

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

Board of Education

William Floyd Union Free School District

We have audited the financial statements of the governmental activities and 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, 2008, and have issued our report thereon dated October 15, 2008. Our responsibility is to express opinions on these financial statements based on our audit.

In planning and performing our audit of the financial statements, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraphs and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed in the attached, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

The significant deficiency and other matters are identified and described in the attached schedule of findings and recommendations.

This communication is intended solely for the information and use of Management and the Board of Education and the New York State Education Department and is not intended to be and should not be used by anyone other than these specified parties.

D'Arcangelo & Co., LLP

October 15, 2008

Rome, New York

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT

SUMMARY OF FINDINGS

June 30, 2008

I. Significant Deficiency- Extraclassroom Fund Only

A. Cash Receipts

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

Although the School District has taken significant action to improve internal control in this area, at the time of audit these improvements had not been implemented.

II. Other Matters

A. 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.

B. Students General Fund – Extraclassroom Activity Fund

During our review of the Student's General Fund within the Extraclassroom Fund, it was noted that the Club does not operate in compliance with Commissioner Regulations.

We recommend the School District review the activity of the Student's General Fund and take appropriate action to ensure compliance with Commissioner Regulations.

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

For the Year Ended June 30, 2008

I. Other Matters

A. Annual Financial Statement Preparation

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

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

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

Status: Noted again in current year.

B. Informational Matters

GASB - Governmental Accounting Standards Board Statements of the Governmental Accounting Standards Board (GASBS) No. 45: Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions

This Statement establishes standards of accounting and financial reporting for other post-employment employee benefits (OPEB) expense/expenditures and related OPEB liabilities or OPEB assets, note disclosures, and required supplementary information (RSI) in the financial reports of state and local governmental employers. These benefits mainly consist of health and dental insurance. The standard will require the School District to obtain an actuarial present value of the total projected benefits.

(Continued)

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

For the Year Ended June 30, 2008

(Continued)

The liabilities will only be recorded in the District-wide financial statements. The past service cost can be amortized over thirty years. Therefore, on an annual basis, the expense will consist of the amortized past service cost and the current annual required contributions of the employer.

Although the School District will be required to implement this standard for the year ended June 30, 2008, we recommend that an actuary be contacted with soon. All governments will be seeking the same service. Therefore, in order to have timely information, the planning must begin shortly.

Status: The School District is in compliance with this requirement for the fiscal year June 30, 2008.

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To the Audit Committee of 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, 2008, and have issued our report thereon dated October 15, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated, October 15, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered William Floyd Union Free School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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 grants, 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. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about William Floyd Union Free School District's compliance with those requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major Federal programs for the purpose of expressing an opinion on William

Floyd Union Free School District's compliance with these requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on William Floyd Union Free School District's compliance with those requirements.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in.

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. The District implemented GASB 45 statement of OPEB accounting in the current fiscal year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

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

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. In the current year the District implemented GASB 45 which required an estimate of the District's post employment benefits liability.

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

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the School District's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, audit adjustments we proposed that could, in our judgment, either individually or in the aggregate, have a significant effect on William Floyd Union Free School District's financial reporting process.

Corrected and Uncorrected Misstatements

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

The District posted all adjusting journal entries to its books of account.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 15, 2008.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

D'Arcangelo & Co., LLP

October 15, 2008

Rome, New York

10/24/2008
10:12 AM

Client: 33850 - William Floyd Union Free School District
Engagement: WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
Period Ending: 06/30/2008
Trial Balance: TB
Workpaper: Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
to adjust due from state and federal to actual per client schedule				
02-F00-40-3289-010	4408 State Aid - Tuition		2,191,276.00	
02-F00-10-0410-000	Due From Other Government			2,191,276.00
Total			2,191,276.00	2,191,276.00
Adjusting Journal Entries JE # 2				
to record 20% transfer of 4408 program				
02-F00-10-0391-000	Due From Other Funds		238,667.00	
A 9901..95-	Transfer To Special Aid		238,667.00	
02-F00-44-5031-010	Interfund Transfers			238,667.00
A630	DUE TO OTHER FUNDS			238,667.00
Total			477,334.00	477,334.00
Adjusting Journal Entries JE # 3				
to adjust IBNR to actual				
A601	ACCRUED LIABILITIES		123,698.00	
A 9060..8-	Hospital, Medical and Dental			123,698.00
Total			123,698.00	123,698.00
Adjusting Journal Entries JE # 4				
to accrue receivables per subsequent receipt testwork				
A380	ACCOUNTS RECEIVABLE		68,479.62	
A380	ACCOUNTS RECEIVABLE		99,239.37	
A911	UNAPPROPRIATED FUND BALANCE			167,718.99
Total			167,718.99	167,718.99
Adjusting Journal Entries JE # 5				
To record a prior period adjustment for EPE program, and NYSED final audit adj. See 3400.05				
A911.P	Prior Period Adjustment		883,075.00	
A911	UNAPPROPRIATED FUND BALANCE			883,075.00
Total			883,075.00	883,075.00
Adjusting Journal Entries JE # 6				
To adjust employee benefits reserve				
A911	UNAPPROPRIATED FUND BALANCE		427,344.00	
A867	RESERVE FOR EMPLOYEE BENEFITS			427,344.00
Total			427,344.00	427,344.00
Adjusting Journal Entries JE # 7				
To reclass encumbrances due to closing of schedules by the client				
A821	RESERVE FOR ENCUMBRANCES		379,960.00	
A911	UNAPPROPRIATED FUND BALANCE			379,960.00
Total			379,960.00	379,960.00
Adjusting Journal Entries JE # 8				
To reclass payroll clearing account				
A 9030..8-	Social Security		10,088.00	
A500	PAYROLL CLEARING ACCOUNT			10,088.00
Total			10,088.00	10,088.00
Adjusting Journal Entries JE # 21				

10/24/2008
10:12 AM

Client: 33850 - William Floyd Union Free School District
Engagement: WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
Period Ending: 06/30/2008
Trial Balance: TB
Workpaper: Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
To adjust Reserve to client calculation				
A911	UNAPPROPRIATED FUND BALANCE		366,262.00	
A911	UNAPPROPRIATED FUND BALANCE		508,800.00	
A631	DUE TO OTHER GOVERNMENTS			366,262.00
A867	RESERVE FOR EMPLOYEE BENEFITS			508,800.00
Total			<u>875,062.00</u>	<u>875,062.00</u>

**WILLIAM FLOYD UNION
FREE SCHOOL DISTRICT**

**MANAGEMENT'S
DISCUSSION AND
ANALYSIS**

AND

**BASIC FINANCIAL
STATEMENTS**

**For the Year Ended
June 30, 2008**

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT

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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, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of William Floyd Union Free School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and remaining fund information of the William Floyd Union Free School District as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2008, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on Pages 3 through 12 and budgetary comparison information and supplementary information on Pages 40 through 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America and the New York State Education Department. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the William Floyd Union Free School District 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 not a required part of the basic financial statements of William Floyd Union Free School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

D'Arcangelo & Co., LLP

October 15, 2008

Rome, New York

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008

The following is a discussion and analysis of the School District's financial performance for the year ended June 30, 2008. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide (herein known as District-wide) and fund-based financial statements. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The School District's net assets increased approximately \$2.2 million from the prior year. This was due to current year activity resulting in a surplus of \$.9 million and prior period adjustments totaling \$1.3 million.
- During the year, the School District had net expenses of \$179.9 million, which was offset by \$180.8 million generated in taxes, State aid, and other general revenues.
- The General Fund reported an operating surplus this year of \$3.1 million.
- The School District was able to retain as undesignated, unreserved fund balance 4% of the 2008-09 budget; the new limit allowable under Real Property Tax Law.
- The School District met its obligation under Statement No. 45 of the Governmental Accounting Standards Board, "Accounting and Financial reporting by Employers for Postemployment Benefits Other Than Pensions" (OPEBs) through its work with an actuary firm to identify an actuarial valuation of these OPEBs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School District, reporting the School District's operations in more detail than the District-wide statements. The fund financial statements concentrate on the School District's most significant funds with all other nonmajor funds listed in total in one column.
- The governmental funds statements disclose how basic services such as regular and special education were financed in the short term, as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year.

