

**SPACKENKILL UNION FREE
SCHOOL DISTRICT**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2009

SPACKENKILL UNION FREE SCHOOL DISTRICT

TABLE OF CONTENTS

	Page
Introduction:	
Independent Auditors' Report	
Management's Discussion and Analysis	MDA1-MDA8
Basic Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets	3
Reconciliation of Governmental Funds Revenues, Expenditures and Changes in Fund Equity to the Statement of Activities	4
Balance Sheet- Governmental Funds	5
Statement of Revenues, Expenditures and Changes in Fund Equity- Governmental Funds	6
Statement of Fiduciary Net Assets	7
Statement of Changes in Fiduciary Net Assets	8
Notes to Basic Financial Statements	9-30
Required Supplemental Information:	
Schedule of Revenues, Other Sources, Expenditures and Other Uses Compared to Budget- General Fund	31-32
Supplemental Information:	
Schedule of Change From Original Budget to Revised Budget- General Fund	33
Schedule of Use of Fund Balance as of the Beginning of Year- General Fund	33
Schedule of Project Expenditures- Capital Projects Fund	34
Schedule of Certain Revenues and Expenditures Compared to ST-3 Data	35
Schedule of Investment in Capital Assets, Net of Related Debt	36
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37-38
Management Letter	39-40

RAYMOND G. PREUSSER, CPA,P.C.

Certified Public Accountants

P.O. Box 538

Claverack, New York 12513

Telephone: (518) 851-6650

Fax: (518) 851-6675

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the Spackenkill Union Free School District, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on the financial statements based on our audit.

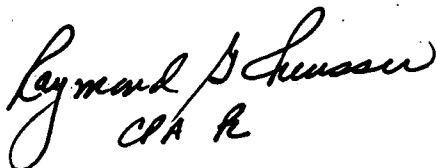
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and 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 respective financial position of the governmental activities, each major fund and the fiduciary funds of the Spackenkill Union Free School District as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2009 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 and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Spackenkill Union Free School District's basic financial statements. The other supplementary information is not a required part of the basic financial statements but is supplementary information required by the New York State Education Department. We have applied certain limited, procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the other supplementary information. However, we did not audit the information and express no opinion on it.


CPA R

Claverack, New York
October 15, 2009

SPACKENKILL UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2009

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, 2009. 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, 2008 & 2009

	<u>Governmental Activities</u>		Variance Increase Decrease)
	<u>2008</u>	<u>2009</u>	
Current Assets	\$10,557,913	\$12,462,060	\$1,904,147
Capital Assets	<u>10,501,105</u>	<u>10,162,894</u>	<u>(338,211)</u>
Total Assets	<u>21,059,018</u>	<u>22,624,954</u>	<u>1,565,936</u>
Current Liabilities	3,818,084	3,909,510	91,426
Long-term Obligations	<u>8,892,002</u>	<u>9,757,440</u>	<u>865,438</u>
Total Liabilities	<u>12,710,086</u>	<u>13,666,950</u>	<u>956,864</u>
Net Assets:			
Investments in capital assets, net of related debt	1,498,508	1,637,395	138,887
Restricted for encumbrances	179,466	216,159	36,693
Restricted for other specific purposes	4,026,841	6,397,972	2,371,131
Restricted for subsequent year's expenditures	1,195,000	802,250	(392,750)
Unrestricted (deficit)	<u>1,449,117</u>	<u>(95,772)</u>	<u>(1,544,889)</u>
Total Net Assets	<u>\$ 8,348,932</u>	<u>\$8,958,004</u>	<u>\$ 609,072</u>

Maintaining adequate fund balance has several internal benefits. Fund balance can provide 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.

For the period ending 2009, 18.28% of the District's Net Assets are associated with 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.

