

**SACHEM CENTRAL SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

SACHEM CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Sachem Central School District
Holbrook, New York

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Sachem Central School District ("the District"), New York, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

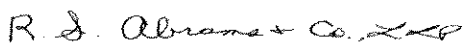
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund as well as the fiduciary fund of the Sachem Central School District as of June 30, 2009, 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 September 25, 2009 on our consideration of the Sachem Central 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 read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, budgetary comparison information and schedule of funding progress on pages 1 through 15 and 48 through 50 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sachem Central School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements of Sachem Central School District. 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


R.S. Abrams & Co. LLP
September 25, 2009

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The following is a discussion and analysis of the Sachem Central School District's financial performance for the fiscal year ended June 30, 2009. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the district-wide and fund based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

- The District was able to appropriate \$8.5 million to reduce 2009-10 taxes, as well as appropriate an additional \$3.5 million to increase the 2009-10 budget for partial emergency roof repair and related work at the East High School. The District was able to do this by under spending the budget and over collecting revenue.
- On March 11, 2008 the community approved an EXCEL project for \$33.1 million to improve and repair almost every building in the District. Bids were opened in the spring and construction of the following projects were completed during the course of the summer.
 - High School North:
 - New Turf Field, Locker Room Reconstruction, Public Address System, Fire Alarm System, Roof Replacement, Auditorium Seating Repair, Site Drainage
 - High School East:
 - Site Drainage, New Turf Field, ADA Parking (lower athletic field)
 - Gatlot Ave. Elementary School:
 - Crawl Space Asbestos Abatement
 - Lynwood Ave. Elementary School:
 - New Gymnasium Floor Replacement, Roof Replacement
 - Samoset Middle School:
 - Locker Room Reconstruction, Corridor Locker Replacement
 - Seneca Middle School:
 - New Little Theater Seating, New Gymnasium Floors, New Gymnasium Bleachers, Locker Room Reconstruction
 - Sagamore Middle School:
 - New Little Theater Seating, New Gymnasium Bleachers, Girls' Locker Room Reconstruction
- As of June 30, 2009, Phase 1 is under budget by approximately \$3.5 million due to bid pricing that was lower than anticipated, and savings associated with hiring District employees to perform work at costs lower than hiring outside contractors.
- The Board of Education and community continue to be updated monthly on District finances by providing monthly analysis of expenditures and encumbrances.

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

- Sachem Schools were awarded special legislative grants by Senator Flanagan and Senator Trunzo. We have installed playgrounds at the following schools: Cayuga Elementary, Gatelot Elementary, Hiawatha Elementary and Wenonah Elementary.
- Due to continued maintenance of the District's AA+1 credit rating we were able to borrow to meet our cash flow needs at very favorable rates which resulted in savings to the taxpayers of approximately \$1.7 million.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

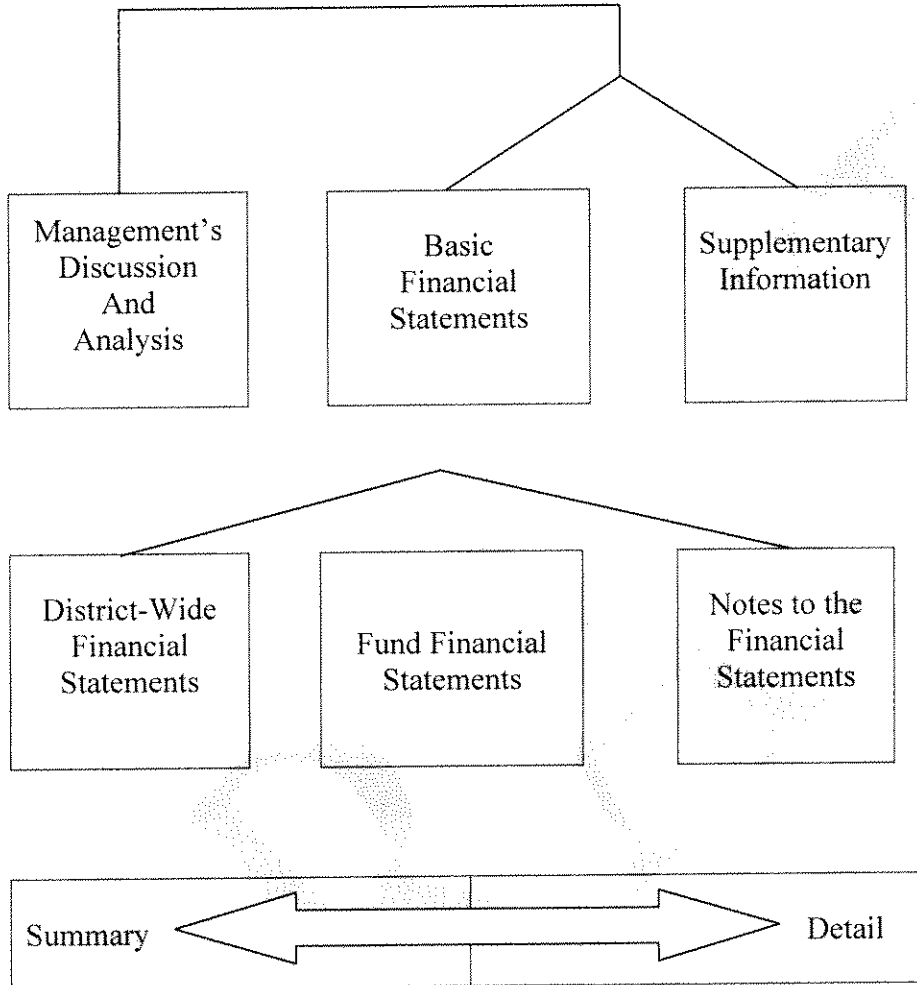
This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and optional supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Statements.
- The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Table A-1: Organization of the District's Annual Financial Report



**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Table A-2: Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All financial assets and liabilities, short-term and long-term
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

A. District-Wide Statements

The District-Wide Statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-Wide Statements report the District's *net assets* and how they have changed. Net assets, the difference between the assets and liabilities, is one way to measure the financial health or position of the District.

- Over time, increases and decreases in net assets is an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

Net assets of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

Government-wide statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Assets:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net asset balances as follows:
 - *Net Assets* invested in capital assets, net of related debt;
 - *Restricted net assets* are those with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation such as:
 - Debt Service
 - *Unrestricted net assets* are net assets that do not meet any of the above restrictions.

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York.

The District has two kinds of funds:

- *Governmental funds:* Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide statements, additional information at the bottom of the governmental fund statements explains the relationship (or differences) between them. In summary, the government fund statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special revenue funds, debt service funds, capital project funds and permanent funds. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance.
- *Fiduciary funds:* The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net assets and changes in net assets. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Assets

The District's net assets were less on June 30, 2009 than they were the year before decreasing \$17,171,092 from restated net assets of \$3,535,137 to (\$13,635,935) as detailed in Table A-3.

Table A-3 – Condensed Statement of Net Assets-Governmental Activities

	Fiscal Year 2009	Fiscal Year 2008	Increase (Decrease)	Percentage Change
Current assets and other assets	\$62,114,095	\$59,662,874	\$2,451,221	4%
Capital assets	205,145,299	210,475,495	(5,330,196)	-3%
Total Assets	<u>\$267,259,394</u>	<u>\$270,138,369</u>	<u>(\$2,878,975)</u>	<u>-1%</u>
Current liabilities	\$28,668,995	\$27,563,509	\$1,105,486	4%
Long-term liabilities, as restated for 2008	<u>252,226,334</u>	<u>239,039,703</u>	<u>13,186,631</u>	<u>6%</u>
Total Liabilities, as restated for 2008	<u>\$280,895,329</u>	<u>\$266,603,212</u>	<u>\$14,292,117</u>	<u>5%</u>
Net Assets				
Investment in capital assets, net of related debt,	\$7,378,720	\$3,111,697	\$4,267,023	137%
Restricted	118,488	223,916	(105,428)	-47%
Unrestricted, as restated for 2008	<u>(21,133,143)</u>	<u>199,544</u>	<u>(21,332,687)</u>	<u>-10691%</u>
Total Net Assets, as restated for 2008	<u>(\$13,635,935)</u>	<u>\$3,535,157</u>	<u>(\$17,171,092)</u>	<u>-486%</u>
Total Liabilities and Net Assets	<u>\$267,259,394</u>	<u>\$270,138,369</u>	<u>(\$2,878,975)</u>	<u>-1%</u>

The net assets invested in capital assets, net of related debt, relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt. This number increased from the prior year by \$4,267,023 primarily due to retired debt and capital additions offset by depreciation expense.