Table A-1 summarizes the major features of the School District's financial statements, including the portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

Table A-1 Major Features of the District-wide and Fund Financial Statements			
	Fund Financial Statements		
	District-wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the School District's net assets and how they have changed. Net assets – the difference between the School District's assets and liabilities – is one way to measure the School District's financial health or position.

- Over time, increases or decreases in the School District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the School District's overall health, consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the School District's activities are shown as governmental activities. Most of the School District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds – not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs:

- Certain funds are required by State law and by bond covenants.
- The School District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The School District has two types of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that allows the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

SCHOOL DISTRICT AS A WHOLE

The analysis below focuses on the net assets (Table A-2) and changes in net assets (Table A-3) of the School District's governmental activities. Illustrations A-1 and A-2 provide in graph format the revenues by source and expenses by function.

Table A-2 – Condensed Statement of Net Assets		
	<u>2008</u>	<u>(Restated) 2007</u>
Current and Other Assets	\$ 46,517,516	\$ 42,264,561
Capital Assets – Net of Depreciation	<u>224,466,567</u>	<u>230,645,818</u>
Total Assets	<u>\$270,984,083</u>	<u>\$272,910,379</u>
Long-Term Debt Outstanding	\$ 132,129,852	\$ 136,795,019
Other Liabilities	<u>15,775,025</u>	<u>13,980,229</u>
Total Liabilities	<u>\$147,904,877</u>	<u>\$150,775,248</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 102,924,742	\$ 100,610,571
Unrestricted	<u>20,154,464</u>	<u>21,524,560</u>
Total Net Assets	<u>\$123,079,206</u>	<u>\$122,135,131</u>

Table A-3 – Changes in Net Assets from Operating Results

	<u>2008</u>	<u>2007</u>
Revenues		
Program Revenues		
Operating Grants and Contributions	\$ 10,705,162	\$ 10,426,354
Charges for Services	1,422,328	1,798,456
General Revenues		
Property Taxes and Other Real Property		
Tax Items	69,525,956	65,385,316
State and Federal Aid	106,426,317	101,029,833
Sale of Property and Compensation for Loss	6,068	185,436
Use of Money and Property	3,897,145	4,879,165
Miscellaneous	1,012,128	1,156,030
Total Revenues	<u>192,995,104</u>	<u>184,860,590</u>
Expenses		
General Support	28,470,967	24,772,752
Instruction	136,571,968	129,568,975
Pupil Transportation	16,125,990	14,745,129
Community Service	3,494	15,252
Debt Service - Interest	7,871,543	7,867,488
School Lunch Program	3,007,067	3,507,580
Total Expenses	<u>192,051,029</u>	<u>180,477,176</u>
Increase in Net Assets	<u>\$ 944,075</u>	<u>\$ 4,383,414</u>

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**General Governmental Functions**

As the School District completed the year, its governmental funds (as presented in the balance sheet on Page 15) reported a combined fund balance of \$25.8 million, which was an increase of \$1.5 million over last year's total of \$24.3 million. This was substantially due to the operating surplus in the General Fund and prior period adjustment of state aid overpayment.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary comparison information presents both adopted and final modified budget totals compared with actual results for the General Fund for the year ended June 30, 2008. The significant variances between the adopted and the final budget for 2008 were as follows:

Adopted Budget	\$ 185,971,833
2007 Additional Appropriations:	
Encumbrance Carryover	<u>905,298</u>
Original Budget	186,877,131
Budget Revisions	<u>69,953</u>
Final budget	<u>\$186,947,084</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the School District had \$224.5 million invested in a broad range of capital assets including buildings, transportation equipment, computer equipment, and furniture and fixtures. Table A-4 categorically illustrates the School District's capital assets net of related depreciation.

Table A-4 – Capital Assets, Net of Depreciation		
	<u>2008</u>	<u>(Restated) 2007</u>
Land	\$ 35,132,218	\$ 35,132,218
Buildings and Improvements	186,580,471	185,237,964
Machinery and Equipment	2,753,878	3,347,550
Construction in Progress	0	6,928,086
Net Capital Assets	<u>\$224,466,567</u>	<u>\$230,645,818</u>

Noncurrent Liabilities

At June 30, 2008, the School District had \$132.1 million in long-term debt. Table A-5 provides a summary of the debt. The notes to the basic financial statements provide additional details regarding this debt.

Table A-5 – Noncurrent Liabilities		
	<u>2008</u>	<u>2007</u>
General Obligation Bonds	\$122,815,000	\$131,870,000
Less: Bond Issuance Cost, Net of Amortization	(1,222,222)	(1,298,611)
Compensated Absences	7,159,774	6,223,630
GASB 45 Liability	3,377,300	0
Total Noncurrent Liabilities	<u>\$132,129,852</u>	<u>\$136,795,019</u>

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- The School District continues to upgrade policies, and procedures relative to its Business and Human Resources Offices. The Board of Education in conjunction with the Policy Review Committee completed its comprehensive review of all School District policies. The Business Office continues to upgrade its Internal Control Procedures Manual to ensure consistent, clear and repeatable procedures are followed for every transaction.

- In January and July 2008, respectively, two of the industry's respected independent investment rating agencies (Moody's and Standard and Poors) released reports upgrading the School District's ratings. The Moody's report indicated a two-level upgrade to the School District's long-term debt rating (from Baa1 to A2). This upgrade brought the School District into the "upper medium quality" investment grade. The Standard and Poors report indicated a one level upgrade (from A+ to AA-); bringing the School District into the "high quality" investment grade category. Both upgrades are a testament to the School District's strong financial position.
- The Business and Human Resources Offices developed Reference Manuals which were distributed to every administrator in the School District at the culmination of a training session. Both manuals, which are continually updated, set forth proper guidelines and procedures on a variety of area-specific matters.
- In addition to the existing external and internal claims auditors, the new internal audit function is fully functioning, having recently completed its second year Risk Assessment Report. This report, as well as those issued at the end of in-depth cycle reviews, continues to reinforce the fact that the Business Office is running a solid operation. Specifically, cycle reviews completed on Business Office Key Controls identified "high" inherent risks, yet "low" control risks throughout. Further, each area audited resulted in a "satisfactory" rating.
- In response to comments noted in the prior year audit, the School District, along with its Internal Auditor, undertook an exhaustive effort to identify what can be done proactively to ensure accountability at all levels within the Student Activities Funds. The result of this work was a first-ever series of training sessions with all Central Treasurers, club advisors, and elementary level faculty on the appropriate fiscal controls to use in managing building-level extracurricular activity accounts. A presentation was prepared, standardized forms were developed and distributed, and reference materials with step-by-step procedures were provided to each participant.
- The School District relies heavily on State Aid as a revenues source. Local assessed values, however, continue to dip slightly, a testament to the increased volume of tax grievances, a decline in new construction, and the lack of undeveloped parcels of land to enable future growth. The School District had accurately projected this decline in assessments which will mitigate any financial impact to the taxpayers.
- The voters of the School District approved the 2008-2009 budget in the amount of \$192,905,793 during May 2008.
- The School District instituted the second year of its transparent, interactive, inclusive budget development process to engage both internal and external constituents into this important annual process. Launched for the development of the 2007-08 budget, the process continues to be refined and will be the model used for years to come.

- On December 12, 2007 the School District placed a proposition for capital improvements before voters. The capital project which was approved by voters will enable the School District to address capacity issues at its high school, safety and maintenance needs across the district, as well as improve security and instructional technology district-wide. The approved proposition was the culmination of inclusive, transparent capital project development project which involved a resident advisor committee, Board Members, District engineers and architects and attorneys, and administrators at the central office and building levels. Combining its favorable building aid ratio(approximately 88%) with one-time EXCEL funding from the Dormitory Authority of the State of New York(DASNY), the School District will be able to fund this capital project at little cost to the taxpayer.
- The School District implemented two automated systems district-wide. The new Attendance Module within the District's human resources software system provides for real-time information, reporting, checks-and-balances, audit trails, and mitigation of human error. The new Requisition Module within the District's financial software system provides for an automated, real-time purchasing process which reduces lead-times, streamlines the purchasing function, and puts more control and knowledge in the hands of the budget supervisors.
- The School District worked with an actuary firm to conduct a comprehensive review of its self-insured healthcare plan in order to aid the School District in budgeting in this area, assist in future decision making related to employee benefits in general, and in establishing appropriate health premium levels specifically.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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, New York 11951.

