

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

Required Communication with Those Charged with Governance – SAS 114

To the Board of Education
William Floyd Union Free School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of William Floyd Union Free School District for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 3, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by William Floyd Union Free School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2012. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

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

1. The District, in accordance with GASB No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", requires significant actuarial estimates to calculate the District's postemployment benefits liability.
2. During the year ended June 30, 2012, other estimates affecting the financial statements are the accounting estimates involving depreciable lives of the District's equipment and the related depreciation, compensated absences, and overpayments relating to building aid received.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 15, 2012.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

D'Arcangelo & Co. LLP

October 15, 2012

Rome, New York

Client: 33850 - William Floyd Union Free School District
Engagement: WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
Period Ending: 6/30/2012
Trial Balance: TB
Workpaper:

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1 5100.45				
To adjust IBNR Accrual				
A 9060.8000-00	EMPLOYEE BENEFITS - HEALTH		173,213.00	
A601	ACCRUED LIABILITIES			173,213.00
Total			173,213.00	173,213.00
Adjusting Journal Entries JE # 2 5200.25				
To adjust retirement incentive accrual up to actual based on differences due				
A 2110.1505-00	RETIREMENT INCENTIVE/SEVERANCE P,		168,455.00	
A601	ACCRUED LIABILITIES			168,455.00
Total			168,455.00	168,455.00
Adjusting Journal Entries JE # 3				
to write off amounts deemed not due by client #1384				
A631	DUE TO OTHER GOVERNMENTS		557,734.00	
A909	FUND BALANCE, UNRESERVED			557,734.00
Total			557,734.00	557,734.00
Adjusting Journal Entries JE # 4				
to post client entry#1386				
02-F00-60-2110-150	Teach Reg School - Instru		696.00	
A630	DUE TO OTHER FUNDS		696.00	
02-F00-10-0391-000	Due From Other Funds			696.00
A 2110.1300-00	SALARIES: INSTR: 7-12			696.00
Total			1,392.00	1,392.00
Adjusting Journal Entries JE # 5				
to reclass due to due from within funds				
A630	DUE TO OTHER FUNDS		10,347,365.00	
C391	DUE FROM OTHER FUNDS		16,627.00	
F630	DUE TO OTHER FUNDS		15,930,914.00	
H391	DUE FROM OTHER FUNDS		9,979,106.00	
A391	DUE FROM OTHER FUNDS			10,347,365.00
C630	DUE TO OTHER FUNDS			16,627.00
F391	DUE FROM OTHER FUNDS-GEN FUND			15,930,914.00
H630	DUE TO OTHER FUNDS			9,979,106.00
Total			36,274,012.00	36,274,012.00
Adjusting Journal Entries JE # 6				
To Record G34 Entry for CIP				
3W-C00-10-0105-00t	Construction Work in Prog		9,422,510.00	
3W-C00-60-2110-20t	Instructional- Capital Outlays			9,422,510.00
Total			9,422,510.00	9,422,510.00
Adjusting Journal Entries JE # 7				
to record depreciation in accordance				
3W-C00-60-1620-70t	General Support - Depreciation		1,471,534.00	
3W-C00-60-2110-70t	Instructional - Depreciation		5,886,138.00	
3W-C00-10-0112-00t	Buildings - Acc Depr			7,357,672.00
Total			7,357,672.00	7,357,672.00
Adjusting Journal Entries JE # 8				
to record longterm debt activity in				
3W-C00-20-0628-00t	Bonds Payable		11,225,000.00	
3W-C00-20-0628-00t	Bonds Payable		22,345,000.00	
3W-C00-20-0628-00t	Bonds Payable			20,900,000.00
3W-C00-20-0628-00t	Deferred Gain on Refunding			1,445,000.00
3W-C00-60-9711-60t	Serial Bonds Principal-Sc			11,225,000.00
Total			33,570,000.00	33,570,000.00

Adjusting Journal Entries JE # 9

to record amortization of Deferred

3W-C00-20-0628-00 Accumulated Amortization-Deferred Gain	180,625.00	
3W-C00-60-9711-70 Serial Bonds Interest-Sch		180,625.00
Total	180,625.00	180,625.00

Adjusting Journal Entries JE # 10

to record interest accrual in

3W-C00-20-0651-00 Accrued Interest Payable	20,198.00	
3W-C00-60-9711-70 Serial Bonds Interest-Sch		20,198.00
Total	20,198.00	20,198.00

Adjusting Journal Entries JE # 11

to record compensated absences

adjustment for G34

3W-C00-60-2110-12 Teach Reg School - K-6 In	100,860.00	
3W-C00-20-0687-00 Compensated Absences		100,860.00
Total	100,860.00	100,860.00

Adjusting Journal Entries JE # 12

to record G45 adjustment

3W-C00-60-1620-80 General Support - Employee Benefit	379,410.00	
3W-C00-60-2110-80 Instructional - Employee Benefit	3,751,938.00	
3W-C00-60-5510-80 Transportation - Employee Benefit	84,313.00	
GW-C00-20-0688 GASB 45 Liability		4,215,661.00
Total	4,215,661.00	4,215,661.00

Adjusting Journal Entries JE # 13

to allocate benefits to function

3W-C00-60-1620-80 General Support - Employee Benefit	3,981,099.00	
3W-C00-60-2110-80 Instructional - Employee Benefit	39,368,648.00	
3W-C00-60-5510-80 Transportation - Employee Benefit	884,689.00	
GW-C00-60-0698 Employee Benefits		44,234,436.00
Total	44,234,436.00	44,234,436.00

Adjusting Journal Entries JE # 14

to reclass principal

A 9711 6000-00 PRINCIPAL	1,235,000.00	
A 9711 7000-00 INTEREST		1,235,000.00
Total	1,235,000.00	1,235,000.00

Adjusting Journal Entries JE # 15

to adjust appropriated fb

A911 UNAPPROPRIATED FUND BALANCE	4,783,559.00	
A910 APPROPRIATED FUND BALANCE(NEXT YRS. BUDG		4,783,559.00
Total	4,783,559.00	4,783,559.00

Adjusting Journal Entries JE # 16

to record refunding activity in debt

service

V9991 400 PAYMENT TO ESCROW AGENT	23,472,543.00	
V5791 PROCEEDS OF REFUNDING		23,472,543.00
Total	23,472,543.00	23,472,543.00

Adjusting Journal Entries JE # 17

to recognize deferred revenue

3W-C00-40-3101-01 State Aid-Basic Formula	13,076.00	
3W-C00-20-0691-00 Deferred Revenues		13,076.00
Total	13,076.00	13,076.00

Adjusting Journal Entries JE # 18

To increase reserve amounts

A909 FUND BALANCE, UNRESERVED	5,012,739.00	
A814 WORKERS' COMPENSATION RESERVE		700,000.00
A815 UNEMPLOYMENT COMPENSATION RESERVE		1,200,000.00
A827 RESERVE FOR RETIREMENT CONTRIBUTIONS		2,000,000.00
A863 INSURANCE RESERVE		50,000.00
A867 RESERVE FOR EMPLOYEE BENEFITS		1,062,739.00
Total	5,012,739.00	5,012,739.00

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

Required Communication of Areas in Need of Improvement – SAS 115

Board of Education

William Floyd Union Free School District

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of William Floyd Union Free School District as of June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the William Floyd Union Free School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the School District's internal control to be a significant deficiency in the attached schedule of findings and recommendations.

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

D'Arcangelo & Co. LLP

October 15, 2012

Rome, New York

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2012**

A. Material Weakness

None

B. Significant Deficiencies

See Status of Prior Year Audit Findings and Recommendations

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
STATUS OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2012**

A. Significant Deficiencies

Fixed Assets Inventory

Condition: At June 30, 2012, the School District did not have complete inventory records available to audit. Although the District contracted with an outside appraisal service, there appears to be discrepancies related to the amount of dispositions recorded in their records. It should be noted that the District internal controls discovered this discrepancy with the independent appraisal report and is currently working with them to resolve the discrepancy.

Cause: The District contracts with an outside appraisal service and there are discrepancies in the amount of dispositions between the District's and the Appraisal Company's records.

Criteria: GASB 34

Effect: We were unable to audit the fixed assets and our audit report is qualified.

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

Status: Noted again in the current year

District's Response: It should be noted that the District's internal controls discovered this discrepancy with the independent appraisal report and management is currently working with the Appraisal Company to resolve the discrepancy.

WILLIAM FLOYD UNION
FREE SCHOOL DISTRICT

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

AND

BASIC FINANCIAL
STATEMENTS

For the Year Ended
June 30, 2012

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
TABLE OF CONTENTS**

	<u>Page</u>
AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-12
BASIC FINANCIAL STATEMENTS	
District-Wide Financial Statements	
• Statement of Net Assets	13
• Statement of Activities	14
Fund Financial Statements	
• Balance Sheet – Governmental Funds	15
• Reconciliation of Total Governmental Funds – Balance Sheet to Statement of Net Assets	16
• Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Funds	17
• Reconciliation of the Statement of Revenues and Expenditures of the Governmental Funds to the Statement of Activities	18
Fiduciary Fund Financial Statements	
• Statement of Fiduciary Net Assets	19
• Statement of Changes in Fiduciary Net Assets	20
Notes to Basic Financial Statements	21-36
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund	37
Schedules of Funding Progress of Other Postemployment Benefits	38
OTHER SUPPLEMENTARY INFORMATION	
Schedules of Change from Original Budget to Revised Budget and Use of Unrestricted Fund Balance – General Fund	39
Schedule of Project Expenditures – Capital Projects Fund	40
Schedule of Certain Revenues and Expenditures Compared to ST-3 Data	41
Investment in Capital Assets, Net of Related Debt	42
SINGLE AUDIT REPORTS AND SCHEDULES	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Governmental Auditing Standards	43-44
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	45-46
Schedule of Expenditures of Federal Awards	47
Notes to Schedule of Expenditures of Federal Awards	48
Schedule of Findings and Questioned Costs – Federal Compliance Requirements	49
Status of Prior Year's Findings and Questioned Costs – Federal Compliance Requirements	50

D'Arcangelo & Co LLP
Certified Public Accountants & Consultants

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

Independent Auditor's Report

Board of Education

William Floyd Union Free School District

We have audited the accompanying 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, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of William Floyd Union Free School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to substantiate the fixed assets, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the William Floyd Union Free School District, as of June 30, 2012, 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, 2012, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, budgetary comparison information on page 37, and schedules of funding progress of the other postemployment benefits on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the William Floyd Union Free School District basic financial statements. The other supplementary information on Pages 39 through 42 is presented for purposes of additional analysis as required by New York State Education Department and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

D'Arcangelo & Co. LLP.

