

**SPACKENKILL UNION FREE
SCHOOL DISTRICT**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2004

SPACKENKILL UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the Board of Education of the
Spackenkill Union Free School District:

We have audited the accompanying financial statements of the Spackenkill Union Free School District as of and for the year then ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

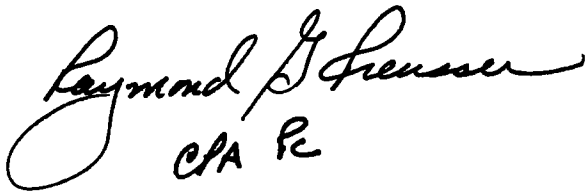
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Spackenkill Union Free School District as of June 30, 2004, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2004 on our consideration of Spackenkill Union Free School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Spackenkill Union Free School District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Raymond J. Steusser
CPA PC

August 12, 2004

SPACKENKILL UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2004

INTRODUCTION

The Spackenkill Union Free School District (the District) offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2004. Please review it in conjunction with the District's financial statements and the accompanying notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENT

This Management's Discussion and Analysis narrative (required supplemental information) is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) districtwide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to these statements, this report also includes other supplemental information, as outlined on page 2.

Financial Statements

Required Supplemental Information (Part A)
Management's Discussion and Analysis (MD & A)

Basic Financial Statements

**Districtwide
Financial Statements**

**Fund
Financial Statements**

Notes to the Basic Financial Statements

Supplemental Information
General Fund Budget & Fund Balance Information
Capital Project Funds Schedule of Project Expenditures
General Fund Budget to Actual Schedule

Our auditor has provided assurance in his independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. A different degree of assurance is being provided by the auditor regarding the supplemental information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each part in the financial statements.

Districtwide Financial Statements

The districtwide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. certain federal/state grants and earned but unused vacation leave).

All of the District's services are reported in the districtwide financial statements as governmental activities, including general support, instruction, pupil transportation, community services, and school lunch. Property taxes, sales tax, state/federal aid, and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here.

Districtwide Financial Analysis

**Spackenkill Union Free School District's Net Assets
 June 30, 2003 & 2004**

	<u>Governmental Activities</u>		Variance Increase (Decrease)
	<u>2003</u>	<u>2004</u>	
Current assets	\$ 5,302,607	\$ 5,929,944	\$627,337
Capital assets	<u>7,740,373</u>	<u>7,392,995</u>	<u>(347,378)</u>
Total Assets	<u>13,042,980</u>	<u>13,322,939</u>	<u>279,959</u>
Current liabilities	1,159,912	1,497,857	337,945
Long-term obligations	<u>5,958,265</u>	<u>5,135,000</u>	<u>(823,265)</u>
Total Liabilities	<u>7,118,177</u>	<u>6,632,857</u>	<u>(485,320)</u>
Net Assets:			
Investment in capital assets, net of related debt	1,346,664	1,847,995	501,331
Restricted for capital projects	4,188	238	(3,950)
Restricted for encumbrances	358,133	264,681	(93,452)
Restricted for other specific purposes	2,290,825	2,802,545	511,720
Unrestricted	<u>1,924,993</u>	<u>1,774,623</u>	<u>(150,370)</u>
Total Net Assets	<u>\$ 5,924,803</u>	<u>\$ 6,690,082</u>	<u>\$765,279</u>

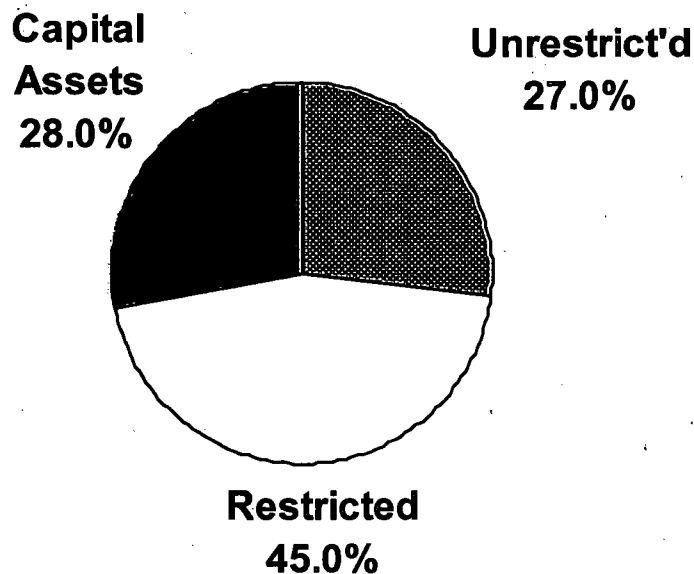
The \$1,774,623 in unrestricted net assets of the governmental activities represents the accumulated results of all past years' operations. It should be noted that \$1,195,000 of this amount is designated to fund the ensuing year's operations, leaving \$579,623 not specifically designated.

Maintaining adequate fund balance has several internal benefits. Fund balance can be provided for cash flow needs until major revenues are received (thereby reducing or eliminating the need for cash flow borrowing), provide funds to leverage state and federal grants, and provide for various contingencies.

As illustrated below, of the District's net assets (28%) reflects its investment in capital assets (e.g., land, buildings, improvements, machinery, and equipment), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide educational services. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources. Capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets (45%) represents resources that are subject to external restrictions on how they may be used (e.g., capital projects, debt services and other specified purposes). The remaining balance of unrestricted net assets (27%) may be used to meet the District's ongoing obligation to provide educational services.