Illustration A-1

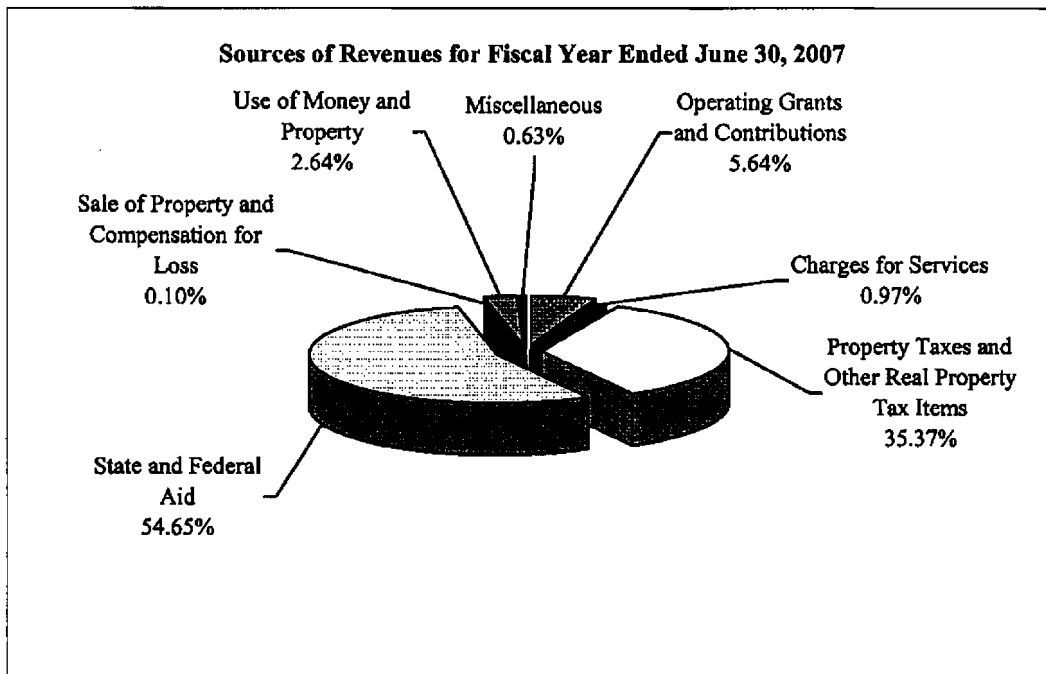
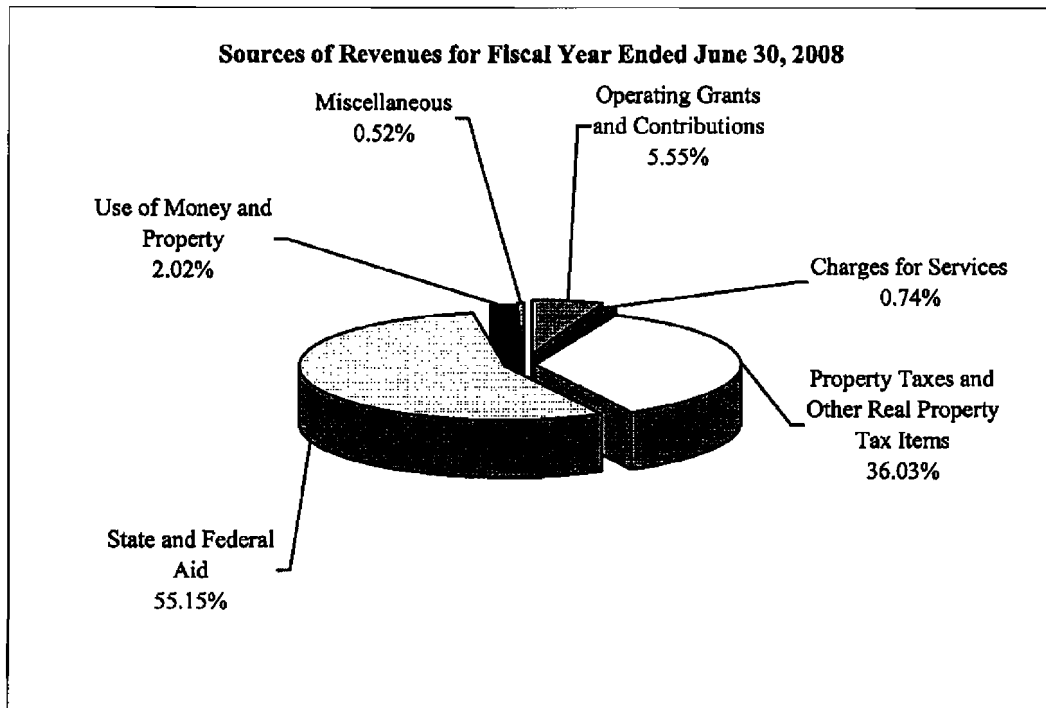
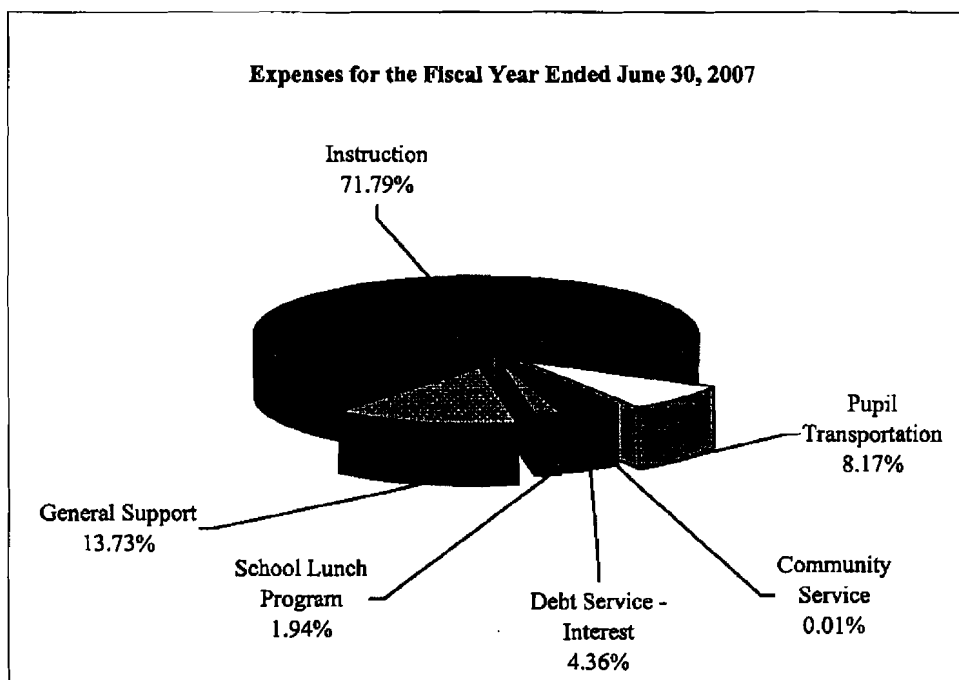
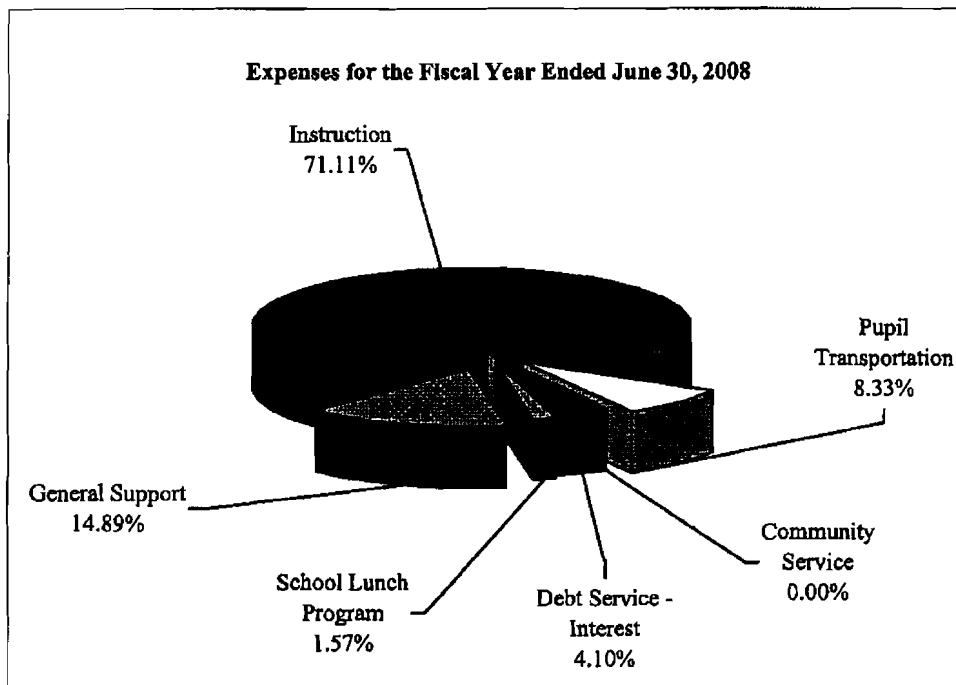