October 15, 2012

Rome, New York

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

The William Floyd Union Free School District's management's discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal years ended June 30, 2012 and 2011. The intent of this management discussion and analysis is to look at the District's financial performance as a whole. This should be read in conjunction with the financial statements, which immediately follow this section.

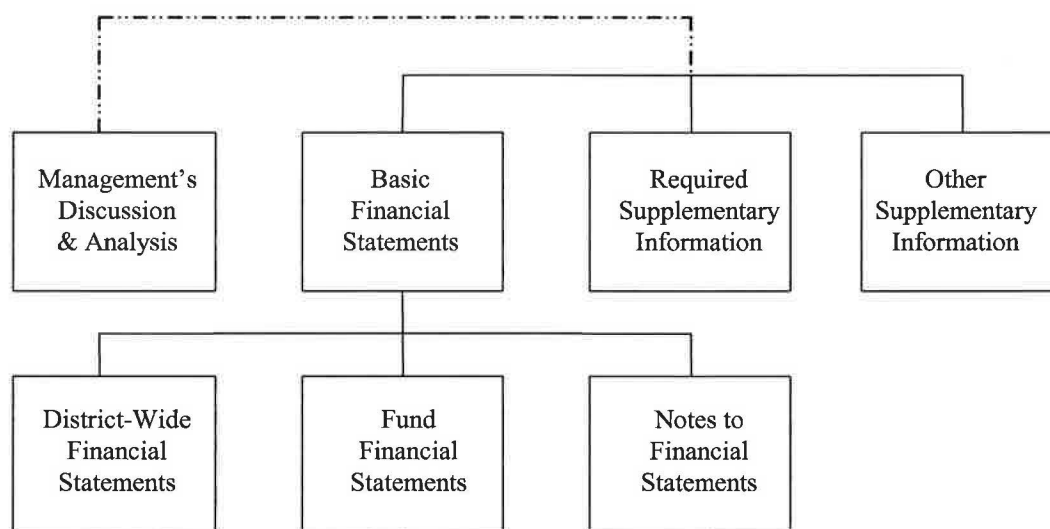
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2012, are as follows:

- The District's total net assets, as reflected in the District-wide financial statements, increased by \$12,108,877, which includes a prior-period adjustment in the amount \$488,203 to record adjustments for prior year tuition accruals, and a prior-period adjustment in the amount of \$5,170,851 to adjust for recording of deferred revenue in accordance with the Suffolk County Tax Act.
- The District's expenses for the year, as reflected in the District-wide financial statements, totaled \$197,908,806. Of this amount, \$1,613,347 was offset by program charges for services, \$10,180,735 was offset by Operating Grants and Contributions, \$4,569,786 was offset by Capital Grants and Contributions, and \$193,653,815 was offset by General Revenues.
- State and Federal revenue increased by \$2,326,683 to \$106,410,347 in 2012 from \$104,083,664 in 2011.
- The General Fund's total fund balance, as reflected in the fund financial statements on Pages 15 and 17, increased by \$8,205,072 to \$48,261,095. This was due to an excess of revenues over expenditures based on the modified accrual basis of accounting.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

A. District-wide Financial Statements

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

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

The Statement of Net Assets

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

The Statement of Activities

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

B. Fund Financial Statements

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

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

Governmental Funds

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

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

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

Fiduciary Funds

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Assets

The District's total net assets increased between fiscal year 2011 and 2012. A summary of the District's Statement of Net Assets for June 30, 2012 and 2011, is as follows:

	2012	Restated 2011	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 73,366,403	\$ 67,722,573	\$ 5,643,830	8.3%
Capital Assets, Net of Accumulated Depreciation	<u>236,295,186</u>	<u>234,230,348</u>	<u>2,064,838</u>	0.9%
Total Assets	<u>\$ 309,661,589</u>	<u>\$ 301,952,921</u>	<u>\$ 7,708,668</u>	2.6%
Non-Current Liabilities	\$ 138,760,535	\$ 145,849,639	\$ (7,089,104)	(4.9%)
Other Liabilities	<u>28,178,569</u>	<u>25,489,674</u>	<u>2,688,895</u>	10.5%
Total Liabilities	<u>\$ 166,939,104</u>	<u>\$ 171,339,313</u>	<u>\$ (4,400,209)</u>	(2.6%)
Net Assets				
Invested in Capital Assets				
(Net of Related Debt)	\$ 123,868,866	\$ 110,545,130	\$ 13,323,736	12.1%
Restricted	21,305,558	17,667,762	3,637,796	17.1%
Unrestricted (Deficit)	<u>(2,451,939)</u>	<u>2,400,716</u>	<u>(4,852,655)</u>	(202.1%)
Total Net Assets	<u>\$ 142,722,485</u>	<u>\$ 130,613,608</u>	<u>\$ 12,108,877</u>	9.3%

Current and other assets increased by \$5,643,830, as compared to the prior year. The increase is primarily due to an increase in the District's cash balances.

Capital assets increased by \$2,064,838, as compared to the prior year. This increase is primarily due to the increase in construction-in-progress as a result of current year capital project expenditures. Note 5 to the Financial Statements provides additional information.

Non-current liabilities decreased by \$7,089,104, as compared to the prior year. This decrease is primarily due to principal payments made on existing debt.

Other Liabilities increased by \$2,688,895 primarily due to the increase in deferred revenue from the prior year.

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

The unrestricted net assets at June 30, 2012 is a deficit of \$2,451,939, which represents the amount by which the District's liabilities, excluding debt related to capital construction exceeded District assets, other than capital assets.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

Changes in Net Assets

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2012 and 2011 is as follows.

	2012	Restated 2011	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 1,613,347	\$ 2,215,728	\$ (602,381)	(27.2%)
Operating Grants	10,180,735	17,073,093	(6,892,358)	(40.4%)
Capital Grants	4,569,786	617,658	3,952,128	100.0%
General Revenues				
Property Taxes and STAR	83,997,018	85,173,844	(1,176,826)	(1.4%)
State and Federal Sources	106,410,347	104,083,664	2,326,683	2.2%
Other	<u>3,246,450</u>	<u>4,243,821</u>	<u>(997,371)</u>	(23.5%)
Total Revenues	<u>210,017,683</u>	<u>213,407,808</u>	<u>(3,390,125)</u>	(1.6%)
Expenses				
General Support	\$ 34,881,938	\$ 26,504,207	\$ 8,377,731	31.6%
Instruction	141,841,107	153,598,219	(11,757,112)	(7.7%)
Pupil Transportation	12,633,355	11,750,827	882,528	7.5%
Debt Service-Unallocated Interest	4,998,898	6,008,505	(1,009,607)	(16.8%)
Food Service Program	<u>3,553,508</u>	<u>3,505,406</u>	<u>48,102</u>	1.4%
Total Expenses	<u>197,908,806</u>	<u>201,367,164</u>	<u>(3,458,358)</u>	(1.7%)
Total Change in Net Assets	<u>\$ 12,108,877</u>	<u>\$ 12,040,644</u>	<u>\$ 68,233</u>	

The District's revenues decreased by 1.6% in 2012 or \$3,390,125. The major factors that contributed to the decrease were:

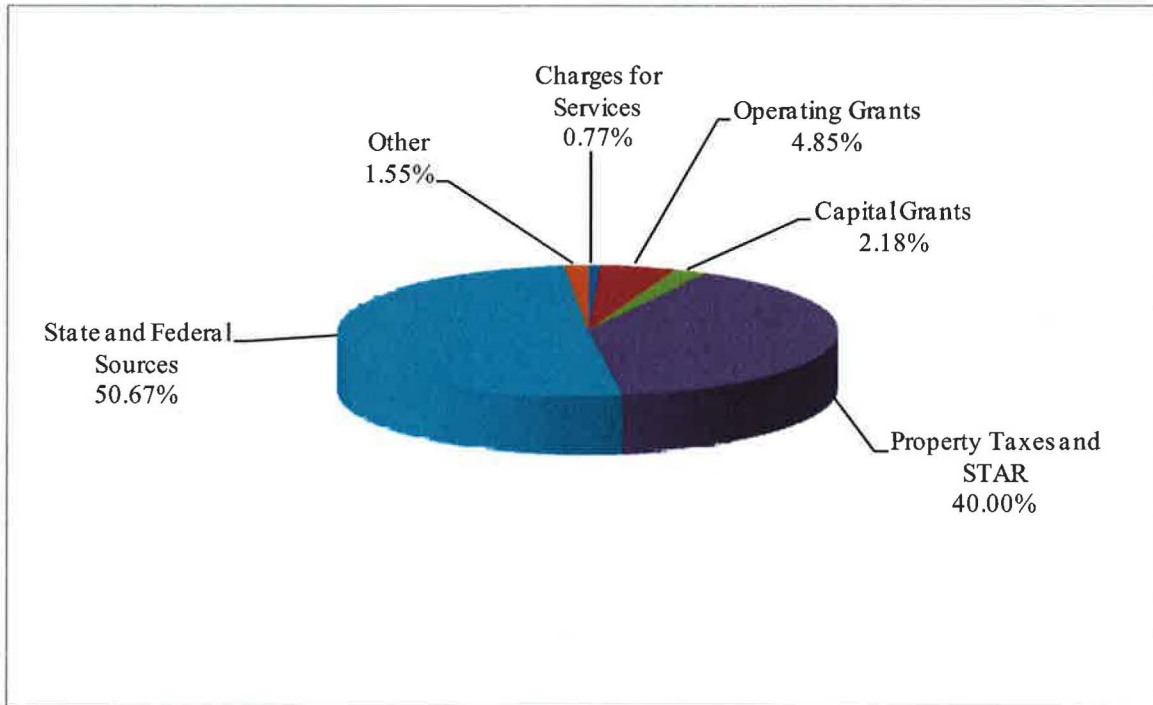
- Property tax and STAR revenues decreased by 1.4%, or \$1,176,826.
- Capital Grants increased by \$3,952,128 due to the receipt of Excel grant funds.
- Operating Grants decreased by \$6,892,358 due to the elimination of ARRA Stimulus Funds and Education Job Funding.

