

**SPACKENKILL UNION FREE
SCHOOL DISTRICT**

**FINANCIAL STATEMENT
AND SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2008

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 ended June 30, 2008, 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.

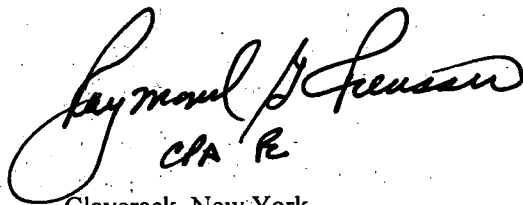
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2008, 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 October 7, 2008 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis 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. Scussan
CPA R

Claverack, New York
October 7, 2008

SPACKENKILL UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2008

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, 2008. 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.

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

Financial Statements

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, 2007 & 2008**

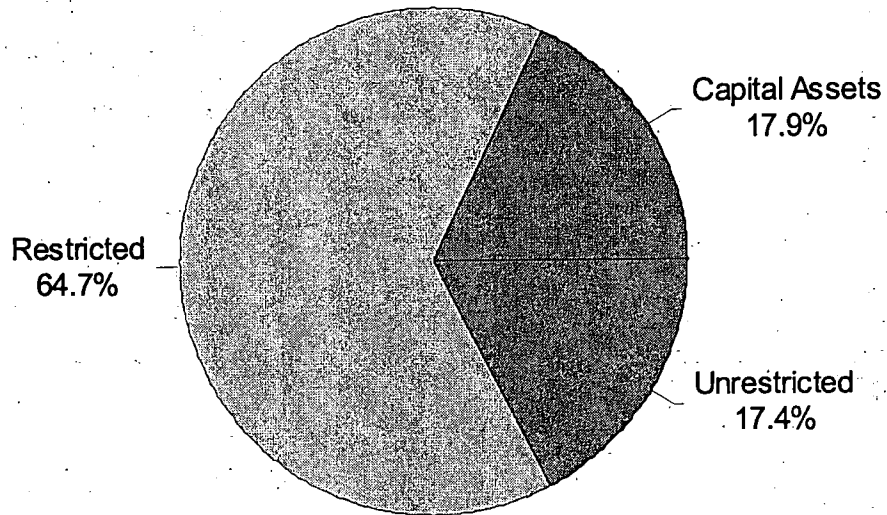
	<u>Governmental Activities</u>		Variance Increase Decrease)
	<u>2007</u>	<u>2008</u>	
Current Assets	\$8,955,708	\$10,557,913	\$1,602,205
Capital Assets	<u>9,431,811</u>	<u>10,501,105</u>	<u>1,069,294</u>
Total Assets	<u>18,387,519</u>	<u>21,059,018</u>	<u>2,671,499</u>
Current Liabilities	3,691,435	3,818,084	126,649
Long-term Obligations	<u>8,235,573</u>	<u>8,892,002</u>	<u>656,429</u>
Total Liabilities	<u>11,927,008</u>	<u>12,710,086</u>	<u>783,078</u>
Net Assets:			
Investments in capital assets, net of related debt	1,805,348	1,498,508	-306,840
Restricted for encumbrances	447,812	179,466	-268,346
Restricted for other specific purposes	3,331,038	4,026,841	695,803
Restricted for subsequent year's expenditures	1,195,000	1,195,000	0
Unrestricted (deficit)	<u>(318,687)</u>	<u>1,449,117</u>	<u>1,767,804</u>
Total Net Assets	<u>\$ 6,460,511</u>	<u>\$8,348,932</u>	<u>\$1,888,421</u>

Maintaining adequate fund balance has several internal benefits. Fund balance can 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 on the following page, of the District's net assets in 2008, 17.95% 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 form other sources. Capital assets themselves cannot be used to liquidate these liabilities.

Of the remaining net assets for the period ending 2008, 64.69%, 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 balance of net assets for the period was available to meet the District's ongoing obligation to provide educational services. This represents 17.36% of total net assets.