Spackenkill Union Free School District's Net Assets

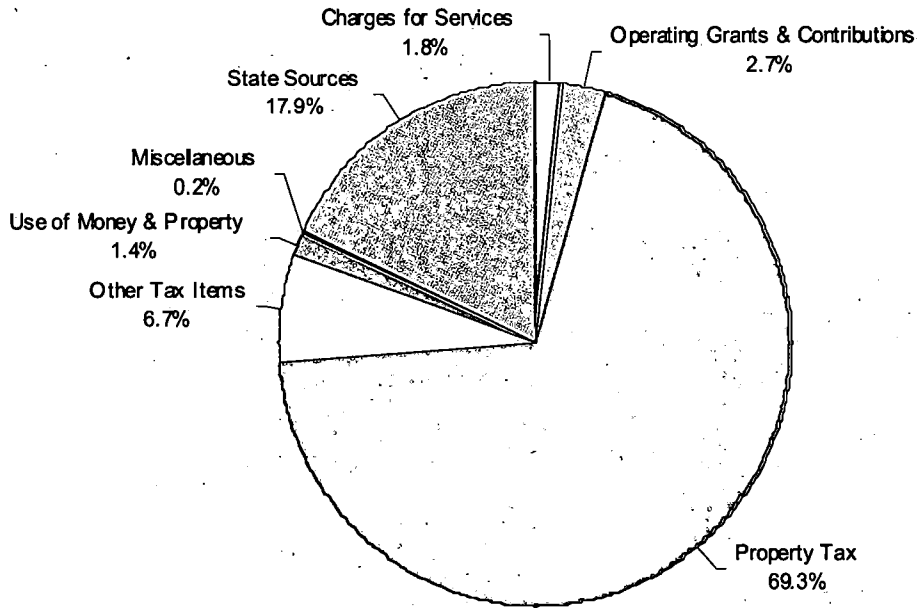


**Spackenkill Union Free School District's
Changes in Net Assets
For the Years Ended June 30, 2003 & 2004**

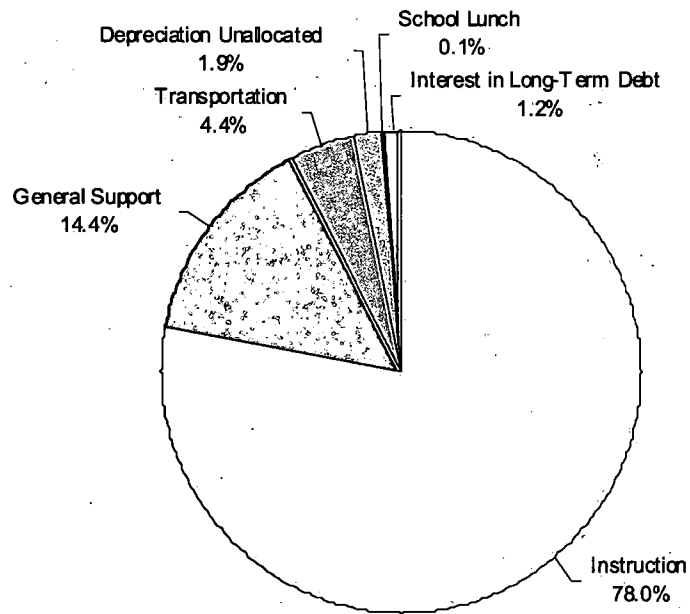
	Governmental Activities		
	2003	2004	Variance Increase (Decrease)
Revenues			
Program:			
Charges for Services	\$ 482,925	\$ 356,097	\$ (126,828)
Operating Grants and Contributions	<u>510,206</u>	<u>785,998</u>	<u>275,792</u>
Total Program	<u>993,131</u>	<u>1,142,095</u>	<u>148,964</u>
General Revenues:			
Property Tax	16,766,100	18,121,113	1,355,013
Other Tax Items	1,712,443	1,763,901	51,458
Use of Money & Property	385,975	368,522	(17,453)
Sale of Property and Compensation for Loss	1,140	-	(1,140)
Miscellaneous	206,469	61,777	(144,692)
State Sources	4,273,753	4,677,708	403,955
Federal Sources	<u>28,541</u>	<u>6,177</u>	<u>(22,364)</u>
Total General Revenues	<u>23,374,421</u>	<u>24,999,198</u>	<u>1,624,777</u>
Expenses:			
Instruction	17,861,912	18,885,904	1,023,992
Support Services:			
General Support	3,287,031	3,519,936	232,905
Transportation	1,024,292	1,071,026	46,734
Debt Service - Interest	303,396	283,999	(19,397)
Depreciated Unallocated	376,317	456,803	80,486
School Lunch	<u>14,956</u>	<u>14,801</u>	<u>(155)</u>
Total Expenses	<u>22,867,904</u>	<u>24,232,469</u>	<u>1,364,565</u>
 Change in Net Assets	 <u>\$ 506,617</u>	 <u>\$ 766,729</u>	 <u>\$ 260,212</u>

The following charts provide the percentage breakdowns of all revenues by source and all expenses by function for the entire District:

**Districtwide Revenues by Source
For the Year Ended June 30, 2004**



**Districtwide Expenses by Function
For the Year Ended June 30, 2004**



As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance legal requirements.

Governmental Funds

The focus of the School District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the School District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported combined fund balances of \$4,842,087, an increase of \$265,398 over the prior year. Of the total combined fund balances, \$1,774,623 constitutes unreserved fund balance, of which \$1,195,000 has been designated for use in the 2004-2005 budget. The balance of \$579,623 is available for spending at the School District's discretion. The remainder of fund balance is reserved to indicate that is not available for new spending because it has already been committed. The reserves include the following:

Reserve for Encumbrances	\$ 264,681
Capital Reserve - Buses	\$ 40,000
Workmen's Compensation Reserve	\$ 454,783
Unemployment Insurance Reserve	\$ 130,000
Insurance Reserve	\$ 500,000
Reserve for Tax Certiorari	\$1,400,000
Reserve for Employee Benefits	\$ 278,000
	<u>\$3,067,464</u>

The General Fund is the chief operating fund of the School District. At the end of the current fiscal year, the total fund balance of the General Fund was \$4,813,554 of which \$551,090 was unreserved and undesignated. As previously mentioned, New York State Law limits the amount of unreserved fund balance that can be retained to 2% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget.