The District's expenditures for the year decreased by \$3,458,358, due to reduced expenditures in the Special Aid fund, due to the elimination of ARRA Stimulus funds and Education Jobs funding.

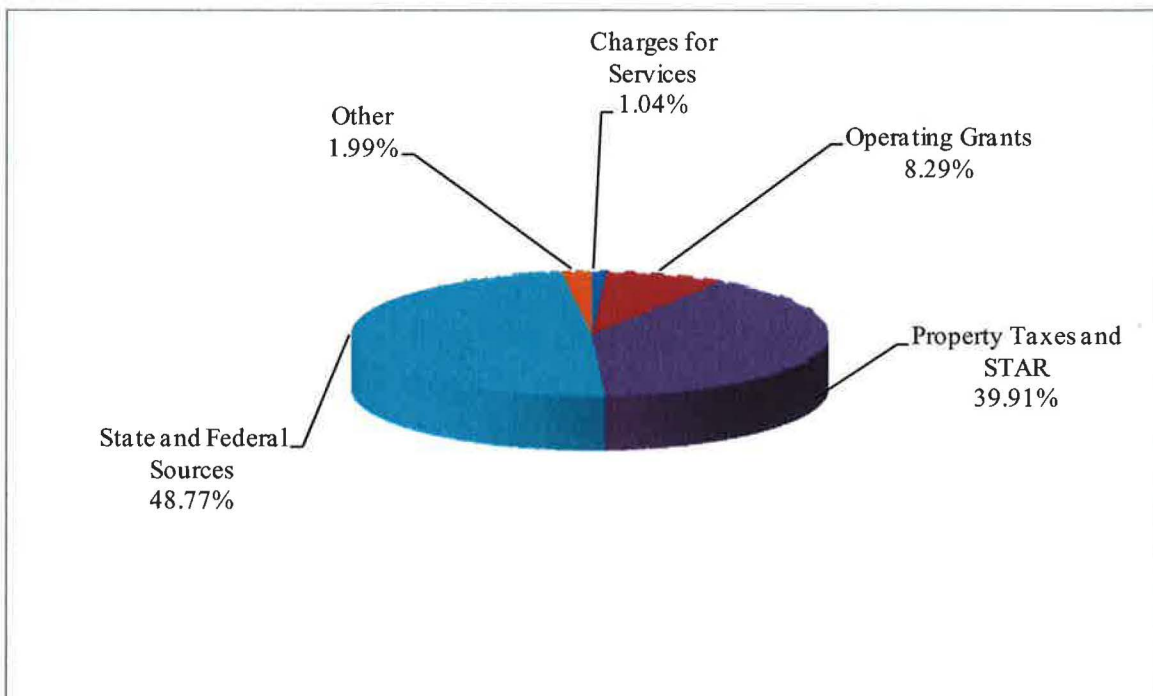
**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012**

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

For the Year Ended June 30, 2012



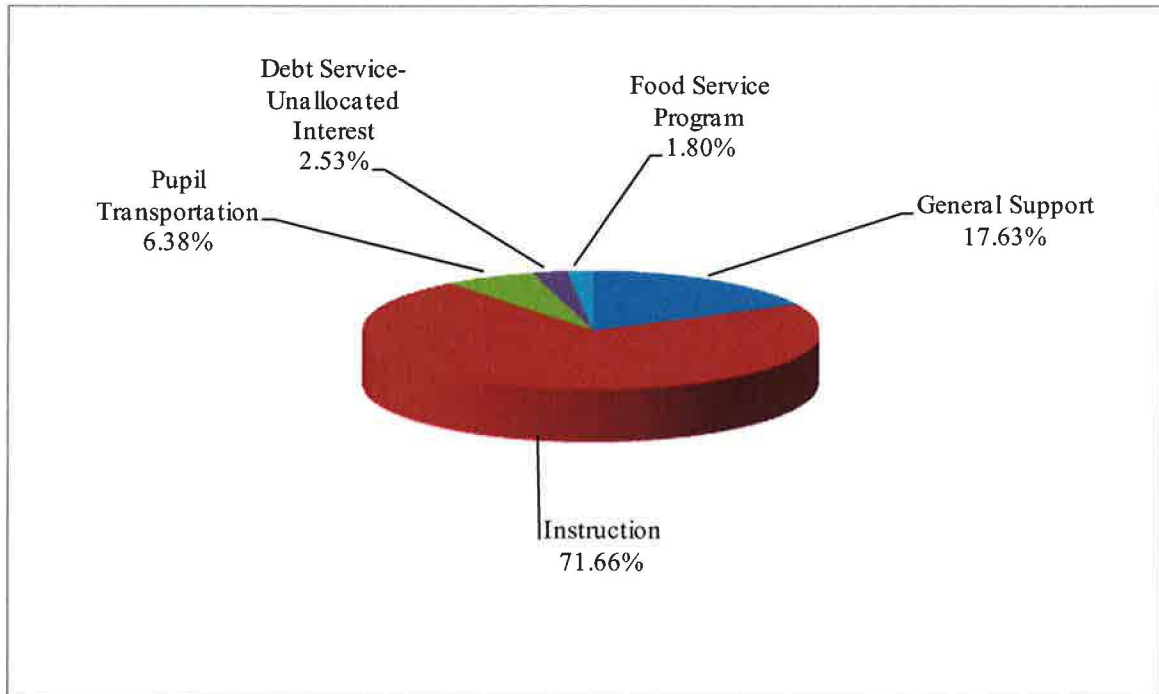
For the Year Ended June 30, 2011



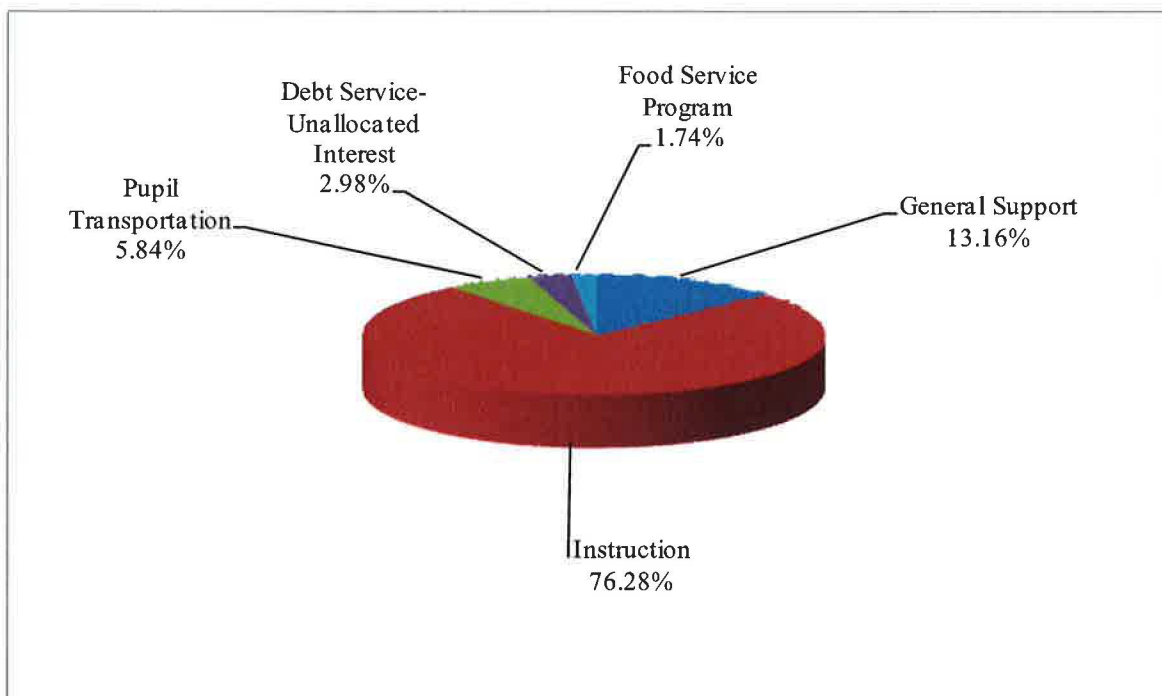
**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012**

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

For the Year Ended June 30, 2012



For the Year Ended June 30, 2011



**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012**

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUND BALANCES

At June 30, 2012, the District's governmental funds reported a combined fund balance of \$44,845,380, which is an increase of \$3,265,167 over the prior year, including prior-period adjustments. This increase is due to the district's revenues exceeding expenditures. A summary of the change in fund balance by fund is as follows:

	2012	Restated 2011	Increase (Decrease)
General Fund			
Restricted for:			
Workers' Compensation	4,128,745	3,542,069	586,676
Unemployment	1,668,899	491,785	1,177,114
Employee Benefit Accrued Liability	6,699,119	6,607,966	91,153
Retirement Contribution	7,923,668	6,047,663	1,876,005
Insurance	885,127	831,552	53,575
Total Restricted	<u>21,305,558</u>	<u>17,521,035</u>	<u>3,784,523</u>
Assigned			
General Support	77,382	142,263	(64,881)
Instruction	1,242,686	1,194,405	48,281
Employee Benefits	10,146	662,511	(652,365)
Appropriated for Subsequent Year's Expenditures	16,994,000	12,256,028	4,737,972
Total Assigned	<u>18,324,214</u>	<u>14,255,207</u>	<u>4,069,007</u>
Unassigned	<u>8,631,323</u>	<u>8,279,781</u>	<u>351,542</u>
Total General Fund	<u>48,261,095</u>	<u>40,056,023</u>	<u>8,205,072</u>
School Lunch Fund			
Nonspendable	11,231	15,827	(4,596)
Assigned	<u>1,129,051</u>	<u>1,361,638</u>	<u>(232,587)</u>
Total School Lunch Fund	<u>1,140,282</u>	<u>1,377,465</u>	<u>(237,183)</u>
Capital Projects Fund			
Assigned	2,621,345	146,725	2,474,620
Unassigned (Deficit)	(7,177,342)		<u>(7,177,342)</u>
Total Capital Projects Fund	<u>(4,555,997)</u>	<u>146,725</u>	<u>(4,702,722)</u>
Total Fund Balance	<u>\$ 44,845,380</u>	<u>\$ 41,580,213</u>	<u>\$ 3,265,167</u>

Combined increases of \$3,784,523 in General Fund restricted fund balances during the year ended June 30, 2012 is a result of District funding of reserves approved by the Board of Education.