Spackenkill Union Free School District's Net Assets

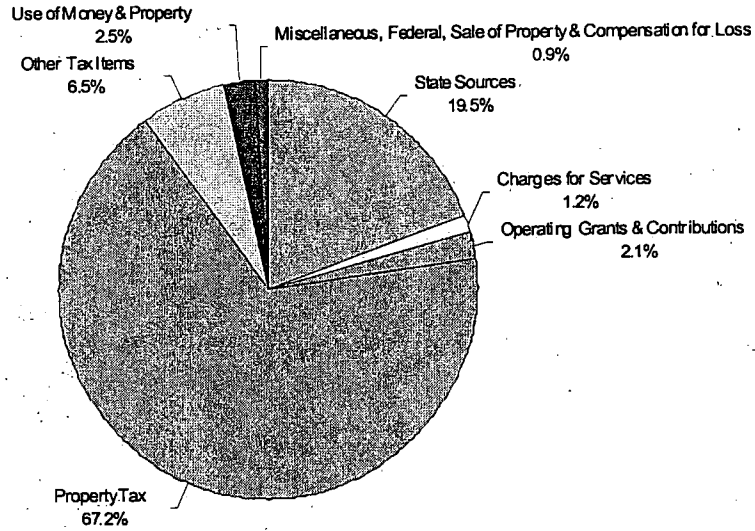


**Spackenkill Union Free School District's
Changes in Net Assets
For the Years Ended June 30, 2007 & 2008**

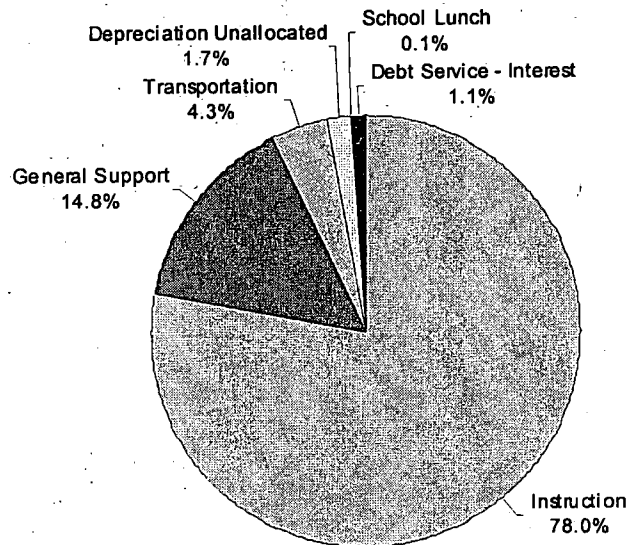
	<u>Governmental Activities</u>		Variance Increase (Decrease)
	<u>2007</u>	<u>2008</u>	
<u>Program Revenues:</u>			
Charges for Services	\$ 446,701	\$ 422,467	\$ -24,234
Operating Grants and Contributions	638,057	724,458	86,401
Total Program Revenues	<u>\$ 1,084,758</u>	<u>\$ 1,146,925</u>	<u>\$ 62,167</u>
<u>General Revenues:</u>			
Real Property Taxes	\$22,214,284	\$ 23,105,393	\$ 891,109
Other Tax Items	2,388,990	2,240,612	-148,378
Use of Money and Property	957,672	861,561	-96,111
Sale of Property and Compensation for Loss	50	62,181	62,131
Miscellaneous	212,759	244,601	31,842
State Sources	5,528,771	6,709,273	1,180,502
Federal Sources	4,430	13,713	9,283
Total General Revenues	<u>\$31,306,956</u>	<u>\$33,237,334</u>	<u>\$ 1,930,378</u>
<u>Expenses:</u>			
Instruction	\$24,337,043	\$24,444,874	\$ 107,831
Support Services:			
General Support	4,371,782	4,622,375	250,593
Pupil Transportation	1,375,623	1,356,486	-19,137
Debt Service- Interest	415,660	337,620	-78,040
Depreciation – Unallocated	518,995	546,838	27,843
School Lunch	30,328	40,720	10,392
Total General Expenses	<u>31,049,431</u>	<u>31,348,913</u>	<u>299,482</u>
Change in Net Assets	<u>\$ 257,525</u>	<u>\$ 1,888,421</u>	<u>\$ 1,630,896</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, 2008



Districtwide Expenses by Function
For the Year Ended June 30, 2008



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 \$7,258,012, an increase of \$1,551,137 over the prior year. Of the total combined fund balances, \$3,051,705 constitutes unreserved fund balance, of which \$1,195,000 has been designated for use in the 2008-2009 budget. The balance of \$1,856,705 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	\$ 179,466
Capital Reserve - Buses	\$ 52,737
Workers' Compensation Reserve	\$ 454,783
Unemployment Insurance Reserve	\$ 128,942
Insurance Reserve	\$ 500,000
Reserve for Tax Certiorari	\$2,265,379
Reserve for Employee Benefits	<u>\$ 625,000</u>
	\$4,206,307

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 \$6,788,970 of which \$1,387,663 was unreserved and undesignated. As previously mentioned, New York State Law limits the amount of unreserved fund balance that can be retained to 4% 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 \$831,789 during the current fiscal year. Key factors in the increase were additional State Aid received, increased interest earnings over projections and savings in expenditures for health insurance due to a premium holiday.

General Fund Budgetary Highlights

The difference between the general fund's original budget and final amended budget was \$682,184. This change is attributable to the carryover of encumbrances from 2006-2007 and the appropriation of the Capital, Tax Certiorari, Worker's Compensation & Employee Benefits Reserves.

Capital Asset and Debt Administration

The District's capital assets (net of accumulated depreciation) as of June 30, 2008 are as follows:

	<u>June 30, 2008</u>
Land	\$ 121,545
Buildings & Improvements	\$ 9,953,647
Machinery & Equipment	\$ 139,428
Vehicles	<u>\$ 286,485</u>
	<u>\$ 10,501,105</u>

Obligations: The District had total debt including serial bonds, and other obligations outstanding of \$9,410,185 as of June 30, 2008 (an increase of \$1,707,510 over the previous year).

	<u>June 30, 2008</u>
Serial Bonds	\$ 8,975,000
Energy Performance Contract	\$ 435,185

Our current bond rating is an Aaa. Section 104.00 of the Local Finance Law limits the amount of general obligation debt that a school district may issue to 10 percents of its total assessed valuation. The current debt limitation for the District 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).

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future.

Global Economic Condition

The state of the economy and financial markets have generated significant changes in the banking and financial system that could impact state funding for education, the local tax base, and public support for public education through property taxes. The District is prepared for a short term downturn in the economy. Longer term, systemic changes in economic conditions would require a reevaluation of revenue sources and amounts and a reevaluation of educational offerings.

Tax certiorari liabilities and reserves

The recent re-evaluation of properties in the District has generated a significant level of tax certiorari activity. The District's Tax Cert Reserve is sufficient to meet the majority of potential obligations. To the extent Tax Certiorari challenges are unsuccessful, funds in the reserve would be available to meet short term or future disruptions of revenue streams brought about by recent economic conditions.

Facilities

The District's High School is nearing 40 years of age and has gone without a major upgrade. Repairing or replacing major systems in the building represents a significant priority. Once replaced, upgraded systems should positively impact operating costs, particularly those associated with fuel consumption.

