</u>
Total Additions	<u>          122,471</u>
<b>Deductions</b>	
Scholarships and Awards	<u>          98,700</u>
<b>Change in Net Assets</b>	23,771
<b>Net Assets, Beginning of Year</b>	<u>          94,127</u>
<b>Net Assets, End of Year</b>	<u><u>          \$ 117,898</u></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, 2011**

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**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. 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, 2011**

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***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*** - is the School District's primary operating fund and is used to account for and report all financial transactions except those required to be accounted for in another fund.

***Special Revenue Funds:*** These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. There are two classes of special revenue funds:

***Special Aid Fund*** - is used to account for and report the proceeds of federal and state grants that are legally restricted to expenditures for specified purposes.

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

***Capital Projects Fund*** - is used to account for and report the financial resources used for acquisition, construction, or major repair of capital 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, 2011**

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***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, 2010, to June 1, 2011.

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, 2011**

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***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:

	<u>Lives</u>	<u>Depreciation Method</u>
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, 2011**

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***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 393 retirees meet those eligibility requirements. The School District paid an aggregated amount of approximately \$3,188,982 for these benefits for the year ended June 30, 2011.

***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	\$ 200,029,600
Encumbrances Carried Over	<u>2,300,812</u>
Original Budget	202,330,412
Budget Revisions	<u>109,360</u>
Final Budget	<u>\$ 202,439,772</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, 2011**

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*Equity Classifications*

*(a) District-wide Statements*

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

Invested in capital assets, net of related debt - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.

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

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

*(b) Fund Statements*

Beginning with fiscal year ending June 30, 2011, the School District implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. As summarized in Note 16, the beginning fund balances for the School District’s governmental funds have been restated to reflect the above classifications.

The following classifications describe the relative strength of the spending constraints:

*Non-Spendable Fund Balance*

This category includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund.

*Restricted Fund Balance*

This category includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Generally, the District’s policy is to use restricted resources only when appropriated by the Board of Education. 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.

The School District has established the following restricted fund balances:

- *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, 2011**

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- ***Unemployment Insurance Reserve*** – According to General Municipal Law §6-m, must be 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.
- ***Retirement Contribution Reserve*** – According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund.
- ***Insurance Reserve*** – The 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.
- ***Reserve for Employee Benefits Accrued Liability*** – According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.
- ***Capital Fund*** – This fund is used to account for and report the financial resources that are restricted by a voter approved proposition for acquisition, construction or major repair of capital facilities.
- ***Reserve for Endowments and Scholarships*** – This reserve is used to account for various endowment and scholarship awards. This reserve is accounted for in the Fiduciary Fund.

***Unrestricted Resources***

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School District has provided otherwise in its commitment or assignment actions.

***Committed*** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority; i.e. the Board of Education. The School District has no committed fund balances as of June 30, 2011.

***Assigned*** - Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances other than in the Capital Fund are classified as Assigned Fund Balance in the respective fund. The amount appropriated for the subsequent year's budget of the General fund is also classified as Assigned Fund Balance in the General Fund.

***Unassigned*** - Includes all other net assets that do not meet the definition of the above classifications and are deemed to be available for general use by the School District. In other Governmental Funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned, then it may be necessary to report negative unassigned Fund Balances in the respective fund.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**

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**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.

**(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, 2011, total bank balances of \$64,586,105 were fully collateralized.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**

***Restricted Cash and Cash Equivalents***

Restricted cash of \$17,521,035 in the General Fund represents the following:

Description	Amount
Reserve for Employee Benefit Accrued Liability	\$ 6,607,966
Reserve for Workers' Compensation	3,542,069
Reserve for Insurance	831,552
Reserve for Unemployment	491,785
Reserve for Retirement Contribution	<u>6,047,663</u>
Total	<u>\$ 17,521,035</u>

Restricted cash of \$146,727 in the Capital Fund represented amounts restricted for future capital project expenditures.