The decrease in the amount of \$4,702,722 in the Capital Fund balance is a result of District expenditures in the Capital Fund related to ongoing capital projects.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2011-2012 Budget

The District's General Fund adopted budget for the year ended June 30, 2012, was \$208,134,194. This is an increase of \$8,104,594 over the prior years adopted budget.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012**

The budget was funded through a combination of revenues and designated fund balance. The majority of this funding source was \$80,136,091 in estimated property taxes and STAR, and State Aid in the amount of \$102,657,075.

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

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

Opening, Unassigned Fund Balance	\$ 8,279,781
Prior Period Adjustment	(4,682,648)
Revenues over Budget	5,136,642
Expenditures and Encumbrances under Budget	22,977,071
Appropriated Reserves	(1,175,000)
Increase in Appropriated Fund Balance	(1,126,000)
Net Increase in Restricted Funds	(3,784,523)
Appropriated For Subsequent Year's Expenditures	<u>(16,994,000)</u>
Closing, Unassigned Fund Balance	<u>\$ 8,631,323</u>

Opening, Unassigned Fund Balance

The \$8,279,781 shown in the table is the portion of the District's June 30, 2011, fund balance that was retained unassigned. This was 4% of the District's 2011-2012 approved operating budget.

Revenues Over Budget

The 2011-2012 budget for revenues was \$ 193,658,223 . The actual revenues received for the year were \$198,794,865. The actual revenue over estimated or budgeted revenue was \$5,136,642. This variance contributes directly to the change to the unassigned portion of the General fund balance from June 30, 2011 to June 30, 2012.

Expenditures and Encumbrances Under Budget

The 2011-2012 budget for expenditures was \$210,214,430. The actual expenditures and encumbrances were \$187,237,360. The final budget was under expended by \$22,977,071. This under expenditure also contributes to the change to the unassigned portion of the general fund balance from June 30, 2011 to June 30, 2012.

Appropriated Fund Balance

The District has chosen to use \$16,994,000 of its available June 30, 2012, fund balance to partially fund its 2012-2013 approved operating budget.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the District will begin the 2012-2013 fiscal year with an unassigned fund balance of \$8,631,323, which is approximately 4% of the District's 2012-2013 approved operating budget.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012**

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2012, the District had invested in a broad range of capital assets, including land, buildings and improvements and equipment. The net increase in capital assets is due to capital expenditures exceeding depreciation expense for the year ended June 30, 2012. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2012 and 2011, is as follows:

	2012	2011	Increase/ (Decrease)
Land	\$ 35,132,218	\$ 35,132,218	\$
Construction in Process	40,053,805	30,631,295	9,422,510
Buildings and Improvements	160,209,206	166,790,226	(6,581,020)
Vehicles, Furniture, and Equipment	899,957	1,676,609	(776,652)
Capital Assets, Net	<u>\$ 236,295,186</u>	<u>\$ 234,230,348</u>	<u>\$ 2,064,838</u>

B. Debt Administration

At June 30, 2012, the District had total bonds payable of Amount. A summary of the outstanding debt at June 30, 2012 and 2011, is as follows:

Issue Date	Interest Rate	2012	2011	Increase (Decrease)
12/15/2002	4.00%	\$	\$ 24,650,000	\$ (24,650,000)
2/19/2003	3.50%	9,115,000	13,550,000	(4,435,000)
6/21/2006	4.20%-4.25%	11,800,000	12,520,000	(720,000)
3/22/2007	4.00%-5.00%	41,795,000	44,105,000	(2,310,000)
2/1/2010	2.00%-4.00%	28,765,000	30,000,000	(1,235,000)
10/5/2011	2.50%-5.00%	20,680,000		20,680,000
		<u>\$ 112,155,000</u>	<u>\$ 124,825,000</u>	<u>\$ (12,670,000)</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- State support of the William Floyd School District budget currently represents about 50% of total revenue and continues to decline year after year. The State continues to warn of further reductions in its financial support to school districts for the foreseeable future and has already issued press releases warning of lower state tax receipts to fund existing obligations and state aid in the upcoming year. These significant state issues, along with federal changes and the new Tax Cap Levy make fiscal planning for school districts like William Floyd who are highly dependent on State Aid incredibly challenging. The State has also moved towards rewarding additional aid based on competitive grants at the same time the Federal Government continues to reduce funding for all grants. These scenarios are becoming the norm as compared to the exception and make the highly complex budgetary process more rigorous and drawn out.
- As the State continues to reduce its financial commitment to school districts, the stimulus money from ARRA and the Educational Jobs Fund that was available during the last few years is gone. While this "pass through" funding assisted school districts in balancing their budgets, during the last few years, it also serves to create a debilitating effect on future budget years when what has been called the "funding cliff" occurs. At this point, it is realistically expected that the State will still remain in its deficit situation and provide no other mechanism or source to rely on to fill the financial void for school districts during the upcoming years.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012**

- Legally required contributions by school districts into the State retirement systems continue on an upward trajectory. It is expected that the contribution level will once again increase substantially for the 2012-13 school year but only a portion of the increase can be used to calculate the tax levy cap for the upcoming budget. The State has presented long term solutions and has created a new tier but has nothing to help ease the immediate need for retirement cost relief associated school districts.
- The continued economic issues facing Suffolk County has played itself out in a number of ways for the William Floyd School District. Investment earnings continue to decline and make up a smaller portion of the District's revenue stream. The banks with whom we deal with have created new ways to increase their revenue stream by charging for services that had no cost impact in previous years.
- Over the last few years, declines in assessed values were slight compared to what neighboring town and districts experienced. The District was notified that the assessed values dropped by more than \$460,000, a drop which represents more than the last 5 years combined.
- Continued financial hardships and foreclosure rates within the communities William Floyd serves requires increased expenditures as the District adheres to State and Federal mandates related to homeless and foster children, even though funding for these mandates continues to be reduced. The number of homeless and foster continues to rise on exponential rate compared to previous periods and the free and reduced rates are a historical high in all buildings.

8. CONTACTING THE DISTRICT

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2012

Assets

Cash and Cash Equivalents	\$ 35,585,134
Restricted Cash and Cash Equivalents	21,305,558
Receivables	
Due from Other Governments	9,988,602
Due from Fiduciary Funds	6,405,652
Other Receivables	70,226
Inventory	11,231
Capital Assets (Net of Accumulated Depreciation)	<u>236,295,186</u>
Total Assets	<u><u>\$ 309,661,589</u></u>

Liabilities

Accounts Payable	\$ 1,242,051
Accrued Liabilities	6,073,068
Due To	
Other Governments	1,190,873
Teachers' Retirement System	8,744,124
Employees' Retirement System	549,015
Bond Interest	208,587
Deferred Revenue	10,170,851
Noncurrent Liabilities	
Due Within One Year	
Bonds Payable	11,205,000
Due in More Than One Year	
Bonds Payable	101,221,320
Other Postemployment Benefits	19,122,613
Compensated Absences	<u>7,211,602</u>
Total Liabilities	<u><u>166,939,104</u></u>

Net Assets

Investment in Capital Assets (Net of Related Debt)	123,868,866
Restricted	21,305,558
Unrestricted (Deficit)	<u>(2,451,939)</u>
Total Net Assets	<u><u>142,722,485</u></u>

Total Liabilities and Net Assets	<u><u>\$ 309,661,589</u></u>
---	-------------------------------------

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General Support	\$ 34,881,938	\$	\$		\$ (34,881,938)
Instruction	141,841,107	256,247	8,203,861	4,569,786	(128,811,213)
Pupil Transportation	12,633,355				(12,633,355)
Debt Service - Unallocated Interest	4,998,898				(4,998,898)
Food Service	3,553,508	1,357,100	1,976,874		(219,534)
Total Functions/Programs	<u>\$ 197,908,806</u>	<u>\$ 1,613,347</u>	<u>\$ 10,180,735</u>	<u>\$ 4,569,786</u>	<u>(181,544,938)</u>
General Revenues					
Real Property Taxes					69,926,376
STAR and Other Real Property Tax Items					14,070,642
Use of Money and Property					1,039,677
Sales of Property and Compensation for Loss					160,522
State and Federal Sources					106,410,347
Miscellaneous					<u>2,046,251</u>
Total General Revenues					<u>193,653,815</u>
Change in Net Assets					<u>12,108,877</u>
Net Assets, Beginning of Year					135,296,256
Prior Period Adjustments					<u>(4,682,648)</u>
Net Assets, Beginning of Year (Restated)					<u>130,613,608</u>
Net Assets, End of Year					<u>\$ 142,722,485</u>

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012

	General	School Lunch	Special Aid	Debt Service	Capital	Total
Assets						
Cash and Cash Equivalents	\$ 23,732,817	\$ 1,802,657	\$ 776,490	\$	\$ 9,273,170	\$ 35,585,134
Restricted Cash and Cash Equivalents	21,305,558					21,305,558
Receivables						
Due from Other Governments	6,134,904	414,106	3,439,592			9,988,602
Due from Other Funds	25,041,358					25,041,358
Other Receivables	69,871	77	278			70,226
Inventory		11,231				11,231
Total Assets	<u>\$ 76,284,508</u>	<u>\$ 2,228,071</u>	<u>\$ 4,216,360</u>	<u>\$</u>	<u>\$ 9,273,170</u>	<u>\$ 92,002,109</u>
Liabilities						
Payables						
Accounts Payable	\$ 755,889	\$ 621	\$ 20	\$	\$ 485,521	\$ 1,242,051
Accrued Liabilities	6,061,620		11,448			6,073,068
Due To						
Other Governments	1,190,873					1,190,873
Other Funds		1,087,168	4,204,892		13,343,646	18,635,706
Teachers' Retirement System	8,744,124					8,744,124
Employees' Retirement System	549,015					549,015
Bond Interest	16,611					16,611
Deferred Revenue	10,705,281					10,705,281
Total Liabilities	<u>28,023,413</u>	<u>1,087,789</u>	<u>4,216,360</u>	<u></u>	<u>13,829,167</u>	<u>47,156,729</u>
Fund Balance						
Fund Balance - Reserved						
Nonspendable		11,231				11,231
Restricted	21,305,558					21,305,558
Assigned	18,324,214	1,129,051			2,621,345	22,074,610
Unassigned	8,631,323				(7,177,342)	1,453,981
Total Fund Balance	<u>48,261,095</u>	<u>1,140,282</u>	<u></u>	<u></u>	<u>(4,555,997)</u>	<u>44,845,380</u>
Total Liabilities and Fund Balance	<u>\$ 76,284,508</u>	<u>\$ 2,228,071</u>	<u>\$ 4,216,360</u>	<u>\$</u>	<u>\$ 9,273,170</u>	<u>\$ 92,002,109</u>

