

**SPACKENKILL UNION FREE
SCHOOL DISTRICT**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2010.

SPACKENKILL UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the 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, 2010, 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.

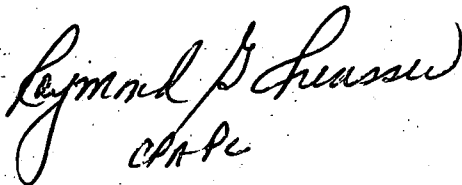
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2010 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.

Handwritten signature of Raymond J. Sussner in cursive, with the initials 'CRP' written below it.

Claverack, New York
September 29, 2010

SPACKENKILL UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2010

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, 2010. 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, 2009 & 2010**

	<u>Governmental Activities</u>		Variance
	<u>2009</u>	<u>2010</u>	Increase (Decrease)
Current Assets	\$12,462,060	\$12,698,099	236,039
Capital Assets	<u>10,162,894</u>	<u>10,474,018</u>	<u>311,124</u>
Total Assets	<u>22,624,954</u>	<u>23,172,117</u>	<u>547,163</u>
Current Liabilities	3,909,510	3,376,488	(533,022)
Long-term Obligations	<u>9,757,440</u>	<u>10,834,501</u>	<u>1,077,061</u>
Total Liabilities	<u>13,666,950</u>	<u>14,210,989</u>	<u>544,039</u>
Net Assets:			
Investments in capital assets, net of related debt	1,637,395	2,541,510	904,115
Restricted for encumbrances	216,159	124,529	(91,630)
Restricted for other specific purposes	6,397,972	6,412,903	14,931
Restricted for subsequent year's expenditures	802,250	2,255,598	1,453,348
Unrestricted (deficit)	<u>(95,772)</u>	<u>(2,373,412)</u>	<u>(2,277,640)</u>
Total Net Assets	<u>\$ 8,958,004</u>	<u>\$ 8,961,128</u>	<u>\$ 3,124</u>

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

For the period ending 2010, 27.74% 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.

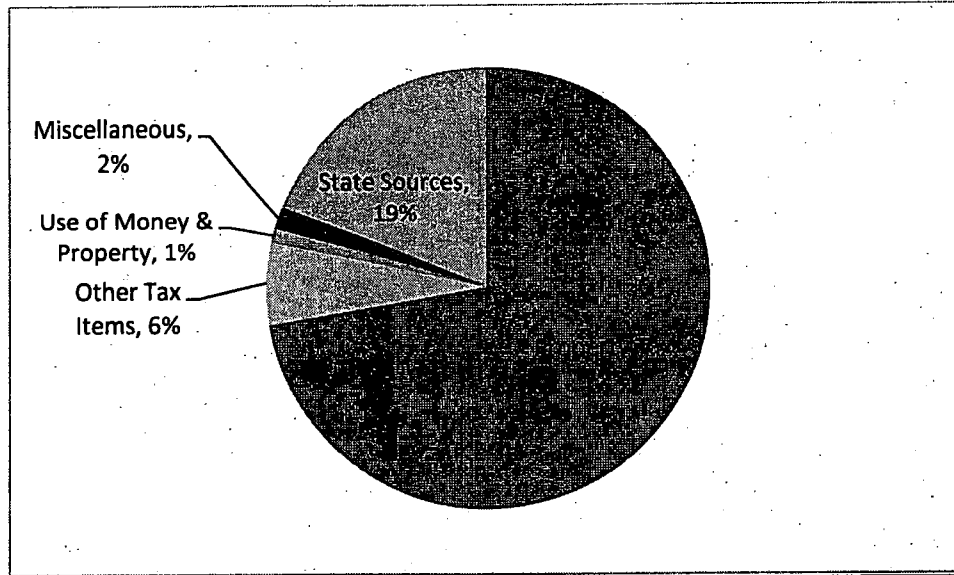
Of the remaining net assets for the period ending 2010, 96.19%, represents resources that are subject to external restrictions on how they may be used (e.g., tax certiorari decisions, capital projects, debt services and other specified purposes). Of the \$6,412,903 in restricted net assets, \$4,974,947 is restricted for tax certiorari purposes. Unrestricted net assets show a deficit of \$2,373,412 which includes long term obligations associated with post employment benefits in the amount of \$3,017,134. 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, 2009 & 2010**