**4. PARTICIPATION IN BOCES**

During the year, the School District was billed \$18,440,337 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, 2011, is as follows:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 35,132,218	\$	\$	\$ 35,132,218
Construction in Process	<u>10,687,355</u>	<u>19,943,940</u>	<u>                    </u>	<u>30,631,294</u>
	<u>45,819,573</u>	<u>19,943,940</u>	<u>                    </u>	<u>65,763,513</u>
Capital Assets Being Depreciated				
Buildings and Improvements	256,193,231			256,193,231
Furniture, Equipment, and Vehicles	<u>15,675,575</u>	<u>659,611</u>	<u>                    </u>	<u>16,335,186</u>
	<u>271,868,806</u>	<u>659,611</u>	<u>                    </u>	<u>272,528,417</u>
Accumulated Depreciation				
Buildings and Improvements	82,821,985	6,581,020		89,403,005
Furniture, Equipment, and Vehicles	<u>13,881,925</u>	<u>776,652</u>	<u>                    </u>	<u>14,658,577</u>
	<u>96,703,910</u>	<u>7,357,672</u>	<u>                    </u>	<u>104,061,582</u>
Net Capital Assets	<u>\$ 220,984,469</u>	<u>\$ 13,245,879</u>	<u>\$</u>	<u>\$ 234,230,348</u>

Depreciation expense of \$7,357,672 is charged as follows:

General Support	\$ 1,471,534
Instruction	<u>5,886,138</u>
Total	<u>\$ 7,357,672</u>

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**

**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 Issue</u>	<u>Interest</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
9/28/10	1.25%	_____	<u>35,000,000</u>	<u>35,000,000</u>	_____
Total		\$ _____	\$ <u>35,000,000</u>	\$ <u>35,000,000</u>	\$ _____

Interest on short-term debt for the year was \$354,861.

**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 Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds Payable	\$134,215,000	\$ _____	\$ 9,390,000	\$124,825,000	\$ 11,005,000
Bond Issuance Costs Net	(1,069,444)		(76,389)	(993,055)	
Compensated Absences	7,527,671		416,929	7,110,742	
OPEB Liability	<u>10,480,054</u>	<u>7,615,880</u>	<u>3,188,982</u>	<u>14,906,952</u>	
Total Long-Term Liabilities	<u>\$151,153,281</u>	<u>\$ 7,615,880</u>	<u>\$ 12,919,522</u>	<u>\$145,849,639</u>	<u>\$ 11,005,000</u>

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

Interest Paid	\$ 5,595,014
Plus: Interest Accrued in the Current Year	212,174
Amortization on Bond Issuance Costs	76,389
Less: Interest Accrued in the Prior Year	<u>(229,932)</u>
Total Expense	<u>\$ 5,653,645</u>

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**

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

<u>Serial Bonds</u>	<u>Issue Date</u>	<u>Original Amount</u>	<u>Final Maturity</u>	<u>Interest Rate (%)</u>	<u>Outstanding at 6/30/11</u>
2002 Serial Bond	12/15/02	\$40,000,000	06/15/20	4.00%	\$ 24,650,000
2003 Serial Bond	02/19/03	\$52,780,000	06/15/15	3.50%	13,550,000
2006 Serial Bond	06/21/06	\$15,690,000	06/15/24	4.20%-4.25%	12,520,000
2007 Refunding	03/22/07	\$54,865,000	06/15/25	4.00%-5.00%	44,105,000
2010 Serial Bond	02/01/10	\$30,000,000	12/15/29	2.00%-4.00%	<u>30,000,000</u>
Total					<u>\$124,825,000</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
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
2025-2030	<u>13,945,000</u>	<u>1,333,000</u>
Total	<u>\$ 124,825,000</u>	<u>\$ 37,737,861</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, 2011, \$43,595,000 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.



**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**

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, 2011, were paid. The required contributions for the next System fiscal year will be made in 2011-2012. The amount below for 2011-2012 represents the three months of the School District's fiscal year that will be covered in the NYSERS 2011-2012 billing cycle. The TRS contribution for the 2010-2011 year will be made in 2011-2012. The required contributions for the School District's current year and two preceding years were:

	TRS		ERS	
	Rate	Amount	Rate	Amount
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%	6,723,708	12.10%	\$ 1,231,525
2011-2012	11.11%		12.7%	398,032

**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. 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*

	2011
Normal Cost	\$ 4,285,614
Amortization of UAL	3,198,789
Annual Required Contribution (ARC)	7,484,403
Interest on OPEB Obligation	524,003
Adjustment to ARC	(392,526)
OPEB Expense	\$ 7,615,880