Current assets and other assets increased \$2,451,221 from 2008 to 2009 primarily due to an increase in the cash balance offset by a decrease in state and federal aid receivable. Capital assets (net of depreciation) decreased by \$5,330,196. This was attributable to current year depreciation offset by current year additions. Current liabilities increased by \$1,105,486. This was primarily due to the accrual for salary settlements with the SSDEU from June 30, 2007. Long-term liabilities increased by \$13,186,631 due to recording the obligation for other postemployment benefits per GASB Statement #45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". Net assets overall decreased by \$17,171,092.

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

B. Changes in Net Assets

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2009 and 2008 are as follows:

Table A-4: Change in Net Assets from Operating Results
Governmental Activities Only

	Fiscal Year 2009	Fiscal Year 2008	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$4,799,977	\$4,997,162	(\$197,185)	-4%
Operating Grants	8,172,810	7,025,518	1,147,292	16%
General Revenues				
Property Taxes	147,587,065	149,042,029	(1,454,964)	-1%
State and Federal Aid	119,291,629	114,959,611	4,332,018	4%
Other	5,601,697	7,572,572	(1,970,875)	-26%
Total Revenues	<u>\$285,453,178</u>	<u>\$283,596,892</u>	<u>\$1,856,286</u>	<u>1%</u>
Expenses				
General Support	\$35,027,723	\$34,439,060	\$588,663	2%
Instruction	225,099,667	223,396,045	1,703,622	1%
Pupil Transportation	18,206,520	17,989,721	216,799	1%
Community Service	124,503	138,762	(14,259)	-10%
Debt Service - interest	9,653,562	11,032,140	(1,378,578)	-12%
School Lunch Program	5,254,512	5,019,694	234,818	5%
Depreciation	9,257,783	9,023,473	234,310	3%
Total Expenses	<u>\$302,624,270</u>	<u>\$301,038,895</u>	<u>\$1,585,375</u>	<u>1%</u>

The District's total fiscal year 2009 revenues totaled \$285,453,178. (See Table A-4). Property taxes and state and federal aid accounted for most of the District's revenue by contributing 52 cents and 41 cents, respectively of every dollar raised. (See Table A-5). The remainder came from fees charged for services, operating grants, investment earnings, and other miscellaneous sources.

The total cost of all programs and services totaled \$302,624,270 for fiscal year 2009. These expenses are predominantly related to general instruction and caring for (pupil services) and transporting students, which account for 80% of district expenses. (See Table A-6). The District's general support activities accounted for 12% of total costs.

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Table A-5: Revenues for Fiscal Year 2009 (See Table A-4)

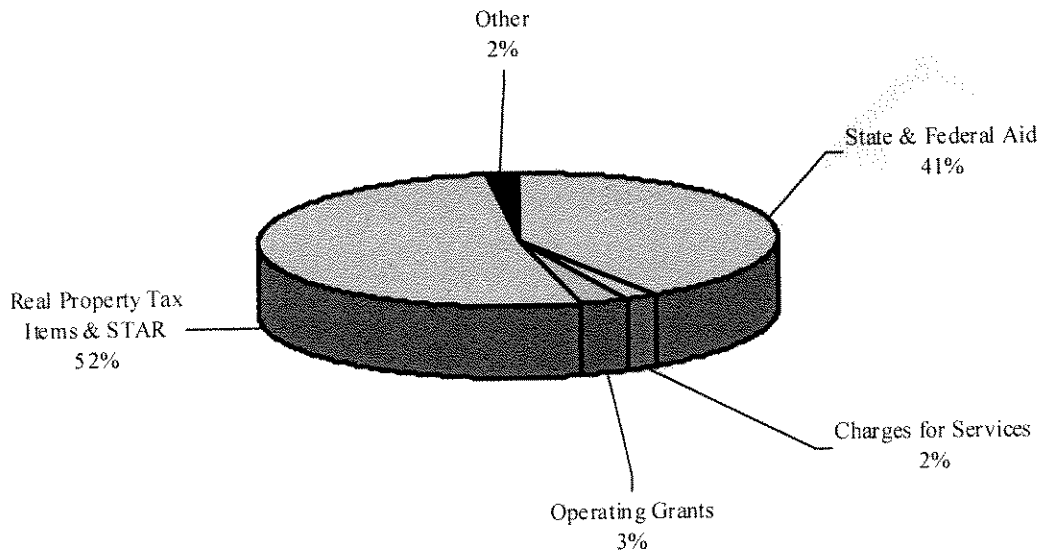
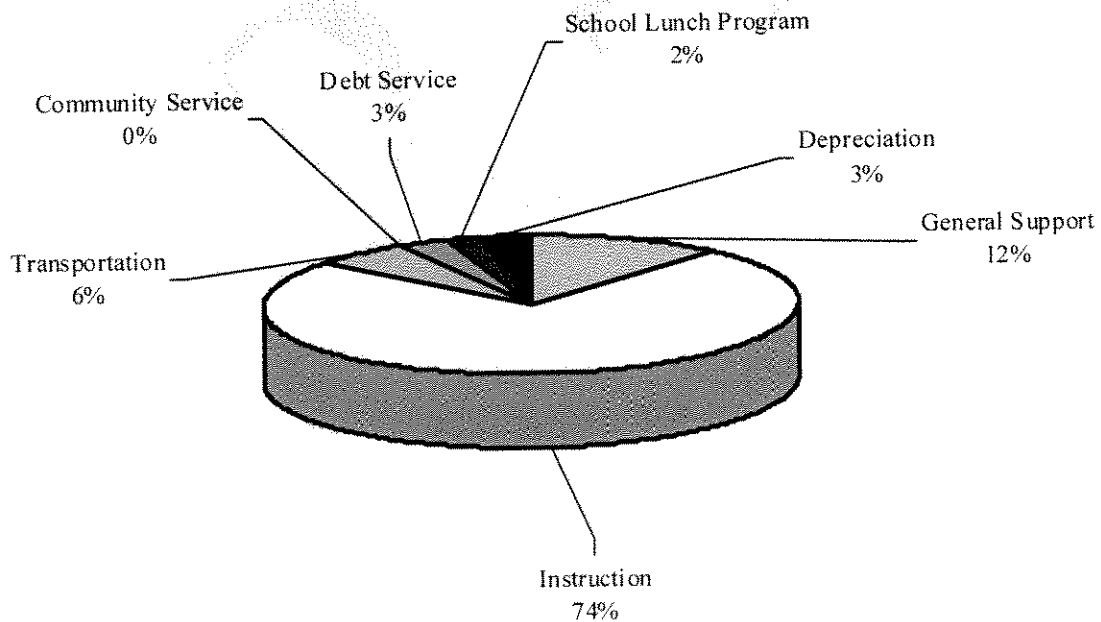


Table A-6: Expenses for Fiscal Year 2009 (See Table A-4 and A-7)



**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

C. Governmental Activities

Revenues for the District's governmental activities totaled \$285,453,178 while total expenses equaled \$302,624,270. Although actual expenses exceeded actual revenues, this was primarily due to recording the long-term liability for other postemployment benefits.

Table A-7 presents the cost of major District activities: general support, instruction, pupil transportation, debt service and others. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2008
General Support	\$35,027,723	\$32,472,266	\$34,959,974	\$32,372,218
Instruction	225,099,667	205,891,581	217,316,900	198,970,671
Pupil Transportation	18,206,520	17,793,042	18,206,520	17,793,042
Community Service	124,503	138,762	124,503	138,762
Debt Service - interest	9,653,562	11,032,140	9,653,562	11,032,140
School Lunch Program	5,254,512	5,019,694	132,241	17,972
Depreciation(unallocated)	9,257,783	9,023,473	9,257,783	9,023,473
Total	<u>\$302,624,270</u>	<u>\$281,370,958</u>	<u>\$289,651,483</u>	<u>\$269,348,278</u>

- The cost of all governmental activities this year was \$302,624,270. (Statement of Activities and Changes in Net Assets, Expenses column-see Exhibit 3)
- The users of the District's programs financed \$4,799,977 of the cost. (Statement of Activities and Changes in Net Assets, Charges For Services column-see Exhibit 3)
- The federal and state governments subsidized certain programs with grants of \$8,172,810. (Statement of Activities and Changes in Net Assets, Operating Grants column – see Exhibit 3)
- Most of the District's net costs \$289,651,483 were financed by District taxpayers and state and federal aid. (Statements of Activities and Changes in Net Assets, Net (Expense) Revenue and Changes in Net Assets column-see Exhibit 3)

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the District-wide financial statements. The District's governmental funds are presented on the **current financial resources measurement focus** and the **modified accrual basis of accounting**. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

As of June 30, 2009, the District's combined governmental funds reported a total fund balance of \$41,201,280 which is an increase of \$1,513,768 over the prior year. This increase is primarily due to an operating surplus in the general fund of \$4,412,793 offset by capital outlay in the capital projects fund of \$2,343,877.