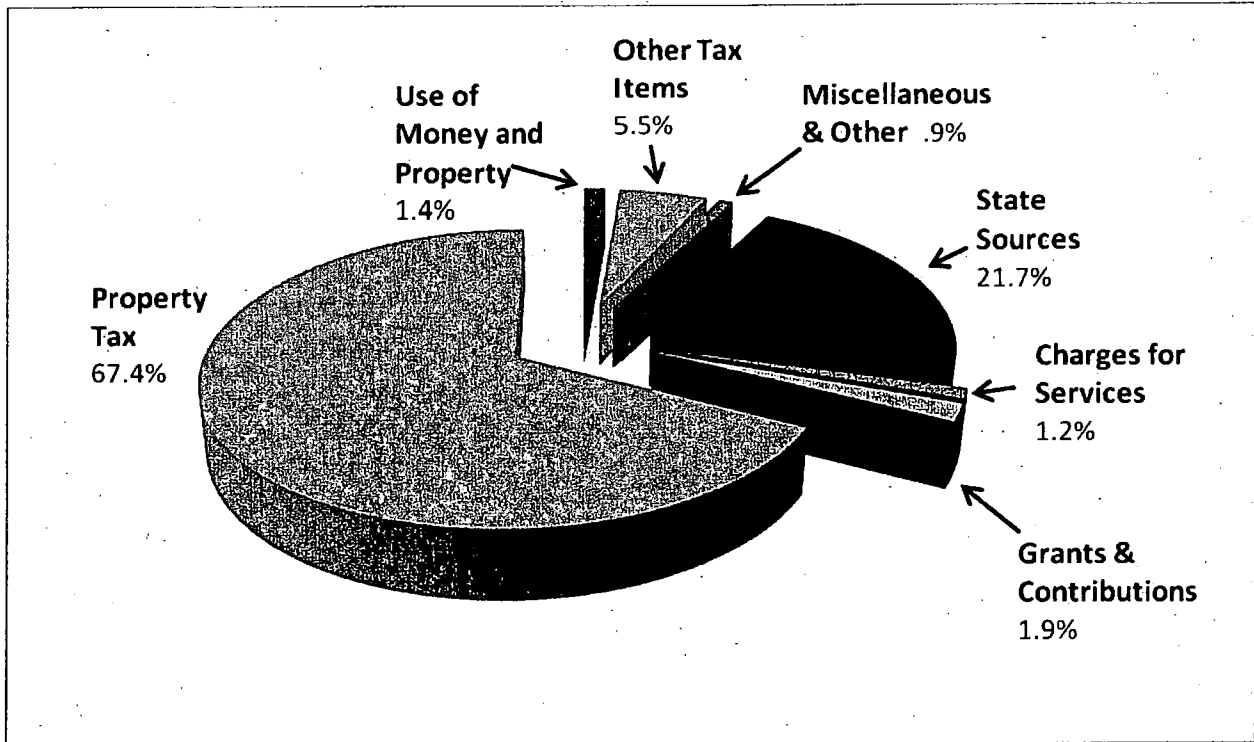
For the period ending 2009, 82.79% of net assets represents resources that are subject to external restrictions on how they may be used (e.g., capital projects, debt services and other specified purposes). \$4,442,097 or 67% of restricted net assets are dedicated to offset potential claim payments associated with Tax Certiorari proceedings. While overall Net Assets increased by \$609,072, unrestricted assets decreased by \$1,544,889. Of this amount, 1,458,905 is associated with a new requirement to account for long term obligations associated with post employment benefits. There are currently no provisions in state law permitting school districts to allocate reserve funds to offset this long term obligation.

**Spackenkill Union Free School District's
Changes in Net Assets
For the Years Ended June 30, 2008 & 2009**

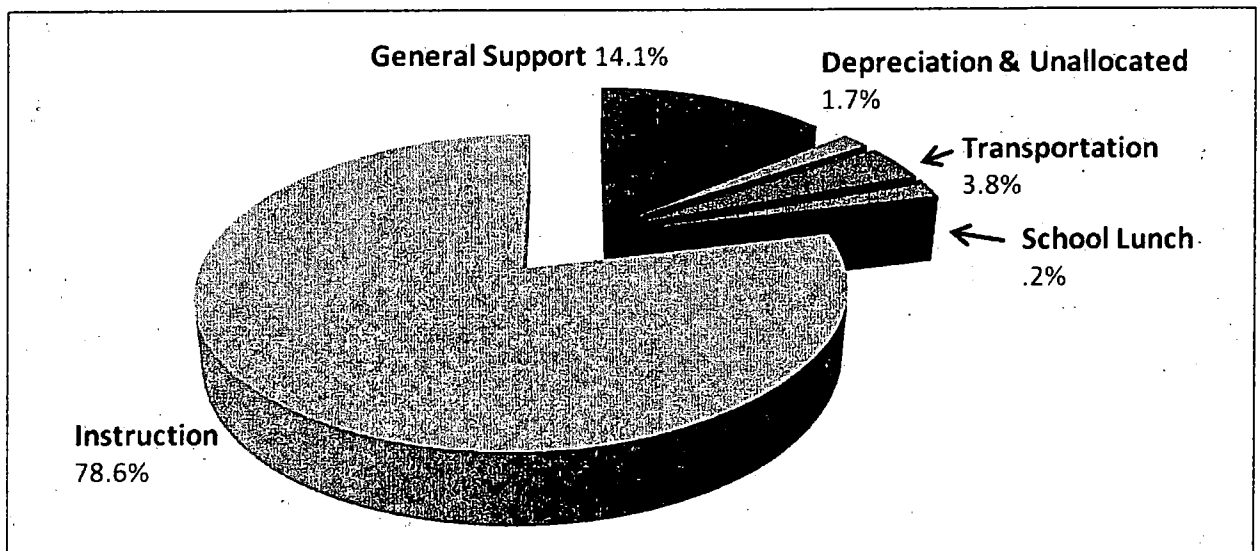
	<u>Governmental Activities</u>		Variance
	<u>2008</u>	<u>2009</u>	Increase (Decrease)
<u>Program Revenues:</u>			
Charges for Services	\$ 422,467	\$ 437,566	\$ 15,099
Operating Grants and Contributions	724,458	700,226	(24,232)
Total Program Revenues	<u>\$ 1,146,925</u>	<u>\$1,137,792</u>	<u>\$ (9,133)</u>
<u>General Revenues:</u>			
Real Property Taxes	\$23,105,393	\$ 24,456,919	1,351,526
Other Tax Items	2,240,612	2,006,760	(233,852)
Use of Money and Property	861,561	495,983	(365,578)
Sale of Property and Compensation for Loss	62,181	600	(61,581)
Miscellaneous	244,601	313,061	68,460
State Sources	6,709,273	7,862,444	1,153,171
Federal Sources	13,713	6,302	(7,411)
Total General Revenues	<u>\$33,237,334</u>	<u>\$35,142,069</u>	<u>\$ 1,904,735</u>
<u>Expenses:</u>			
Instruction	\$24,444,874	\$27,126,762	\$2,681,888
Support Services:			
General Support	4,622,375	4,854,206	231,831
Pupil Transportation	1,356,486	1,323,413	(33,073)
Debt Service- Interest	337,620	571,812	234,192
Depreciation – Unallocated	546,838	594,129	47,291
School Lunch	40,720	62,675	21,955
Total General Expenses	<u>31,348,913</u>	<u>34,532,997</u>	<u>3,184,084</u>
Change in Net Assets	<u>\$ 1,888,421</u>	<u>\$ 609,072</u>	<u>\$(1,279,349)</u>