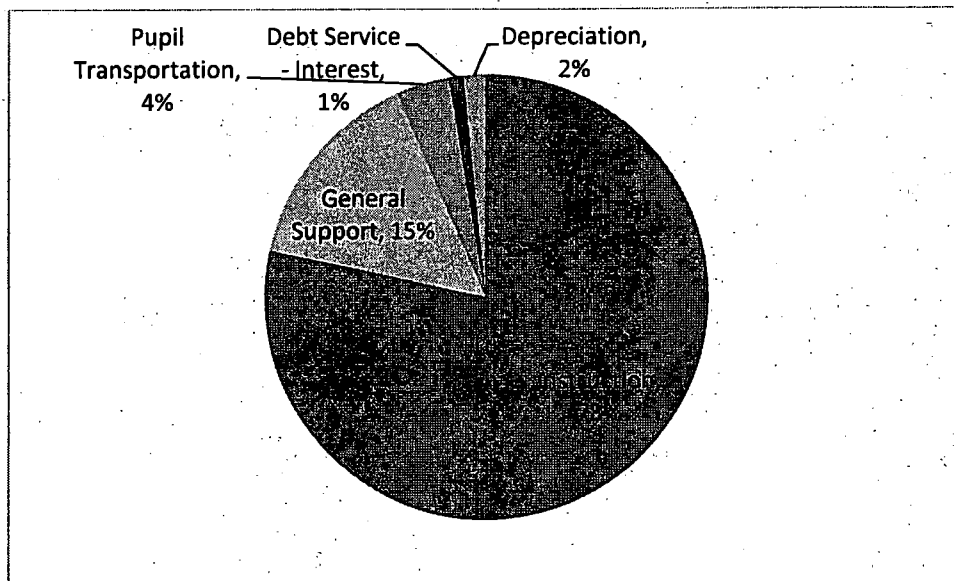
	<u>Governmental Activities</u>		
	<u>2009</u>	<u>2010</u>	Variance Increase (Decrease)
<u>Program Revenues:</u>			
Charges for Services	\$ 437,566	\$ 368,364	\$ (69,202)
Operating Grants and Contributions	<u>700,226</u>	<u>1,881,831</u>	<u>1,181,605</u>
Total Program Revenues	<u>\$ 1,137,792</u>	<u>\$ 2,250,195</u>	<u>\$ 1,112,403</u>
<u>General Revenues:</u>			
Real Property Taxes	\$24,456,919	\$ 25,333,403	876,484
Other Tax Items	2,006,760	2,077,676	70,916
Use of Money and Property	495,983	382,997	(112,986)
Sale of Property and Compensation for Loss	600	0	(600)
Miscellaneous	313,061	583,906	270,845
State Sources	7,862,444	6,619,319	(1,243,125)
Federal Sources-medicaid	<u>6,302</u>	<u>2,079</u>	<u>(4,223)</u>
Total General Revenues	<u>\$35,142,069</u>	<u>\$34,999,380</u>	<u>\$ (142,689)</u>
<u>Expenses:</u>			
Instruction	\$27,126,762	\$27,349,209	\$ 222,447
Support Services:			
General Support	4,854,206	5,249,559	395,353
Pupil Transportation	1,323,413	1,381,476	58,063
Debt Service- Interest	571,812	349,892	(221,920)
Depreciation – Unallocated	594,129	578,976	(15,153)
School Lunch	<u>62,675</u>	<u>87,144</u>	<u>24,469</u>
Total General Expenses	<u>34,532,997</u>	<u>34,996,256</u>	<u>463,259</u>
Change in Net Assets	<u>\$ 609,072</u>	<u>\$ 3,124</u>	<u>\$ 605,948</u>

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

Districtwide Revenues by Source
For the Year Ended June 30, 2010



Districtwide Expenses by Function
For the Year Ended June 30, 2010



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

Governmental Funds

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

As of the end of the current fiscal year, the School District's governmental funds reported combined fund balances of \$10,011,088 an increase of \$743,839 over the prior year. Of the total combined fund balances, \$3,473,656 constitutes unreserved fund balance, of which \$2,255,598 has been designated for use in the 2010-2011 budget. The balance of \$1,527,493 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	\$ 124,529
Capital Reserve - Vehicles	\$ 250,000
Workmen's Compensation Reserve	\$ 204,784
Unemployment Insurance Reserve	\$ 108,172
Insurance Reserve	\$ 250,000
Reserve for Tax Certiorari	\$4,974,947
Reserve for Employee Benefits	<u>\$ 625,000</u>
	<u>\$6,537,432</u>

The General Fund is the chief operating fund of the School District. At the end of the current fiscal year, the total fund balance of the General Fund was \$10,320,523 of which \$1,527,493 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 \$1,452,040 during the current fiscal year. The general fund balance increase was driven primarily by several areas of expenditures that ended the year below their budgeted amounts. These included energy, salaries and benefits, special education costs, and transportation costs.

General Fund Budgetary Highlights

The difference between the general fund's original budget and final amended budget was \$668,411. This change is attributable to the carryover of encumbrances from 2008-2009 and the appropriation of reserves. Of the \$668,411, tax certiorari reserves represented \$434,332.