The fund balance of the School District's General Fund increased by \$352,718 during the current fiscal year. Key factors in the increase are the receipt of additional revenues other than budgeted and controlling expenditures.

General Fund Budgetary Highlights

The difference between the general fund's original budget and final amended budget was \$307,681. This change is attributable to the carryover of encumbrances from 2002 - 2003 and the appropriation of the Capital Bus Reserve.

Capital Asset and Debt Administration

The District's capital assets (net of accumulated depreciation) as of June 30, 2004 is as follows:

	<u>June 30, 2004</u>
Land	\$ 121,545
Buildings & Improvements	\$6,668,333
Machinery & Equipment	\$ 442,130
Vehicles	<u>\$ 160,987</u>
	<u>\$7,392,995</u>

Obligations: The District had long term debt of \$5,545,000 as of June 30, 2004 (a decrease of \$395,000 over the previous year).

	<u>June 30, 2004</u>
Serial Bonds	\$5,545,000

Our current bond rating is an A1. Section 104.00 of the Local Finance Law limits the amount of general obligation debt that a school district may issue to 10 percent of its total assessed valuation. The current debt limitation for the District is \$64 million, which is significantly in excess of the present outstanding general obligation debt.

Notes to the Financial Statements

The notes provide additional information that is essential in achieving a full understanding of the data provided in the districtwide and fund financial statements.

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information (supplementary schedules).

Requests for Information

This financial report is designed to provide district residents, taxpayers, parents, students, investors and creditors with a general overview of the District's finances, and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

Spackenkill Union Free School District
15 Croft Road
Poughkeepsie, New York 12603
Or visit our website at: www.dcboces.org/sufsd/

SPACKENKILL UNION FREE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2004

ASSETS

Current Assets:

Unrestricted cash	\$	4,776,352
Restricted cash		138
State and federal aid receivables		585,490
Other receivables, net		67,128
Due from other governments		483,271
Due from fiduciary funds		71
Inventories		17,494
Total Current Assets		5,929,944

Noncurrent Assets:

Capital assets, net depreciation		7,392,995
Total Noncurrent Assets		7,392,995

Total Assets

\$ 13,322,939

LIABILITIES

Current Liabilities:

Accounts payable	\$	103,613
Accrued liabilities		448,836
Bond interest and matured bonds		138
Due to other governments		1,739
Deferred revenues - other		60,515
Due to teachers' retirement system		447,954
Due to employees' retirement system		25,062
Bonds payable		410,000
Total Current Liabilities		1,497,857

Noncurrent Liabilities:

Bonds payable		5,135,000
Total Noncurrent Liabilities		5,135,000

Total Liabilities

6,632,857

NET ASSETS

Investment in capital assets, net of related debt		1,847,995
Restricted for:		
Encumbrances		264,681
Capital-buses		40,000
Tax certiorari		1,400,000
Employee benefits		278,000
Workers' comp., unemployment & insurance		1,084,783
Subsequent year's expenditures		1,195,000
Unrestricted		579,623
Total Net Assets		\$ 6,690,082

See auditors' report. See notes to financial statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For Year Ended June 30, 2004

	Expenses	Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS					
General support	\$ 3,053,004	\$ 466,932	\$ -	\$ -	\$ (3,519,936)
Instruction	15,442,971	4,090,522	83,503	564,086	(18,885,904)
Pupil transportation	989,494	81,532	-	-	(1,071,026)
Depreciation, unallocated	456,803	-	-	-	(456,803)
Employee benefits	4,706,758	(4,706,758)	-	-	-
Debt service-Interest	283,999	-	-	-	(283,999)
School lunch program	457,799	67,772	374,635	136,135	(14,801)
Total Functions and Programs	<u>\$ 25,390,828</u>	<u>\$ -</u>	<u>\$ 458,138</u>	<u>\$ 700,221</u>	<u>(24,232,469)</u>
GENERAL REVENUES					
Real property taxes					18,121,113
Other tax items					1,763,901
Use of money and property					368,522
Miscellaneous					61,777
State sources					4,677,708
Federal-medicaid reimbursement					6,177
Total General Revenues					<u>24,999,198</u>
Change in Net Assets					766,729
Total Net Assets - Beginning of year					5,924,803
Prior Year Adjustments					<u>(1,450)</u>
Total Net Assets - End of year					<u>\$ 6,690,082</u>

See auditors' report. See notes to financial statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET ASSETS
June 30, 2004

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Assets Totals
ASSETS				
Unrestricted cash	\$ 4,776,352	\$ -	\$ -	\$ 4,776,352
Restricted cash	138	-	-	138
Accounts receivable	67,128	-	-	67,128
State and federal receivable	585,490	-	-	585,490
Due from other funds	737,547	-	(737,547)	-
Due from other governments	483,271	-	-	483,271
Inventories	17,494	-	-	17,494
Due from fiduciary funds	71	-	-	71
Capital assets, (net)	-	7,392,995	-	7,392,995
	<u>\$ 6,667,491</u>	<u>\$ 7,392,995</u>	<u>\$ (737,547)</u>	<u>\$ 13,322,939</u>
Total Assets				
LIABILITIES				
Accounts payable	\$ 103,613	\$ -	\$ -	\$ 103,613
Accrued liabilities	448,836	-	-	448,836
Bonds payable	-	5,545,000	-	5,545,000
Bond interest and matured bonds	138	-	-	138
Due to other funds	737,547	-	(737,547)	-
Due to other governments	1,739	-	-	1,739
Due to teachers' retirement system	447,954	-	-	447,954
Due to employees' retirement system	25,062	-	-	25,062
Deferred revenues	60,515	-	-	60,515
	<u>1,825,404</u>	<u>5,545,000</u>	<u>(737,547)</u>	<u>6,632,857</u>
Total Liabilities				
FUND EQUITY/NET ASSETS				
Total Fund Equity\Net Assets	<u>4,842,087</u>	<u>1,847,995</u>	<u>-</u>	<u>6,690,082</u>
	<u>\$ 6,667,491</u>	<u>\$ 7,392,995</u>	<u>\$ (737,547)</u>	<u>\$ 13,322,939</u>
Total Liabilities, Equity and Other Credits				