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.spackenkillschools.org

SPACKENKILL UNION FREE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2008

ASSETS

Current Assets:

Unrestricted cash	\$ 9,442,428
Restricted cash	138
State and federal aid receivable	494,619
Other receivables, net	65,033
Due from other governments	534,876
Due from fiduciary funds	13,402
Inventories	7,417
Total Current Assets	10,557,913

Noncurrent Assets:

Capital assets, net depreciation	10,501,105
Total Noncurrent Assets	10,501,105

Total Assets

21,059,018

LIABILITIES

Current Liabilities:

Accounts payable	175,876
Accrued liabilities	1,314,840
Bond interest and matured bonds	138
Due to other governments	282,315
Deferred revenues - other	23,465
Due to teachers' retirement system	1,446,107
Due to employees' retirement system	57,160
Bonds payable	495,000
Capital lease	23,183
Total Current Liabilities	3,818,084

Noncurrent Liabilities:

Bonds payable	8,480,000
Capital lease	412,002
Total Noncurrent Liabilities	8,892,002

Total Liabilities

12,710,086

NET ASSETS

Investment in capital assets, net of related debt	1,498,508
Restricted for:	
Encumbrances	179,466
Capital-buses	52,737
Tax certiorari	2,265,379
Employee benefits	625,000
Workers' comp., unemployment & insurance	1,083,725
Subsequent year's expenditures	1,195,000
Unrestricted	1,449,117
Total Net Assets	\$ 8,348,932

See auditors' report. See notes to financial statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For Year Ended June 30, 2008

	Expenses	Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS					
General support	\$ 3,947,761	\$ 674,614	\$ -	\$ -	\$ (4,622,375)
Instruction	19,005,805	6,030,022	44,563	546,390	(24,444,874)
Pupil transportation	1,289,433	110,800	-	43,747	(1,356,486)
Depreciation, unallocated	546,838	-	-	-	(546,838)
Employee benefits	6,920,458	(6,920,458)	-	-	-
Debt service-Interest	337,620	-	-	-	(337,620)
School lunch program	447,923	105,022	377,904	134,321	(40,720)
Total Functions and Programs	\$ 32,495,838	\$ -	\$ 422,467	\$ 724,458	(31,348,913)
GENERAL REVENUES					
Real property taxes					23,105,393
Other tax items					2,240,612
Use of money and property					861,561
Sale of property and compensation for loss					62,181
Miscellaneous					244,601
State sources					6,709,273
Federal-medicaid reimbursement					13,713
Total General Revenues					33,237,334
Change in Net Assets					1,888,421
Total Net Assets - Beginning of year					6,460,511
Total Net Assets - End of year					\$ 8,348,932

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, 2008

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Assets Totals
ASSETS				
Unrestricted cash	\$ 9,442,428	\$ -	\$ -	\$ 9,442,428
Restricted cash	138	-	-	138
Accounts receivable	65,033	-	-	65,033
State and federal aid receivable	494,619	-	-	494,619
Due from other funds	280,229	-	(280,229)	-
Due from other governments	534,876	-	-	534,876
Inventories	7,417	-	-	7,417
Due from fiduciary funds	-	-	13,402	13,402
Capital assets, (net)	-	10,501,105	-	10,501,105
	<u>\$ 10,824,740</u>	<u>\$ 10,501,105</u>	<u>\$ (266,827)</u>	<u>\$ 21,059,018</u>
Total Assets				
LIABILITIES				
Accounts payable	\$ 175,876	\$ -	\$ -	\$ 175,876
Accrued liabilities	1,314,840	-	-	1,314,840
Bonds payable	-	8,975,000	-	8,975,000
Capital lease	-	435,185	-	435,185
Bond interest and matured bonds payable	138	-	-	138
Due to other funds	266,827	-	(266,827)	-
Due to other governments	282,315	-	-	282,315
Due to teachers' retirement system	1,446,107	-	-	1,446,107
Due to employees' retirement system	57,160	-	-	57,160
Compensated absences payable	-	-	-	-
Deferred revenues	23,465	-	-	23,465
	<u>3,566,728</u>	<u>9,410,185</u>	<u>(266,827)</u>	<u>12,710,086</u>
Total Liabilities				
FUND EQUITY\NET ASSETS				
Total Fund Equity\Net Assets	<u>7,258,012</u>	<u>1,090,920</u>	<u>-</u>	<u>8,348,932</u>
Total Liabilities, Equity and Other Credits	<u>\$ 10,824,740</u>	<u>\$ 10,501,105</u>	<u>\$ (266,827)</u>	<u>\$ 21,059,018</u>

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, 2008

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	\$ 23,105,393	\$ -	\$ -	\$ -	\$ 23,105,393
Other tax items	2,240,612	-	-	-	2,240,612
Charges for services	44,563	-	-	-	44,563
Use of money and property	861,947	-	-	-	861,947
Sale of property and compensation for loss	62,181	-	-	-	62,181
Miscellaneous	269,606	-	-	-	269,606
State sources	6,847,950	-	-	-	6,847,950
Federal-medicaid reimbursement	13,713	-	-	-	13,713
Federal sources	585,779	-	-	-	585,779
Sales - school lunch	352,515	-	-	-	352,515
Total Revenues	34,384,259	-	-	-	34,384,259
EXPENDITURES					
General support	3,985,733	-	(37,972)	-	3,947,761
Instruction	19,981,304	(975,499)	-	-	19,005,805
Pupil transportation	1,364,364	-	(74,931)	-	1,289,433
Depreciation	-	-	546,838	-	546,838
Employee benefits	6,920,458	-	-	-	6,920,458
Debt service					
Principal	442,490	-	-	(442,490)	-
Interest	337,620	-	-	-	337,620
School lunch program	447,923	-	-	-	447,923
Capital outlay	1,503,230	-	(1,503,230)	-	-
Total Expenditures	34,983,122	(975,499)	(1,069,295)	(442,490)	32,495,838
Excess (Deficiency) of Revenues Over Expenditures	(598,863)	975,499	1,069,295	442,490	1,888,421
OTHER SOURCES AND USES					
Proceeds from debt	2,150,000	-	-	(2,150,000)	-
Operating transfers in	115,383	(115,383)	-	-	-
Operating transfers (out)	(115,383)	115,383	-	-	-
Total Other Sources (Uses)	2,150,000	-	-	(2,150,000)	-
Net Change for the Year	\$ 1,551,137	\$ 975,499	\$ 1,069,295	\$ (1,707,510)	\$ 1,888,421