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

**District-wide Revenues by Source
For the Year Ended June 30, 2009**



**District-wide Expenses by Function
For the Year Ended June 30, 2009**



As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with 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 \$9,267,249, an increase of \$2,009,237 over the prior year. Of the total combined fund balances, \$2,653,118 constitutes unreserved fund balance, of which \$802,250 has been designated for use in the 2009-2010 budget. The balance of \$1,850,868 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	\$ 216,159
Capital Reserve - Buses	\$ 250,000
Workmen's Compensation Reserve	\$ 454,783
Unemployment Insurance Reserve	\$ 126,092
Insurance Reserve	\$ 500,000
Reserve for Tax Certiorari	\$4,442,097
Reserve for Employee Benefits	<u>\$ 625,000</u>
	\$6,614,131

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 \$8,868,463 of which \$1,452,102 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 \$2,079,513 during the current fiscal year. Key factors affecting fund balance include revenues in excess of projections, particularly in the area of revenues from state sources. Actual expenses were below projections, particularly due to a slow-down in expenditures on technology.

General Fund Budgetary Highlights

The difference between the general fund's original budget and final amended budget was \$345,483. This change is attributable to the carryover of encumbrances from 2007-2008, grants and donations, and the appropriation of the Capital, Tax Certiorari, and Unemployment Insurance Reserves.

Capital Asset and Debt Administration

The District's capital assets (net of accumulated depreciation) as of June 30, 2009 are as follows:

	<u>June 30, 2009</u>
Land	\$ 121,545
Construction in Progress	\$ 130,078
Buildings & Improvements	\$ 9,510,397
Machinery & Equipment	\$ 98,771
Vehicles	<u>\$ 302,103</u>
	<u>\$ 10,162,894</u>

Obligations: The District had total debt including serial bonds, and other obligations outstanding of \$10,349,535 as of June 30, 2009 (an increase of \$939,350 over the previous year).

	<u>June 30, 2009</u>
Serial Bonds	\$ 8,480,000
Energy Performance Contract	\$ 410,630
OPEB	\$ 1,458,905

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 is having a significant impact on the state's fiscal condition. While federal funding has compensated for the state's financial condition, continued downward pressure on state revenues could have a negative impact on the District's revenues from state sources. The District is prepared for continued economic decline in the short term. 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 District is experiencing an unusual level of tax certiorari activity and requests by business property owners to enter into PILOT agreements. The District's Tax Cert Reserve is sufficient to meet a significant portion of potential obligations should judgments be awarded. To the extent Tax Certiorari challenges are unsuccessful, funds in the reserve would be available to address short term or future disruptions of revenue streams brought about by economic conditions.

Facilities

The District's High School is nearing 40 years of age. On February 17, 2009, voters approved alterations and additions to the school in the amount of \$13,934,000. The project includes several updates to key building systems and should reduce operating costs over the long term, 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, 2009

ASSETS

Current Assets:

Unrestricted cash	\$ 4,964,620
Restricted cash	6,398,110
State and federal aid receivable	402,070
Other receivables, net	69,217
Due from other governments	611,384
Due from fiduciary funds	5,334
Inventories	11,325
Total Current Assets	<u>12,462,060</u>

Noncurrent Assets:

Capital assets, net depreciation	<u>10,162,894</u>
Total Noncurrent Assets	<u>10,162,894</u>

Total Assets	<u>22,624,954</u>
---------------------	-------------------

LIABILITIES

Current Liabilities:

Accounts payable	194,632
Accrued liabilities	1,445,880
Bond interest and matured bonds	138
Due to other governments	276,546
Deferred revenues - other	24,538
Due to teachers' retirement system	1,326,773
Due to employees' retirement system	48,908
Bonds payable	565,000
Capital lease	27,095
Total Current Liabilities	<u>3,909,510</u>

Long-Term Obligations:

Bonds payable	7,915,000
Capital lease	383,535
Other postemployment benefits payable	1,458,905
Total Long-Term Obligations	<u>9,757,440</u>

Total Liabilities	<u>13,666,950</u>
--------------------------	-------------------

NET ASSETS

Investment in capital assets, net of related debt	1,637,395
Restricted for:	
Encumbrances	216,159
Capital-buses	250,000
Tax certiorari	4,442,097
Employee benefits	625,000
Workers' comp., unemployment & insurance	1,080,875
Subsequent year's expenditures	802,250
Unrestricted (deficit)	(95,772)
Total Net Assets	<u>\$ 8,958,004</u>

See auditors' report. See notes to financial statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For Year Ended June 30, 2009