See auditors' report. See notes to financial statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
For Year Ended June 30, 2004

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	\$ 18,121,113	\$ -	\$ -	\$ -	\$ 18,121,113
Other tax items	1,763,901	-	-	-	1,763,901
Charges for services	83,503	-	-	-	83,503
Use of money and property	368,522	-	-	-	368,522
Miscellaneous	97,694	-	-	-	97,694
State sources	4,858,554	-	-	-	4,858,554
Federal-medicaid reimbursement	6,177	-	-	-	6,177
Federal sources	519,375	-	-	-	519,375
Sales - school lunch	338,718	-	-	-	338,718
Total Revenues	<u>26,157,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,157,557</u>
EXPENDITURES					
General support	3,095,879	-	(42,875)	-	3,053,004
Instruction	15,879,436	(413,265)	(23,200)	-	15,442,971
Pupil transportation	1,028,744	-	(39,250)	-	989,494
Depreciation	-	-	456,803	-	456,803
Employee benefits	4,747,202	(40,444)	-	-	4,706,758
Debt service					
Principal	395,000	-	-	(395,000)	-
Interest	283,999	-	-	-	283,999
School lunch program	457,799	-	-	-	457,799
Capital outlay	4,100	-	(4,100)	-	-
Total Expenditures	<u>25,892,159</u>	<u>(453,709)</u>	<u>347,378</u>	<u>(395,000)</u>	<u>25,390,828</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>265,398</u>	<u>453,709</u>	<u>(347,378)</u>	<u>395,000</u>	<u>766,729</u>
OTHER SOURCES AND USES					
Operating transfers in	70,989	-	-	-	70,989
Operating transfers (out)	(70,989)	-	-	-	(70,989)
Total Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change for the Year	<u>\$ 265,398</u>	<u>\$ 453,709</u>	<u>\$ (347,378)</u>	<u>\$ 395,000</u>	<u>\$ 766,729</u>

See auditors' report. See notes to financial statements.

**SPACKENKILL UNION FREE SCHOOL DISTRICT
BALANCE SHEET- GOVERNMENTAL FUNDS**

June 30, 2004

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Unrestricted cash	\$ 4,435,128	\$ 241,475	\$ 11,666	\$ 1,450	\$ 86,633	\$ 4,776,352
Restricted cash	138	-	-	-	-	138
State and federal receivable	247,507	331,840	6,143	-	-	585,490
Due from other funds	698,452	38,975	-	191	-	737,618
Due from other governments	483,271	-	-	-	-	483,271
Accounts receivable	58,872	-	8,256	-	-	67,128
Inventories	-	-	17,494	-	-	17,494
Total Assets	\$ 5,923,368	\$ 612,290	\$ 43,559	\$ 1,641	\$ 86,633	\$ 6,667,491
LIABILITIES						
Accounts payable	\$ 93,948	\$ -	\$ 8,461	\$ -	\$ 1,204	\$ 103,613
Accrued liabilities	443,222	-	5,614	-	-	448,836
Bonds interest & matured bonds payable	138	-	-	-	-	138
Due to other funds	38,975	611,182	2,199	-	85,191	737,547
Due to other governments	-	1,108	631	-	-	1,739
Due to employee retirement system	25,062	-	-	-	-	25,062
Due to teacher retirement system	447,954	-	-	-	-	447,954
Deferred revenues	60,515	-	-	-	-	60,515
Total Liabilities	1,109,814	612,290	16,905	-	86,395	\$ 1,825,404
FUND EQUITY						
Reserved for encumbrances	264,681	-	-	-	-	264,681
Reserved for insurance	500,000	-	-	-	-	500,000
Reserved for tax certiorari	1,400,000	-	-	-	-	1,400,000
Reserved for workers' compensation	454,783	-	-	-	-	454,783
Reserved for unemployment insurance	130,000	-	-	-	-	130,000
Reserved for employee benefits	278,000	-	-	-	-	278,000
Capital reserve	40,000	-	-	-	-	40,000
Unreserved - Designated for subsequent year's expenditures	1,195,000	-	-	-	-	1,195,000
Unreserved - Undesignated	551,090	-	26,654	1,641	238	579,623
Total Fund Equity	4,813,554	-	26,654	1,641	238	4,564,087
Total Liabilities and Fund Equity	\$ 5,923,368	\$ 612,290	\$ 43,559	\$ 1,641	\$ 86,633	\$ 6,389,491

See auditors' report. See notes to financial statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY- GOVERNMENTAL
FUNDS
For Year Ended June 30, 2004

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 18,121,113	\$ -	\$ -	\$ -	\$ -	\$ 18,121,113
Other tax items	1,763,901	-	-	-	-	1,763,901
Charges for services	83,503	-	-	-	-	83,503
Use of money and property	368,089	-	140	293	-	368,522
Miscellaneous	61,777	-	35,917	-	-	97,694
State sources	4,677,558	169,764	11,082	-	150	4,858,554
Federal sources	6,177	394,322	125,053	-	-	525,552
Sales	-	-	338,718	-	-	338,718
Total Revenues	25,082,118	564,086	510,910	293	150	26,157,557
EXPENDITURES						
General support	3,095,879	-	-	-	-	3,095,879
Instruction	15,280,153	599,283	-	-	-	15,879,436
Pupil transportation	981,344	47,400	-	-	-	1,028,744
Employee benefits	4,679,430	-	67,772	-	-	4,747,202
Debt service						
Principal	395,000	-	-	-	-	395,000
Interest	283,999	-	-	-	-	283,999
Cost of sales	-	-	457,799	-	-	457,799
Capital outlay	-	-	-	-	4,100	4,100
Total Expenditures	24,715,805	646,683	525,571	-	4,100	25,892,159
Excess (Deficiency) of Revenues Over Expenditures	366,313	(82,597)	(14,661)	293	(3,950)	265,398
OTHER SOURCES AND USES						
Operating transfers in	28,697	42,292	-	-	-	70,989
Operating transfers (out)	(42,292)	(8,697)	-	(20,000)	-	(70,989)
Total Other Sources (Uses)	(13,595)	33,595	-	(20,000)	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	352,718	(49,002)	(14,661)	(19,707)	(3,950)	265,398
Fund Equity(deficit) - Beginning of year	4,460,836	50,452	41,315	21,348	4,188	4,578,139
Prior Year Adjustments	-	(1,450)	-	-	-	(1,450)
Fund Equity - End of year	\$ 4,813,554	\$ -	\$ 26,654	\$ 1,641	\$ 238	\$ 4,842,087