*(d) Reconciliation of Net OPEB Obligation*

	2011
Net OPEB Obligation at the Beginning of the Year	\$ 10,480,054
OPEB Expense	7,615,880
Net OPEB Contributions Made During the Fiscal Year	(3,188,982)
Net OPEB Obligation at the End of the Year	\$ 14,906,952
Percentage of Expense Contributed	41.9%

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**

**(e) Trend Information**

Fiscal Year Ending	Annual Net OPEB Expense	OPEB Expense Contributed	% of Expense Contributed	Net OPEB Obligation
June 30, 2011	\$ 7,615,880	\$ 3,188,982	41.9%	\$ 14,906,952
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

**(f) Funding Status**

Actuarial Accrued Liability (AAL)	\$ 85,404,447
Actuarial Value of Assets	0
Unfunded Actuarial Accrued Liability (UAAL)	\$ 85,404,447
Funded Ratio (Assets as a Percentage of AAL)	0%
Annual Covered Payroll	\$ 88,381,192
UAAL as a Percentage of Covered Payroll	96.6%

**(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
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

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**

**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.

*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 \$4,055,809, 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 Liability	Incurred Claims Including IBNRs	Claim Payments	End of Year Liability
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
2010-2011	\$ 3,679,305	\$ 25,725,312	\$ 25,348,808	\$ 4,055,809

**11. INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS**

Fund	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General	\$ 21,994,555	\$ 2,387,680	\$	\$ 266,116
School Lunch		530,021		
Special Aid	10,476,762	14,918,310	266,116	
Fiduciary	427,342	6,582,860		
Capital Projects		8,479,788		
Total Government Activities	\$ 32,898,659	\$ 32,898,659	\$ 266,116	\$ 266,116

- 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.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**

**12. FUND BALANCE**

The following is the disaggregation of the fund balance that is reported in summary on the Governmental Fund's Balance Sheet:

	<u>General Fund</u>	<u>School Lunch Fund</u>	<u>Debt Service Fund</u>	<u>Capital Fund</u>	<u>Total</u>
<b>Nonspendable</b>					
School Lunch Inventory	\$ _____	\$ <u>15,827</u>	\$ _____	\$ _____	\$ <u>15,827</u>
<b>Restricted</b>					
Employee Benefit Accrued Liability	6,607,966				6,607,966
Workers Compensation	3,542,069				3,542,069
Insurance	831,552				831,552
Unemployment Insurance	491,785				491,785
Retirement Contribution Reserve	6,047,663				6,047,663
Capital Fund				<u>146,727</u>	<u>146,727</u>
Total Restricted	<u>17,521,035</u>	_____	_____	<u>146,727</u>	<u>17,667,762</u>
<b>Assigned</b>					
School Lunch		1,361,638			1,361,638
General Fund:					
General Support	142,263				142,263
Instruction	1,194,405				1,194,405
Employee Benefits	662,511				662,511
Appropriated Fund Balance	<u>12,256,028</u>				<u>12,256,028</u>
Total Assigned	<u>14,255,207</u>	<u>1,361,638</u>	_____	_____	<u>15,616,845</u>
<b>Unassigned</b>	<u>8,279,781</u>	_____	_____	_____	<u>8,279,781</u>
Total Fund Balance	<u>\$40,056,023</u>	<u>\$ 1,377,465</u>	\$ _____	<u>\$ 146,727</u>	<u>\$ 41,580,215</u>

The following is a summary of the change in reserve funds during the year ended June 30, 2011:

	<u>Balance at 07/01/10</u>	<u>Additions/ Deletions</u>	<u>Balance at 06/30/11</u>
<b>General Fund</b>			
Employee Benefit Accrued Liability	\$ 6,130,738	\$ 477,228	\$ 6,607,966
Workers Compensation	3,342,856	199,213	3,542,069
Insurance	100,916	730,636	831,552
Unemployment Insurance	116,053	375,732	491,785
Retirement Contributions	<u>706,412</u>	<u>5,341,251</u>	<u>6,047,663</u>
Total General Fund	<u>\$ 10,396,975</u>	<u>\$ 7,124,060</u>	<u>\$ 17,521,035</u>

**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.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**

***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.

***Significant Encumbrances***

The School District did not have any individually significant encumbrances at June 30, 2011.