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
June 30, 2012

	Total Governmental Funds (Modified Accrual)	Long-Term Assets & Liabilities	Reclassifications and Eliminations	Statement of Net Assets Total
Assets				
Cash and Cash Equivalents	\$ 35,585,134	\$	\$	\$ 35,585,134
Restricted Cash and Cash Equivalents	21,305,558			21,305,558
Receivables				
Other Governments	9,988,602			9,988,602
Due from Other Funds	25,041,358		(18,635,706)	6,405,652
Other Receivables	70,226			70,226
Inventory	11,231			11,231
Capital Assets		236,295,186		236,295,186
Total Assets	<u>\$ 92,002,109</u>	<u>\$ 236,295,186</u>	<u>\$ (18,635,706)</u>	<u>\$ 309,661,589</u>
Liabilities				
Accounts Payable	\$ 1,242,051	\$	\$	\$ 1,242,051
Accrued Liabilities	6,073,068			6,073,068
Bonds Payable		112,426,320		112,426,320
Due To				
Other Governments	1,190,873			1,190,873
Other Funds	18,635,706		(18,635,706)	
Teachers' Retirement System	8,744,124			8,744,124
Employees' Retirement System	549,015			549,015
Bond Interest	16,611	191,976		208,587
Compensated Absences		7,211,602		7,211,602
Other Postemployment Benefits		19,122,613		19,122,613
Deferred Revenue	10,705,281	(534,430)		10,170,851
Total Liabilities	<u>47,156,729</u>	<u>138,418,081</u>	<u>(18,635,706)</u>	<u>166,939,104</u>
Fund Balance/Net Assets				
Total Fund Balance/Net Assets	<u>44,845,380</u>	<u>97,877,105</u>		<u>142,722,485</u>
Total Liabilities and Net Assets	<u>\$ 92,002,109</u>	<u>\$ 236,295,186</u>	<u>\$ (18,635,706)</u>	<u>\$ 309,661,589</u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	General	School Lunch	Special Aid	Debt Service	Capital	Total
Revenues						
Real Property Taxes	\$ 74,926,376	\$	\$	\$	\$	\$ 74,926,376
STAR and Other Real Property Tax Items	14,070,642					14,070,642
Charges for Services	256,247					256,247
Use of Money and Property	1,035,515	4,162				1,039,677
Sale of Property and Compensation for Loss	153,256	7,266				160,522
Miscellaneous	1,940,579		116,845			2,057,424
Interfund Revenues	1,903					1,903
State Aid	106,313,240	80,170	2,584,662		4,569,786	113,547,858
Federal Aid	97,107	1,896,704	5,619,199			7,613,010
School Lunch Sales		1,357,100				1,357,100
Total Revenues	<u>198,794,865</u>	<u>3,345,402</u>	<u>8,320,706</u>		<u>4,569,786</u>	<u>215,030,759</u>
Expenditures						
General Support	19,624,689	2,696			9,422,510	29,049,895
Instruction	95,324,098		6,831,935			102,156,033
Pupil Transportation	11,343,731		320,622			11,664,353
Food Service Program		3,553,508				3,553,508
Employee Benefits	42,765,536	26,381	1,442,519			44,234,436
Debt Service - Principal	11,225,000					11,225,000
Debt Service - Interest	5,199,721					5,199,721
Total Expenditures	<u>185,482,775</u>	<u>3,582,585</u>	<u>8,595,076</u>		<u>9,422,510</u>	<u>207,082,946</u>
Excess (Deficit) Revenues Over Expenditures	<u>13,312,090</u>	<u>(237,183)</u>	<u>(274,370)</u>		<u>(4,852,724)</u>	<u>7,947,813</u>
Other Financing Sources (Uses)						
Proceeds of Refunding Bond				23,472,543		23,472,543
Payments to Escrow Agent				(23,472,543)		(23,472,543)
Transfers from Other Funds			274,370		150,000	424,370
Transfers to Other Funds	(424,370)					(424,370)
Total Other Financing Sources (Uses)	<u>(424,370)</u>		<u>274,370</u>		<u>150,000</u>	
Excess (Deficit) Revenues Over Expenditures and Other Financing Sources	<u>12,887,720</u>	<u>(237,183)</u>			<u>(4,702,724)</u>	<u>7,947,813</u>
Fund Balance, Beginning of Year	<u>40,056,023</u>	<u>1,377,465</u>			<u>146,727</u>	<u>41,580,215</u>
Prior-Period Adjustment	<u>(4,682,648)</u>					<u>(4,682,648)</u>
Fund Balance (Deficit), End of Year	<u>\$ 48,261,095</u>	<u>\$ 1,140,282</u>	<u>\$</u>	<u>\$</u>	<u>\$ (4,555,997)</u>	<u>\$ 44,845,380</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, 2012**

Net Changes in Fund Balance - Total Governmental Funds	\$	7,947,813
--	----	-----------

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

	Depreciation Expense	(7,357,672)	
	Capital Outlays	<u>9,422,510</u>	2,064,838

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

	Amortized Issue Costs	180,625	
	Repayment Bond Principal	<u>11,225,000</u>	11,405,625

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(5,013,076)
---	--	-------------

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	20,198	
	Other Post Employment Benefits	(4,215,661)	
	Compensated Absences	<u>(100,860)</u>	<u>(4,296,323)</u>

Change in Net Assets Governmental Activities	\$	<u>12,108,877</u>
--	----	-------------------

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2012

	Private Purpose	
	Trusts	Agency
Assets		
Cash and Cash Equivalents - Unrestricted	\$	\$ 6,960,450
Cash and Cash Equivalents - Restricted	149,362	141,231
Due from Other Funds	180	462,679
Total Assets	<u>\$ 149,542</u>	<u>\$ 7,564,360</u>
Liabilities		
Due to Other Funds	\$ 410	\$ 6,868,099
Agency Liabilities		555,030
Extraclassroom Activity Balances		141,231
Total Liabilities	<u>410</u>	<u>\$ 7,564,360</u>
Net Assets		
Restricted for Scholarships	<u>149,132</u>	
Restricted For Other Purposes		
Total Net Assets	<u>149,132</u>	
Total Liabilities and Net Assets	<u>\$ 149,542</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, 2012

	Private Purpose Trusts
Additions	
Investment Income	\$ 440
Gifts and Contributions	<u>110,894</u>
Total Additions	<u>111,334</u>
Deductions	
Scholarships and Awards	<u>80,100</u>
Change in Net Assets	31,234
Net Assets, Beginning of Year	<u>117,898</u>
Net Assets, End of Year	<u><u>\$ 149,132</u></u>

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

The School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the School District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

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

(a) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the School District's business office. The School District accounts for assets held as an agent for various student organizations in an agency fund.

Joint Venture

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

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

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Basis of Presentation

(a) District-Wide Statements

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

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

(b) Fund Financial Statements

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

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

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

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

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

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

(c) Fiduciary Funds

This fund is used to account for and report 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 and report trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the School District or representatives of the donors may serve on committees to determine who benefits.

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Measurement Focus and Basis of Accounting

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year.

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

Estimates

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

Cash and Cash Equivalents

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

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

Property Taxes

Real property taxes are levied annually by the Board of Education. Taxes were collected during the period December 1, 2011, to June 1, 2012.

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

Receivables

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Interfund Transactions

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

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

Capital Assets

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

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

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

Inventories

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

Compensated Absences

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

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

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

Retirement Plans

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Postemployment Benefits

In addition to providing pension benefits, the School District provides both health insurance coverage and medicare premium reimbursements for retired employees. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District.

Budgetary Procedures and Budgetary Accounting

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

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

Budget Revisions

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

Adopted Budget	\$ 208,049,194
Encumbrances Carried Over	<u>1,999,179</u>
Original Budget	210,048,373
Budget Revisions	<u>281,451</u>
Final Budget	<u>\$ 210,329,824</u>

Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

Deferred Revenue

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Equity Classifications

(a) District-wide Statements

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

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

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

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

(b) Fund Statements

The School District implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent.

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

Non-Spendable Fund Balance

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

Restricted Fund Balance

This category includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Generally, the District’s policy is to use restricted resources only when appropriated by the Board of Education. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the School District’s policy concerning which to apply first varies with the intended use, and with associated legal requirements.

The School District has established the following restricted fund balances:

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

- ***Unemployment Insurance Reserve*** – According to General Municipal Law §6-m, must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.
- ***Retirement Contribution Reserve*** – According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund.
- ***Insurance Reserve*** – The Insurance Reserve is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment and compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the General Fund.
- ***Reserve for Employee Benefits Accrued Liability*** – According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.
- ***Capital Fund*** – This fund is used to account for and report the financial resources that are restricted by a voter approved proposition for acquisition, construction or major repair of capital facilities.
- ***Reserve for Endowments and Scholarships*** – This reserve is used to account for various endowment and scholarship awards. This reserve is accounted for in the Fiduciary Fund.

Unrestricted Resources

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

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority; i.e. the Board of Education. The School District has no committed fund balances as of June 30, 2012.

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

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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

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

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

Total fund balances of the School District's governmental funds differs from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental fund Balance Sheets.