A summary of the change in fund balance for all funds is as follows:

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Fiscal Year 2009	Fiscal Year 2008	Increase (Decrease)	Total Percentage Change
General Fund				
Reserve for Long-Term Disability	\$298,022	\$292,444	\$5,578	2%
Reserve for Unemployment Insurance	106,058	104,072	1,986	2%
Reserve for Workers' Compensation	7,612,610	7,470,118	142,492	2%
Reserve for Employee Benefit Accrued Liability	5,203,693	5,106,290	97,403	2%
Unreserved-Designated for subsequent year's expenditures	12,000,000	8,000,000	4,000,000	50%
Unreserved - Undesignated	10,941,374	11,176,040	(234,666)	-2%
Total Fund Balance - General Fund	<u>\$36,161,757</u>	<u>\$32,148,964</u>	<u>\$4,012,793</u>	<u>12%</u>
School Food Service				
Reserve for Inventory	\$101,267	\$111,830	(\$10,563)	-9%
Unreserved - Undesignated	1,395,359	1,438,949	(43,590)	-3%
Total Fund Balance - School Lunch Fund	<u>\$1,496,626</u>	<u>\$1,550,779</u>	<u>(\$54,153)</u>	<u>-3%</u>
Debt Service Fund				
Reserve for Debt Service	\$155,747	\$256,742	(\$100,995)	-39%
Total Fund Balance - Debt Service Fund	<u>\$155,747</u>	<u>\$256,742</u>	<u>(\$100,995)</u>	<u>-39%</u>
Capital Projects Fund				
Unreserved - Undesignated	\$3,387,150	\$5,731,027	(\$2,343,877)	-41%
Total Fund Balance - Capital Projects Fund	<u>\$3,387,150</u>	<u>\$5,731,027</u>	<u>(\$2,343,877)</u>	<u>-41%</u>
Total Fund Balance - All Funds	<u>\$41,201,280</u>	<u>\$39,687,512</u>	<u>\$1,513,768</u>	<u>4%</u>

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2008-2009 Budget

The District's general fund budget for the year ended June 30, 2009 was \$279,401,007. This amount was decreased by a budget revision of \$599,400 for Universal Pre-Kindergarten which was accounted for in the special aid fund resulting in a final budget of \$278,801,607. The majority of the funding was property taxes and STAR revenue of \$147,587,065.

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

The General Fund's unreserved – undesignated fund balance is a component to total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and designations to fund subsequent years' budgets. It is this balance that is commonly referred to as

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

“Fund Balance”. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget are as follows:

Opening, Unreserved – Undesignated Fund Balance	\$ 11,176,040
Revenues Over Budget	1,138,074
Expenditures and Encumbrances Under Budget	10,874,719
Increase in Reserves for interest allocation	(247,459)
Appropriated for June 30, 2010 Budget	<u>(12,000,000)</u>
Closing, Unreserved – Undesignated Fund Balance	<u>\$ 10,941,374</u>

The unreserved – undesignated fund balance represents the fund balance retained by the District that is not reserved or designated for subsequent year's taxes. This amount is limited to 4% of the 2009-2010 budget.

The revenues over budget in the amount of \$1,138,074 was primarily due to state aid (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget in the amount of \$10,874,719 was primarily attributable to the following expenditures: instruction, transportation and employee benefits (see Supplemental Schedule #1 for detail).

The District allocated interest to the various reserve accounts in the amount of \$247,459.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

The District paid for equipment and various building additions and renovations during the fiscal year 2009. A summary of the District's capital assets net of depreciation are as follows:

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Table A-8: Capital Assets (Net of Depreciation)

Category	Fiscal Year 2009	Fiscal Year 2008	Increase (Decrease)	Percentage Change
Land & Land Improvements	\$1,210,049	\$1,210,049	\$0	0%
Construction in Progress	1,430,322	351,029	1,079,293	307%
Buildings & Building Improvements	277,047,070	275,899,404	1,147,666	0%
Furniture & Equipment	20,742,170	19,249,396	1,492,774	8%
Subtotal	300,429,611	296,709,878	3,719,733	1%
Less: Accumulated Depreciation	95,284,312	86,234,382	9,049,930	10%
Total Net Capital Assets	<u>\$205,145,299</u>	<u>\$210,475,496</u>	<u>(\$5,330,197)</u>	<u>-3%</u>

The District's Capital Projects Fund spent \$2,343,877 on building improvements and equipment purchases during the year and has \$3,387,150 available for various projects.

B. Long-Term Debt

At June 30, 2009, The District had total bonds payable of \$200,540,000. The bonds were issued for district-wide projects. The installment purchase debt was issued for start-up supplies and equipment for bond reconfiguration projects. The energy performance contracts were issued for efficiency upgrades to HVAC and lighting. The decrease in outstanding debt represents paydown of debt. A summary of outstanding debt at June 30, 2009 and 2008 is as follows:

	2009	2008	Increase (Decrease)
Serial bonds	\$108,935,000	\$117,260,000	(\$8,325,000)
Advance refunding bonds	91,605,000	91,870,000	(265,000)
Energy performance debt	3,843,599	4,918,289	(1,074,690)
Installment purchase debt	0	415,452	(415,452)
Total	<u>\$204,383,599</u>	<u>\$214,463,741</u>	<u>(\$10,080,142)</u>

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- A. The District issued \$40,000,000 in tax anticipation notes on August 27, 2009 and maturing June 23, 2010 for the following:

Amount	Rate
\$40,000,000	0.47%

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

- B. The general fund budget for the 2009-2010 school year was approved by the voters in the amount of \$274,194,940 on May 19, 2009. This is a decrease of \$5,206,067 or 1.9% over the previous year's budget. The decrease was primarily due to elimination of all capital or equipment expenditures from the budget.
- C. The District issued \$10,000,000 in bond anticipation notes for school construction on August 27, 2009 and maturing August 27, 2010 for the following:

<u>Amount</u>	<u>Rate</u>
\$3,000,000	0.54%
7,000,000	0.59%

- D. On August 27, 2009, the District issued \$15,000,000 in serial bonds with interest rates ranging from 2% to 4% over the life of the bonds. Final maturity is in 2030.
- E. On September 16, 2009 the District issued \$3,620,000 in refunding serial bonds with interest rates ranging from 2% to 4% over the life of the bonds. Final maturity is in 2018.

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, contact:

Sachem Central School District
Mr. Bruce Singer
Associate Superintendent for Business
245 Union Avenue
Holbrook, New York 11741
(631) 471-1321

**SACHEM CENTRAL SCHOOL DISTRICT
STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

ASSETS

Cash	
Unrestricted	\$48,676,919
Restricted	118,488
Receivables	
State and federal aid	8,826,630
Due from other governments	4,348,028
Accounts receivable	42,763
Inventories	101,267
Capital assets, net	205,145,299
TOTAL ASSETS	<u>\$267,259,394</u>

LIABILITIES

Payables	
Accounts payable	\$2,572,473
Accrued liabilities	2,034,935
Bond interest payable	1,819,981
Due to fiduciary funds	6,657
Due to other governments	172,642
Due to teachers' retirement system	10,755,722
Due to employees' retirement system	510,478
Deferred revenue	286,736
Long-term liabilities	
Due and payable within one year	
Bonds payable	8,875,000
Energy performance debt	1,111,199
Compensated absences payable	523,172
Due and payable after one year	
Bonds payable	191,665,000
Energy performance debt	2,732,400
Net other postemployment benefits obligation	41,242,285
Claims payable	9,540,073
Compensated absences payable	7,046,576
TOTAL LIABILITIES	<u>280,895,329</u>