Illustration A-2



WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
For the Year Ended June 30, 2008

Assets	
Cash and Cash Equivalents	\$ 21,861,001
Restricted Cash and Cash Equivalents	9,374,256
Receivables	
Accounts Receivable	167,996
Other Governments	9,789,265
Due from Fiduciary Funds	5,310,263
Inventory	14,735
Capital Assets (Net of Accumulated Depreciation)	<u>224,466,567</u>
Total Assets	<u>\$ 270,984,083</u>
Liabilities	
Payables	
Accounts Payables	\$ 208,645
Accrued Liabilities	4,910,673
Due to Other Governments	3,430,027
Due to Teacher's Retirement System	6,991,930
Due to Employees' Retirement System	233,750
Noncurrent Liabilities	
Due Within One Year	9,435,000
Due in More Than One Year	<u>122,694,852</u>
Total Liabilities	<u>147,904,877</u>
Net Assets	
Investment in Capital Assets (Net of Related Debt)	102,924,742
Unrestricted	<u>20,154,464</u>
Total Net Assets	<u>123,079,206</u>
Total Liabilities and Net Assets	<u>\$ 270,984,083</u>

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
General Support	\$ 28,470,967	\$	\$	\$ (28,470,967)
Instruction	136,571,968	91,327	9,140,870	(127,339,771)
Pupil Transportation	16,125,990			(16,125,990)
Community Service	3,494			(3,494)
Debt Service - Unallocated Interest	7,871,543			(7,871,543)
School Lunch Program	3,007,067	1,331,001	1,564,292	(111,774)
Total Functions/Programs	<u>\$ 192,051,029</u>	<u>\$ 1,422,328</u>	<u>\$ 10,705,162</u>	<u>(179,923,539)</u>
General Revenues				
Real Property Taxes				56,738,749
Other Real Property Tax Items				12,787,207
Use of Money and Property				3,897,145
State and Federal Sources				106,426,317
Miscellaneous				1,012,128
Special Item - Gain on Sale of Property and Compensation for Loss				<u>6,068</u>
Total General Revenue				<u>180,867,614</u>
Change in Net Assets				<u>944,075</u>
Net Assets, Beginning of Year				120,867,961
Prior Period Adjustments				<u>1,267,170</u>
Net Assets, Beginning of Year (Restated)				<u>122,135,131</u>
Net Assets, End of Year				<u>\$ 123,079,206</u>

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
(INCLUDING THE RECONCILIATION OF TOTAL GOVERNMENTAL
FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES)
For the Year Ended June 30, 2008

	General	School Lunch	Special Aid	Capital	Total
Assets					
Cash and Cash Equivalents	\$ 21,139,402	\$ 729,058	\$ (14,146)	\$ 6,687	\$ 21,861,001
Restricted Cash and Cash Equivalents	9,374,256				9,374,256
Receivables					
Account Receivables	167,719		277		167,996
Other Governments	6,664,605	145,369	2,979,291		9,789,265
Due from Other Funds	12,405,213	393,286	4,889,590	3,752	17,691,841
Inventory		14,735			14,735
Total Assets	\$ 49,751,195	\$ 1,282,448	\$ 7,855,012	\$ 10,439	\$ 58,899,094
Liabilities					
Payables					
Accounts Payables	\$ 208,645	\$	\$	\$	\$ 208,645
Accrued Liabilities	4,696,423		(4,864)		4,691,559
Due To					
Other Governments	3,406,065	23,962			3,430,027
Other Funds	4,283,765	176,545	7,859,876	61,392	12,381,578
Teacher's Retirement System	6,991,930				6,991,930
Employees' Retirement System	233,750				233,750
Deferred Revenue	5,206,126				5,206,126
Total Liabilities	25,026,704	200,507	7,855,012	61,392	33,143,615
Fund Balance (Deficit)					
Fund Balance - Reserved					
Special Reserves	9,374,256	14,735			9,388,991
Reserve for Encumbrances	1,376,524		306,130	93,253	1,775,907
Fund Balance - Unreserved					
Designated for Subsequent Year's Expenditures	6,268,583				6,268,583
Undesignated (Deficit)	7,705,128	1,067,206	(306,130)	(144,206)	8,321,998
Total Fund Balance (Deficit)	24,724,491	1,081,941		(50,953)	25,755,479
Total Liabilities and Fund Balance (Deficit)	\$ 49,751,195	\$ 1,282,448	\$ 7,855,012	\$ 10,439	

Amounts reported for governmental activities in the statement of net assets are different due to the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	224,466,567
Other long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	5,206,126

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Serial Bonds Payable	(121,592,778)
Accrued Interest Payable	(219,114)
GASB No. 45 Liability	(3,377,300)
Compensated Absences	(7,159,774)

Net Assets of Governmental Activities	<u>\$ 123,079,206</u>
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The Accompanying Notes are an Integral Part of These Financial Statements.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	School Lunch	Special Aid	Capital	Total
Revenues					
Real Property Taxes	\$ 56,738,749	\$	\$	\$	\$ 56,738,749
Other Real Property Tax Items	12,787,207				12,787,207
Charges for Services	91,327				91,327
Use of Money and Property	3,878,536	18,609			3,897,145
Sale of Property and Compensation for Loss	6,068				6,068
Miscellaneous	983,764		28,364		1,012,128
State Aid	106,543,815	84,874	2,593,313		109,222,002
Federal Aid	594,549	1,479,418	5,953,008		8,026,975
School Lunch Sales		<u>1,331,001</u>			<u>1,331,001</u>
Total Revenues	<u>181,624,015</u>	<u>2,913,902</u>	<u>8,574,685</u>		<u>193,112,602</u>
Expenditures					
General Support	21,650,815			587,095	22,237,910
Instruction	96,236,517		7,122,924		103,359,441
Pupil Transportation	12,025,348		313,835		12,339,183
Community Service	3,494				3,494
School Lunch Program		2,866,383			2,866,383
Employee Benefits	31,491,020	12,767	1,376,593		32,880,380
Debt Service - Principal	9,055,000				9,055,000
Debt Service - Interest	<u>7,813,550</u>				<u>7,813,550</u>
Total Expenditures	<u>178,275,744</u>	<u>2,879,150</u>	<u>8,813,352</u>	<u>587,095</u>	<u>190,555,341</u>
Excess (Deficit) Revenues Over Expenditures	<u>3,348,271</u>	<u>34,752</u>	<u>(238,667)</u>	<u>(587,095)</u>	<u>2,557,261</u>
Other Financing Sources (Uses)					
Transfers from Other Funds			238,667		238,667
Transfers to Other Funds	<u>(238,667)</u>				<u>(238,667)</u>
Total Other Financing Sources (Uses)	<u>(238,667)</u>		<u>238,667</u>		
Excess (Deficit) Revenues Over Expenditures and Other Financing Sources (Uses)	<u>3,109,604</u>	<u>34,752</u>		<u>(587,095)</u>	<u>2,557,261</u>
Fund Balance (Deficit), Beginning of Year	<u>22,696,505</u>	<u>1,047,189</u>		<u>536,142</u>	<u>24,279,836</u>
Prior-Period Adjustments	<u>(1,081,618)</u>				<u>(1,081,618)</u>
Fund Balance (Deficit), End of Year	<u>\$ 24,724,491</u>	<u>\$ 1,081,941</u>	<u>\$</u>	<u>\$ (50,953)</u>	<u>\$ 25,755,479</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, 2008