See auditors' report. See notes to financial statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS- FIDUCIARY FUNDS
 June 30, 2004

	Private Purpose Trusts	Agency
ASSETS		
Cash	\$ 28,811	\$ 57,068
Total Assets	\$ 28,811	\$ 57,068
 LIABILITIES		
Extraclassroom activity balances	-	45,847
Other liabilities	-	11,221
Total Liabilities	-	\$ 57,068
 NET ASSETS		
Reserved for scholarships	\$ 28,811	

See auditors' report. See notes to financial statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS- FIDUCIARY FUNDS
 For Year Ended June 30, 2004

	<u>Private Purpose Trusts</u>
ADDITIONS	
Contributions	<u>\$ 1,800</u>
DEDUCTIONS	
Scholarships and awards	<u>1,800</u>
Change in Net Assets	-
Net Assets - Beginning of year	<u>28,811</u>
Net Assets - End of Year	<u><u>\$ 28,811</u></u>

See auditors' report. See notes to financial statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

I. **Summary of Significant Accounting Policies**

The accompanying financial statements of Spackenkill Union Free School District have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. **Reporting Entity**

The District is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Education. The scope of activities included within the accompanying financial statements are those transactions which comprise District operations, and are governed by, or significantly influenced by, the Board of Education.

The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the School District's reporting entity:

The Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the Spackenkill Union Free School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. The cash and investment balances are reported in the Statement of Fiduciary Net Assets – Agency Funds of the School District. Separate audited general-purpose financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the School District's business office.

B. **Joint Venture**

The Spackenkill Union Free School District is one of 14 component school districts in the Dutchess Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

I. **Summary of Significant Accounting Policies (Continued)**

B. **Joint Venture (Continued)**

BOCES are organized under Section 1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 1950(4)(b)(7).

There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the Education Law.

During the year ended June 30, 2004, the Spackenkill Union Free School District was billed \$ 2,387,211 for BOCES administrative and program costs.

C. **Basis of Presentation**

1. **Districtwide Statements**

The District's financial statements include both districtwide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). All of the District's services are classified as governmental activities.

In the districtwide Statement of Net Assets, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The districtwide Statement of Activities reports both the gross and net cost of each of the District's functions, i.e., instruction and pupil transportation. The functions are also supported by general government revenues (State Aid, sale of property and equipment, and investment revenues). The Statement of

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

1. Districtwide Statements (Continued)

Activities reduces gross expenses (including depreciation) by related program revenues and operating grants. Program revenues must be directly associated with function. Operating grants include operating –specific and discretionary grants.

The districtwide focus is more on the sustainability of the District as an entity and the change in the District’s net assets resulting from the current year’s activities.

The District’s fiduciary funds are presented in the fiduciary fund financial statements by type (restricted purpose, and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the districtwide statements.

2. 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 funds:

a. Major Governmental Funds

- (1) **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.

See auditors’ report.

SPACKENKILL UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

2. Fund Financial Statements (Continued)

a. Major Governmental Funds (Continued)

- (2) **Special Aid Fund** – These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.
- (3) **School Lunch Fund** – Used to account for transactions of the District’s lunch and breakfast programs.
- (4) **Debt Service Fund** – This fund accounts for the accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.
- (5) **Capital Projects Fund** – This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

b. Fiduciary Funds

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.

See auditors’ report.

SPACKENKILL UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting

1. Accrual

The districtwide 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 the grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

2. Modified Accrual

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The 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.

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. Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments having maturities of three months or less are considered as cash equivalents.

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

F. Inventories

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.

G. Due To/From Other Funds

The amounts reported on the Governmental Funds Balance Sheet for due to and due from other funds represents amounts due between different fund types. Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

H. Capital Assets – Property, Plant and Equipment

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Donated assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

<u>Class</u>	<u>Life in Years</u>
Buildings	15-50 Years
Machinery and Equipment	5-25 Years

I. Long-Term Obligations

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.

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

J. Compensated Absences

The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the governmental funds in as much as it will be funded from current financial resources, and the long-term portion is accrued in the districtwide Statement of Net Assets as noncurrent liabilities.

K. Deferred Revenue

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

L. Post - Employment Benefits

In addition to providing pension benefits, the School District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the School District and the retired employee. The School District recognizes the cost of providing health insurance by recording its share of insurance premiums (for retirees and their dependents) as an expenditure in the General Fund in the year paid.

M. Fund Balance - Reservations and Designations

1. Tax Certiorari Reserve

This reserve is used to accumulate funds to pay judgments and claims anticipated from tax certiorari proceedings. Any excess monies must be returned to the General Fund on or before the first day of the fourth fiscal year after the deposit of the monies. This reserve is accounted for in the General Fund.

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

M. Fund Balance - Reservations and Designations (Continued)

2. Reserve for Encumbrances

This reserve represents the amount of outstanding encumbrances at the end of the fiscal year to be potentially expended in the subsequent year.

3. Workers' Compensation Reserve

The purpose of this reserve fund is 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. This reserve is accounted for in the General Fund.

4. Unemployment Insurance Reserve

This reserve fund 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. This reserve is accounted in the General Fund.