Capital Asset and Debt Administration

The District's capital assets (net of accumulated depreciation) as of June 30, 2010 are as follows:

	<u>June 30, 2010</u>
Land	\$ 121,545
Construction in Progress	\$ 938,799
Buildings & Improvements	\$ 9,024,690
Machinery & Equipment	\$ 89,325
Vehicles	\$ 299,659
	<u>\$ 10,474,018</u>

Obligations: The District had total debt including serial bonds, and other obligations outstanding of \$11,424,050 as of June 30, 2010 (an increase of \$1,074,515 over the previous year).

	<u>June 30, 2010</u>
Serial Bonds	\$ 7,915,000
Energy Performance Contract	\$ 382,639
OPEB	\$ 3,017,134
Compensated Absences	\$ 109,277

The District's current bond rating is Aa2, upgraded from 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.

State Aid

New York State has significantly reduced aid to public schools in the form of state deficit reduction assessments. These assessments are being partially offset by the allocation of federal funds to schools. While federal programs offer additional aid for education at the local level, the extent to which these programs and the funding they represent will keep pace with reductions in state aid is uncertain. The District is prepared for state aid reductions in the short term and has the financial reserves necessary to gradually transition to sustained lower levels of state aid over the long term.

Tax certiorari liabilities and reserves

The recent re-evaluation of properties in the District has generated a significant level of tax certiorari activity. The District's tax certiorari reserve is sufficient to meet the majority of potential obligations. To the extent certiorari challenges are unsuccessful, funds in the reserve would be available to offset disruptions of District revenue streams.

Facilities

The District's high school is undergoing a substantial renovation that includes updates to major energy performance systems including new windows, electrical services, unit ventilators, and heating, cooling, and lighting controls. Upgraded systems should positively impact operating costs, particularly those associated with energy 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, 2010

ASSETS

Current Assets:

Unrestricted cash	\$ 11,018,568
Restricted cash	138
State and federal aid receivable	957,632
Other receivables, net	51,646
Due from other governments	659,864
Due from fiduciary funds	197
Inventories	10,054
Total Current Assets	12,698,099

Noncurrent Assets:

Capital assets, net depreciation	10,474,018
Total Noncurrent Assets	10,474,018

Total Assets

23,172,117

LIABILITIES

Current Liabilities:

Accounts payable	91,515
Accrued liabilities	1,458,516
Bond interest and matured bonds	138
Due to other governments	2,755
Deferred revenue	603
Due to teachers' retirement system	1,150,204
Due to employees' retirement system	83,208
Bonds payable	560,000
Capital lease	29,549
Total Current Liabilities	3,376,488

Long-Term Obligations:

Bonds payable	7,355,000
Capital lease	353,090
Compensated absences	109,277
Other postemployment benefits payable	3,017,134
Total Long-Term Obligations	10,834,501

Total Liabilities

14,210,989

NET ASSETS

Investment in capital assets, net of related debt	2,541,510
Restricted for:	
Encumbrances	124,529
Capital-buses	250,000
Tax certiorari	4,974,947
Employee benefits	625,000
Workers' comp., unemployment & insurance	562,956
Subsequent year's expenditures	2,255,598
Unrestricted (deficit)	(2,373,412)
Total Net Assets	\$ 8,961,128

See auditors' report. See notes to financial statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For Year Ended June 30, 2010

	Expenses	Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS					
General support	\$ 4,377,385	\$ 881,960	\$ -	\$ 9,786	\$ (5,249,559)
Instruction	21,211,772	7,801,025	32,491	1,631,097	(27,349,209)
Pupil transportation	1,234,554	163,022	-	16,100	(1,381,476)
Depreciation, unallocated	578,976	-	-	-	(578,976)
Employee benefits	9,035,925	(8,964,611)	-	71,314	-
Debt service-Interest	349,892	-	-	-	(349,892)
School lunch program	457,947	118,604	335,873	153,534	(87,144)
Total Functions and Programs	\$ 37,246,451	\$ -	\$ 368,364	\$ 1,881,831	(34,996,256)
GENERAL REVENUES					
Real property taxes					25,333,403
Other tax items					2,077,676
Use of money and property					382,997
Miscellaneous					583,906
State sources					6,619,319
Federal-medicaid reimbursement					2,079
Total General Revenues					34,999,380
Change in Net Assets					3,124
Total Net Assets - Beginning of year					8,958,004
Total Net Assets - End of year					\$ 8,961,128