See auditors' report. See notes to financial statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT
BALANCE SHEET- GOVERNMENTAL FUNDS
June 30, 2008

	General	----- Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Unrestricted cash	\$ 8,934,367	\$ 2,649	\$ 36,370	\$ 33,584	\$ 435,458	\$ 9,442,428
Restricted cash	138	-	-	-	-	138
State and federal aid receivable	289,009	196,630	8,980	-	-	494,619
Due from other funds	252,596	-	-	27,633	-	280,229
Due from other governments	534,876	-	-	-	-	534,876
Accounts receivable	61,236	-	3,797	-	-	65,033
Inventories	-	-	7,417	-	-	7,417
Total Assets	\$ 10,072,222	\$ 199,279	\$ 56,564	\$ 61,217	\$ 435,458	\$ 10,824,740
LIABILITIES						
Accounts payable	\$ 175,876	\$ -	\$ -	\$ -	\$ -	\$ 175,876
Accrued liabilities	1,307,022	-	7,818	-	-	1,314,840
Bonds interest & matured bonds payable	138	-	-	-	-	138
Due to other funds	-	190,784	48,410	-	27,633	266,827
Due to other governments	273,484	8,495	336	-	-	282,315
Due to employee retirement system	57,160	-	-	-	-	57,160
Due to teacher retirement system	1,446,107	-	-	-	-	1,446,107
Deferred revenues	23,465	-	-	-	-	23,465
Total Liabilities	3,283,252	199,279	56,564	-	27,633	3,566,728
FUND EQUITY						
Reserved for encumbrances	179,466	-	-	-	-	179,466
Reserved for insurance	500,000	-	-	-	-	500,000
Reserved for tax certiorari	2,265,379	-	-	-	-	2,265,379
Reserved for workers' compensation	454,783	-	-	-	-	454,783
Reserved for unemployment insurance	128,942	-	-	-	-	128,942
Reserved for employee benefits	625,000	-	-	-	-	625,000
Capital reserve	52,737	-	-	-	-	52,737
Unreserved - Designated for subsequent year's expenditures	1,195,000	-	-	-	-	1,195,000
Unreserved - Undesignated	1,387,663	-	-	61,217	407,825	1,856,705
Total Fund Equity	6,788,970	-	-	61,217	407,825	7,258,012
Total Liabilities and Fund Equity	\$ 10,072,222	\$ 199,279	\$ 56,564	\$ 61,217	\$ 435,458	\$ 10,824,740

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, 2008

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 23,105,393	\$ -	\$ -	\$ -	\$ -	\$ 23,105,393
Other tax items	2,240,612	-	-	-	-	2,240,612
Charges for services	44,563	-	-	-	-	44,563
Use of money and property	831,619	-	386	29,942	-	861,947
Sale of property and compensation for loss	62,181	-	-	-	-	62,181
Miscellaneous	244,601	-	25,003	-	-	269,604
State sources	6,709,273	128,110	10,569	-	-	6,847,952
Federal sources	13,713	462,027	123,752	-	-	599,492
Sales	-	-	352,515	-	-	352,515
Total Revenues	33,251,955	590,137	512,225	29,942	-	34,384,259
EXPENDITURES						
General support	3,985,730	-	-	-	-	3,985,730
Instruction	19,413,826	567,480	-	-	-	19,981,306
Pupil transportation	1,309,681	54,684	-	-	-	1,364,365
Employee benefits	6,815,436	-	105,022	-	-	6,920,458
Debt service						
Principal	442,490	-	-	-	-	442,490
Interest	337,620	-	-	-	-	337,620
Cost of sales	-	-	447,923	-	-	447,923
Capital outlay	-	-	-	-	1,503,230	1,503,230
Total Expenditures	32,304,783	622,164	552,945	-	1,503,230	34,983,122
Excess (Deficiency) of Revenues Over Expenditures	947,172	(32,027)	(40,720)	29,942	(1,503,230)	(598,863)
OTHER SOURCES AND USES						
Proceeds from debt	-	-	-	-	2,150,000	2,150,000
Operating transfers in	-	32,027	83,356	-	-	115,383
Operating transfers (out)	(115,383)	-	-	-	-	(115,383)
Total Other Sources (Uses)	(115,383)	32,027	83,356	-	2,150,000	2,150,000
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	831,789	-	42,636	29,942	646,770	1,551,137
Fund Equity(deficit) - Beginning of year	5,957,181	-	(42,636)	31,275	(238,945)	5,706,875
Fund Equity - End of year	\$ 6,788,970	\$ -	\$ -	\$ 61,217	\$ 407,825	\$ 7,258,012

See auditors' report. See notes to financial statements.

**SPACKENKILL UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS- FIDUCIARY FUNDS**

June 30, 2008

	Private Purpose Trusts	Agency
ASSETS		
Cash	\$ 56,775	\$ 305,949
Total Assets	\$ 56,775	\$ 305,949
 LIABILITIES		
Extraclassroom activity balances	-	92,212
Due to governmental funds	-	13,402
Other liabilities	-	200,335
Total Liabilities	-	\$ 305,949
 NET ASSETS		
Reserved for scholarships	\$ 56,775	

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, 2008

	Private Purpose Trusts
ADDITIONS	
Contributions	\$ 3,369
DEDUCTIONS	
Scholarships and awards	3,400
Change in Net Assets	(31)
Net Assets - Beginning of year	56,806
Net Assets - End of year	\$ 56,775

See auditors' report. See notes to financial statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

The Spackenkill Union Free School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 5 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, as amended by GASB Statement 39, 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. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief 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. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds are included in these financial statements. The District accounts for assets held as an agent for various student organizations in an agency fund.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

B. Joint Venture

The Spackenkill Union Free School District participates in the Southern Westchester 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.

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 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 districts 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 their 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, 2008, the Spackenkill Union Free School District was billed \$3,231,376 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$929,266. Financial statements for the BOCES Aid are available from the BOCES administrative office.