Statement of Revenues, Expenditures, and Changes In Fund Balances Compared To Statement of Activities

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

(a) Long-Term Revenue Differences

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

(b) Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

(c) Long-Term Debt Transaction Differences

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

(d) Employee Benefit Allocation

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

3. CASH AND CASH EQUIVALENTS

Custodial Credit Risk

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

As of June 30, 2012, total bank balances of \$71,113,250 were fully collateralized.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Restricted Cash and Cash Equivalents

Restricted cash of \$21,305,558 in the General Fund represents the following:

<u>Description</u>	<u>Amount</u>
Reserve for Employee Benefit Accrued Liability	\$ 6,699,119
Reserve for Workers' Compensation	4,128,745
Reserve for Insurance	885,127
Reserve for Unemployment	1,668,899
Reserve for Retirement Contribution	7,923,668
Total	<u>\$ 21,305,558</u>

4. PARTICIPATION IN BOCES

During the year, the School District was billed \$17,575,240 for BOCES' administrative and program costs. Financial statements for the BOCES are available from the BOCES' administrative office at Eastern Suffolk BOCES, 201 Sunrise Highway, Patchogue, New York 11772.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 35,132,218	\$	\$	\$ 35,132,218
Construction in Process	<u>30,631,294</u>	<u>9,422,510</u>	<u></u>	<u>40,053,804</u>
	<u>65,763,512</u>	<u>9,422,510</u>	<u></u>	<u>75,186,022</u>
Capital Assets Being Depreciated				
Buildings and Improvements	256,193,232			256,193,232
Furniture, Equipment, and Vehicles	<u>16,335,186</u>	<u></u>	<u></u>	<u>16,335,186</u>
	<u>272,528,417</u>	<u></u>	<u></u>	<u>272,528,418</u>
Accumulated Depreciation				
Buildings and Improvements	89,403,005	6,581,020		95,984,025
Furniture, Equipment, and Vehicles	<u>14,658,577</u>	<u>776,652</u>	<u></u>	<u>15,435,229</u>
	<u>104,061,582</u>	<u>7,357,672</u>	<u></u>	<u>111,419,254</u>
Net Capital Assets	<u>\$ 234,230,347</u>	<u>\$ 2,064,838</u>	<u>\$</u>	<u>\$ 236,295,186</u>

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

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

6. SHORT-TERM DEBT

Tax Anticipation Notes

The School District may issue Tax Anticipation Notes (TANs), in anticipation of the receipt of property tax revenues. These notes are recorded as a liability of the General Fund, the fund that will actually receive the proceeds from the issuance of the notes. The TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

<u>Date of Issue</u>	<u>Interest</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
7/28/11	1.25%	\$	\$ 33,600,000	\$ 33,600,000	\$
Total		\$	\$ 33,600,000	\$ 33,600,000	\$

Interest on short-term debt for the year was \$385,000.

7. LONG-TERM DEBT

Serial Bonds

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

Long-term liability balances and activity are as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds Payable	\$124,825,000	\$ 20,900,000	\$ 33,570,000	\$112,155,000	\$ 11,205,000
Deferred Income (Loss) Net	(993,055)	1,445,000	180,625	271,320	
Compensated Absences	7,110,742	100,860		7,211,602	
OPEB Liability	<u>14,906,952</u>	<u>10,613,976</u>	<u>6,398,315</u>	<u>19,122,613</u>	
Total Long-Term Liabilities	<u>\$145,849,639</u>	<u>\$ 33,059,836</u>	<u>\$ 40,148,940</u>	<u>\$138,760,535</u>	<u>\$ 11,205,000</u>

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

Interest Paid	\$ 4,814,721
Plus: Interest Accrued in the Current Year	191,976
Amortization of Deferred Income (Loss)	(180,625)
Less: Interest Accrued in the Prior Year	<u>(212,174)</u>
Total Expense	<u>\$ 4,613,898</u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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 6/30/12</u>
2002 Serial Bond	12/15/02	\$40,000,000	06/15/20	4.00%	\$ 0
2003 Serial Bond	02/19/03	\$52,780,000	06/15/15	3.50%	9,115,000
2006 Serial Bond	06/21/06	\$15,690,000	06/15/24	4.20%-4.25%	11,800,000
2007 Refunding	03/22/07	\$54,865,000	06/15/25	4.00%-5.00%	41,795,000
2010 Serial Bond	02/01/10	\$30,000,000	12/15/29	2.00%-4.00%	28,765,000
2011 Refunding	10/05/11	\$20,900,000	06/15/20	2.50%-5.00%	<u>20,680,000</u>
Total					<u>\$112,155,000</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 11,205,000	\$ 3,716,331
2014	10,210,000	3,355,871
2015	8,550,000	3,055,553
2016-2020	41,635,000	11,707,800
2021-2025	32,370,000	5,281,590
2026-2030	<u>8,185,000</u>	<u>844,500</u>
Total	<u>\$ 112,155,000</u>	<u>\$ 27,961,645</u>

Prior-Year Defeasance of Debt

In prior years, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. On June 30, 2012, \$41,315,000 of bonds outstanding are considered defeased.

Advance Refunding

On October 5, 2011, the School District issued \$20,900,000 in general obligation bonds with an average interest rate of 2.5% to 5.0% to advance refund \$24,650,000 of outstanding 2002 serial bonds with an average interest rate of 4.125% to 4.5%. The net proceeds of \$23,301,037 (after payment of \$171,506 in underwriting fees, insurance, and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the 2002 serial bonds are considered to be defeased, and the liability for those bonds has been removed from the School District's financial statements. At June 30, 2012, the balance of the advance refunded bonds was \$20,680,000.

The deferred gain on the advance refunding of the 2002 series bonds is being amortized on the District-wide financial statements using the straight-line method over 8 years, the remaining time to maturity of the refunded bonds. The current-year amortization is \$180,625 and is included as a reduction to interest expense on the government-wide financial statements.

Deferred Gain(Loss)	\$ 1,445,000
Less: Accumulated Amortization	<u>180,625</u>
Net Unamortized Gain	<u>\$ 1,264,375</u>

Compensated Absences

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

8. PENSION PLANS

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

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

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

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

The School District is required to contribute at an actuarially determined rate. The NYSERS bills the School District based on a fiscal year end of March 31. All required contributions for the NYSERS fiscal year ended March 31, 2012, were paid. The required contributions for the next System fiscal year will be made in 2012-2013. The amount below for 2012-2013 represents the three months of the School District's fiscal year that will be covered in the NYSERS 2012-2013 billing cycle. The TRS contribution for the 2011-2012 year will be made in 2012-2013. The required contributions for the School District's current year and two preceding years were:

	TRS		ERS	
	Rate	Amount	Rate	Amount
2009-2010	6.19%	\$ 4,685,260	7.95%	\$ 888,880
2010-2011	8.62%	6,723,708	12.10%	1,231,525
2011-2012	11.11%	7,825,384	12.7%	1,743,112
2012-2013			15%	549,015

9. OTHER POSTRETIREMENT BENEFITS (OPEB)

(a) *Plan Description*

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

(b) *Funding Policy*

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

(c) Annual OPEB Cost

	<u>2012</u>
Normal Cost	\$ 3,844,593
Amortization of UAL	<u>7,163,247</u>
Annual Required Contribution (ARC)	11,007,840
Interest on OPEB Obligation	745,348
Adjustment to ARC	<u>(1,139,212)</u>
OPEB Expense	<u>\$ 10,613,976</u>

(d) Reconciliation of Net OPEB Obligation

	<u>2012</u>
Net OPEB Obligation at the Beginning of the Year	\$ 14,906,952
OPEB Expense	10,613,976
Net OPEB Contributions Made During the Fiscal Year	<u>(6,398,315)</u>
Net OPEB Obligation at the End of the Year	<u>\$ 19,122,613</u>
Percentage of Expense Contributed	60%

(e) Trend Information

Fiscal Year Ending	Annual Net OPEB Expense	OPEB Expense Contributed	% of Expense Contributed	Net OPEB Obligation
June 30, 2012	\$ 10,613,976	\$ 6,398,315	60.3%	\$ 19,122,613
June 30, 2011	\$ 7,615,880	\$ 3,188,982	41.9%	\$ 14,906,952
June 30, 2010	\$ 7,135,169	\$ 3,162,315	44.3%	\$ 10,480,054

(f) Funding Status

	<u>2012</u>
Actuarial Accrued Liability (AAL)	\$ 93,733,379
Actuarial Value of Assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 93,733,379</u>
Funded Ratio (Assets as a Percentage of AAL)	0.0%
Annual Covered Payroll	\$ 85,130,062
UAAL as a Percentage of Covered Payroll	110.1%

(g) Actuarial Methods and Assumptions

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

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

Effective January 1, 2008, the School District's other postemployment benefit (OPEB) cost for all employee health insurance benefits is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the School District's net OPEB obligation.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

(h) Health Care Trend Factors

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

<u>Year</u>	<u>Trend</u>
2013	6.0%
2014	6.0%
2015	5.75%
2016	5.75%
2017 and later	5.5%

(i) Additional Information

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

10. RISK MANAGEMENT

General Information

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

Self-Insured Health Insurance

The School District has chosen to establish a self-funded health and dental benefit program for its employees. The benefit programs administrator, Island Group Administration, is responsible for the approval, processing, and payment of claims, after which they bill the School District for reimbursement. The School District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30. The program is accounted for in the General Fund of the School District. At year-end, the School District has a liability of \$4,229,022, which represents reported and unreported claims, which were incurred on or before year end, but which were not paid by the School District as of that date.

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

	<u>Beginning of Year Liability</u>	<u>Incurred Claims Including IBNRs</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2009-2010	\$ 3,114,427	\$ 23,560,537	\$ 22,995,659	\$ 3,679,305
2010-2011	\$ 3,679,305	\$ 25,725,312	\$ 25,348,808	\$ 4,055,809
2011-2012	\$ 4,055,809	\$ 25,542,269	\$ 25,369,056	\$ 4,229,022

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

11. INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

<u>Fund</u>	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General	\$ 25,041,358	\$		\$ 424,370
School Lunch		1,087,168		
Special Aid		4,204,892	274,370	
Fiduciary	462,858	6,868,510		
Capital Projects		13,343,646	150,000	
Total Government Activities	\$ 25,504,216	\$ 25,504,216	\$ 424,370	\$ 424,370

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

12. FUND BALANCE

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

	<u>General Fund</u>	<u>School Lunch Fund</u>	<u>Debt Service Fund</u>	<u>Capital Fund</u>	<u>Total</u>
Nonspendable					
School Lunch Inventory	\$	\$ 11,231	\$	\$	\$ 11,231
Restricted					
Employee Benefit Accrued Liability	6,699,119				6,699,119
Workers Compensation	4,128,745				4,128,745
Insurance	885,127				885,127
Unemployment Insurance	1,668,899				1,668,899
Retirement Contribution Reserve	7,923,668				7,923,668
Total Restricted	21,305,558				21,305,558
Assigned					
School Lunch		1,129,051			1,129,051
General Fund:					
General Support	77,382			2,621,345	2,698,727
Instruction	1,242,686				1,242,686
Employee Benefits	10,146				10,146
Appropriated Fund Balance	16,994,000				16,994,000
Total Assigned	18,324,214	1,129,051		2,621,345	22,074,610
Unassigned (Deficit)	8,631,323			(7,177,342)	1,453,981
Total Fund Balance (Deficit)	\$48,261,095	\$ 1,140,282	\$	\$ (4,555,997)	\$ 44,845,380

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

The following is a summary of the change in reserve funds during the year ended June 30, 2012:

	Balance at 07/01/11	Additions/ Deletions	Balance at 06/30/12
General Fund			
Employee Benefit Accrued Liability	\$ 6,607,966	\$ 91,153	\$ 6,699,119
Workers Compensation	3,542,069	586,676	4,128,745
Insurance	831,552	53,575	885,127
Unemployment Insurance	491,785	1,177,114	1,668,899
Retirement Contributions	6,047,663	1,876,005	7,923,668
Total General Fund	\$ 17,521,035	\$ 3,784,523	\$ 21,305,558

13. CONTINGENCIES AND COMMITMENTS

Potential Grantor Liability

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

Litigation

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

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

Significant Encumbrances

The School District did not have any individually significant encumbrances at June 30, 2012.