NET ASSETS

Investment in Capital Assets, Net of Related Debt	7,378,720
Restricted For:	
Debt Service	118,488
Unrestricted (deficit)	(21,133,143)
TOTAL NET ASSETS	<u>(13,635,935)</u>

TOTAL LIABILITIES AND NET ASSETS **\$267,259,394**

**SACHEM CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

		Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
	Expenses	Services	Grants	Changes in
				Net Assets
FUNCTIONS / PROGRAMS				
General support	(\$35,027,723)		\$67,749	(\$34,959,974)
Instruction	(225,099,667)	\$1,078,521	6,704,246	(217,316,900)
Pupil transportation	(18,206,520)			(18,206,520)
Community services	(124,503)			(124,503)
Debt service - interest	(9,653,562)			(9,653,562)
School lunch program	(5,254,512)	3,721,456	1,400,815	(132,241)
Depreciation (unallocated)	(9,257,783)			(9,257,783)
TOTAL FUNCTIONS AND PROGRAMS	<u>(\$302,624,270)</u>	<u>\$4,799,977</u>	<u>\$8,172,810</u>	<u>(\$289,651,483)</u>
GENERAL REVENUES				
Real property taxes				\$128,205,290
Other tax items - including STAR reimbursement				19,381,775
Use of money & property				848,727
Sale of property & compen. for loss				570,359
Miscellaneous				4,182,611
State sources				119,255,597
Medicaid reimbursement				36,032
TOTAL GENERAL REVENUES				<u>272,480,391</u>
CHANGES IN NET ASSETS				(17,171,092)
TOTAL NET ASSETS - BEGINNING OF YEAR AS RESTATED (SEE NOTE 18)				<u>3,535,157</u>
TOTAL NET ASSETS - END OF YEAR				<u>(\$13,635,935)</u>

**SACHEM CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash						
Unrestricted	\$42,807,523	\$451,768	\$1,670,832		\$3,746,796	\$48,676,919
Restricted				\$118,488		118,488
Receivables						
State and federal aid	6,570,553	2,146,434	109,643			8,826,630
Due from other funds	2,278,759			37,259		2,316,018
Due from other governments	298,028					298,028
Accounts receivable	25,354	3,825	13,584			42,763
Inventories			101,267			101,267
TOTAL ASSETS	<u>\$51,980,217</u>	<u>\$2,602,027</u>	<u>\$1,895,326</u>	<u>\$155,747</u>	<u>\$3,746,796</u>	<u>\$60,380,113</u>
LIABILITIES AND FUND BALANCE						
Payables						
Accounts payable	\$2,154,804		\$95,282		\$322,387	\$2,572,473
Accrued liabilities	1,717,451	\$86,004	231,480			2,034,935
Due to other governments	154,093		18,549			172,642
Due to other funds	2,740	2,278,759	3,917		37,259	2,322,675
Due to teachers' retirement system	10,755,722					10,755,722
Due to employees' retirement system	510,478					510,478
Compensated absences	523,172					523,172
Deferred credits						
Deferred revenue		237,264	49,472			286,736
TOTAL LIABILITIES	<u>15,818,460</u>	<u>2,602,027</u>	<u>398,700</u>	<u>0</u>	<u>359,646</u>	<u>19,178,833</u>
FUND BALANCE						
Reserve for workers' compensation	7,612,610					7,612,610
Reserve for unemployment insurance	106,058					106,058
Reserve for debt service				155,747		155,747
Reserve for long-term disability	298,022					298,022
Reserve for inventory			101,267			101,267
Reserve for employee benefit accrued liability	5,203,693					5,203,693
Unreserved-designated for subsequent year's expenditures	12,000,000					12,000,000
Unreserved-undesignated	10,941,374	0	1,395,359		3,387,150	15,723,883
TOTAL FUND BALANCE	<u>36,161,757</u>	<u>0</u>	<u>1,496,626</u>	<u>155,747</u>	<u>3,387,150</u>	<u>41,201,280</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$51,980,217</u>	<u>\$2,602,027</u>	<u>\$1,895,326</u>	<u>\$155,747</u>	<u>\$3,746,796</u>	<u>\$60,380,113</u>

**SACHEM CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
June 30, 2009**

Total Governmental Fund Balances	\$41,201,280
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Amounts reported for governmental activities in the
Statement of Net Assets are different because:

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Assets include those capital assets among the assets of the district as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	300,429,611	
Accumulated depreciation	<u>(95,284,312)</u>	205,145,299

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	(200,540,000)	
Due from other governments (library bond)	4,050,000	
Accrued interest on bonds payable	(1,819,981)	
Energy performance contract	(3,843,599)	
Claims payable	(9,540,073)	
Net other postemployment benefits obligation	(41,242,285)	
Compensated absences	<u>(7,046,576)</u>	<u>(259,982,514)</u>

Total Net Assets	<u><u>(\$13,635,935)</u></u>
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SACHEM CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES						
Real property taxes	\$128,205,290					\$128,205,290
Other tax items - including STAR reimbursement	19,381,775					19,381,775
Charges for services	1,428,521					1,428,521
Use of money and property	790,673		\$9,049	\$49,005		848,727
Sale of property and compensation for loss	570,359					570,359
Miscellaneous	2,116,760	\$1,992,138	69,039			4,177,937
Interfund Revenue	4,674					4,674
State sources	119,255,597	2,028,635	100,361			121,384,593
Federal sources	36,032	4,743,360	985,781			5,765,173
Surplus food			314,673			314,673
Sales			3,721,456			3,721,456
TOTAL REVENUES	<u>271,789,681</u>	<u>8,764,133</u>	<u>5,200,359</u>	<u>49,005</u>	<u>0</u>	<u>285,803,178</u>
EXPENDITURES						
General support	27,784,143	67,749				27,851,892
Instruction	153,196,688	8,727,440				161,924,128
Pupil transportation	17,017,383	394,441				17,411,824
Community service		124,503				124,503
Employee benefits	49,556,946					49,556,946
Debt service - principal	10,080,142					10,080,142
Debt service - interest	9,741,586					9,741,586
Cost of sales			5,254,512			5,254,512
Capital outlay					2,343,877	2,343,877
TOTAL EXPENDITURES	<u>267,376,888</u>	<u>9,314,133</u>	<u>5,254,512</u>	<u>0</u>	<u>2,343,877</u>	<u>284,289,410</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,412,793</u>	<u>(550,000)</u>	<u>(54,153)</u>	<u>49,005</u>	<u>(2,343,877)</u>	<u>1,513,768</u>
OTHER FINANCING SOURCES AND USES						
Operating transfers in	150,000	550,000				700,000
Operating transfers (out)	(550,000)			(150,000)		(700,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(400,000)</u>	<u>550,000</u>	<u>0</u>	<u>(150,000)</u>	<u>0</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	<u>4,012,793</u>	<u>0</u>	<u>(54,153)</u>	<u>(100,995)</u>	<u>(2,343,877)</u>	<u>1,513,768</u>
FUND BALANCE - BEGINNING	<u>32,148,964</u>	<u>0</u>	<u>1,550,779</u>	<u>256,742</u>	<u>5,731,027</u>	<u>39,687,512</u>
FUND BALANCE - ENDING	<u>\$36,161,757</u>	<u>\$0</u>	<u>\$1,496,626</u>	<u>\$155,747</u>	<u>\$3,387,150</u>	<u>\$41,201,280</u>

**SACHEM CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Net Change in Fund Balance	\$1,513,768
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Amounts reported for governmental activities in the Statement of Activities
are different because:

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating expenses-compensated absences (vacation and sick days), retirement system contributions-are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	(786,903)
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Long-Term Debt Transactions

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities (repayment less library portion)	8,240,000
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Repayment of installment debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities	415,452
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Repayment of energy performance debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities	1,074,690
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Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statements of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2008 to June 30, 2009 changed by	88,024
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Worker's Compensation claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, however the payable is recognized as it accrues regardless of when it is due. Accrued claims payable from June 30, 2008 to June 30, 2009 changed by	(811,579)
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In the Statement of Activities the net obligation of other postemployment benefits is recorded as it accrues. The net obligation of other postemployment benefits at June 30, 2009 changed by	(21,574,348)
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Capital Related Items

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the statement of net assets and allocated over their useful lives as annual depreciation expense in the Statement of Activities

Capital outlays	3,927,587	
Depreciation expense	(9,257,783)	(5,330,196)