C. Basis of Presentation

1. Districtwide Statements

The districtwide 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 nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

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)

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. 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas.

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.
- (2) **School Lunch Fund**- Used to account for transactions of the District's lunch and breakfast programs.
- (3) **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.
- (4) **Capital Projects Fund**- This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

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)

- (5) **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.

b. Fiduciary Funds

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 districtwide 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:

- (1) **Private Purpose Trust Funds-** These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.
- (2) **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 extracurricular activity funds and for payroll or employee withholding.

D. Measurement Focus and Basis of Accounting

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. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

I. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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 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. 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. 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.

F. Property Taxes

Real property taxes are levied by the Board of Education no later than September 1, and became a lien on August 27. Taxes are collected during the period September 7 to November 8.

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 District no later than the following April 1.

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

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

I. Summary of Significant Accounting Policies (Continued)

H. 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 districtwide 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 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 IV for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

J. Receivables

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.

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

I. Summary of Significant Accounting Policies (Continued)

L. Capital Assets

Capital assets are reflected in the districtwide financial statements. Capital assets are reported at historical cost or estimated historical costs, based on appraisals conducted by independent third-party professionals. 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.

Capital assets, except land, are depreciated on a straight-line basis over their estimated useful lives. Capitalization thresholds and estimated useful lives of capital assets reported in the districtwide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Site Improvements	\$ 5,000	20
Buildings and Improvements	\$ 5,000	15-50
Furniture and Equipment	\$ 5,000	5-20
Vehicles	\$ 5,000	5-8

M. 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, the liability has been calculated using the vested/termination method and an accrual for that liability is included in the districtwide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

I. Summary of Significant Accounting Policies (Continued)

M. Compensated Absences (Continued)

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

N. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the districtwide 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 reported are due in one-year or due within more than one year in the Statement of Net Assets.

O. 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 claims to the resources, the liability for deferred revenues is removed and revenues are recognized.

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

I. Summary of Significant Accounting Policies (Continued)

P. Other 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. Post-employment benefits aggregated \$894,438 for fiscal year ended June 30, 2008.

Q. Fund Balance- Reservations and Designations

Reservations of fund balances are created to either satisfy legal restrictions or to plan for future expenditures. A designation of unreserved fund balances in governmental funds indicates the use of these resources in the subsequent year's budget. The following is a description of the reserves utilized by the School District.

1. 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.

2. 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 the 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 the fiscal year, excess amounts may either be transferred to another reserve or applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the General Fund.

3. Unemployment Insurance Reserve

This reserve 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 applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the General Fund.

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

I. Summary of Significant Accounting Policies (Continued)

Q. Fund Balance- Reservations and Designations (Continued)

4. Employee Benefit Accrued Liability Reserve

This reserve is used to set aside funds for the payment of accrued employee benefits due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

5. Capital Reserve

This reserve 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 the reserve; the ultimate amount, its probable term and source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in 3651 of the 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 the 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.

7. 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.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

R. 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 is approved by the voters within the School District.
- c. Appropriations are adopted at the program level.
- 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 in the Schedule of Revenues and Expenditures-Budget and Actual, reflects budgeted and actual amounts for the General Fund which is a legally authorized (appropriated) budget.

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

II. Explanation of Certain Differences Between Governmental Fund Statements and Districtwide Statements

Due to differences in the measurement focus and basis of accounting used in the governmental fund statements and the districtwide 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.

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. Explanation of Certain Differences Between Governmental Fund Statements and Districtwide Statements (Continued)

1. Total Fund Balances of Governmental Funds vs. Net Assets of Governmental Activities:

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

2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities:

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories.

a. Long-term revenue differences:

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

b. Capital related differences:

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

c. Long-term debt transaction differences:

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

The costs of building and acquiring capital assets (land, buildings, and equipment) financed from 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 includes 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	<u>\$ 20,386,967</u>
Accumulated depreciation	<u>\$ 9,885,862</u>

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. Explanation of Certain Differences Between Governmental Fund Statements and Districtwide Statements (Continued)

Because the governmental funds focus on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example receivables) are offset by deferred revenue in the governmental funds, and thus are not included in fund balance. They are, however, included in the net assets of the governmental activities.

Long-term liabilities are reported in the Statement of Net Assets, but not in the governmental funds, because they are not due and payable in the current period. Balances at year-end were:

Bonds and notes payable	\$ 8,975,000
Capital lease	<u>\$ 435,185</u>

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation of \$546,838 was less than capital expenditures of \$1,616,132 in the current year.

Repayment of bond and capital lease principal of \$442,490 is an expenditure in the governmental funds, but it reduces the long-term liabilities in the Statement of Net Assets, and does not affect the Statement of Activities.

III. Cash and Investments

A. Deposits

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 United 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, 2008, the School District held \$6,820,759 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. The investment pool is categorically exempt from the New York State collateralization requirements.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. Interfund Transaction

Interfund balances at June 30, 2008, are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 252,596	\$ -	\$ -	\$ 115,383
Special Aid Fund	-	190,784	32,027	-
School Lunch Fund	-	48,410	83,356	-
Capital Fund	-	27,633	-	-
Debt Service Fund	27,633	-	-	-
Total governmental activities	<u>280,229</u>	<u>266,827</u>	<u>\$ 115,383</u>	<u>\$ 115,383</u>
Fiduciary Agency Fund	<u>-</u>	<u>13,402</u>		
Totals	<u>\$ 280,229</u>	<u>\$ 280,229</u>		

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

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. Capital Assets

A summary of changes in general fixed assets follows:

	Balance 7/1/2007	Additions	Deletions	Balance 6/30/2008
<u>Capital assets that are not depreciated:</u>				
Land	\$ 121,545	\$ -	\$ -	\$ 121,545
Construction in progress	315,395	-	315,395	-
Total capital assets that are not depreciated	436,940	-	315,395	121,545
<u>Other capital assets:</u>				
Buildings and improvements	16,808,766	1,818,624	-	18,627,390
Machinery and equipment	774,215	-	-	774,215
Buses	779,060	112,903	28,146	863,817
Total other capital assets	18,362,041	1,931,527	28,146	20,265,422
<u>Less accumulated depreciation:</u>				
Buildings and improvements	8,225,260	448,483	-	8,673,743
Machinery and equipment	594,130	40,657	-	634,787
Buses	547,780	57,698	28,146	577,332
Total accumulated depreciation	9,367,170	546,838	28,146	9,885,862
Other capital assets, net	8,994,871	1,384,689	-	10,379,560
Total	<u>\$ 9,431,811</u>	<u>\$ 1,384,689</u>	<u>\$ 315,395</u>	<u>\$ 10,501,105</u>

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. 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 (TRS), 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.