**14. RESTATEMENT OF PRIOR YEAR'S FUND BALANCE**

Beginning fund balance for the School District has been restated to reflect the fund balance classifications in accordance with GASB 54, as follows:

	<u>General Fund</u>	<u>School Lunch Fund</u>	<u>Capital Fund</u>	<u>Total</u>
Nonspendable	\$	\$ 17,491	\$	\$ 17,491
Restricted	10,396,975		19,473,007	29,869,982
Assigned	14,511,253	1,370,858		15,882,111
Unassigned	8,001,184			8,001,184
Total	<u>\$32,909,412</u>	<u>\$ 1,388,349</u>	<u>\$19,473,007</u>	<u>\$53,770,768</u>

**15. PRIOR-PERIOD ADJUSTMENT**

***General Fund***

A prior-period adjustment of \$72,235 was made in the General Fund to adjust for State Aid not received for prior years.

**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, 2011**

	Original Budget	Final Budget	Actual		Final Budget Variance With Actual
<b>Revenues</b>					
<b>Local Sources</b>					
Real Property Taxes	\$ 80,309,873	\$ 66,351,600	\$ 66,365,252		\$ 13,652
Other Real Property Tax Items	31,000	13,800,559	13,637,741		(162,818)
Charges for Services	150,000	202,998	368,987		165,989
Use of Money and Property	1,235,000	1,235,000	1,099,550		(135,450)
Sale of Property and Compensation for Loss	5,000	39,135	1,596,722		1,557,587
Miscellaneous	1,017,000	1,039,225	1,445,670		406,445
State Aid	101,288,890	101,477,606	104,091,170		2,613,564
Federal Aid	<u>3,072,396</u>	<u>3,072,396</u>	<u>3,031,127</u>		<u>(41,269)</u>
Total Revenues	187,109,159	187,218,519	191,636,219		4,417,700
<b>Other Financing Sources</b>					
Appropriated Reserves	710,000	710,000			(710,000)
Appropriated Fund Balance	<u>14,511,253</u>	<u>14,511,253</u>			<u>(14,511,253)</u>
Total Revenues and Other Financing Sources	<u>\$ 202,330,412</u>	<u>\$ 202,439,772</u>	<u>191,636,219</u>		<u>\$ (10,803,553)</u>
	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance With Actual And Encumbrances
<b>Expenditures</b>					
<b>General Support</b>					
Board of Education	\$ 69,015	68,616	54,773		\$ 13,843
Central Administration	893,592	928,547	849,819		78,728
Finance	1,244,427	1,225,648	1,091,878	23,805	109,965
Staff	1,678,628	1,894,903	1,709,271		185,632
Central Services	17,173,215	17,397,128	14,888,800	118,458	2,389,870
Special Items	<u>2,847,964</u>	<u>2,839,564</u>	<u>2,410,129</u>		<u>429,435</u>
Total General Support	<u>23,906,841</u>	<u>24,354,406</u>	<u>21,004,670</u>	<u>142,263</u>	<u>3,207,473</u>
<b>Instruction</b>					
Instruction, Administration, and Improvement	5,000,932	4,658,810	4,271,849	25,000	361,961
Teaching - Regular School	53,918,574	54,348,169	50,368,375	65,944	3,913,850
Programs for Children With Special Needs	36,281,940	35,434,935	30,057,178	1,008,197	4,369,560
Occupational Education	1,104,165	955,165	923,171		31,994
Teaching - Special School	2,179	35,716	35,708		8
Instructional Media	2,047,217	2,200,632	2,016,806	88,912	94,914
Pupil Services	<u>6,736,753</u>	<u>6,786,385</u>	<u>5,777,755</u>	<u>6,352</u>	<u>1,002,278</u>
Total Instruction	<u>105,091,760</u>	<u>104,419,812</u>	<u>93,450,842</u>	<u>1,194,405</u>	<u>9,774,565</u>
Pupil Transportation	12,527,614	12,565,192	11,344,372		1,220,820
Employee Benefits	44,579,184	45,275,349	43,011,499	662,511	1,601,339
Debt Service - Principal	9,390,000	9,390,000	9,390,000		
Debt Service - Interest	<u>6,595,013</u>	<u>6,195,013</u>	<u>5,949,874</u>		<u>245,139</u>
Total Expenditures	202,090,412	202,199,772	184,151,257	1,999,179	16,049,336
<b>Other Financing Uses</b>					
Transfers to Other Funds	240,000	240,000	266,116		(26,116)
Total Expenditures and Other Financing Uses	<u>\$ 202,330,412</u>	<u>\$ 202,439,772</u>	<u>184,417,373</u>	<u>\$ 1,999,179</u>	<u>\$ 16,023,220</u>
<b>Net Change in Fund Balances</b>			7,218,846		
<b>Fund Balances - Beginning of Year</b>			32,909,412		
Prior-Period Adjustment			<u>(72,235)</u>		
<b>Fund Balances - End of Year</b>			<u>\$ 40,056,023</u>		