Net Changes in Fund Balance - Total Governmental Funds \$ 2,557,261

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

Depreciation Expense	(6,912,375)	
Capital Outlays	<u>733,124</u>	(6,179,251)

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. This is the amount by which repayments exceeded proceeds.

Amortized Bond Issuance Costs	(76,389)	
Repayment Bond Principal	<u>9,055,000</u>	8,978,611

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (117,498)

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	18,396	
Compensated Absences	(936,144)	
GASB 45 Accrual	<u>(3,377,300)</u>	(4,295,048)

Change in Net Assets Governmental Activities \$ 944,075

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
For the Year Ended June 30, 2008

	Private Purpose Trusts	Agency
Assets		
Cash and Cash Equivalents - Unrestricted	\$	\$ 4,968,178
Cash and Cash Equivalents - Restricted	131,979	
Receivables		832,909
Due from Other Funds	10	49,175
Total Assets	<u>\$ 131,989</u>	<u>\$ 5,850,262</u>
Liabilities		
Payables		
Due to Other Funds	\$	\$ 5,359,448
Agency Liabilities		287,544
Extraclassroom Activity Balances		203,270
		<u>\$ 5,850,262</u>
Net Assets		
Restricted for Scholarships	<u>131,989</u>	
Total Net Assets	<u>131,989</u>	
Total Liabilities and Net Assets	<u>\$ 131,989</u>	

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended June 30, 2008

	Private Purpose Trusts
Additions	
Use of Money and Property	\$ 2,046
Donations	<u>103,028</u>
Total Additions	105,074
Deductions	
Scholarships and Awards	<u>99,611</u>
Change in Net Assets	5,463
Net Assets, Beginning of Year	<u>126,526</u>
Net Assets, End of Year	<u>\$ 131,989</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, 2008

I. 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 U.S. generally accepted accounting principles (GAAP) as apply to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

A. 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.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

1. 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.

B. 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, 2008

C. BASIS OF PRESENTATION

1. 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.

2. FUND FINANCIAL STATEMENTS

The fund statements provide information about the School District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All funds of the School District are displayed as major funds. The School District reports the following major governmental funds:

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

Special Aid Fund: This fund accounts for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes.

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. This fund is used in the current year to account for the transactions related to the serial bond refunding.

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

3. 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.

D. 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.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

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 the current period or soon after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E. 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.

F. 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.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
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For the Year Ended June 30, 2008

G. PROPERTY TAXES

Real property taxes are levied annually by the Board of Education. Taxes were collected during the period December 1, 2007, to June 1, 2008.

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

H. 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.

I. 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 XI to the financial statements.

J. 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:

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<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

K. INVENTORY

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

L. 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.

M. RETIREMENT PLANS

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

N. POSTRETIREMENT 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 293 retirees meet those eligibility requirements. The School District paid an aggregated amount of approximately \$5.3 million for these benefits for the year ended June 30, 2008.

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O. 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. The budget and actual comparison for the Special Revenue Funds (if any) reflects budgeted and actual amounts only for funds with legally authorized (appropriated) budgets.

Budget Revisions

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

Adopted Budget	\$ 185,971,833
Encumbrances Carried Over	<u>905,298</u>
Original Budget	\$ 186,877,131
Budget Revisions	<u>69,953</u>
Final Budget	<u><u>\$ 186,947,084</u></u>

P. 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.

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NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

Q. 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.

R. RESTRICTED RESOURCES

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

S. FUND BALANCE – RESERVATIONS AND DESIGNATIONS

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

1. RESERVE FOR EMPLOYEE BENEFIT ACCRUED LIABILITY

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

2. RESERVE FOR ENCUMBRANCES

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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3. RESTRICTED FOR SCHOLARSHIPS

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

4. RESERVE FOR INVENTORY

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

5. INSURANCE RESERVE

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

6. 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
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II. 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 focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

A. 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.

B. 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 four broad categories. The amounts shown below represent:

1. 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.

2. 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.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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3. 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.

4. 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.

IV. CASH AND CASH EQUIVALENTS

A. CUSTODIAL CREDIT CURRENCY 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. While the School District does not have 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, 2008, \$45,152,360 of the School District's total bank balances of \$45,452,360 were exposed to custodial credit risk as follows:

\$ 45,152,360 Collateralized with securities held by a pledging financial institution in the District's name.

B. RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash of \$9,374,256 in the General Fund represents the following:

<u>Description</u>	<u>Amount</u>
Reserve for Employee Benefit Accrued Liability	\$ 7,159,774
Reserve for Workers' Compensation	2,114,482
Reserve for Insurance	<u>100,000</u>
Total	<u>\$ 9,374,256</u>

V. PARTICIPATION IN BOCES

During the year, the School District was billed \$19,930,230 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.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

VI. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, is as follows:

	<u>Beginning Balance</u>	<u>Prior Period Adjustment</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated					
Land	\$ 35,132,218	\$	\$	\$	\$ 35,132,218
Construction in Progress	<u>6,928,086</u>			<u>(6,928,086)</u>	
	<u>42,060,304</u>			<u>(6,928,086)</u>	<u>35,132,218</u>
Capital Assets Being Depreciated					
Buildings and Improvements	250,156,461	(1,384,348)	7,515,181	(36,906)	256,250,388
Furniture, Equipment, and Vehicles	<u>16,770,346</u>	<u>(1,634,196)</u>	<u>182,935</u>		<u>15,319,085</u>
	<u>566,926,807</u>	<u>(3,018,544)</u>	<u>7,698,116</u>	<u>(36,906)</u>	<u>271,569,473</u>
Accumulated Depreciation					
Buildings and Improvements	66,397,995	(2,863,846)	6,135,768		69,669,917
Furniture, Equipment, and Vehicles	<u>14,292,086</u>	<u>(2,503,486)</u>	<u>776,607</u>		<u>12,565,207</u>
	<u>80,690,081</u>	<u>(5,367,332)</u>	<u>6,912,375</u>		<u>82,235,124</u>
Net Capital Assets	\$ <u>228,297,030</u>	\$ <u>2,348,788</u>	\$ <u>785,741</u>	\$ <u>(6,964,992)</u>	\$ <u>224,466,567</u>

Depreciation expense of \$6,912,375 is charged as follows:

General Support	\$ 1,097,945
Instruction	5,074,623
Transportation	599,123
School Lunch	<u>140,684</u>
Total	<u>\$ 6,912,375</u>

VII. SHORT-TERM DEBT

A. 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 Maturity</u>	<u>Interest</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
06/30/08	4.50%	\$ <u>0</u>	\$ <u>52,500,000</u>	\$ <u>52,500,000</u>	\$ <u>0</u>
Total		\$ <u>0</u>	\$ <u>52,500,000</u>	\$ <u>52,500,000</u>	\$ <u>0</u>

Interest on short-term debt for the year was \$2,113,490

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

VIII. LONG-TERM DEBT

A. 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 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 6/30/08</u>
2002 Serial Bond	12/15/02	\$40,000,000	06/15/20	4.00%	\$ 31,015,000
2003 Serial Bond	02/19/03	\$52,780,000	06/15/15	3.50%	26,810,000
2006 Serial Bond	06/21/06	\$15,690,000	06/15/24	4.20%- 4.25%	14,500,000
2007 Refunding	03/22/07	\$54,865,000	06/15/25	4.00%- 5.00%	50,490,000
Total					<u>\$ 122,815,000</u>

Interest on long-term debt for the year was \$5,700,060.