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.

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

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

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, 2008, 2007, and 2006 were 8.73%, 8.6%, and 7.97%, respectively. 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>
2008	\$ 238,488	\$ 1,324,041
2007	\$ 245,077	\$ 1,195,827
2006	\$ 247,997	\$ 860,563

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

VII. Long-Term Debt Obligations

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

1. Long-Term Debt Interest

Interest Paid	\$ 337,620
Less interest accrued in the prior year	-
Plus interest accrued in the current year	-
 Total expense	 <u>\$ 337,620</u>

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

VII. Long-Term Debt Obligations (Continued)

2. Changes

	Balance 7/1/2007	Additions	Deletions	Balance 6/30/2008	Amounts Due Within One Year
Serial Bonds	\$ 7,245,000	\$ 2,150,000	\$ 420,000	\$ 8,975,000	\$ 495,000
Compensated Absences	975,500	-	975,500	-	-
Energy Performance Contract	457,675	-	22,490	435,185	\$ 23,183
Totals	<u>\$ 8,678,175</u>	<u>\$ 2,150,000</u>	<u>\$ 1,417,990</u>	<u>\$ 9,410,185</u>	<u>\$</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 assets and the liability for the defeased bonds are not included in the District's financial statements.

3. Maturity

a. The following is a summary of the debt issued:

	Purpose	Issue Date	Final Maturity	Interest Rate	Outstanding 6/30/2008
Serial Bonds:	8th Issue	1989	2010	6.65%	\$ 50,000
	10th Issue	1994	2014	5.70%	425,000
	12th Issue	1999	2019	4.25%	2,700,000
	2001 Issue	2001	2021	4.75-5%	845,000
	2005 Issue	2005	2025	4.00%	2,805,000
	2007 Issue	2007	2022	4.12%	2,150,000
					<u>\$ 8,975,000</u>
Energy Performance Contract		2004	2022	3.71%	<u>\$ 435,185</u>

b. The following is a summary of maturing principal debt service requirements:

Year	Principal	Interest	Total
2009	\$ 495,000	\$ 436,818	\$ 931,818
2010	565,000	367,066	932,066
2011	560,000	341,731	901,731
2012	585,000	316,266	901,266
2013	605,000	261,984	866,984
2014 and thereafter	6,165,000	1,456,759	7,621,759
Total	<u>\$ 8,975,000</u>	<u>\$ 3,180,624</u>	<u>\$ 12,155,624</u>

See auditors' report.

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

VIII. Capital Lease

The Spackenkill Union Free School District entered into an Energy Performance Contract which is accounted for as a capital lease. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of minimum lease payments as of June 30, 2008.

Year Ending <u>June 30,</u>	<u>Long-Term Debt</u>
2009	39,149
2010	39,149
2011	39,149
2012	39,149
2013-2020	<u>404,955</u>
Minimum Lease Payments- Capital Leases	561,551
Less: Amount representing interest 3.71% per annum	<u>(126,366)</u>
Present Value- Minimum Lease Payments	<u><u>\$ 435,185</u></u>

IX. Commitments and Contingencies

A. 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.

2. Workers' Compensation Insurance

The Spackenkill Union Free School District participates in a risk-sharing pool, New York State Public Schools Statewide Workers' Compensation Trust, to insure workers' compensation claims. This is a public entity 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.

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

IX. Commitments and Contingencies (Continued)

B. Operating Leases

The School District leased storage containers under a year to year operating lease. Total rental expenditures on such leases for the fiscal year ended June 30, 2008 were approximately \$3,228.

C. 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.

D. 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 time. 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.

X. Other Disclosures

A. Prior Period Adjustment

The reconciliation of restated amounts to the June 30, 2007 year-end balance is:

Beginning net assets	\$	6,429,301
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The following adjustments are necessary to determine the beginning net assets for the Statement of Activities:

Capital assets		31,210
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Beginning net assets reported on Statement of Activities for governmental activities, July 1, 2007	\$	6,460,511
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B. Summary of Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

Total governmental fund balance	\$ 7,258,012
Capital assets, (net)	10,501,105
Bonds payable	(8,975,000)
Capital lease	(435,185)
Total net assets	\$ 8,348,932

See auditors' report.