Changes in Net Assets of Governmental Activities	(\$17,171,092)
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**SACHEM CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009**

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash	\$176,805	\$979,596
Due from governmental funds	0	6,657
Accounts receivable	0	40,251
TOTAL ASSETS	<u>\$176,805</u>	<u>\$1,026,504</u>
LIABILITIES		
Due to governmental funds	\$0	\$0
Extraclassroom activity balance	0	433,247
Other liabilities	0	593,257
TOTAL LIABILITIES	<u>\$0</u>	<u>\$1,026,504</u>
NET ASSETS		
Reserved for scholarships	\$176,805	\$0
TOTAL NET ASSETS	<u>\$176,805</u>	<u>\$0</u>

**SACHEM CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Gifts and contributions	\$14,120
Interest and earnings	1,983
TOTAL ADDITIONS	<u>16,103</u>
DEDUCTIONS	
Scholarships and awards	22,444
TOTAL DEDUCTIONS	<u>22,444</u>
CHANGE IN NET ASSETS	(6,341)
NET ASSETS - BEGINNING	<u>183,146</u>
NET ASSETS - ENDING	<u><u>\$176,805</u></u>

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

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

A) Reporting entity:

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education (the “Board”) consisting of 9 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 District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

The accompanying financial statements present the activities of the District and its component unit and other organizational entities determined to be includable in the District’s financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the 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 District’s reporting entity.

i) Extraclassroom Activity Funds

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

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

B) Joint venture:

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

During the year, the District was billed \$ 18,785,289. for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$3,894,312.

Financial statements for the BOCES are available from the BOCES administrative office:

Eastern Suffolk Board of Cooperative Educational Service
James Hines Administration Center
201 Sunrise Highway
Patchogue, NY 11772

C) Basis of presentation:

i) District-wide statements:

The Statement of Net Assets and the Statement of Activities present financial information about the 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 non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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

ii) Fund financial statements:

The fund statements provide information about the 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.

The District reports the following major governmental funds:

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

Special Aid Fund: This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

School Lunch Fund: This fund is used to account for the activities of the District's food service operations.

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

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

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

Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

members of the 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 District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

D) Measurement focus and basis of accounting:

The District-wide and fiduciary fund 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 District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, 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 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 District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 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.

E) Property taxes:

Real property taxes are levied annually by the Board of Education no later than November 1, and become a lien on December 1. Taxes are collected by the Towns of Brookhaven, Smithtown and Islip beginning November 1. Uncollected taxes become a lien on December 1. Uncollected real property taxes are transmitted to the County of Suffolk for enforcement. Uncollected taxes are paid by the County to the District no later than the forthcoming April 1.

F) Restricted resources:

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

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

G) Interfund transactions:

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the 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 expenditures and revenues to provide financing or other services.

In the district-wide statements, the amounts reported on the Statement of Net Assets for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 12 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) 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.

I) Cash and investments:

The 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 District's investment policies. Resources must be deposited in 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.

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

J) Accounts receivable:

Accounts receivable 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.

K) Inventories and prepaid items:

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the statement of net assets or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

L) Capital assets:

Capital assets are reported at actual cost for property purchased over the last 20 years. For assets acquired prior to 20 years ago, estimated historical costs based on appraisals conducted by independent third-party professionals are used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building & Building Improvements	\$5,000	Straight-line	20-40 years
Furniture & Equipment	5,000	Straight-line	2-20 years
Land Improvements	5,000	Straight-line	20 years

M) 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 the District receives resources 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 District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

Deferred revenues recorded in governmental funds are not recorded in the District-wide statements, and comprise part of the reconciliation in Note 2.

N) Vested employee benefits:

Compensated absences

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time.

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

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.

Consistent with GASB Statement 16, Accounting for Compensated Absences, and the liability has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the funds statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

O) Other benefits:

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

P) Short-term debt:

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

of the fund that will actually receive the proceeds from the issuance of the notes. The RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient provision or no provision made in the annual budget. The budget note must be repaid no later than the close of second fiscal year succeeding the year in which the note was issued.

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BAN's issued for capital purposes are converted to long-term financing within five years after the original issue date.

Q) Accrued liabilities and long-term obligations:

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Assets.

R) Equity classifications:

District-wide statements

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

Investment 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 improvement 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, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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.

Funds statements:

Unreserved fund balance consists of two classifications. A designation of unreserved fund balance indicates the planned use of these resources in the subsequent years' budget. The undesignated portion reports remaining fund balance that has not been designated or reserved. NYS Real Property Tax Law 1318 restricts the unreserved, undesignated fund balance of the General Fund to an amount not greater than 4% of the District's budget for the ensuing fiscal year.

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. The following reserve funds are available to school districts within the state of New York. These reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. Fund balance reserves currently in use by the District include the following:

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 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. The reserve is accounted for in the general fund.

Unemployment Insurance Reserve

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

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Reserve for Debt Service

Mandatory Reserve for Debt Service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of district property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The reserve is accounted for in the debt service fund.

Insurance Reserve

Insurance Reserve is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment 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 Inventory

Reserve for Inventory is used to restrict that portion of fund balance, which is not available for appropriation. This reserve is accounted for in the school lunch fund.

Reserve for Encumbrances

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

Reserve for Employee Benefit Accrued Liability

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

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND
STATEMENTS AND DISTRICT-WIDE STATEMENTS:**

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

(A) Total fund balances of governmental funds vs. net assets of governmental activities:

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

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

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

(i) 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.

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

(iii) Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the 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.

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgets:

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

The voters of the District approved the proposed appropriation budget for the general fund.

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. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These 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. The Board of Education reduced the general fund budget \$599,400 for the Universal Pre-Kindergarten program. After the community approved the budget the District was informed that this should be accounted for in the special aid fund.

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

Budgets are established and used for individual capital project fund's expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

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.

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 4 – CASH (AND CASH EQUIVALENTS) - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS:

Cash:

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

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

- A. Uncollateralized;
- B. Collateralized with securities held by the pledging financial institution in the District's name; or
- C. Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Total financial institution bank balances at year-end, per the bank, are categorized as follows:

- A) \$ 0
- B) \$ 46,980,631
- C) \$ 0

None of the District's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year end.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$118,488 within the governmental fund for debt service.

NOTE 5 – INVESTMENTS

The District did not participate in any investments throughout the year.

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 6 – STATE AND FEDERAL AID RECEIVABLE:

State and federal aid receivable at June 30, 2009 consists of the following:

General Fund	
Excess Cost aid	\$2,676,241
BOCES aid	3,894,312
Total	<u>\$6,570,553</u>

Special Aid Fund	
Federal aid	\$798,387
State aid	1,348,047
Total	<u>\$2,146,434</u>

School Lunch Fund	
Breakfast - State aid	\$12,857
Lunch - State aid	15,121
Breakfast - Federal aid	13,496
Lunch - Federal aid	68,169
Total	<u>\$109,643</u>

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments at June 30, 2009 consists of the following:

General Fund	
Medicare Part D	\$133,834
Health Services	52,852
Foster Tuition	70,970
District of Location - Special Education	38,019
Other	<u>2,353</u>
Total	<u>\$298,028</u>

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 8 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2009 were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$1,210,049	\$0	\$0	\$1,210,049
Construction in progress	351,029	2,226,959	(1,147,666)	1,430,322
Total nondepreciable historical cost	1,561,078	2,226,959	(1,147,666)	2,640,371
Capital assets that are depreciated:				
Building & building improvements	275,899,404	1,147,666	0	277,047,070
Furniture and equipment	19,249,396	1,709,654	(216,880)	20,742,170
Total depreciable historical cost	295,148,800	2,857,320	(216,880)	297,789,240
Less accumulated depreciation:				
Building & building improvements	74,039,749	6,550,576	0	80,590,325
Furniture and equipment	12,194,633	2,707,207	(207,853)	14,693,987
Total accumulated depreciation	86,234,382	9,257,783	(207,853)	95,284,312
Total historical cost, net	\$210,475,496	(\$4,173,504)	(\$1,156,693)	\$205,145,299
Depreciation expense (unallocated)				\$9,257,783

NOTE 9 - SHORT-TERM DEBT:

Transactions in short-term debt for the year are summarized below:

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	6/24/2009	2.51%	\$0	\$36,600,000	\$36,600,000	\$0
Total		(average)	\$0	\$36,600,000	\$36,600,000	\$0

Interest on short-term debt for the year was \$672,249.