	Expenses	Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS					
General support	\$ 4,011,179	\$ 843,027	\$ -	\$ -	\$ (4,854,206)
Instruction	20,175,412	7,552,747	72,824	528,573	(27,126,762)
Pupil transportation	1,192,878	159,003	-	28,468	(1,323,413)
Depreciation, unallocated	594,129	-	-	-	(594,129)
Employee benefits	8,668,340	(8,668,340)	-	-	-
Debt service-Interest	571,812	-	-	-	(571,812)
School lunch program	457,039	113,563	364,742	143,185	(62,675)
Total Functions and Programs	\$ 35,670,789	\$ -	\$ 437,566	\$ 700,226	(34,532,997)
GENERAL REVENUES					
Real property taxes					24,456,919
Other tax items					2,006,760
Use of money and property					495,983
Sale of property and compensation for loss					600
Miscellaneous					313,061
State sources					7,862,444
Federal-medicaid reimbursement					6,302
Total General Revenues					35,142,069
Change in Net Assets					609,072
Total Net Assets - Beginning of year					8,348,932
Total Net Assets - End of year					\$ 8,958,004

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, 2009

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Assets Totals
ASSETS				
Unrestricted cash	\$ 4,964,620	\$ -	\$ -	\$ 4,964,620
Restricted cash	6,398,110	-	-	6,398,110
Accounts receivable	69,217	-	-	69,217
State and federal aid receivable	402,070	-	-	402,070
Due from other funds	242,383	-	(242,383)	-
Due from other governments	611,384	-	-	611,384
Inventories	11,325	-	-	11,325
Due from fiduciary funds	-	-	5,334	5,334
Capital assets, (net)	-	10,162,894	-	10,162,894
Total Assets	\$ 12,699,109	\$ 10,162,894	\$ (237,049)	\$ 22,624,954
LIABILITIES				
Accounts payable	\$ 194,632	\$ -	\$ -	\$ 194,632
Accrued liabilities	1,323,276	122,604	-	1,445,880
Bonds payable	-	8,480,000	-	8,480,000
Other postemployment benefits payable	-	1,458,905	-	1,458,905
Capital lease	-	410,630	-	410,630
Bond interest and matured bonds payable	138	-	-	138
Due to other funds	237,049	-	(237,049)	-
Due to other governments	276,546	-	-	276,546
Due to teachers' retirement system	1,326,773	-	-	1,326,773
Due to employees' retirement system	48,908	-	-	48,908
Deferred revenues	24,538	-	-	24,538
Total Liabilities	3,431,860	10,472,139	(237,049)	13,666,950
FUND EQUITY/NET ASSETS				
Total Fund Equity/Net Assets	9,267,249	(309,245)	-	8,958,004
Total Liabilities, Equity and Other Credits	\$ 12,699,109	\$ 10,162,894	\$ (237,049)	\$ 22,624,954

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, 2009

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	\$ 24,456,919	\$ -	\$ -	\$ -	\$ 24,456,919
Other tax items	2,006,760	-	-	-	2,006,760
Charges for services	72,824	-	-	-	72,824
Use of money and property	495,983	-	-	-	495,983
Sale of property and compensation for loss	600	-	-	-	600
Miscellaneous	336,885	-	-	-	336,885
State sources	7,986,716	-	-	-	7,986,716
Federal-medicaid reimbursement	6,302	-	-	-	6,302
Federal sources	575,954	-	-	-	575,954
Sales - school lunch	340,918	-	-	-	340,918
Total Revenues	36,279,861	-	-	-	36,279,861
EXPENDITURES					
General support	4,011,179	-	-	-	4,011,179
Instruction	20,175,412	-	-	-	20,175,412
Pupil transportation	1,276,262	-	(83,384)	-	1,192,878
Depreciation	-	-	594,129	-	594,129
Employee benefits	7,209,435	1,458,905	-	-	8,668,340
Debt service					
Principal	519,555	-	-	(519,555)	-
Interest	449,208	122,604	-	-	571,812
School lunch program	457,039	-	-	-	457,039
Capital outlay	172,534	-	(172,534)	-	-
Total Expenditures	34,270,624	1,581,509	338,211	(519,555)	35,670,789
Excess (Deficiency) of Revenues Over Expenditures	2,009,237	(1,581,509)	(338,211)	519,555	609,072
OTHER SOURCES AND USES					
Operating transfers in	191,166	(191,166)	-	-	-
Operating transfers (out)	(191,166)	191,166	-	-	-
Total Other Sources (Uses)	-	-	-	-	-
Net Change for the Year	\$ 2,009,237	\$ (1,581,509)	\$ (338,211)	\$ 519,555	\$ 609,072

See auditors' report. See notes to financial statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT
BALANCE SHEET- GOVERNMENTAL FUNDS
 June 30, 2009