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

X. Other Disclosures (Continued)

C. Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Equity to the Statement of Activities

Net changes in fund balance- total governmental funds	\$	1,551,137
Capital outlays are expenditures in governmental funds, but are capitalized in the Statement of Net Assets.		1,616,133
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the Statement of Activities.		(546,838)
Repayments of Long-term Debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the Statement of Net Assets.		442,490
Proceeds from debt are a revenue in governmental funds, but are recorded as liabilities in the Statement of Net Assets		(2,150,000)
Certain expenses in the Statement of Activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds. Compensated absences was entirely reserved in prior year treated as a Long-Term Debt.		975,499
Change in Net Assets- Governmental Activities	\$	1,888,421

D. Interfund Transfer

The 2007-2008 interfund transfer budget was increased as follows:

Original Budget	\$	35,000
Revisions:		
School Lunch Program		48,356
Special Aid- Summer Handicap Program		32,027
Revised Budget	\$	115,383

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, 2008

Original Budget \$ 32,751,329

Additions:

Prior year's encumbrances	\$ 447,909	
Budget revision -Tax certiorari	22,036	
-Employee benefits	98,278	
-Unemployment insurance	1,058	
-Bus/Vehicle purchase	112,903	
		682,184

Revised Budget \$ 33,433,513

USE OF UNRESERVED FUND BALANCE

Unreserved Fund Balance -
As of the beginning of the year \$ 2,178,331

Less:

Designated fund balance used for the levy of taxes - Original budget		1,195,000
---	--	-----------

Undesignated Fund Balance -
As of the beginning of the year \$ 983,331

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

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Unexpended Balance	Methods of Financing		Fund Balance June 30, 2008
			Prior Years	Current Year	Total		Proceeds of Obligations	Total	
Capital Improvement	\$ 2,950,000	\$ 2,950,000	\$ 2,873,788	\$ 56,608	\$ 2,930,396	\$ 19,604	\$ 2,950,000	\$ 2,950,000	\$ 19,604
Capital Improvement-High School	2,150,000	2,150,000	315,395	1,446,622	1,762,017	387,983	2,150,000	2,150,000	387,983
Totals	<u>\$ 5,100,000</u>	<u>\$ 5,100,000</u>	<u>\$ 3,189,183</u>	<u>\$ 1,503,230</u>	<u>\$ 4,692,413</u>	<u>\$ 407,587</u>	<u>\$ 5,100,000</u>	<u>\$ 5,100,000</u>	<u>\$ 407,587</u>

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, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property taxes	\$ 23,105,717	\$ 23,105,717	\$ 23,105,393	\$ (324)
Other tax items	2,240,612	2,240,612	2,240,612	-
Charges for services	50,000	50,000	44,563	(5,437)
Use of money and property	670,000	670,000	831,619	161,619
Sale of property and compensation for loss	-	-	62,181	62,181
Miscellaneous	130,000	130,000	244,601	114,601
Total Local Sources	<u>26,196,329</u>	<u>26,196,329</u>	<u>26,528,969</u>	<u>332,640</u>
State Sources	5,360,000	5,360,000	6,709,273	1,349,273
Federal Sources	-	-	13,713	13,713
Total Revenues	<u>31,556,329</u>	<u>31,556,329</u>	<u>33,251,955</u>	<u>\$ 1,695,626</u>
Appropriated Reserve	-	682,184		
Appropriated Fund Balance	<u>1,195,000</u>	<u>1,195,000</u>		
Total Revenues and Appropriated Reserve and Fund Balance	<u>\$ 32,751,329</u>	<u>\$ 33,433,513</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, 2008

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES					
General Support					
Board of education	\$ 59,607	\$ 61,059	\$ 55,435	\$ 210	\$ 5,414
Central administration	240,529	254,068	253,567	75	426
Finance	457,120	482,168	466,277	8,609	7,282
Staff	184,887	200,446	187,857	9,026	3,563
Central services	2,559,879	2,760,956	2,630,575	67,788	62,593
Special items	376,500	397,101	392,019	-	5,082
Total General Support	3,878,522	4,155,798	3,985,730	85,708	84,360
Instruction					
Instruction, administration and improvement	1,390,900	1,439,263	1,420,787	5,425	13,051
Teaching - regular school	11,171,250	11,037,349	10,853,559	40,265	143,525
Programs for children with handicapping conditions	3,155,100	3,104,102	3,080,671	2,067	21,364
Occupational education	265,000	251,360	251,360	-	-
Teaching - special school	141,805	157,349	153,093	-	4,256
Instructional media	1,301,334	1,844,899	1,811,650	8,312	24,937
Pupil services	1,910,221	1,890,978	1,842,706	34,789	13,483
Total Instructional	19,335,610	19,725,300	19,413,826	90,858	220,616
Pupil Transportation	1,331,100	1,357,553	1,309,681	2,900	44,972
Employee Benefits	7,390,175	7,298,556	6,815,436	-	483,120
Debt Service					
Principal	443,000	443,000	442,490	-	510
Interest	337,922	337,923	337,620	-	303
Total Expenditures	32,716,329	33,318,130	32,304,783	179,466	833,881
OTHER USES					
Operating transfers out	35,000	115,383	115,383	-	-
Total Expenditures and Other Uses	\$ 32,751,329	\$ 33,433,513	32,420,166	\$ 179,466	\$ 833,881
Excess of Revenues and Other Sources Over Expenditures and Other Uses			\$ 831,789		

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, 2008

	<u>Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
REVENUES			
Real Property Taxes	A -1001	\$ 23,105,393	\$ 23,105,393
Non-Property Taxes	AT-1199	\$ -	\$ -
State Aid	AT-3999	\$ 6,709,273	\$ 6,709,273
Federal Aid	AT-4999	\$ 13,713	\$ 13,713
Total Revenues	AT-5999	\$ 33,251,955	\$ 33,251,955
EXPENDITURES			
General Support	AT-1999	\$ 3,985,733	\$ 3,985,730 *
Pupil Transportation	AT-5599	\$ 1,309,680	\$ 1,309,681 *
Debt Service - Principal	AT-9798.6	\$ 442,490	\$ 442,490
Debt Service - Interest	AT-9798.7	\$ 337,620	\$ 337,620
Total Expenditures	AT-9999	\$ 32,420,166	\$ 32,420,166

*- Rounding

SPACKENKILL UNION FREE SCHOOL DISTRICT
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2008

Capital assets, net		\$ 10,501,105
Deduct:		
Short-term portion of capital lease	\$ 23,183	
Long-term portion of capital lease	412,002	
Short-term portion of bonds payable	495,000	
Long-term portion of bonds payable	8,480,000	
Less: unspent bond proceeds	<u>(407,588)</u>	<u>9,002,597</u>
Investment in capital assets, net of related debt		<u>\$ 1,498,508</u>

See auditors' report. See notes to financial statements.