5. Capital Reserve

The Capital Reserve Fund is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of reserve; the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters.

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

M. **Fund Balance - Reservations and Designations (Continued)**

5. **Capital Reserve (Continued)**

The form of the required legal notice for the vote on the establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in Section 3651 of Education Law. This reserve is accounted for in the General Fund.

6. **Insurance Reserve**

This 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, e.g., Unemployment Compensation Insurance.

This 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. This reserve is accounted for in the General Fund.

N. **Budgetary Procedures and Budgetary Accounting**

1. **Budget Policies**

The budget policies are as follows:

- a. The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b. The proposed appropriation budget for the General Fund was approved by the voters within the School District.
- c. Appropriations are adopted at the program level.

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

N. Budgetary Procedures and Budgetary Accounting (Continued)

1. Budget Policies(Continued)

- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the fiscal year end. 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.

2. Budget Basis of Accounting

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

The budget and actual comparison for Special Revenue Funds, included in the Combined Statement of Revenues and Expenditures-Budget and Actual, reflects budgeted and actual amounts for funds with legally authorized (appropriated) budgets.

Special Aid Fund and School Lunch Fund have not been included in the comparison because they do not have legally authorized budgets.

O. Property Taxes

1. Calendar

Real property taxes were levied annually by the Board of Education no later than September 1, 2003 and became a lien on August 25, 2003. Taxes were collected during the period September 8, 2003 and ending November 6, 2003.

2. Enforcement

Uncollected real property taxes are subsequently enforced by the County of Dutchess. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the School District no later than the forthcoming April 1.

See auditors' report.

SPACKENKILL UNION FREE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. Cash and Investments

A. Deposits and Investments

The Spackenkil Union Free School District's investment policies are governed by State statutes. The Spackenkil Union Free School District's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. 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 Federal Deposit Insurance. Obligations that may be pledged as collateral are: Obligations of the fore noted states and its agencies and obligations of the State and its municipalities and school districts.

Deposits and investments at year end were entirely covered by Federal Deposit Insurance or by collateral held by the School District's custodial bank in the School District's name.

B. Investment Pool

The School District participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2004, the School District held \$1,280,675 in investments consisting of various investments in securities issued by the United States and its agencies. The investments are highly liquid and considered to be cash equivalents.

III. Interfund Transaction

Interfund balances at June 30, 2004, are as follows:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 698,452	\$ 38,975	\$ 28,697	\$ 42,292
Special Aid Fund	38,975	611,182	42,292	8,697
School Lunch Fund	0	2,199	0	0
Capital Projects Fund	0	85,191	0	0
Debt Service Fund	<u>191</u>	<u>0</u>	<u>0</u>	<u>20,000</u>
Total governmental activities	<u>737,618</u>	<u>737,547</u>	<u>\$ 70,989</u>	<u>\$ 70,989</u>
Fiduciary Agency				
Fund	<u>0</u>	<u>71</u>		
Totals	<u>\$ 737,618</u>	<u>\$ 737,618</u>		

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Assets.

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. Capital Assets

A summary of changes in general fixed assets follows:

	Balance <u>7/1/03</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/04</u>
<u>Capital assets that are not depreciated:</u>				
Land	\$ 121,545	\$ 0	\$ 0	\$ 121,545
Work-In-Progress	<u>1,247,313</u>	<u>0</u>	<u>1,247,313</u>	<u>0</u>
Total capital assets that are not depreciated	<u>1,368,858</u>	<u>0</u>	<u>1,247,313</u>	<u>121,545</u>
<u>Other capital assets:</u>				
Buildings and improvements	12,388,274	1,251,413	0	13,639,687
Machinery and Equipment	1,813,191	66,075	0	1,879,266
Buses	<u>678,078</u>	<u>39,250</u>	<u>0</u>	<u>717,328</u>
Total other capital assets	<u>14,879,543</u>	<u>1,356,738</u>	<u>0</u>	<u>16,236,281</u>
<u>Less accumulated depreciation:</u>				
Buildings and improvements	6,674,837	296,517	0	6,971,354
Machinery and Equipment	1,329,076	108,060	0	1,437,136
Buses	<u>504,115</u>	<u>52,226</u>	<u>0</u>	<u>556,341</u>
Total accumulated depreciation	<u>8,508,028</u>	<u>456,803</u>	<u>0</u>	<u>8,964,831</u>
Other capital assets, net	<u>6,371,515</u>	<u>899,935</u>	<u>0</u>	<u>7,271,450</u>
Total	<u>\$ 7,740,373</u>	<u>\$ 899,935</u>	<u>\$ 1,247,313</u>	<u>\$ 7,392,995</u>

Depreciation expense for the period was shown as unallocated in the Statement of Activities.

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. Liabilities

A. Pension Plans and Post - Employment Benefits

1. General Information

The Spackenkill Union Free School District participates in the New York State and Local Employees' Retirement System (ERS), and the New York State Teachers' Retirement System (TRS). These Systems 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.

2. Plan Descriptions

a. **Teachers' Retirement System (TRS)**

As an employer, the school district makes contributions to the New York State Teachers' Retirement System (System), a cost sharing, multiple employer defined benefit pension plan administered by the New York State Teachers' Retirement Board. The System provides retirement, disability, withdrawal and death 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. The System 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 the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. Liabilities (Continued)

A. Pension Plans and Post - Employment Benefits (Continued)

2. Plan Descriptions

b. Employees' Retirement System (ERS)

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

3. Funding Policies

For the Teachers' Retirement System, plan members who joined the system before July 27, 1976 are not required to make contributions. Those joining after July 26, 1976 who have less than 10 years of service or membership are required to contribute 3% of their salary. Employers are required to contribute at an actuarially determined rate. Rates applicable to the fiscal years ended June 30, 2004, 2003, and 2002 were 2.52%, .36%, and .36%. For the New York State and Local Employees' Retirement System, Chapter 126 of the laws of 2000 provide for the cessation of the 3% employee contribution for those Tier 3 and 4 members who, as of October 1, 2001, have either 10 years of membership or credited service.