	----- General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Unrestricted cash	\$ 4,507,807	\$ 531	\$ 43,516	\$ 63,378	\$ 349,388	\$ 4,964,620
Restricted cash	6,398,110	-	-	-	-	6,398,110
State and federal aid receivable	228,165	164,227	9,678	-	-	402,070
Due from other funds	242,286	-	-	97	-	242,383
Due from other governments	611,384	-	-	-	-	611,384
Accounts receivable	64,911	-	4,306	-	-	69,217
Inventories	-	-	11,325	-	-	11,325
Total Assets	\$ 12,052,663	\$ 164,758	\$ 68,825	\$ 63,475	\$ 349,388	\$ 12,699,109
LIABILITIES						
Accounts payable	\$ 194,632	\$ -	\$ -	\$ -	\$ -	\$ 194,632
Accrued liabilities	1,315,185	-	8,091	-	-	1,323,276
Bonds interest & matured bonds payable	138	-	-	-	-	138
Due to other funds	522	162,026	60,404	-	14,097	237,049
Due to other governments	273,484	2,732	330	-	-	276,546
Due to employee retirement system	48,908	-	-	-	-	48,908
Due to teacher retirement system	1,326,773	-	-	-	-	1,326,773
Deferred revenues	24,538	-	-	-	-	24,538
Total Liabilities	3,184,180	164,758	68,825	-	14,097	3,431,860
FUND EQUITY						
Reserved for encumbrances	216,159	-	-	-	-	216,159
Reserved for insurance	500,000	-	-	-	-	500,000
Reserved for tax certiorari	4,442,097	-	-	-	-	4,442,097
Reserved for workers' compensation	454,783	-	-	-	-	454,783
Reserved for unemployment insurance	126,092	-	-	-	-	126,092
Reserved for employee benefits	625,000	-	-	-	-	625,000
Capital reserve	250,000	-	-	-	-	250,000
Unreserved - Designated for subsequent year's expenditures	802,250	-	-	-	-	802,250
Unreserved - Undesignated	1,452,102	-	-	63,475	335,291	1,850,868
Total Fund Equity	8,868,483	-	-	63,475	335,291	9,267,249
Total Liabilities and Fund Equity	\$ 12,052,663	\$ 164,758	\$ 68,825	\$ 63,475	\$ 349,388	\$ 12,699,109

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, 2009

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 24,456,919	\$ -	\$ -	\$ -	\$ -	\$ 24,456,919
Other tax items	2,006,760	-	-	-	-	2,006,760
Charges for services	72,824	-	-	-	-	72,824
Use of money and property	493,536	-	189	2,258	-	495,983
Sale of property and compensation for loss	600	-	-	-	-	600
Miscellaneous	313,061	-	23,824	-	-	336,885
State sources	7,862,444	114,725	9,547	-	-	7,986,716
Federal sources	6,302	442,316	133,638	-	-	582,256
Sales	-	-	340,918	-	-	340,918
Total Revenues	<u>35,212,446</u>	<u>557,041</u>	<u>508,116</u>	<u>2,258</u>	<u>-</u>	<u>36,279,861</u>
EXPENDITURES						
General support	4,011,179	-	-	-	-	4,011,179
Instruction	19,618,159	557,253	-	-	-	20,175,412
Pupil transportation	1,247,794	28,468	-	-	-	1,276,262
Employee benefits	7,095,872	-	113,563	-	-	7,209,435
Debt service						
Principal	519,555	-	-	-	-	519,555
Interest	449,208	-	-	-	-	449,208
Cost of sales	-	-	457,039	-	-	457,039
Capital outlay	-	-	-	-	172,534	172,534
Total Expenditures	<u>32,941,767</u>	<u>585,721</u>	<u>570,602</u>	<u>-</u>	<u>172,534</u>	<u>34,270,624</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,270,679</u>	<u>(28,680)</u>	<u>(62,486)</u>	<u>2,258</u>	<u>(172,534)</u>	<u>2,009,237</u>
OTHER SOURCES AND USES						
Operating transfers in	-	28,680	62,486	-	100,000	191,166
Operating transfers (out)	(191,166)	-	-	-	-	(191,166)
Total Other Sources (Uses)	<u>(191,166)</u>	<u>28,680</u>	<u>62,486</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	<u>2,079,513</u>	<u>-</u>	<u>-</u>	<u>2,258</u>	<u>(72,534)</u>	<u>2,009,237</u>
Fund Equity - Beginning of year	<u>6,788,970</u>	<u>-</u>	<u>-</u>	<u>61,217</u>	<u>407,825</u>	<u>7,258,012</u>
Fund Equity - End of year	<u>\$ 8,868,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,475</u>	<u>\$ 335,291</u>	<u>\$ 9,267,249</u>

See auditors' report. See notes to financial statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS- FIDUCIARY FUNDS
 June 30, 2009

	Private Purpose Trusts	Agency
ASSETS		
Cash	\$ 86,506	\$ 286,238
Total Assets	\$ 86,506	\$ 286,238
 LIABILITIES		
Extraclassroom activity balances	\$ -	91,294
Due to governmental funds	-	5,334
Other liabilities	-	189,610
Total Liabilities	-	\$ 286,238
 NET ASSETS		
Reserved for scholarships	\$ 86,506	

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, 2009

	<u>Private Purpose Trusts</u>
ADDITIONS	
Contributions and interest	<u>\$ 31,831</u>
DEDUCTIONS	
Scholarships and awards	<u>2,100</u>
Change in Net Assets	29,731
Net Assets - Beginning of year	<u>56,775</u>
Net Assets - End of year	<u><u>\$ 86,506</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 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.

See auditors' report.

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, 2009, the Spackenkill Union Free School District was billed \$2,738,027 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$1,051,965. 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 extraclassroom 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 25. Taxes are collected during the period September 11 to November 10.

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 inventorable 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.

See auditors' report.

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.

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.

See auditors' report.

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

I. Summary of Significant Accounting Policies (Continued)

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.

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. 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)

Q. Fund Balance- Reservations and Designations (Continued)

6. 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.

7. 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.

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.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

R. 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 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.

S. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2009, the District implemented the following new standards issued by GASB:

1. GASB Statement 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*

GASB Statement 43 establishes the uniform standards of reporting for postemployment benefits (OPEB) for governmental entities. OPEB refers to benefits provided to retirees other than pensions, which includes healthcare benefits. The Statement provides standards for financial reporting of the plan and disclosure of actuarial information about the funded status of the plan and the progress toward funding the postemployment liability. The financial disclosures relating to the District's other postemployment benefits have changed and those changes are reflected in Note IX.