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

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Claverack, New York 12513

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

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, 2008 and have issued our report thereon dated October 7, 2008. 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.

Internal Control Over Financial Reporting:

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Spackenkill Union Free School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Spackenkill Union Free School District's financial statements that is more than inconsequential will not be prevented or detected by the Spackenkill Union Free School District's internal control.

See auditors' report.

Internal Control Over Financial Reporting: (Continued)

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

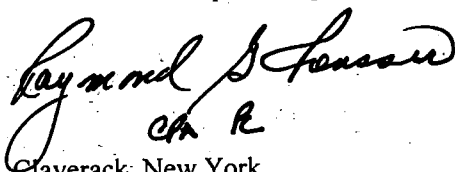
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies 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 Spackenkill Manor Union Free School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters that we reported to management in our accompanying management letter.

This report is intended solely for the information and use of the Board of Education, management, the audit committee, 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.


Raymond J. Lussier
CPA R

Claverack, New York
October 7, 2008

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

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Claverack, New York 12513

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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, 2008, and have reported thereon under date of October 7, 2008. As an inherent part of our audit, we reviewed those accounting procedures and internal controls used to effect the accurate and suitable recording and summarization of authorized financial transactions.

As a result of such review, we are submitting for your consideration a memorandum of suggestions intended to improve internal control and to achieve certain operating efficiencies. Such suggestions are listed by subject, rather than in order of importance, and refer exclusively to accounting principles and operating techniques. Please understand that our comments should not be construed as a reflection upon the integrity, competence or character of your personnel, but are made solely to assist you in improving operations.

After you have had the opportunity to review the accompanying comments and recommendations, we shall be pleased to discuss any questions you might have.

Documentation of Invoice Processing:

An important element of the auditor's function is to perform a proper evaluation of the existing system of internal control in order to determine the degree of reliance which may be placed on the system in performing the various auditing procedures. As part of our audit of the School District's financial statements, we reviewed, evaluated and tested the controls with respect to purchasing.

During our audit, we noted a couple of instances where the purchase orders were not properly completed by the district.

We recommend that each payment packet contains all necessary authorization and documentation to determine that the claim is a necessary school district expense.

See auditors' report.

Claims Auditor:

A Claims Auditor who is properly trained and motivated presents a protective shield for the District's resources. The claims auditing process is an integral part of the District's internal control, assuring that only claims that are proper charges against the District are paid. Once a Claims Auditor is appointed and until the position is abolished, the Board no longer has the authority to audit or approve District bills. This duty and responsibility has been delegated to the Claims Auditor. The Claims Auditor is directly responsible to the Board. Further, the Board should direct the Claims Auditor to provide reports in the format that the Board desires, as well as establish the frequency of such reports.

Since this position is of great importance, we recommend that the Board receive monthly reports in some form from the Claims Auditor.

Information Technology:

During our audit, we noted that the District does not have a formal IT disaster recovery plan kept on file in the District Office. The District contracts this service with BOCES.

We recommend that the District have a written copy on file in the District Office as well as copies to give to all applicable employees.

Issues Related to Changing Environment:

It was noted that there is no Business Office Procedures Manual in place. The District operates in a complex or frequently changing compliance environment. The risk to the District is that as compliance regulations change, complexities place task burdens on the District employees. The complexity of the tasks increases the risk that the District could feel adverse consequences if it were to lose a key person in the Business Office with no written procedures to be followed by a new employee.

We recommend that the District document all critical financial processes. These process documents should be reviewed for accuracy and completeness. Once prepared, employees should be required to maintain the documents in a manner that reflects any changes to the procedures.

Investment Policy:

In light of the current financial crisis, we suggest a review of the District's collateralization of deposits (eligible securities to secure District's deposits) and the permitted investments in the current policy.

School Lunch Fund:

During our audit, we noted the following:

1. The Fund reduced the deficit of \$42,636 to \$0, at June 30, 2008. It is imperative that the cafeteria operation be maintained on a "break-even" or profitable basis.
2. The Fund is indebted to the General Fund in the amount of \$48,410 at June 30, 2008, with insufficient funds to repay. The deficiency is computed as follows:

Cash	\$ 36,370
Receivables	<u>12,777</u>
Funds Available	49,147
Liabilities	<u>(56,564)</u>
Cash deficiency	<u>\$ (7,417)</u>

We urge the District to continue to monitor the revenues and expenditures closely.

Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions (GASB #45):

GASB #45 addresses how school districts should account for and report their costs and obligations related to post employment healthcare and other non-pension benefits. These benefits create a commitment of future resources that are seldom measured, let alone disclosed in the financial statements, since they are typically accounted for and reported on a "pay-as-you-go" basis. The objective of GASB #45 is to recognize the cost of OPEB systematically, over the term of employment.

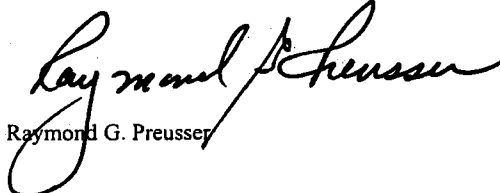
For financial statements prepared on the modified accrual basis (governmental funds), there will be no change to the accounting and reporting of OPEB expenditures. However, for financial statements prepared on the accrual basis- the districtwide statements under GASB #34 will use actuarial methods and assumptions to value the projected benefits and establish an annual expense.

GASB #45 will be phased in over three years based on the district's revenues in the first fiscal year ending after June 15, 1999, similar to the approach taken in GASB #34.

Phase 1	Revenues of \$100 million or more	June 30, 2008
Phase 2	Revenues of \$10 million or more but less than \$100 million	June 30, 2009
Phase 3	Revenues less than \$10 million	June 30, 2010

We would like to acknowledge the Business Office personnel for their courtesies received during the course of our audit.

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



Raymond G. Preusser

RGP/srp