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>
2009	\$ 9,435,000	\$ 5,331,766
2010	9,165,000	4,953,096
2011	9,390,000	4,590,501
2012	9,770,000	4,170,731
2013-2017	39,765,000	14,739,661
2018-2022	31,540,000	6,614,208
2023-2026	13,750,000	1,058,601
Total	<u>\$ 122,815,000</u>	<u>\$ 41,458,564</u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

B. COMPENSATED ABSENCES

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

C. Long-term liability balances and activity are as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Bonds Payable	\$131,870,000	\$	\$ 9,055,000	\$122,815,000	\$ 9,435,000
Bond Issuance Costs Net	(1,298,611)		(76,389)	(1,222,222)	
Other Liabilities					
Compensated Absences	6,223,630	936,144		7,159,774	
GASB No. 45 Liability		3,377,300		3,377,300	
Total Long-Term Liabilities	<u>\$136,795,019</u>	<u>\$ 4,313,444</u>	<u>\$ 8,978,611</u>	<u>\$132,129,852</u>	<u>\$ 9,435,000</u>

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

Interest Paid	\$ 5,700,060
Plus: Interest Accrued in the Current Year	219,114
Amortization on Bond Issuance Costs	76,389
Less: Interest Accrued in the Prior Year	(237,509)
Total Expense	<u>\$ 5,758,053</u>

IX. 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.

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

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

The School District is required to contribute at an actuarially determined rate. The NYSERS bills the School District based on a fiscal year end of March 31. All required contributions for the NYSERS fiscal year ended March 31, 2008, were paid. The required contributions for the next System fiscal year will be made in 2008-2009. The amount below for 2008-2009 represents the three months of the School District's fiscal year that will be covered in the NYSERS 2008-2009 billing cycle. The TRS contribution for the 2007-2008 year will be made in 2008-2009. The required contributions for the School District's current year and two preceding years were:

Systems' Fiscal Year	TRS		ERS	
	Rate	Amount	Rate	Amount
2004-2005	5.63%	\$ 3,346,512	10.3%	\$ 908,653
2005-2006	7.97%	\$ 5,839,947	10.72%	\$ 1,106,406
2006-2007	8.60%	\$ 5,616,388	10.50%	\$ 1,051,821
2007-2008	8.73%	\$ 6,126,286	10.00%	\$ 955,872
2008-2009			8.14%	\$ 233,750

X. RISK MANAGEMENT

A. 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; natural disasters. These risks are covered by a combination of self-insurance reserves and commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded available reserves and commercial insurance coverage for the past three years.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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B. 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 \$2,861,056, 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.

XI. INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

Fund	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General	\$ 12,405,213	\$ 4,283,765	\$	\$ 238,667
School Lunch	393,286	176,545		
Special Aid	4,889,590	7,859,876	238,667	
Trust and Agency	49,185	5,359,448		
Capital Projects	3,752	61,392		
Total Government Activities	\$ 17,741,026	\$ 17,741,026	\$ 238,667	\$ 238,667

- 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.

XII. CONTINGENCIES AND COMMITMENTS

A. 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.

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NOTES TO BASIC FINANCIAL STATEMENTS
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B. 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.

XIII. PRIOR-PERIOD ADJUSTMENT

A. GENERAL FUND

A prior-period adjustment of \$1,081,618 was made in the General Fund to adjust for State Aid adjustments in the amount of \$1,249,337 and a miscellaneous adjustment of \$167,719.

B. GOVERNMENT-WIDE

A prior-period adjustment of \$2,348,788 was made in the Government –Wide financial statements to adjust to the most current appraisal performed in the 2008 fiscal year.

XIV. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Descriptions

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.

Funding Policy and Annual OPEB Cost

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

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For the Year Ended June 30, 2008

	For the Year Ended June 30, 2008
Annual OPEB Cost and Net OPEB Obligation	
Annual Required Contribution	\$ 8,685,500
Interest on Net OPEB Obligation	0
Adjustment to Annual Required Contribution	<u>0</u>
Annual OPEB	8,685,500
Contributions Made	<u>(5,308,200)</u>
Increase in Net OPEB Obligation	3,377,300
Net OPEB Obligation - Beginning of Year	<u>0</u>
Net OPEB Obligation - End of Year	<u><u>\$ 3,377,300</u></u>
Annual OPEB Cost	\$ 8,685,500
Percentage of Annual OPEB Cost Contributed	61.1%
Net OPEB Obligation at End of Year	3,377,300
Funded Status	
Actuarial Accrued Liability (AAL)	\$ 116,222,300
Actuarial Value of Assets	0
Unfunded Actuarial Accrued Liability (UAAL)	\$ 116,222,300
Funded Ratio (Assets as a Percentage of AAL)	0.00%
Annual Covered Payroll	\$ 86,206,448
UAAL as a Percentage of Covered Payroll	135%

Actuarial Methods and Assumptions:

The projected unit credit actuarial cost method was used to value the actuarial accrued liability and normal cost. Under this method, the Normal cost of the Plan is determined based on the current year's benefit accrual projected for inflation/trend. The Accrued Liability is determined based on the Present Value of Benefits as of the valuation date (incorporating future trend) and is calculated by multiplying the Present Value of Benefits by a fraction: service as of the valuation date, over total anticipated service at retirement.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the

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pattern of sharing benefit costs between the District and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

	Municipal Retired Employees <u>Healthcare Plan</u>
Actuarial Valuation Date	November 1, 2007
Actuarial Cost Method	Projected Unit Credit
Amortization Method	N/A
Amortization Period	Single Amortization Period
Amortization Period in Years	30.0
Actuarial Assumptions:	
Investment Rate of Return	5.0%
Projected Salary Increases	4.0%
Healthcare Inflation Rate	10.00% Initial 5.00% Ultimate
Fiscal year that the Rate Reaches the Ultimate Trend Rate	2017

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
SCHEDULES OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET
AND USE OF UNRESERVED FUND BALANCE - GENERAL FUND
For the Year Ended June 30, 2008

Change from Adopted Budget to Revised Budget

Adopted Budget	\$ 185,971,833
Add: Prior Year's Encumbrances	<u>905,298</u>
Original Budget	<u>186,877,131</u>
Add: Budget Revisions	<u>69,953</u>
Final Budget	<u><u>\$ 186,947,084</u></u>

Use of Unreserved Fund Balance

Unreserved Fund Balance - As of the Beginning of the Year	\$ 22,696,505
Less: Designated Fund Balance Used For Subsequent Year's Appropriations	<u>7,774,114</u>
Undesignated Fund Balance - As of the Beginning of the Year	<u><u>\$ 14,922,391</u></u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2008

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Unexpended Authorizations	Proceeds of Obligations	Methods of Financing			Fund Balance June 30, 2008
			Prior Years	Current Year	Total			State Aid	Local Sources	Total	
Capital Projects (1987-1991)	\$ 13,683,251	\$ 13,683,251	\$ 13,683,157	\$	\$ 13,683,157	\$ 94	\$ 7,146,000	\$	\$ 6,537,251	\$ 13,683,251	\$ 94
Construction-Phase I 1995-96	29,257,000	27,321,058	26,871,768		26,871,768	449,290	24,500,000		2,260,000	26,760,000	(111,768)
Construction-Phase II 1996-97	40,800,000	39,800,000	39,198,216		39,198,216	601,784	36,941,000			36,941,000	(2,257,216)
Construction-Phase III 1999-00	117,056,050	120,056,050	113,865,633	529,938	114,395,571	5,660,479	116,000,000	610,398		116,610,398	2,214,827
Excell Projects 2007-2008	56,905,000	56,905,000		57,157	57,157	56,847,843					(57,157)
Total	\$ 257,701,301	\$ 257,765,359	\$ 193,618,774	\$ 587,095	\$ 194,148,712	\$ 63,552,490	\$ 184,587,000	\$ 610,398	\$ 8,797,251	\$ 193,994,649	(211,220)
									Additional Unspent Proceeds		160,267
											\$ (50,953)