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT**  
**SCHEDULES OF FUNDING PROGRESS OF OTHER POST-EMPLOYMENT BENEFITS**  
**For the Year Ended June 30, 2011**

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, 2009	\$ 0	\$ 116,222,300	\$ 116,222,300	0%	\$ 90,056,903	129.05%
June 30, 2010	\$ 0	\$ 80,377,368	\$ 80,377,368	0%	\$ 93,986,982	85.52%
June 30, 2011	\$ 0	\$ 85,404,447	\$ 85,404,447	0%	\$ 88,381,192	96.63%

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT**  
**SCHEDULES OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET**  
**AND USE OF UNRESTRICTED FUND BALANCE - GENERAL FUND**  
**For the Year Ended June 30, 2011**

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**Change from Adopted Budget to Revised Budget**

Adopted Budget	\$	200,029,600
Add: Prior Year's Encumbrances		<u>2,300,812</u>
Original Budget		202,330,412
Add: Board Approved Increase for Unanticipated Revenues		<u>109,360</u>
Final Budget	\$	<u>202,439,772</u>
Approved Budget for Subsequent Year	\$	<u>208,134,194</u>

**Use of Unrestricted Fund Balance**

Unrestricted Fund Balance - As of the Beginning of the Year	\$	22,512,437
Less: Assigned Fund Balance		
Designated Fund Balance Used For Subsequent Year's Appropriations		12,210,441
Encumbrances		<u>2,300,812</u>
Unassigned Fund Balance - As of the Beginning of the Year	\$	<u>8,001,184</u>



WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
 SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND  
 For the Year Ended June 30, 2011

PROJECT TITLE	Original Authorization	Revised Authorization	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2011	
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		Total
Excel Projects	\$ 56,905,000	\$ 56,905,000	\$ 10,687,354	\$ 19,943,940	\$ 30,631,294	\$ 26,273,706	\$ 30,000,000	\$ 617,658		\$ 30,617,658	\$ (13,636)
<b>Totals</b>	<u>\$ 56,905,000</u>	<u>\$ 56,905,000</u>	<u>\$ 10,687,354</u>	<u>\$ 19,943,940</u>	<u>\$ 30,631,294</u>	<u>\$ 26,273,706</u>	<u>\$ 30,000,000</u>	<u>\$ 617,658</u>		<u>\$ 30,617,658</u>	<u>(13,636)</u>
									Additional Unspent Proceeds		<u>160,363</u>
											<u>\$ 146,727</u>

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES**  
**COMPARED TO ST-3 DATA**  
**For the Year Ended June 30, 2011**

	<u>Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
<b>Revenues</b>			
Real Property Taxes	A -1001	\$ 66,365,252	\$ 66,365,252
State Aid	AT-3999	\$ 104,091,171	\$ 104,091,170 *
Federal Aid	AT-4999	\$ 3,031,127	\$ 3,031,127
Total Revenues	AT-5999	\$ 191,636,219	\$ 191,636,219
<b>Expenditures</b>			
General Support	AT-1999	\$ 21,004,670	\$ 21,004,670
Pupil Transportation	AT-5599	\$ 11,344,372	\$ 11,344,372
Debt Service - Principal	AT-9798.6	\$ 9,390,000	\$ 9,390,000
Debt Service - Interest	AT-9798.7	\$ 5,949,874	\$ 5,949,874
Total Expenditures	AT-9999	\$ 184,417,373	\$ 184,417,373