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

I. Summary of Significant Accounting Policies (Continued)

S. New Accounting Standards (Continued)

2. GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions

GASB Statement 45 establishes standards for the accrual basis measurement and recognition of OPEB costs over a period that relates to when the service is provided to the employer, rather than recognizing those costs on a pay-as-you-go basis. The Statement provides information about the actuarial accrued liabilities for OPEB and its funding status. The Statement was implemented prospectively, with no beginning net OPEB obligation.

T. Future Changes in Accounting Standards

GASB has issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2012 financial statements.

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.

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.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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>\$ 20,531,015</u>
Accumulated depreciation	<u>\$ 10,368,121</u>

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	<u>\$ 8,480,000</u>
Capital lease	<u>\$ 410,630</u>
OPEB obligations	<u>\$ 1,458,905</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 \$594,129 was more than capital expenditures of \$255,918 in the current year.

Repayment of bond and capital lease principal of \$519,555 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.

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

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

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The interest reported in the Statement of Activities increased by \$122,604.

III. Cash and Investments

A. Deposits

The Spackenkill Union Free School District's investment policies are governed by State statutes. The Spackenkill 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, 2009, the School District held \$2,374,816 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.

IV. Interfund Transaction

Interfund balances at June 30, 2009, are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 242,286	\$ 522	\$ -	\$ 191,166
Special Aid Fund	-	162,026	28,680	-
School Lunch Fund	-	60,404	62,486	-
Capital Fund	-	14,097	100,000	-
Debt Service Fund	97	-	-	-
Total governmental activities	242,383	237,049	\$ 191,166	\$ 191,166
Fiduciary Agency Fund	522	5,856		
Totals	\$ 242,905	\$ 242,905		

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 7/1/2008	Additions	Deletions	Balance 6/30/2009
<u>Capital assets that are not depreciated:</u>				
Land	\$ 121,545	\$ -	\$ -	\$ 121,545
Construction in progress	-	130,078	-	130,078
Total capital assets that are not depreciated	121,545	130,078	-	251,623
<u>Other capital assets:</u>				
Buildings and improvements	18,627,390	42,456	-	18,669,846
Machinery and equipment	774,215	-	-	774,215
Buses	863,817	83,384	111,870	835,331
Total other capital assets	20,265,422	125,840	111,870	20,279,392
<u>Less accumulated depreciation:</u>				
Buildings and improvements	8,673,743	485,706	-	9,159,449
Machinery and equipment	634,787	40,657	-	675,444
Buses	577,332	67,766	111,870	533,228
Total accumulated depreciation	9,885,862	594,129	111,870	10,368,121
Other capital assets, net	10,379,560	(468,289)	-	9,911,271
Total	\$ 10,501,105	\$ (338,211)	\$ -	\$ 10,162,894

See auditors' report.

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

VI. Pension Plans

1. General Information

The Spackenkil 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, 110 State Street, Albany, NY 12236.

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, 2009, 2008, and 2007 were 7.63%, 8.73%, and 8.6%, 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.

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

VI. Pension Plans (Continued)

3. Funding Policies (Continued)

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

Year	ERS	TRS
2009	\$ 244,093	\$ 1,421,824
2008	\$ 238,488	\$ 1,324,041
2007	\$ 245,077	\$ 1,195,827

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	\$ 449,208
Less interest accrued in the prior year	-
Plus interest accrued in the current year	<u>122,604</u>
Total expense	<u>\$ 571,812</u>

2. Changes

	Balance 7/1/2008	Additions	Deletions	Balance 6/30/2009	Amounts Due Within One Year
Serial Bonds	\$ 8,975,000	\$ -	\$ 495,000	\$ 8,480,000	<u>\$ 565,000</u>
Energy Performance Contract	435,185	-	24,555	410,630	<u>\$ 27,095</u>
OPEB Obligations	-	1,458,905	-	1,458,905	
Totals	<u>\$ 9,410,185</u>	<u>\$ 1,458,905</u>	<u>\$ 519,555</u>	<u>\$ 10,349,535</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.

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

VII. Long-Term Debt Obligations (Continued)

3. Maturity

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

Purpose	Issue Date	Final Maturity	Interest Rate	Outstanding 6/30/2009
Serial Bonds:				
8th Issue	1989	2010	6.65%	\$ 25,000
10th Issue	1994	2014	6.00%	365,000
12th Issue	1999	2019	4.30%	2,505,000
2001 Issue	2001	2021	4.80%	795,000
2005 Issue	2005	2025	4.00%	2,700,000
2007 Issue	2007	2022	4.12%	2,090,000
				<u>\$ 8,480,000</u>
Energy Performance Contract				
	2004	2022	3.71%	<u>\$ 410,630</u>

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

Year	Principal	Interest	Total
2010	\$ 565,000	\$ 367,066	\$ 932,066
2011	560,000	341,731	901,731
2012	585,000	316,266	901,266
2013	605,000	289,528	894,528
2014	620,000	261,984	881,984
2015 and thereafter	5,545,000	1,167,231	6,712,231
Total	<u>\$ 8,480,000</u>	<u>\$ 2,743,806</u>	<u>\$ 11,223,806</u>

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, 2009.