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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance With Actual</u>
Revenues				
Local Sources				
Real Property Taxes	\$ 69,977,137	\$ 69,977,137	\$ 56,738,749	\$ (13,238,388)
Other Real Property Tax Items	60,000	60,000	12,787,207	12,727,207
Charges for Services	377,500	377,500	91,327	(286,173)
Use of Money and Property	4,149,250	4,149,252	3,878,536	(270,716)
Sale of Property and Compensation for Loss	0	0	6,068	6,068
Miscellaneous	586,500	586,500	983,764	397,264
State Aid	102,547,332	102,617,283	106,543,815	3,926,532
Federal Aid	<u>500,000</u>	<u>500,000</u>	<u>594,549</u>	<u>94,549</u>
Total Revenues	178,197,719	178,267,672	181,624,015	3,356,343
Other Financing Sources				
Appropriated Fund Balance	<u>8,679,412</u>	<u>8,679,412</u>		<u>(8,679,412)</u>
Total Revenues and Other Financing Sources	<u>\$ 186,877,131</u>	<u>\$ 186,947,084</u>	<u>181,624,015</u>	<u>\$ (5,323,069)</u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance With Actual And Encumbrances
Expenditures					
General Support					
Board of Education	\$ 91,546	\$ 73,542	54,854	\$	\$ 18,688
Central Administration	776,727	745,653	736,096		9,557
Finance	1,197,541	1,195,485	1,133,447	24,206	37,832
Staff	1,674,684	1,773,225	1,672,065	20,113	81,047
Central Services	16,367,352	16,516,066	15,969,080	54,223	492,763
Special Items	<u>2,431,618</u>	<u>2,205,545</u>	<u>2,085,273</u>	<u>56</u>	<u>120,216</u>
Total General Support	<u>22,539,468</u>	<u>22,509,516</u>	<u>21,650,815</u>	<u>98,598</u>	<u>760,103</u>
Instruction					
Instruction, Administration, and Improvement	6,299,290	5,639,297	5,616,420	8,507	14,370
Teaching - Regular School	51,988,975	51,578,219	50,838,849	181,395	557,975
Programs for Children With Special Needs	28,943,060	29,933,840	29,594,914	320,298	18,628
Occupational Education	1,297,091	1,419,700	1,402,638	17,062	
Teaching - Special School	211,128	177,198	169,730		7,468
Instructional Media	1,865,953	1,789,691	1,660,796	115,477	13,418
Pupil Services	<u>7,221,030</u>	<u>7,006,241</u>	<u>6,953,170</u>	<u>2,185</u>	<u>50,886</u>
Total Instruction	<u>97,826,527</u>	<u>97,544,186</u>	<u>96,236,517</u>	<u>644,924</u>	<u>662,745</u>
Pupil Transportation	13,466,545	13,474,770	12,025,348	46,370	1,403,052
Community Services	10,526	3,494	3,494		
Employee Benefits	35,689,004	36,070,057	31,491,020	586,631	3,992,406
Debt Service - Principal	8,875,900	9,055,000	9,055,000		
Debt Service - Interest	<u>8,279,161</u>	<u>8,100,061</u>	<u>7,813,550</u>		<u>286,511</u>
Total Expenditures	186,687,131	186,757,084	178,275,744	1,376,523	7,104,817
Other Financing Uses					
Transfers to Other Funds	<u>190,000</u>	<u>190,000</u>	<u>238,667</u>		<u>(48,667)</u>
Total Expenditures and Other Financing Uses	<u>\$ 186,877,131</u>	<u>\$ 186,947,084</u>	<u>178,514,411</u>	<u>\$ 1,376,523</u>	<u>\$ 7,056,150</u>
Net Change in Fund Balances			<u>\$ 3,109,604</u>		

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES
COMPARED TO ST-3 DATA
For the Year Ended June 30, 2008

	<u>Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
Revenues			
Real Property Taxes	A -1001	\$ 56,738,749	\$ 56,738,749
Non-Property Taxes	AT-1199	\$	\$
State Aid	AT-3999	\$ 106,543,815	\$ 106,543,815
Federal Aid	AT-4999	\$ 594,549	\$ 594,549
Total Revenues	AT-5999	\$ 181,624,015	\$ 181,624,015
Expenditures			
General Support	AT-1999	\$ 21,650,815	\$ 21,650,815
Pupil Transportation	AT-5599	\$ 12,025,348	\$ 12,025,348
Debt Service - Principal	AT-9798.6	\$ 9,055,000	\$ 9,055,000
Debt Service - Interest	AT-9798.7	\$ 7,813,550	\$ 7,813,550
Total Expenditures	AT-9999	\$ 178,514,411	\$ 178,514,411

Note:

1. ST-3 amounts as of October 6, 2008

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
For the Year Ended June 30, 2008

Capital Assets, Net	\$ <u>224,466,567</u>
Add:	
Unamortized Bond Issuance Costs	<u>1,222,222</u>
Total Additions	<u>1,222,222</u>
Deduct:	
Serial Bonds Payable	122,815,000
Less: Capital Fund Deficit	<u>(50,953)</u>
Total Deductions	<u>122,764,047</u>
Investment in Capital Assets, Net of Related Debt	\$ <u>102,924,742</u>

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

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**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

Board of Education

William Floyd Union Free School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of William Floyd Union Free School District as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the William Floyd Union Free School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the William Floyd Union Free School District's financial statements that is more than inconsequential will not be prevented or detected by the William Floyd Union Free School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the William Floyd Union Free School District's internal control.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of William Floyd Union Free School District in a separate letter dated October 15, 2008.

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

D'Arcangelo & Co., LLP

October 15, 2008

Rome, New York

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

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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**

Board of Education
William Floyd Union Free School District

Compliance

We have audited the compliance of the 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, 2008. The 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 the William Floyd Union Free School District's management. Our responsibility is to express an opinion on the 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 the 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 the School District's compliance with those requirements.

In our opinion, the 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, 2008.

Internal Control Over Compliance

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

A control deficiency in the School District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the School District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, the New York State Education Department, and the New York State Comptroller's Office and Federal and other awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

D'Arcangelo & Co., LLP

October 15, 2008

Rome, New York

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

<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	\$ 98,402
National School Lunch Program	10.555	<u>1,151,145</u>
Cash Assistance Subtotal		1,249,547
National School Lunch Program (Noncash)	10.555	<u>229,871</u>
Total U.S. Department of Agriculture		<u>1,479,418</u>
<u>U.S. Department of Education</u>		
(Passed Through the State Education Department of the State of New York)		
Title I Grants to Local Educational Agencies	84.010	2,633,301
Special Education - Grants to States, (IDEA, Part B)	84.027	2,239,166
Vocational Education – Basic Grants to States	84.048	30,269
Special Education - Preschool Grants, (IDEA Preschool)	84.173	255,924
Safe and Drug-Free Schools and Communities, Title IV	84.186	52,816
Education of Homeless Children and Youth	84.196	124,977
State Grants for Innovative Programs, Title VI	84.298	8,189
Educational Technology State Grants, (Title IID)	84.318	33,251
Title III	84.365	48,054
Improving Teacher Quality State Grants, (Title IIA)	84.367	<u>527,061</u>
Total U.S. Department of Education		<u>5,953,008</u>
<u>Total Federal Financial Assistance</u>		<u>\$ 7,432,426</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, 2008

I. SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. 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.

C. FOOD DONATION

Nonmonetary assistance is reported in the schedule at fair market value of the food commodities received. At June 30, 2008, the School District had food commodities totaling \$14,736 in inventory.