\* Denotes Rounding Adjustment

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT**  
**INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT**  
**For the Year Ended June 30, 2011**

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Capital Assets, Net	\$ 234,230,348
Add:	
Unamortized Bond Issuance Costs	993,055
Capital Fund Unspent Bond Proceeds	<u>146,727</u>
Total Additions	<u>1,139,782</u>
Deduct:	
Serial Bonds Payable	<u>124,825,000</u>
Total Deductions	<u>124,825,000</u>
Investment in Capital Assets, Net of Related Debt	<u>\$ 110,545,130</u>

**D'Arcangelo & Co., LLP**  
Certified Public Accountants & Consultants

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

**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**

Independent Auditor's Report

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, 2011, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 24, 2011. Our report was qualified because we were unable to substantiate fixed assets. Except as previously noted, 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

Management of William Floyd Union Free School District is responsible for establishing and maintaining effective 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 11-1 to be a significant deficiency in internal control over financial reporting.

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.

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 24, 2011

Rome, New York

**D'Arcangelo & Co., LLP**  
Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300  
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**Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133**

Independent Auditor's Report

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, 2011. 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, 2011.

Internal Control Over Compliance

Management of William Floyd Union Free School District is responsible for establishing and maintaining effective internal control over compliance with the 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Mid-Hudson • Utica/Rome/Oneida • Westchester

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 24, 2011

Rome, New York

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2011**

<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	\$ 350,906
National School Lunch Program	10.555	<u>1,503,401</u>
Cash Assistance Subtotal		1,854,307
National School Lunch Program-Food Donation (Noncash)	10.555	<u>12,596</u>
 Total U.S. Department of Agriculture		 <u>1,866,903</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	1,803,122
Special Education - Grants to States, (IDEA, Part B)	84.027	2,079,572
Special Education - Preschool Grants, (IDEA Preschool)	84.173	138,293
Education of Homeless Children and Youth	84.196	33,847
Educational Technology State Grants, (Title IID)	84.318	29,800
Title III	84.365	47,352
Improving Teacher Quality State Grants, (Title IIA)	84.367	858,251
Education Technology State Grants, Recovery Act	84.386	107,753
Education for Homeless Children and Youth, Recovery Act	84.387	46,732
Title I, Recovery Act	84.389	587,152
Special Education-Grants to States (IDEA Part B), Recovery Act	84.391	1,328,829
Special Education-Preschool Grants (IDEA Preschool), Recovery Act	84.392	56,129
State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	3,038,633
State Fiscal Stabilization Fund (SFSF) Government Services, Recovery Act	84.397	118,602
Education Jobs Fund, Recovery Act	84.410	<u>2,462,656</u>
 Total U.S. Department of Education		 <u>12,736,723</u>
 <u>Total Federal Financial Assistance</u>		 <u>\$ 14,603,626</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, 2011**

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**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, 2011, the School District had food commodities totaling \$15,827, 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, 2011**

**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)?	Yes
(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):	<p>a. <u>U.S. Department of Education</u></p> <p>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</p> <p>Title I Cluster                      CFDA #84.010 Title I – Grants to Local Educational Agencies                      CFDA #84.389 Title I – Recovery Act</p> <p>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</p> <p>CFDA #84.410 Education Jobs Fund, Recovery Act</p>
(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, 2011**

(Continued)

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*Findings – Financial Statement Audit*

**11-1 Fixed Assets Inventory**

At June 30, 2011, the School District did not have complete inventory records available to audit. Accordingly, we were unable to audit the fixed assets and our audit report is qualified. Although the District contracted with an outside appraisal service, there appears to be discrepancies related to the amount of dispositions recorded in their records. It should be noted that the District internal controls discovered this discrepancy with the independent appraisal report and is currently working with them to resolve the discrepancy.

We recommend the District work closer with the independent appraisal company on future appraisals to ensure that any discrepancies be resolved in a more timely manner.

*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, 2011**

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None Noted.