Year Ending June 30,	Long-Term Debt
2010	34,741
2011	34,741
2012	34,741
2013	34,741
2014-2023	324,249
Minimum Lease Payments- Capital Leases	463,213
Less: Amount representing interest 1.92% per annum	52,583
Present Value- Minimum Lease Payments	<u>\$ 410,630</u>

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Post-Employment (Health Insurance) Benefits

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

The District implemented GASB Statement #45, Accounting and Financial Reporting by employers for Post-employment Benefits Other than Pensions, in the school year ended June 30, 2009. This required the District to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2009 the District recognized \$938,345 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2008 which indicates that the total liability for other post-employment benefits is \$1,458,905, which is reflected in the Statement of Net Assets.

The District currently pays for post-employment health care benefits on a pay-as-you-go basis. Once New York State Law allows for the establishment of a trust to fund and invest assets necessary to pay for the accumulated liability, the District will study the establishment of such a trust. These financial statements assume that pay-as-you-go funding will continue.

1. **Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution	\$ 2,397,250
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>2,397,250</u>
Contributions made	<u>(938,345)</u>
Increase in net OPEB obligation	1,458,905
Net OPEB obligation-beginning of year	-
Net OPEB obligation-end of year	<u>\$ 1,458,905</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009:

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2009	\$ 2,397,250	39.1%	\$ 1,458,905

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Post-Employment (Health Insurance) Benefits (Continued)

2. Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$34,562,900, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability(UAAL) of \$34,562,900. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

3. Actuarial Methods and Assumptions

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

In the July 1, 2008, actuarial valuation, the Projected Unit Credit Cost method was used. The actuarial assumptions included a 6% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 5% after 5 years. Both rates included a 1% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009, was 29 years.

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

X. 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.

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, 2009 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.

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

XI. Other Disclosures

A. Summary of Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

Total governmental fund balance	\$ 9,267,249
Capital assets, (net)	10,162,894
Bonds payable	(8,480,000)
Capital lease	(410,630)
OPEB obligations	(1,458,905)
Accrued interest	(122,604)
Total net assets	<u>\$ 8,958,004</u>

B. 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	\$ 2,009,237
Capital outlays are expenditures in governmental funds, but are capitalized in the Statement of Net Assets.	255,918
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the Statement of Activities.	(594,129)
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.	519,555
Recognition of other postemployment accrued costs.	(1,458,905)
Interest is recognized as an expense in governmental funds when paid. For governmental activities interest expense is recognized as it accrues. The increase in accrued interest during 2008/09 results in more expense.	<u>(122,604)</u>
Change in Net Assets- Governmental Activities	<u>\$ 609,072</u>

C. Interfund Transfer

The 2008-2009 interfund transfer budget was increased as follows:

Original Budget	\$ 135,000
Revisions:	
School Lunch Program	27,486
Special Aid- Summer Handicap Program	28,680
Revised Budget	<u>\$ 191,166</u>

SPACKENKILL UNION FREE SCHOOL DISTRICT
SCHEDULE OF REVENUES COMPARED TO BUDGET- GENERAL FUND
For Year Ended June 30, 2009

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property taxes	\$ 24,456,919	\$ 24,456,919	\$ 24,456,919	\$ -
Other tax items	2,006,760	2,006,760	2,006,760	-
Charges for services	45,000	45,000	72,824	27,824
Use of money and property	580,000	580,000	493,536	(86,464)
Sale of property and compensation for loss	-	-	600	600
Miscellaneous	135,000	157,000	313,061	156,061
Total Local Sources	<u>27,223,679</u>	<u>27,245,679</u>	<u>27,343,700</u>	<u>98,021</u>
State Sources	6,272,888	6,311,180	7,862,444	1,551,264
Federal Sources	-	-	6,302	6,302
Total Revenues	<u>33,496,567</u>	<u>33,556,859</u>	<u>35,212,446</u>	<u>\$ 1,655,587</u>
Appropriated Reserves	-	285,191		
Appropriated Fund Balance	<u>1,195,000</u>	<u>1,195,000</u>		
Total Revenues and Appropriated Reserves and Fund Balance	<u>\$ 34,691,567</u>	<u>\$ 35,037,050</u>		

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES, OTHER USES AND ENCUMBRANCES COMPARED TO
 BUDGET- GENERAL FUND
 For Year Ended June 30, 2009

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES					
General Support					
Board of education	\$ 61,325	\$ 61,216	\$ 55,194	\$ 100	\$ 5,922
Central administration	249,936	265,426	262,074	156	3,196
Finance	463,685	500,256	471,602	6,000	22,654
Staff	197,531	273,615	257,295	377	15,943
Central services	2,743,268	2,760,507	2,484,416	41,875	234,216
Special items	428,015	489,306	480,598	-	8,708
Total General Support	4,143,760	4,350,326	4,011,179	48,508	290,639
Instruction					
Instruction, administration and improvement	1,446,387	1,587,373	1,528,717	7,075	51,581
Teaching - regular school	12,048,318	11,645,805	11,429,775	63,475	152,555
Programs for children with handicapping conditions	3,365,068	3,313,716	2,923,348	27,402	362,966
Occupational education	294,700	294,700	294,700	-	-
Teaching - special school	159,760	217,503	163,274	-	54,229
Instructional media	1,085,018	1,311,282	1,258,635	3,593	49,054
Pupil services	2,023,066	2,155,849	2,019,710	31,563	104,576
Total Instructional	20,422,317	20,526,228	19,618,159	133,108	774,961
Pupil Transportation	1,457,619	1,489,775	1,247,794	5,629	236,352
Employee Benefits	7,559,053	7,505,737	7,095,872	28,914	380,951
Debt Service					
Principal	522,000	522,000	519,555	-	2,445
Interest	451,818	451,818	449,208	-	2,610
Total Expenditures	34,556,567	34,845,884	32,941,767	216,159	1,687,958
OTHER USES					
Operating transfers out	135,000	191,166	191,166	-	-
Total Expenditures and Other Uses	\$ 34,691,567	\$ 35,037,050	33,132,933	\$ 216,159	\$ 1,687,958
Excess of Revenues and Other Sources Over Expenditures and Other Uses			\$ 2,079,513		