The required and actual contributions for the current year and two preceding years were:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2004	\$ 102,603	\$ 176,493
2003	\$ 25,792	\$ 162,874
2002	\$ 13,886	\$ 163,116

The School District contributions made to the Systems were equal to 100% of the contribution required for each year.

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. Liabilities (Continued)

B. Indebtedness

1. Long-Term Debt

a. Long-Term Debt Interest

Interest in long-term indebtedness amounted to \$ 283,999 for 2003-2004.

b. Changes

The changes in the School District's indebtedness during the year ended June 30, 2004, are summarized as follows:

	Balance <u>07/01/03</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/04</u>	Amounts Due Within <u>One Year</u>
Serial Bonds	\$ 5,940,000	\$ 0	\$ 395,000	\$ 5,545,000	<u>\$ 410,000</u>
Compensated Absence	<u>413,265</u>	<u>0</u>	<u>413,265</u>	<u>0</u>	
Total	<u>\$ 6,353,265</u>	<u>\$ 0</u>	<u>\$ 808,265</u>	<u>\$ 5,545,000</u>	

Additions and deletions to compensated absences are shown net since it is impractical to determine these amounts separately.

c. Maturity

1. The following is a summary of the serial bonds issued:

<u>Purpose</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding 6/30/04</u>
Serial Bonds:				
8 th Issue	1989	2010	6.65%	\$ 175,000
10 th Issue	1994	2014	5.70%	655,000
11 th Issue	1997	2007	4.80%	300,000
12 th Issue	1999	2019	4.25%	3,400,000
2001 Issue	2001	2021	4.75-5%	<u>1,015,000</u>
				<u>\$ 5,545,000</u>

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. **Liabilities (Continued)**

B. **Indebtedness (Continued)**

Long-Term Debt (Continued)

c. **Maturity (Continued)**

2. The following is a summary of maturing principal debt service requirements in each of the next five fiscal years and thereafter:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 410,000	\$ 264,389	\$ 674,389
2006	390,000	244,865	634,865
2007	410,000	225,786	635,786
2008	315,000	205,837	520,837
2009 and thereafter	330,000	190,511	520,511
	<u>3,690,000</u>	<u>1,016,393</u>	<u>4,706,393</u>
	<u>\$ 5,545,000</u>	<u>\$ 2,147,781</u>	<u>\$ 7,692,781</u>

VI. **Commitments and Contingencies**

A. **Litigation**

There are currently pending certiorari proceedings, the results of which could require the payment of future tax refunds by the School District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present times. The School District has established a Tax Certiorari Reserve to cover adverse decisions. Any payment in excess of the reserve will be funded in the year the payment is made.

B. **Risk Financing and Related Insurance**

1. **General Information**

The Spackenkill Union Free School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. 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.

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Commitments and Contingencies(Continued)

B. Risk Financing and Related Insurance(Continued)

2. Workers' Compensation Insurance

The School District participates in a risk sharing pool, Dutchess County Schools Cooperative Self-Insurance Plan for Workers' Compensation, to insure workers' compensation claims. This is a public identity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims.

3. Health Insurance

The School District participates in the Dutchess Educational Health Insurance Consortium which is a Trust formed under New York State Insurance Law on June 30, 1988. The Consortium's purpose is to provide health insurance coverage at a lower rate for member educational institutions due to a larger participation pool.

C. Operating Leases

The School District leases copiers under an operating lease. Total rental expenditures on such leases for the fiscal year ended June 30, 2004 was approximately \$ 9,191. The future non-cancelable operating lease payments are as follows:

<u>Year Ended</u>	<u>Lease Payments</u>
2005	<u>\$ 4,595</u>

D. Other Items

The School District has received grants, which are subject to audit by agencies of the State and Federal government. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the School District's administration balances disallowances, if any, will be immaterial.

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. **Commitments and Contingencies(Continued)**

E. **Use of 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.

VII. **Additional Disclosures**

A. **Interfund Transfer**

The 2003-2004 interfund transfer increased as follows:

Original Budget	\$ 0
Special Aid Funds-Districts	
Share of Summer Handicap	<u>42,500</u>
	<u>\$ 42,500</u>

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT
 SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET AND USE OF
 UNRESERVED FUND BALANCE- GENERAL FUND
 For Year Ended June 30, 2004

Original Budget	\$ 25,796,778
Additions:	
Prior year's encumbrances	307,681
Budget revision	<u>40,000</u>
Revised Budget	<u><u>\$ 26,144,459</u></u>

USE OF UNRESERVED FUND BALANCE

Unreserved Fund Balance -	
As of the beginning of the year	\$ 1,862,330
Less:	
Designated fund balance used for the levy of taxes - Original budget	<u>1,195,000</u>
Undesignated Fund Balance -	
As of the beginning of the year	<u><u>\$ 667,330</u></u>

See auditors' report. See notes to financial statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT
 SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
 For Year Ended June 30, 2004

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
Todd Middle School	\$ 3,989,000	\$ 3,989,000	\$ 3,984,812	\$ 4,100	\$ 3,988,912	\$ 88

See auditors' report. See notes to financial statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT
SCHEDULE OF REVENUES COMPARED TO BUDGET- GENERAL FUND
For Year Ended June 30, 2004