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 10 – LONG-TERM DEBT OBLIGATIONS:

Long-term liability balances and activity for the year are summarized below:

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Government activities:					
Bonds payable:					
General obligation debt:					
Refunding bond	\$91,870,000	\$0	\$265,000	\$91,605,000	\$275,000
Construction serial bond	111,500,000	0	7,530,000	103,970,000	7,775,000
Technology serial bond	1,360,000	0	445,000	915,000	450,000
Library serial bond	4,400,000	0	350,000	4,050,000	375,000
Total bonds payable	<u>\$209,130,000</u>	<u>\$0</u>	<u>\$8,590,000</u>	<u>\$200,540,000</u>	<u>\$8,875,000</u>
Other liabilities:					
Energy performance contract debt	4,918,289	0	1,074,690	3,843,599	1,111,199
Installment purchase debt	415,452	0	415,452	0	0
Net other postemployment benefits obligation, as restated	19,667,937	21,574,348	0	41,242,285	0
Claims payable	8,728,494	811,579	0	9,540,073	0
Compensated absences payable	6,471,576	1,098,172	0	7,569,748	523,172
Total other liabilities	<u>40,201,748</u>	<u>23,484,099</u>	<u>1,490,142</u>	<u>62,195,705</u>	<u>1,634,371</u>
Total long-term liabilities	<u>\$249,331,748</u>	<u>\$23,484,099</u>	<u>\$10,080,142</u>	<u>\$262,735,705</u>	<u>\$10,509,371</u>

The general fund has typically been used to liquidate long-term liabilities such as compensated absences.

The District restated net other post employment benefits obligation for 2008 (see Note 18).

Existing serial and statutory bond obligations are comprised of the following:

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Refunding Bond 2006B	2007	2027	4.20%	\$19,725,000
Refunding Bond 2006	2007	2031	4.50%	71,880,000
Construction Serial Bond	2004	2031	3.5-5.0%	24,765,000
Construction Serial Bond	2003	2030	4.0-5.0%	39,915,000
Construction Serial Bond	2002	2030	4.375%	12,645,000
Construction Serial Bond	2004	2019	3.125-4.0%	26,645,000
Technology Serial Bond	2003	2011	2.3-3.3%	915,000
Library Serial Bond	1998	2019	4.50%	4,050,000
				<u>\$200,540,000</u>

The following is a summary of debt service requirements for bonds payable:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$8,875,000	\$8,567,948	\$17,442,948
2011	9,155,000	8,222,073	17,377,073
2012	8,850,000	7,863,728	16,713,728
2013	9,185,000	7,508,240	16,693,240
2014	9,545,000	7,133,153	16,678,153
2015-2019	54,160,000	28,936,805	83,096,805
2020-2024	38,985,000	18,192,693	57,177,693
2025-2029	46,695,000	8,434,372	55,129,372
2030-2031	15,090,000	525,875	15,615,875
	<u>\$200,540,000</u>	<u>\$95,384,887</u>	<u>\$295,924,887</u>

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

The following is a summary of debt service requirements for energy performance debt:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	1,111,199	122,690	1,233,889
2011	1,148,950	84,939	1,233,889
2012	509,481	51,375	560,856
2013	527,602	33,254	560,856
2014	546,367	14,489	560,856
	<u>\$3,843,599</u>	<u>\$306,747</u>	<u>\$4,150,346</u>

In prior years, the District defeased certain general obligations and other 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's assets and the liability for the defeased bonds are not included in the District's financial statements. \$90,070,000 of bonds outstanding are considered defeased.

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

	Total
Interest paid	\$9,069,337
Less interest accrued in the prior year	(1,908,005)
Plus interest accrued in the current year	1,819,981
Total expense	<u>\$8,981,313</u>

The following is a summary of obligations of government activities under operating lease payments:

Fiscal year ended June 30,	Total
2010	\$700,363
2011	66,188
2012	59,639
2013	25,611
Total	<u>\$851,801</u>

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 11 – PENSION PLANS:

General information:

The District participates in the New York State Employees' Retirement System (NYSERS) (the "System") and the New York State Teachers' Retirement System (NYSTRS) (the "System"). 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.

Provisions and administration:

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 govern 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.

Funding policies:

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 District is required to contribute at an actuarially determined rate. District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	NYSTRS	NYSERS
2008 - 2009	\$12,078,108	\$1,979,254
2007 - 2008	\$12,678,893	\$2,014,370
2006 - 2007	\$12,027,089	\$2,222,930

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability.

NOTE 12 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$2,278,759	\$2,740	\$150,000	\$550,000
Special aid fund		2,278,759	550,000	
School lunch fund		3,917		
Debt service fund	37,259			150,000
Capital projects fund		37,259		
Total government activities	2,316,018	2,322,675	700,000	700,000
Fiduciary agency fund	6,657			
Totals	<u>\$2,322,675</u>	<u>\$2,322,675</u>	<u>\$700,000</u>	<u>\$700,000</u>

The District typically transfers from the General Fund to the Capital Projects Fund, to finance capital construction projects. The District typically transfers from the General Fund to the Special Aid Fund to fund the District's 20% share of Summer School Handicap expenses required by state law.

The District transferred \$150,000 from the debt service fund to the general fund for reimbursement of debt service expenditures.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

NOTE 13 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:

The District provides post employment health insurance (life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

The District implemented GASB Statement #45, Accounting and Financial Reporting by employers for Post-employment Benefits Other than Pensions, in the school year ended June 30, 2008. This required the District to calculate and record a net other post-employment benefit

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2009, the District recognized \$9,425,652 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of March 31, 2007 which indicates that the total liability for other post-employment benefits is \$322,000,000. The net OPEB obligation at June 30, 2009 is \$41,242,285, which is reflected in the Statement of Net Assets.

Plan Description

NYSHIP Empire Plan is a single-employer defined benefit healthcare plan administered by New York State. The Empire Plan provides medical insurance benefits to eligible retirees and their spouses. Article 37 of the Statutes of the state assigns the authority to establish and amend benefit provisions to the school district. Sachem Central School District is considered a "Phase I" employer and is required to comply with General Accounting Standards Board (GASB) 45 no later than the first fiscal year starting after December 15, 2006.

Funding Policy

The contribution requirements of plan members and the Sachem Central School District are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the District. For fiscal year 2009, the Sachem Central School District contributed \$9,425,652 to the plan, including \$9,425,652 for current premiums and an additional \$0 to prefund benefits. Plan members receiving benefits contributed \$685,083, or approximately 7 percent of the total premiums, through their required contribution of \$0 per month for retiree-only coverage and between \$89 and \$137 for family coverage depending upon enrollment in Medicare.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District net OPEB obligation to the plan:

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Annual OPEB Cost and Net OPEB Obligation

Annual required contribution	\$31,000,000
Interest on net OPEB obligation	0
Adjustment to Annual Required Contribution	<u>0</u>
Annual OPEB cost (expense)	31,000,000
Contributions made	<u>(9,425,652)</u>
Increase in net OPEB obligation	\$21,574,348
Net OPEB obligation-beginning of year	<u>19,667,937</u>
Net OPEB obligation-end of year	<u><u>\$41,242,285</u></u>
Annual OPEB cost	31,000,000
Percentage of annual OPEB cost contributed	30%
Net OPEB obligation-end of year	\$41,242,285

The District's annual OPEB cost, the percentage of annual OPEB cost contributes to the plan and the net OPEB obligation for 2009 and the preceding year was as follows:

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution</u>	<u>Annual OPEB Cost</u>	<u>OPEB Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/08	\$28,684,175	\$28,684,175	\$9,016,238	31%	\$19,667,937
6/30/09	31,000,000	31,000,000	9,425,652	30%	41,242,285

Funded Status and Funding Progress

As of March 31, 2007, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$322 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$322 million. The covered payroll (annual payroll of active employees covered by the plan) was \$123 million, and the ratio of the UAAL to the covered payroll was 262%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the March 31, 2007 actuarial valuation prepared by an outside actuarial firm, the projected unit credit actuarial cost method was used to value the actuarial accrued liability and normal cost. The actuarial assumptions included a discount rate of 4% and an annual healthcare cost trend rate of 10.5% initially, reduced by decrements to an ultimate rate of 5% after 7 years. The UAAL is being amortized using the level dollar amortization method over a period of 30 years.