D. 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)

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL
COMPLIANCE REQUIREMENTS
For the Year Ended June 30, 2008

A. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major Federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	a. <u>U.S. Department of Education</u> CFDA #84.010 Title I Grants to Local Educational Agencies
(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, 2008

(Continued)

B. Findings – Financial Statement Audit

None noted.

C. 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, 2008

None Noted.

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

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Independent Auditor's Report

Board of Education

William Floyd Union Free School District

We have audited the accompanying statement of assets, liabilities, and fund equity - cash basis of the Extraclassroom Activity Fund of William Floyd Union Free School District as of June 30, 2008, and the related statement of revenues, expenditures, and changes in fund equity - cash basis for the year then ended. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, except for the effects of any adjustments which might have resulted had the cash collections referred to above been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund equity - cash basis of the Extraclassroom Activity Fund of William Floyd Union Free School District at June 30, 2008, and its revenues, expenditures, and changes in fund equity - cash basis for the year then ended on the basis of accounting described in Note I.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements referred to above and, in our opinion, except for the effects of any adjustments that might have been determined to be necessary had we been able to perform adequate auditing procedures in regard to the receipts referred to in the third preceding paragraph is fairly stated in all material respects in relation to the basic financial statements taken as a whole, on the basis of accounting described in Note I.

D'Arcangelo & Co., LLP

October 15, 2008

Rome, New York

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
STATEMENT OF ASSETS, LIABILITIES, AND FUND EQUITY - CASH BASIS
June 30, 2008

Assets

Cash	\$ 203,271
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<u>Total Assets</u>	<u>\$ 203,271</u>
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Liabilities and Fund Equity

Fund Equity

Unreserved and Undesignated	\$ 203,271
Total Fund Equity	<u>203,271</u>

<u>Total Liabilities and Fund Equity</u>	<u>\$ 203,271</u>
--	-------------------

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND EQUITY - CASH BASIS
For the Year Ended June 30, 2008

Revenues	
Charges for Services, Sale of Property, and Miscellaneous	\$ <u>504,103</u>
Total Revenues	<u>504,103</u>
Expenditures	
Instruction - Club Activities	<u>487,262</u>
Total Expenditures	<u>487,262</u>
Revenues Over Expenditures	16,841
<u>Fund Equity, Beginning of Year</u>	<u>186,430</u>
<u>Fund Equity, End of Year</u>	<u>\$ 203,271</u>

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

WILLIAM FLOYD HIGH SCHOOL
EXTRACURRICULAR ACTIVITY FUND
SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS AND
DISBURSEMENTS - CASH BASIS
For the Year Ended June 30, 2008

Activities	Balance at 07/01/07	Cash Receipts	Cash Disbursements	Balance at 06/30/08
William Floyd High School				
9th Grade Orchestra	\$ 1,459	\$ 12,227	\$ 9,350	\$ 4,336
9th Grade Symphonic Band	5,645	13,089	17,285	1,449
10th-11th Grade Concert Band	2			2
Art Club	1,411	3,293	3,296	1,408
Best Buddies		20		20
Business Education Club	275	390	665	
Business Honor Society	1,011	2,758	3,689	80
Business Service Club		3,187	2,023	1,164
Cheerleaders	915		915	
Choir	6,587	23,050	24,341	5,296
Class of 2007	14		14	
Class of 2008	5,113	82,889	88,002	
Class of 2009	2,731	2,852	1,679	3,904
Class of 2010	2,422	552	250	2,724
Class of 2011	500	550	310	740
Class of 2012		9,627		9,627
Chairs for Charity		1,291	1,169	122
Colonial Times Newspaper	16	450	450	16
Coalition for Humanity		571		571
DECA	130	2,489	2,411	208
Drama	640	12,540	12,109	1,071
Environmental Defense Club	906	169	510	565
Floyd Medical Society	70			70
Foreign Language Honor Society	771	551	549	773
French Club	165	1,096	965	296
Future Business Leaders of America	900	4,490	4,593	797
Girl's Chorus	3,043	27,111	23,679	6,475
High School Band	5,446	17,095	22,303	238
Interact Club	160			160
International Club	68		200	(132)
Italian Club	122			122
JV Rockettes (JV Kickline)	128	855	619	364
Key Club	3,262	2,800	2,106	3,956
Latin Dance Club	475			475
Literary Magazine	178	775	745	208
Math Club	421		75	346
Math Honor Society	403	360	750	13
National Art Honor Society		2,379	2,274	105
National Honor Society	2,040	4,726	5,501	1,265
Natural Helpers		911	10	901
Occupational Education Club	2,773	2,250	4,170	853
Orchestra	2,393	39,394	41,386	401
Quiz Bowl/LI Challenge	686		125	561
Renaissance	1,863	16,279	14,126	4,016
Robotics	182			182
Rockettes (Kickline)	248		100	148
SADD	477	714	649	542
Sales Tax Payable	1,011	5,984	6,235	760
School Store	829	2,185	1,994	1,020
Spanish Club	1	725	711	15
Sports Club	10,197	36,049	39,671	6,575
Stage Band/Jazz Ensemble	106			106
Step Squad	605			605
Student Council	5,922	7,635	6,974	6,583
Student's General Fund	24,971	13,720	20,688	18,003
Tri-M (Modern Music Masters)	5,225	1,796	2,100	4,921
Yearbook	11,874	20,777	13,058	19,593
Youth and Government	6,484	14,222	12,224	8,482
Total	\$ 123,275	\$ 396,873	\$ 397,048	\$ 123,100

(Continued)

**WILLIAM FLOYD HIGH SCHOOL
EXTRACLASROOM ACTIVITY FUND
SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS AND
DISBURSEMENTS - CASH BASIS
For the Year Ended June 30, 2008
(Continued)**

Activities	Balance at 07/01/07	Cash Receipts	Cash Disbursements	Balance at 06/30/08
<u>William Pace Junior High School</u>				
Cadet Band	\$ 50	\$	\$	\$ 50
Cheerleading				
Concert Band	781	13,682	9,409	5,054
Drama Club	4,273	5,812	1,989	8,096
Festival Orchestra	141	269		410
Fitness Club	1,616			1,616
Girl's Chorus	1,917	764	764	1,917
Honor Society	796	581	683	694
Robotics	185		62	123
SADD				
Sales Tax Payable		503	354	149
Student Council	9,046	3,502	4,001	8,547
Student's General Fund	2,437	9,058	5,825	5,670
Yearbook	3,351	1,168	2,650	1,869
Total	<u>24,593</u>	<u>35,339</u>	<u>25,737</u>	<u>34,195</u>
<u>William Floyd Middle School</u>				
6th Grade Advisory		4,269	4,269	
6th Grade Field Trip		22,613	22,613	
7th Grade Advisory		190	180	10
8th Grade Advisory		190	165	25
8th Grade Field Trip				
8th Grade Italian Team Trip	682	2,490	3,166	6
Best Buddies	\$	145		145
Cadet Band	50	419	346	123
Cheerleading	1			1
Concert Band	427	4,952	5,312	67
Drama Club	3,815	4,781	3,652	4,944
Festival Orchestra	7	570	570	7
Girl's Chorus	1,705	1,023	2,043	685
Home and Careers Club	274		38	236
Honor Society	586	1,022	191	1,417
Math Club	2,544			2,544
Mrs. Smith's lifeskills		1,060	590	470
Peace Project/National Helper	1,200	247	1,215	232
Remembrance Garden Club	2,593			2,593
SADD	10			10
Sales Tax Payable		635	451	184
School Store		416	302	114
Student Council	1,774	1,320	592	2,502
Student's General Fund	20,312	20,350	13,928	26,734
Table Tennis Game club				
Woodworking Club		250		250
Yearbook	2,583	4,949	4,854	2,678
Total	<u>38,562</u>	<u>71,891</u>	<u>64,477</u>	<u>45,976</u>
Grand Total	\$ 186,430	\$ 504,103	\$ 487,262	\$ 203,271

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. OPERATIONS

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

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

B. BASIS OF ACCOUNTING

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