14. PRIOR-PERIOD ADJUSTMENTS

General Fund

A prior-period adjustment of \$488,203 was made in the General Fund to adjust for prior year tuition accruals.

A prior –period adjustment of \$5,170,851 was made in the General Fund to adjust for amounts deferred pursuant to the Suffolk County Tax Act.

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, 2012

	Original Budget	Final Budget	Actual		Final Budget Variance With Actual
Revenues					
Local Sources					
Real Property Taxes	\$ 90,116,091	\$ 74,926,079	\$ 74,926,376	\$	297
Other Real Property Tax Items	20,000	14,084,012	14,070,642		(13,370)
Charges for Services	150,000	190,743	256,247		65,504
Use of Money and Property	785,000	785,000	1,035,515		250,515
Sale of Property and Compensation for Loss	5,000	5,000	153,256		148,256
Miscellaneous	870,000	910,314	1,940,579		1,030,265
Interfund Revenues			1,903		1,903
State Aid	102,657,075	102,657,075	106,313,240		3,656,165
Federal Aid	100,000	100,000	97,107		(2,893)
Total Revenues	194,703,166	193,658,223	198,794,865		5,136,642
Other Financing Sources					
Appropriated Reserves	1,175,000	1,175,000			(1,175,000)
Appropriated Fund Balance	14,255,207	15,381,207			(15,381,207)
Total Revenues and Other Financing Sources	\$ 210,133,373	\$ 210,214,430	198,794,865	\$	(11,419,565)
Expenditures					
	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance With Actual And Encumbrances
General Support					
Board of Education	\$ 59,877	63,777	55,556	\$	\$ 8,221
Central Administration	967,372	966,622	822,700		143,922
Finance	1,195,895	1,176,032	1,028,202	23,804	124,026
Staff	1,820,899	1,810,509	1,210,748		599,761
Central Services	16,547,441	16,578,395	14,206,956	53,578	2,317,861
Special Items	2,898,602	2,898,602	2,300,527		598,075
Total General Support	23,490,086	23,493,937	19,624,689	77,382	3,791,866
Instruction					
Instruction, Administration, and Improvement	4,589,952	4,591,998	4,389,215	20,000	182,783
Teaching - Regular School	52,999,238	51,914,182	49,939,914	112,204	1,862,064
Programs for Children With Special Needs	36,555,252	37,503,121	32,755,929	1,020,215	3,726,977
Occupational Education		0	0		
Teaching - Special School	132,915	132,915	105,527		27,388
Instructional Media	2,085,843	2,141,878	1,939,255	88,911	113,712
Pupil Services	6,532,215	6,501,780	6,194,258	1,356	306,166
Total Instruction	102,895,415	102,785,874	95,324,098	1,242,686	6,219,090
Pupil Transportation	12,663,504	12,713,521	11,343,731		1,369,790
Employee Benefits	53,676,475	53,663,205	42,765,536	10,146	10,887,523
Debt Service - Principal	9,770,000	9,990,000	11,225,000		(1,235,000)
Debt Service - Interest	7,397,893	7,177,893	5,199,721		1,978,172
Total Expenditures	209,893,373	209,824,430	185,482,775	1,330,214	23,011,441
Other Financing Uses					
Transfers to Other Funds	240,000	390,000	424,370		(34,370)
Total Expenditures and Other Financing Uses	\$ 210,133,373	\$ 210,214,430	185,907,145	\$ 1,330,214	\$ 22,977,071
Net Change in Fund Balances			12,887,720		
Fund Balances - Beginning of Year			40,056,023		
Prior-Period Adjustment			(4,682,648)		
Fund Balances - End of Year			\$ 48,261,095		

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
SCHEDULES OF FUNDING PROGRESS OF OTHER POST-EMPLOYMENT BENEFITS
For the Year Ended June 30, 2012

<u>Fiscal Year Ending</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability-Projected Unit Credit</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as % of Covered Payroll</u>
	(a)	(b)	(b)-(a)	(a)/(b)	(c)	[(b)-(a)]/(c)
June 30, 2010	\$ 0	\$ 80,377,368	\$ 80,377,368	0%	\$ 93,986,982	85.52%
June 30, 2011	\$ 0	\$ 85,404,447	\$ 85,404,447	0%	\$ 88,381,192	96.63%
June 30, 2012	\$ 0	\$ 93,733,379	\$ 93,733,379	0%	\$ 85,130,062	110.11%

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
SCHEDULES OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET
AND USE OF UNRESTRICTED FUND BALANCE - GENERAL FUND
For the Year Ended June 30, 2012

Change from Adopted Budget to Revised Budget

Adopted Budget	\$ 208,134,194
Add: Prior Year's Encumbrances	<u>1,999,179</u>
Original Budget	210,133,373
Add: Board Approved Increase for Unanticipated Revenues	<u>81,057</u>
Board Approved Increase to Employee Benefits Reserve	
Final Budget	<u>\$ 210,214,430</u>
Approved Budget for Subsequent Year	<u>\$ 215,783,082</u>

Use of Unrestricted Fund Balance

Unrestricted Fund Balance - As of the Beginning of the Year	\$ 22,534,988
Less: Assigned Fund Balance	
Designated Fund Balance Used For Subsequent Year's Appropriations	12,256,028
Encumbrances	<u>1,999,179</u>
Unassigned Fund Balance - As of the Beginning of the Year	<u>\$ 8,279,781</u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2012

PROJECT TITLE	Original Authorization	Revised Authorization	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2012
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Excel Projects	\$ 56,905,000	\$ 56,905,000	\$ 30,631,294	\$ 9,422,510	\$ 40,053,804	\$ 16,851,196	\$ 30,000,000	\$ 5,187,444	150,000	\$ 35,337,444	\$ (4,716,360)
Totals	<u>\$ 56,905,000</u>	<u>\$ 56,905,000</u>	<u>\$ 30,631,294</u>	<u>\$ 9,422,510</u>	<u>\$ 40,053,804</u>	<u>\$ 16,851,196</u>	<u>\$ 30,000,000</u>	<u>\$ 5,187,444</u>	<u>\$ 150,000</u>	<u>\$ 35,337,444</u>	<u>(4,716,360)</u>
Additional Unspent Proceeds											<u>160,363</u>
											<u>\$ (4,555,997)</u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES
COMPARED TO ST-3 DATA
For the Year Ended June 30, 2012

	<u>Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>	
Revenues				
Real Property Taxes	A -1001	\$ 74,926,376	\$ 74,926,376	
Non-Property Taxes	AT-1199	\$	\$	
State Aid	AT-3999	\$ 106,313,241	\$ 106,313,240	*
Federal Aid	AT-4999	\$ 97,107	\$ 97,107	
Total Revenues	AT-5999	\$ 198,794,865	\$ 198,794,865	
Expenditures				
General Support	AT-1999	\$ 19,624,684	\$ 19,624,689	*
Pupil Transportation	AT-5599	\$ 11,343,731	\$ 11,343,731	
Debt Service - Principal	AT-9798.6	\$ 11,225,000	\$ 11,225,000	
Debt Service - Interest	AT-9798.7	\$ 5,199,721	\$ 5,199,721	
Total Expenditures	AT-9999	\$ 185,907,140	\$ 185,907,145	*

* Denotes Rounding Adjustment

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
For the Year Ended June 30, 2012

Capital Assets, Net	\$ <u>236,295,186</u>
Add:	
Unamortized Bond Issuance Costs	<u>993,055</u>
Deduct:	
Deferred Gain (Loss) on Refunding	1,264,375
Serial Bonds Payable	<u>112,155,000</u>
Total Deductions	<u>113,419,375</u>
Investment in Capital Assets, Net of Related Debt	<u>\$ 123,868,866</u>

D'Arcangelo & Co LLP
Certified Public Accountants & Consultants

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

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

Independent Auditor's Report

Board of Education
William Floyd Union Free School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the William Floyd Union Free School District, as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 15, 2012. Our report was qualified because we were unable to substantiate fixed assets. Except as previously noted, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

Compliance and Other Matters

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

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

D'Arcangelo & Co. LLP

October 15, 2012

Rome, New York

D'Arcangelo & Co LLP
Certified Public Accountants & Consultants

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

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

Independent Auditor's Report

Board of Education
William Floyd Union Free School District

Compliance

We have audited the compliance of William Floyd Union Free School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major Federal programs for the year ended June 30, 2012. William Floyd Union Free School District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of William Floyd Union Free School District's management. Our responsibility is to express an opinion on William Floyd Union Free School District's compliance based on our audit.

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

In our opinion, William Floyd Union Free School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of William Floyd Union Free School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered William Floyd Union Free School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of William Floyd Union Free School District's internal control over compliance.

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

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

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

D'Arcangelo & Co., LLP.