NOTE 14 – RISK MANAGEMENT:

General:

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

Consortiums and Self Insured Plans:

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unreported claims which were incurred on or before year-end but not reported (IBNR). As of June 30, 2009, the District has recorded potential workers' compensation claims of \$9,540,073. This liability was calculated by an independent actuarial firm. The District has a workers' compensation reserve balance of \$7,612,610.

The District has chosen to establish a self-funded dental benefit program for its employees. The benefit programs administrator, J.J. Stanis, is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The 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 District.

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 15 – FUND BALANCES:

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

NOTE 16 – LITIGATION:

As of June 30, 2009, we are unaware of any pending or threatened litigation or unasserted claims or assessments against the Sachem Central School District which require disclosure.

NOTE 17 – COMMITMENTS AND CONTINGENCIES:

The District has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the district's administration believes disallowances, if any, will be immaterial.

NOTE 18 – NET ASSET RESTATEMENT:

The District implemented GASB Statement #45 "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*" for the year ending June 30, 2008, which was disclosed in the footnotes of the financial statements at June 30, 2008. Adjustments resulting from the change related to the implementation of GASB Statement #45 prospectively or a change in accounting principle are treated as adjustments to prior periods. Accordingly, the District reports this change as a restatement of beginning net assets as follows:

	Governmental Activities
Beginning net assets as reported	\$23,203,094
Less: Net OPEB Obligation as of June 20, 2008	(19,667,937)
Beginning net assets, as restated	<u>\$3,535,157</u>

NOTE 19 – SUBSEQUENT EVENTS:

- A. The District issued \$40,000,000 in tax anticipation notes on August 27, 2009 and maturing June 23, 2010 for the following:

Amount	Rate
\$40,000,000	0.47%

- B. On May 19, 2009 the proposed 2009-2010 budget in the amount of \$274,194,940 was authorized by the District's residents.

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

- C. The District issued \$10,000,000 in bond anticipation notes for school construction on August 27, 2009 and maturing August 27, 2010 for the following:

<u>Amount</u>	<u>Rate</u>
\$3,000,000	0.54%
7,000,000	0.59%

- D. On August 27, 2009, the District issued \$15,000,000 in serial bonds with interest rates ranging from 2% to 4% over the life of the bonds. Final maturity is in 2030.
- E. On September 16, 2009 the District issued \$3,620,000 in refunding serial bonds with interest rates ranging from 2% to 4% over the life of the bonds. Final maturity is in 2018.

SUPPLEMENTARY INFORMATION

**SACHEM CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local Sources				
Real Property Taxes	\$127,990,554	\$127,990,554	\$128,205,290	\$214,736
Other Real Property Tax Items	21,031,825	21,031,825	19,381,775	(1,650,050)
Charges for Services	1,468,581	1,468,581	1,428,521	(40,060)
Use of Money & Property	2,339,000	2,339,000	790,673	(1,548,327)
Sale of Property				
& Compensation for Loss	300,000	300,000	570,359	270,359
Miscellaneous	1,285,000	1,285,000	2,116,760	831,760
Interfund Revenues	0	0	4,674	4,674
State Sources				
Basic Formula	79,463,263	78,863,863	83,705,212	4,841,349
Excess Cost Aid	17,327,268	17,327,268	16,509,776	(817,492)
Lottery Aid	15,009,109	15,009,109	13,436,535	(1,572,574)
BOCES Aid	3,635,417	3,635,417	3,894,312	258,895
Tuition for Students with Disabilities		0	92,360	92,360
Textbook Aid	910,915	910,915	918,836	7,921
Computer Software Aid	234,257	234,257	231,981	(2,276)
Computer Hardware Aid	158,081	158,081	157,400	(681)
Library A/V Loan Program Aid	97,737	97,737	96,787	(950)
Other State Aid		0	212,398	212,398
Federal Sources		0	36,032	36,032
Other Financing Sources				
Transfers from Other Funds	150,000	150,000	150,000	0
TOTAL REVENUES AND OTHER SOURCES	<u>271,401,007</u>	<u>270,801,607</u>	<u>\$271,939,681</u>	<u>\$1,138,074</u>
Appropriated Fund Balance	<u>8,000,000</u>	<u>8,000,000</u>		
TOTAL REVENUES & APPROPRIATED FUND BALANCE	<u>\$279,401,007</u>	<u>\$278,801,607</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**SACHEM CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual and Encumbrances</u>
EXPENDITURES					
General Support					
Board of Education	\$126,897	\$126,897	\$123,616	\$0	\$3,281
Central Administration	416,802	416,802	402,542	0	14,260
Finance	1,956,353	1,956,353	1,912,918	0	43,435
Staff	2,059,204	2,059,204	1,923,618	0	135,586
Central Services	21,230,696	21,230,696	20,587,544	0	643,152
Special Items	2,942,839	2,942,839	2,833,905	0	108,934
Instructional					
Instruction, Adm. & Imp	10,227,589	10,227,589	9,986,828	0	240,761
Teaching - Regular School	85,205,165	84,605,765	81,578,813	0	3,026,952
Programs for Children with					
Handicapping Conditions	38,560,448	38,560,448	36,796,090	0	1,764,358
Occupational Education	1,695,886	1,695,886	1,396,469	0	299,417
Teaching Special Schools	530,803	530,803	529,383	0	1,420
Instructional Media	9,003,857	9,003,857	8,710,857	0	293,000
Pupil Services	14,815,557	14,815,557	14,198,248	0	617,309
Pupil Transportation	18,932,069	18,932,069	17,017,383	0	1,914,686
Community Services	0	0	0	0	0
Employee Benefits	51,324,846	51,324,846	49,556,946	0	1,767,900
Debt Service					
Debt Service Principal	10,080,143	10,080,143	10,080,142	0	1
Debt Service Interest	9,741,853	9,741,853	9,741,586	0	267
TOTAL EXPENDITURES	<u>278,851,007</u>	<u>278,251,607</u>	<u>267,376,888</u>	<u>0</u>	<u>10,874,719</u>
Other Financing Uses					
Transfers to Other Funds	550,000	550,000	550,000	0	0
TOTAL EXPENDITURES AND OTHER USES	<u>\$279,401,007</u>	<u>\$278,801,607</u>	<u>267,926,888</u>	<u>\$0</u>	<u>\$10,874,719</u>
Net change in fund balances			4,012,793		
Fund balance - beginning			32,148,964		
Fund balance - ending			<u>\$36,161,757</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

SACHEM CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB)
JUNE 30, 2009

Valuation Date	Actuarial		Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
June 30, 2008	\$0	\$322,000,000	\$322,000,000	0%	\$123,049,948	262%
June 30, 2009	\$0	\$322,000,000	\$322,000,000	0%	\$154,393,557	209%

**SACHEM CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND USE OF UNRESERVED FUND BALANCE- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$279,401,007
Add: Prior year's encumbrances	0
Original Budget	<u>279,401,007</u>
Budget Revision: Universal Pre-Kindergarten	<u>(599,400)</u>
Final Budget	<u><u>\$278,801,607</u></u>
Next year's voter approved budget	<u><u>\$274,194,940</u></u>

USE OF UNRESERVED FUND BALANCE

Unreserved Fund Balance- As of the beginning of the year	\$19,176,040
Less:	
Designated fund balance used for the levy of taxes- Adopted Budget	<u>8,000,000</u>
Undesignated Fund Balance- As of the beginning of the year	<u><u>\$11,176,040</u></u>