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, 2009

Original Budget \$ 34,691,567

Additions:

Prior year's encumbrances	\$ 179,466	
Budget revision -Tax certiorari	50,138	
-Donations/Grants	60,292	
-Unemployment insurance	2,850	
-Bus/Vehicle purchase	52,737	
	345,483	345,483

Revised Budget \$ 35,037,050

USE OF UNRESERVED FUND BALANCE

Unreserved Fund Balance -
As of the beginning of the year \$ 2,582,663

Less:

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

Undesignated Fund Balance -
As of the beginning of the year \$ 1,387,663

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT
 SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
 For Year Ended June 30, 2009

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2009
			Prior Years	Current Year	Total		Proceeds of Obligations	Local Sources	Total	
Capital Improvement	\$ 2,950,000	\$ 2,950,000	\$ 2,930,396	\$ -	\$ 2,930,396	\$ 19,604	\$ 2,950,000	\$ -	\$ 2,950,000	\$ 19,604
Capital Improvement-High School	2,150,000	2,150,000	1,762,017	42,456	1,804,473	345,527	2,150,000	-	2,150,000	345,527
Capital Improvement-Hagan	100,000	100,000	-	10,024	10,024	89,976	-	100,000	100,000	89,976
Capital Improvement-High School	13,934,000	13,934,000	-	120,054	120,054	13,813,946	-	-	-	(120,054)
Totals	\$19,134,000	\$19,134,000	\$ 4,692,413	\$ 172,534	\$ 4,864,947	\$ 14,269,053	\$ 5,100,000	\$ 100,000	\$ 5,200,000	\$ 335,053

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES COMPARED TO ST-3 DATA
For Year Ended June 30, 2009

	<u>Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
REVENUES			
Real Property Taxes	A -1001	\$ 24,456,919	\$ 24,456,919
Non-Property Taxes	AT-1199	\$ -	\$ -
State Aid	AT-3999	\$ 786,244	\$ 786,244
Federal Aid	AT-4999	\$ 6,302	\$ 6,302
Total Revenues	AT-5999	\$ 35,212,446	\$ 35,212,446
EXPENDITURES			
General Support	AT-1999	4,011,179	4,011,179
Pupil Transportation	AT-5599	\$ 1,247,794	\$ 1,247,794
Debt Service - Principal	AT-9798.6	\$ 519,555	\$ 519,555
Debt Service - Interest	AT-9798.7	\$ 449,208	\$ 449,208
Total Expenditures	AT-9999	\$ 33,132,931	\$ 33,132,931

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2009

Capital assets, net			\$ 10,162,894
Deduct:			
Short-term portion of capital lease	\$	27,095	
Long-term portion of capital lease		383,535	
Short-term portion of bonds payable		565,000	
Long-term portion of bonds payable		7,915,000	
Less: unspent bond proceeds		<u>(365,131)</u>	<u>8,525,499</u>
Investment in capital assets, net of related debt			<u><u>\$ 1,637,395</u></u>

See auditors' report.

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

P.O. Box 538

Claverack, New York 12513

Telephone: (518) 851-6650

Fax: (518) 851-6675

**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, 2009 and have issued our report thereon dated October 15, 2009. 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.

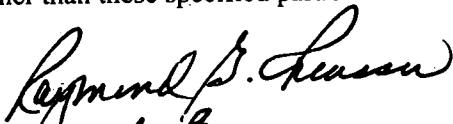
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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


C/A R

Claverack, New York
October 15, 2009

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants
P.O. Box 538
Claverack, New York 12513

Telephone: (518) 851-6650
Fax: (518) 851-6675

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, 2009 and have issued our report thereon dated October 15, 2009. 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.

In planning and performing our audit of the financial statements, in accordance with auditing standards generally accepted in the United States of America, we considered Spackenkill Union Free School District's internal control over financial reporting as a basis for designing our audit 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. Accordingly, we do not express an opinion on the effectiveness of the Spackenkill Union Free School District's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or 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.

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 second 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.

See auditors' report.

During our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 15, 2009 on the financial statements of Spackenkill Union Free School District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Other Matters:

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.

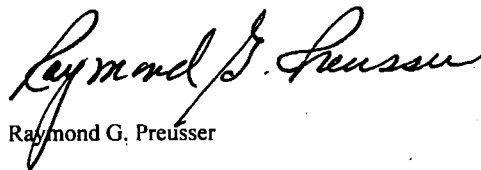
We recommend that the District document all critical financial processes. These process documents should be reviewed for accuracy and completeness. Once prepared, employees should be required to maintain the documents in a manner that reflects any changes to the procedures.

We noted the District had started the process of preparing a Business Office Procedures Manual.

This communication 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.

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