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property taxes	\$ 18,123,561	\$ 18,123,561	\$ 18,121,113	\$ (2,448)
Other tax items	1,763,217	1,763,217	1,763,901	684
Charges for services	41,000	41,000	83,503	42,503
Use of money and property	390,000	390,000	368,089	(21,911)
Miscellaneous	124,000	124,000	61,777	(62,223)
State Sources	4,140,000	4,140,000	4,677,558	537,558
Federal Sources	-	-	6,177	6,177
Total Revenues	<u>24,581,778</u>	<u>24,581,778</u>	<u>25,082,118</u>	<u>500,340</u>
Other Sources				
Operating Transfers In	<u>20,000</u>	<u>20,000</u>	<u>28,697</u>	<u>8,697</u>
Total Revenues and Other Sources	<u>24,601,778</u>	<u>24,601,778</u>	<u>25,110,815</u>	<u>\$ 509,037</u>
Appropriated Reserve	-	40,000		
Appropriated Fund Balance	<u>1,195,000</u>	<u>1,502,681</u>		
Total Revenues, Other Sources and Appropriated Fund Balance	<u>\$ 25,796,778</u>	<u>\$ 26,144,459</u>		

See auditors' report. See notes to financial statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES, OTHER USES AND ENCUMBRANCES COMPARED TO
BUDGET- GENERAL FUND
For Year Ended June 30, 2004

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES					
General Support					
Board of education	\$ 45,657	\$ 46,387	\$ 38,292	\$ -	\$ 8,095
Central administration	206,250	219,647	214,950	-	4,697
Finance	336,850	371,353	366,807	499	4,047
Staff	122,150	133,250	128,128	2,200	2,922
Central services	2,082,700	2,132,343	1,997,426	15,013	119,904
Special items	347,000	362,783	350,276	-	12,507
Instruction					
Instruction, administration and improvement	1,158,355	1,182,348	1,151,812	3,431	27,105
Teaching - regular school	9,706,560	9,467,159	8,988,436	124,681	354,042
Programs for children with handicapping Conditions	2,488,250	2,541,238	2,311,258	78,660	151,320
Occupational education	220,000	272,470	272,470	-	-
Teaching - special school	76,000	84,282	44,913	-	39,369
Instructional media	941,350	1,123,291	1,105,579	1,948	15,764
Pupil services	1,500,562	1,537,970	1,405,685	32,295	99,990
Pupil Transportation	1,028,325	1,057,359	981,344	3,450	72,565
Employee Benefits	4,781,770	4,873,079	4,679,430	2,504	191,145
Debt Service					
Principal	421,000	413,000	395,000	-	18,000
Interest	333,999	283,999	283,999	-	-
Total Expenditures	<u>25,796,778</u>	<u>26,101,958</u>	<u>24,715,805</u>	<u>264,681</u>	<u>1,121,472</u>
OTHER USES					
Operating transfers out	-	42,500	42,292	-	208
Total Expenditures and Other Uses	<u>\$ 25,796,778</u>	<u>\$ 26,144,458</u>	<u>24,758,097</u>	<u>\$ 264,681</u>	<u>\$ 1,121,680</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses			<u>\$ 352,718</u>		

See auditors' report. See notes to financial statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT
 SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES COMPARED TO ST-3 DATA
 For Year Ended June 30, 2004

	<u>Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
REVENUES			
Real Property Taxes	A -1001	\$ 18,121,113	\$ 18,121,113
Non-Property Taxes	AT-1199	\$ -	\$ -
State Aid	AT-3999	\$ 4,677,558	\$ 4,677,558
Federal Aid	AT-4999	\$ 6,177	\$ 6,177
Total Revenues	AT-5999	\$ 25,110,815	\$ 25,110,815
EXPENDITURES			
General Support	AT-1999	\$ 3,095,879	\$ 3,095,879
Pupil Transportation	AT-5599	\$ 981,344	\$ 981,344
Debt Service - Principal	AT-9798.6	\$ 395,000	\$ 395,000
Debt Service - Interest	AT-9798.7	\$ 283,999	\$ 283,999
Total Expenditures	AT-9999	\$ 24,758,097	\$ 24,758,097

See auditors' report. See notes to financial statements.

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Spackenkill Union Free School District:

We have audited the financial statements of Spackenkill Union Free School District as of and for the year ended June 30, 2004 and have issued our report thereon dated August 12, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

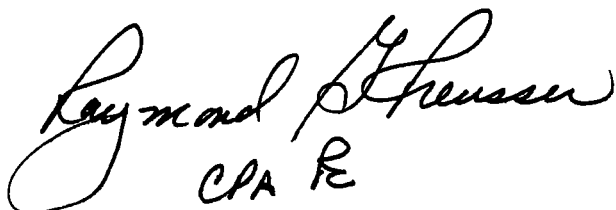
As part of obtaining reasonable assurance about whether Spackenkill Union Free School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct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

See auditors' report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Spackenkill Union Free School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Education, management, the New York State Education Department and 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.


CPA R

August 12, 2004

See auditors' report.

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

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Telephone: (518) 851-6650

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To the Board of Education of the
Spackenkill Union Free School District:

We have audited the financial statements of the Spackenkill Union Free School District at June 30, 2004, and have reported thereon under date of August 12, 2004.

In planning and performing our audit of the financial statements, we consider the School District's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

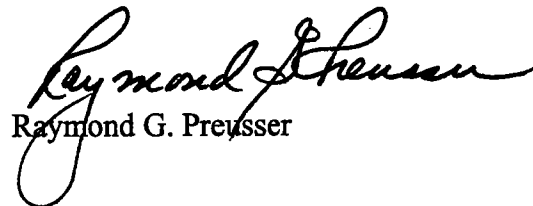
The management of the Spackenkill Union Free School District is responsible for establishing and maintaining an internal control structure. The objectives of an internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the presentation of the financial statements in accordance with generally accepted accounting principles.

Audits of the Financial Statements of New York State School Districts requires us to submit a letter to your Board indicating any suggestions that we might have as a result of our aforementioned audit.

Since we did not become aware of any weaknesses in your internal operating or accounting controls during our audit, please regard this letter as merely fulfilling our responsibility.

We would like to acknowledge the Business Office personnel for their excellent job in maintaining the financial records for the District, and thank all of the School District personnel for the courtesy received during the course of our audit.

Very truly yours,
RAYMOND G. PREUSSER, CPA, P.C.



Raymond G. Preusser

RGP/srp

See auditors' report.