SACHEM CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES-CAPITAL PROJECTS FUND
AS OF JUNE 30, 2009

Project #	Project Title	Original Appropriation	Transfer	Revised Appropriation	Expenditures to Date		Unexpended Balance	Methods of Financing			Fund Balance 6/30/2009
					Prior Year's	Current Year		Proceeds of Obligations	State Aid	Local Sources	
9707	Districtwide Capital Needs	\$48,000		\$129,731	\$117,510		\$12,221			\$129,731	\$12,221
9708	Districtwide Skylights Replacement	71,000		219,003	58,664		160,339			219,003	160,339
9711	North Running Track	234,303		345,881	233,887		111,994			345,881	111,994
0240	RPZ Valves	216,000		268,100	294,091		(25,991)			268,100	(25,991)
0242	Gadula Pond	767		767	30		737			767	737
9719	Fuel Tank Replacement	380,000		380,000	314,112		65,888			380,000	65,888
9817	Bus Purchase	240,000		1,280,000	1,279,873		127	1,280,000		1,280,000	127
9812	South Renovation	38,244		38,244	0		38,244			38,244	38,244
9923	Masonry Repairs	80,000		80,000	0		80,000			80,000	80,000
9926	South Computer Protection	16,000		16,000	544		15,456			16,000	15,456
0030	District Office Trailer	36,900		36,900	0		36,900			36,900	36,900
0031	Portable 2000 & 2001	2,459,412		2,459,412	2,289,787		169,625	2,459,412		2,459,412	169,625
0032	Modulars	264,000		4,840,000	4,587,508		252,492	4,840,000		4,840,000	252,492
0050	Reconfiguration Bond	50,000,000		226,337,091	224,192,315	132,923	2,144,776	226,935,000	790,808	1,111,283	2,144,776
0136	Pool Filter Pt Repair (North)	40,000		40,000	27,000		13,000			40,000	13,000
0138	Gym Floor Repair (Seneca & Lynwood)	60,000		60,000	14,700		45,300			60,000	45,300
0139	Air Conditioning @ Chippewa	103,876		103,876	0		103,876			103,876	103,876
0701	Wenonah Roof Replacement	902,660		902,660	860,292		42,368			902,660	42,368
0702	Sagamore PA & Intercom	385,000		385,000	189,457		195,543			385,000	195,543
0703	Samoset Site Sanitary	446,500	(7,390)	439,110	328,795		110,315			439,110	110,315
0704	District Office RPZ	23,000	7,390	30,390	20,957		9,433			30,390	9,433
0801	Fuel Tank Replacement 07-08	660,000	(48,360)	611,640	42,220	209,009	360,411			611,640	360,411
0802	Gym Curtains 07-08	52,000	(27,507)	24,493	2,797	20,307	1,389			24,493	1,389
0803	Sequoyia Track & Field Site Dev 07-08	55,000	87,116	142,116	7,627	134,552	(63)			142,116	(63)
0804	District Office Roof Repair 07-08	700,000		700,000	306,819	20,648	393,181			700,000	393,181
0805	New Maintenance Building	859,815	(11,249)	848,566	28,219	647,345	173,002			848,566	173,002
5001	Press Box	60,000		60,000	4,320		55,680			60,000	55,680
3300	EXCEL Project	33,141,716		33,141,716	1,179,093		31,962,623			0	(1,179,093)
TOTAL		\$91,574,193	\$0	\$273,920,696	\$235,047,953	\$2,343,877	\$36,528,866	\$235,514,412	\$790,808	\$6,973,760	\$3,387,150

* Negative balances will be eliminated when permanent financing is received.

**SACHEM CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES
COMPARED TO ST-3 DATA FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Account Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
REVENUES			
Property Taxes	A-1001	\$128,205,290	\$128,205,290
Non-Property Taxes	AT-1199	0	0
State Aid	AT-3999	119,255,597	119,255,597
Federal Aid	AT-4999	36,032	36,032
TOTAL REVENUES	AT-5999	\$271,939,681	\$271,939,681
EXPENDITURES			
General Support	AT-1999	27,784,143	27,784,143
Pupil Transportation	AT-5999	17,017,383	17,017,383
Debt Service-Principal	AT-9798.6	10,080,142	10,080,142
Debt Service-Interest	AT-9798.7	9,741,586	9,741,586
TOTAL EXPENDITURES	AT-9999	\$267,926,888	\$267,926,888

**SACHEM CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2009**

Capital assets, net			\$205,145,299
Add:			
Unspent bond proceeds	2,567,020		
Library bond payable	4,050,000		6,617,020
Deduct:			
Short-term portion of bonds payable	8,875,000		
Long-term portion of bonds payable	191,665,000		
Short term portion of energy performance debt	1,111,199		
Long term portion of energy performance debt	2,732,400		204,383,599
Investment in capital assets, net of related debt			\$7,378,720

SACHEM CENTRAL SCHOOL DISTRICT

FEDERAL GRANT COMPLIANCE AUDIT

JUNE 30, 2009

**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***

To the Board of Education
Sachem Central School District

We have audited the financial statements of the governmental activities, each major fund, and the fiduciary funds of Sachem Central School District (the "District") as of and for the year ended June 30, 2009, which collectively comprise the Sachem Central School District's basic financial statements and have issued our report thereon dated September 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 of the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

Compliance and Other Matters

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

We noted certain additional matters that we reported to management of the Sachem Central School District in a separate letter dated September 25, 2009.

This report is intended solely for the information and use of the Board of Education, the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

R.S. Abrams & Co. LLP
September 25, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Sachem Central School District

Compliance

We have audited the compliance of the Sachem Central School District ("the 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, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the 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, 2009.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Sachem Central School District's internal control over compliance.

A *control deficiency* in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

This report is intended solely for the information and use of the Board of Education, the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

R.S. Abrams & Co. LLP
September 25, 2009

**SACHEM CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-through Grantor Program Title	CFDA Number	Agency or Pass-through Number	Expenditures
<u>U.S. Department of Education</u>			
<u>Passed-through NYS Education Department:</u>			
IDEA Part B - Section 611	84.027	032-08-0880	\$289,541
IDEA Part B - Section 611	84.027	032-09-0880	2,841,402
IDEA - Preschool - Section 619	84.173	033-08-0880	71,467
IDEA - Preschool - Section 619	84.173	033-09-0880	<u>73,454</u>
Total Special Education Cluster			<u>3,275,864</u>
ESEA - Title I	84.010	021-08-2975	\$53,277
ESEA - Title I	84.010	021-09-2975	619,623
ESEA Title II D-Enhancement	84.318	292-08-2975	0
ESEA Title II D-Enhancement	84.318	292-09-2975	7,045
ESEA Title III - LEP	84.365	293-08-2975	8,210
ESEA Title III - LEP	84.365	293-09-2975	32,121
ESEA Title II A-Improvement	84.367	147-08-2975	24,779
ESEA Title II A-Improvement	84.367	147-09-2975	602,470
ESEA - Title V	84.298	002-08-2975	2,433
ESEA - Title V	84.298	002-09-2975	6,164
Title IV - Drug Free Schools	84.186	180-08-2975	1,374
Title IV - Drug Free Schools	84.186	180-09-2975	<u>17,857</u>
Total			<u>\$1,375,353</u>
Total Passed-Through NYS Education Department			<u>\$4,651,217</u>

**SACHEM CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-through Grantor Program Name	CFDA Number	Agency or Pass-through Number	Expenditures
Subtotal Brought Forward			<u>\$4,651,217</u>
<u>U.S. Department of Agriculture</u>			
<u>Pass Through NYS Education Department:</u>			
USDA Breakfast	10.553	N/A	138,762
USDA School Lunch Program	10.555	N/A	<u>848,811</u>
<u>Total Passed-through NYS Education Department</u>			<u>987,573</u>
<u>Direct Program</u>			
USDA Food Distribution	10.555	N/A	<u>314,673</u>
Total, U.S. Department of Agriculture			<u>1,302,246</u>
Total Federal Awards Expended			<u><u>\$5,953,463</u></u>

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

(2) SUBRECIPIENTS:

No amounts were provided to subrecipients.

**SACHEM CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

PART I SUMMARY OF AUDITORS RESULTS

Financial Statements

Type of auditor's opinion(s) issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes x _____ no

Significant deficiency (s) identified that are not
considered to be material weakness(es)?

_____ yes x _____ none reported

Noncompliance material to financial statements noted?

_____ yes x _____ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes x _____ no

Significant deficiency(s) identified that are not
considered to be material weakness(es)?

_____ yes x _____ none reported

Type of auditor's opinion(s) issued on compliance for
major programs:

Unqualified

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133?

_____ yes x _____ no

Identification of major programs:

Name of federal program

CFDA Number

ESEA Title IIA

84.367

Grants to States (IDEA Part B)

84.027

Preschool Grants (IDEA Preschool)

84.173

Dollar threshold used to distinguish between Type A and Type B
Programs

\$300,000

Auditee qualified as low risk?

x _____ yes _____ no

**SACHEM CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009**

PART II FINANCIAL STATEMENT FINDINGS

There are no financial statement findings.

PART III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no findings or questioned costs to be reported.

PART IV SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The District had no prior audit findings.

**SACHEM CENTRAL SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2009**

The District's corrective action plan for the year ended June 30, 2009 is not required to be reported.

DRAFT