October 15, 2012

Rome, New York

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012**

<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	\$ 402,800
National School Lunch Program	10.555	<u>1,428,027</u>
Cash Assistance Subtotal		1,830,827
National School Lunch Program-Food Donation (Noncash)	10.555	<u>65,877</u>
Total U.S. Department of Agriculture		<u>1,896,704</u>
<u>U.S. Department of Education</u> (Passed Through the State Education Department of the State of New York)		
Title I Grants to Local Educational Agencies	84.010	1,929,171
Special Education - Grants to States, (IDEA, Part B)	84.027	2,480,043
Special Education - Preschool Grants, (IDEA Preschool)	84.173	216,241
Educational Technology State Grants, (Title IID)	84.318	2,506
Title III	84.365	87,374
Improving Teacher Quality State Grants, (Title IIA)	84.367	524,083
Education Technology State Grants, Recovery Act	84.386	11,821
Education for Homeless Children and Youth, Recovery Act	84.387	8,464
Title I, Recovery Act	84.389	33,516
Special Education-Grants to States (IDEA Part B), Recovery Act	84.391	31,268
Special Education-Preschool Grants (IDEA Preschool), Recovery Act	84.392	494
State Fiscal Stabilization Fund (SFSF)-Race to the Top Incentive Grants, Recovery Act	84.395	12,389
State Fiscal Stabilization Government Services Fund, Recovery Act	84.397	178,072
Education Jobs Fund, Recovery Act	84.410	<u>103,757</u>
Total U.S. Department of Education		<u>5,619,199</u>
Total Federal Financial Assistance		<u>\$ 7,515,903</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, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

Organization

The accompanying Schedule of Expenditures of Federal Awards represents all Federal awards administered by the William Floyd Union Free School District. The School District's organization is defined in Note 1 to the School District's basic financial statements.

Basis Of Accounting

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

Food Donation

Nonmonetary assistance is reported in the schedule at fair market value of the food commodities received. At June 30, 2012, the School District had food commodities totaling \$11,231, in inventory.

Cluster Programs

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

U.S. Department of Agriculture

Nutrition Cluster

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

U.S. Department of Education

Special Education Cluster

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

Title I Cluster

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

State Fiscal Stabilization Fund Cluster:

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

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL
 COMPLIANCE REQUIREMENTS
 For the Year Ended June 30, 2012**

Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major Federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	a. <u>U.S. Department of Education</u> Title I Cluster CFDA #84.010 Title I – Grants to Local Educational Agencies CFDA #84.389 Title I – Recovery Act CFDA # 84.367 Title IIA – Improving Teacher Quality State Grants
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

Findings – Financial Statement Audit

See Status of Prior Year's Findings and Questioned Costs.

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, 2012**

Findings – Financial Statement Audit

11-1 Fixed Assets Inventory

Condition: At June 30, 2012, the School District did not have complete inventory records available to audit. Although the District contracted with an outside appraisal service, there appears to be discrepancies related to the amount of dispositions recorded in their records. It should be noted that the District internal controls discovered this discrepancy with the independent appraisal report and is currently working with them to resolve the discrepancy.

Cause: The District contracts with an outside appraisal service and there are discrepancies in the amount of dispositions between the District's and the Appraisal Company's records.

Criteria: GASB 34

Effect: We were unable to audit the fixed assets and our audit report is qualified.

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

Status: Noted again in the current year

District's Response: It should be noted that the District's internal controls discovered this discrepancy with the independent appraisal report and management is currently working with the Appraisal Company to resolve the discrepancy.

Findings and Questioned Costs – Major Federal Award Program Audit

None noted.

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

Extraclassroom Activity Fund
Communication With Those Charged With Governance – SAS 114

Board of Education
William Floyd Union Free School District

We have audited the financial statements of the Extraclassroom Activity Funds of William Floyd Union Free School District (the funds) for the year ended June 30, 2012, and have issued our report thereon dated October 15, 2012. Professional standards require that we provide you with information about our responsibilities under generally auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you previously. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Extraclassroom Activity Funds of William Floyd Union Free School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011-2012. We noted no transactions entered into by the Funds during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements noted during the audit.

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, 2012.

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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

D'Arcangelo & Co. LLP

October 15, 2012

Rome, New York

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

Extraclassroom Activity Fund
Required Communication of Areas in Need of Improvement – SAS 115

Board of Education
Extraclassroom Activity Fund of
William Floyd Union Free School District

In planning and performing our audit of the financial statement of the Extraclassroom Activity Fund of William Floyd Union Free School District as of June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Extraclassroom Activity Fund of 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

We considered the deficiencies in internal control. Accordingly, the material weakness is identified and described in the attached schedule of findings and recommendations.

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

D'Arcangelo & Co. LLP.

October 15, 2012

Rome, New York

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
SCHEDULE OF AUDIT FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2012**

I. Material Weaknesses

See prior year audit findings.

II. Significant Deficiencies

None noted

III. Other Matters

None noted.

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
STATUS OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2012**

I. Material Weaknesses

1. Cash Receipts

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

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

Status: Noted again in the Current Year.

II. Significant Deficiencies

None noted

III. Other Matters

None noted.

WILLIAM FLOYD UNION
FREE SCHOOL DISTRICT

EXTRACLASSROOM
ACTIVITY FUND

FINANCIAL STATEMENTS

For the Year Ended
June 30, 2012

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
TABLE OF CONTENTS**

	<u>Page</u>
EXTRACLASSROOM ACTIVITY FUND	
Independent Auditor's Report	1
Statement of Assets, Liabilities, and Fund Equity – Cash Basis	2
Statement of Revenues, Expenditures, and Changes in Fund Equity – Cash Basis	3
Notes to Financial Statements	4
Supplemental Schedule of Cash Receipts and Disbursements – Cash Basis	5-6

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

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

Independent Auditor's Report

Board of Education
William Floyd Union Free School District

We have audited the accompanying statement of assets, liabilities, and fund equity - cash basis of the Extraclassroom Activity Fund of William Floyd Union Free School District as of June 30, 2012, 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 1, 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, 2012, and its revenues, expenditures, and changes in fund equity - cash basis for the year then ended on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplemental schedule on pages 5-6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

D'Arcangelo & Co. LLP

October 15, 2012

Rome, New York

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
STATEMENT OF ASSETS, LIABILITIES, AND FUND EQUITY - CASH BASIS
June 30, 2012**

<u>Assets</u>	
Cash	\$ <u>141,231</u>
<u>Total Assets</u>	\$ <u>141,231</u>
<u>Fund Equity</u>	
Assigned	\$ <u>141,231</u>
<u>Total Liabilities and Fund Equity</u>	\$ <u>141,231</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, 2012

Revenues	
Charges for Services, Sale of Property, and Miscellaneous	\$ <u>275,440</u>
Total Revenues	<u>275,440</u>
Expenditures	
Instruction - Club Activities	<u>279,455</u>
Total Expenditures	<u>279,455</u>
Excess Expenditures Over Revenues	(4,015)
<u>Fund Equity, Beginning of Year</u>	<u>145,246</u>
<u>Fund Equity, End of Year</u>	<u>\$ 141,231</u>

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

**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
EXTRAClassroom Activity Fund
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

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

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

Basis of Accounting

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

Cash and Cash Equivalents

The Fund'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.

2. CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, the Fund's deposits may not be returned to it. As of June 30, 2012, the School District's extraclassroom total bank balances of \$161,262 were covered by FDIC.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS - CASH BASIS
For the Year Ended June 30, 2012

Activities	Balance at 07/01/11	Cash Receipts	Cash Disbursements	Balance at 06/30/12
<u>William Floyd High School</u>				
Best Buddies	\$ 597			\$ 597
Business Honor Society	78			78
Business Service Club	1			1
Chamber Players	197			197
Class of 2011	7,249		7,249	
Class of 2012	5,925	46,299	48,583	3,641
Class of 2013	13,829	1,297	2,729	12,397
Class of 2014	5,490		2,001	3,489
Class of 2015		6,549	800	5,749
Coalition for Humanity	71			71
DECA	324			324
Environmental Defense Club	453		300	153
Foreign Language Honor Society	347	73	159	261
Future Business Leaders of America	1,358	9,528	10,693	193
Interact Club	516			516
Jazz Choir	2,239		2,238	1
Key Club	259	5,725	5,379	605
Literary Magazine	444		444	
Marching Band	2			2
Math Club	170			170
Math Honor Society	43			43
Mock Trial	150			150
Music Club	2,443	31,678	31,592	2,529
National Art Honor Society	12	6,532	3,929	2,615
National Honor Society	1,480	4,037	4,216	1,301
Quiz Bowl/LI Challenge	161		150	11
Renaissance	99			99
Robotics	182			182
Rockettes (Kickline)	593	550		1,143
SADD	161			161
Sales Tax Payable	36	4,781	4,734	83
Sports Club	11,312	26,749	30,898	7,163
Stage Band/Jazz Ensemble	3,670	30,851	27,097	7,424
Student Council	2,772	17,641	15,903	4,510
Tri-M (Modern Music Masters)	4,658	3,205	3,500	4,363
Yearbook	21,664	26,770	23,514	24,920
Youth and Government	1,675	1,498	2,539	634
Total	90,660	223,763	228,647	85,776

(Continued)

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS - CASH BASIS
For the Year Ended June 30, 2012
(Continued)

Activities	Balance at 07/01/11	Cash Receipts	Cash Disbursements	Balance at 06/30/12
<u>William Paca Middle School</u>				
Cadet Band	\$ 50	\$	\$	\$ 50
Drama Club	5,895			5,895
Festival Orchestra	421			421
Fitness Club	1,616			1,616
Girl's Chorus	500			500
Honor Society	367	444	457	354
Jazz Band	1,044		195	849
Robotics	528			528
Sales Tax Payable	453	294	387	360
Student Council	6,373	12,384	11,502	7,255
Yearbook	4,057	372	528	3,901
Total	<u>21,304</u>	<u>13,494</u>	<u>13,069</u>	<u>21,729</u>
<u>William Floyd Middle School</u>				
6th Grade Advisory	\$ 6,584	\$	\$	\$ 6,584
6th Grade Field Trip		2,384	1,336	1,048
7th Grade Advisory	621			621
8th Grade Advisory	2,256			2,256
8th Grade Italian Team Trip	6			6
Best Buddies	651			651
Cadet Band	50			50
Cheerleading	1			1
CIA	1,051			1,051
Concert Band	32			32
Drama Club	3,976			3,976
Girl's Chorus	258			258
Home and Careers Club	192			192
Honor Society	162	2,301	899	1,564
Math Club	2,478		360	2,118
Peace Project/National Helper	655			655
Remembrance Garden Club	2,160			2,160
SADD	510			510
Sales Tax Payable	160	779	593	346
Student Council PBS		2,068		2,068
School Store	114			114
Student Council	5,391	24,447	27,496	2,342
Woodworking Club	120		111	9
Yearbook	5,563	5,806	6,553	4,816
Quartley Sales Tax - District	291	398	391	298
Total	<u>33,282</u>	<u>38,183</u>	<u>37,739</u>	<u>33,726</u>
Grand Total	<u>\$ 145,246</u>	<u>\$ 275,440</u>	<u>\$ 279,455</u>	<u>\$ 141,231</u>