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, 2010

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Assets Totals
ASSETS				
Unrestricted cash	\$ 11,018,568	\$ -	\$ -	\$ 11,018,568
Restricted cash	138	-	-	138
Other receivables, net	51,646	-	-	51,646
State and federal aid receivable	957,632	-	-	957,632
Due from other funds	776,057	-	(776,057)	-
Due from other governments	659,864	-	-	659,864
Inventories	10,054	-	-	10,054
Due from fiduciary funds	-	-	197	197
Capital assets, (net)	-	10,474,018	-	10,474,018
Total Assets	\$ 13,473,959	\$ 10,474,018	\$ (775,860)	\$ 23,172,117
LIABILITIES				
Accounts payable	\$ 91,515	\$ -	\$ -	\$ 91,515
Accrued liabilities	1,358,588	99,928	-	1,458,516
Bonds payable	-	7,915,000	-	7,915,000
Other postemployment benefits payable	-	3,017,134	-	3,017,134
Capital lease	-	382,639	-	382,639
Compensated absences payable	-	109,277	-	109,277
Bond interest and matured bonds payable	138	-	-	138
Due to other funds	775,860	-	(775,860)	-
Due to other governments	2,755	-	-	2,755
Due to teachers' retirement system	1,150,204	-	-	1,150,204
Due to employees' retirement system	83,208	-	-	83,208
Deferred revenue	603	-	-	603
Total Liabilities	3,462,871	11,523,978	(775,860)	14,210,989
FUND EQUITY/NET ASSETS				
Total Fund Equity/Net Assets	10,011,088	(1,049,960)	-	8,961,128
Total Liabilities, Equity and Other Credits	\$ 13,473,959	\$ 10,474,018	\$ (775,860)	\$ 23,172,117

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, 2010

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	\$ 25,333,403	\$ -	\$ -	\$ -	\$ 25,333,403
Other tax items	2,077,676	-	-	-	2,077,676
Charges for services	32,491	-	-	-	32,491
Use of money and property	382,997	-	-	-	382,997
Miscellaneous	605,468	-	-	-	605,468
State sources	6,761,603	-	-	-	6,761,603
Federal-medicaid reimbursement	2,079	-	-	-	2,079
Federal sources	1,739,547	-	-	-	1,739,547
Sales - school lunch	314,311	-	-	-	314,311
Total Revenues	37,249,575	-	-	-	37,249,575
EXPENDITURES					
General support	4,395,164	-	(17,779)	-	4,377,385
Instruction	21,124,695	109,277	(22,200)	-	21,211,772
Pupil transportation	1,275,954	-	(41,400)	-	1,234,554
Depreciation	-	-	578,976	-	578,976
Employee benefits	7,477,696	1,558,229	-	-	9,035,925
Debt service	-	-	-	-	-
Principal	592,991	-	-	(592,991)	-
Interest	372,568	(22,676)	-	-	349,892
School lunch program	457,947	-	-	-	457,947
Capital outlay	808,721	-	(808,721)	-	-
Total Expenditures	36,505,736	1,644,830	(311,124)	(592,991)	37,246,451
Excess (Deficiency) of Revenues Over Expenditures	743,839	(1,644,830)	311,124	592,991	3,124
OTHER SOURCES AND USES					
Operating transfers in	217,925	(217,925)	-	-	-
Operating transfers (out)	(217,925)	217,925	-	-	-
Total Other Sources (Uses)	-	-	-	-	-
Net Change for the Year	\$ 743,839	\$ (1,644,830)	\$ 311,124	\$ 592,991	\$ 3,124

See auditors' report. See notes to financial statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT
BALANCE SHEET- GOVERNMENTAL FUNDS
June 30, 2010

	----- General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Unrestricted cash	\$ 10,877,357	\$ 35,560	\$ 15,086	\$ 63,635	\$ 26,930	\$ 11,018,568
Restricted cash	138	-	-	-	-	138
State and federal aid receivable	639,870	306,009	11,753	-	-	957,632
Due from other funds	771,165	4,532	-	360	-	776,057
Due from other governments	659,864	-	-	-	-	659,864
Other receivables, net	48,241	-	3,405	-	-	51,646
Inventories	-	-	10,054	-	-	10,054
Total Assets	\$ 12,996,635	\$ 346,101	\$ 40,298	\$ 63,995	\$ 26,930	\$ 13,473,959
LIABILITIES						
Accounts payable	\$ 88,087	\$ 3,428	\$ -	\$ -	\$ -	\$ 91,515
Accrued liabilities	1,349,340	-	9,248	-	-	1,358,588
Bonds interest & matured bonds payable	138	-	-	-	-	138
Due to other funds	4,532	340,275	30,693	-	400,360	775,860
Due to other governments	-	2,398	357	-	-	2,755
Due to employee retirement system	83,208	-	-	-	-	83,208
Due to teacher retirement system	1,150,204	-	-	-	-	1,150,204
Deferred revenue	603	-	-	-	-	603
Total Liabilities	2,676,112	346,101	40,298	-	400,360	3,462,871
FUND EQUITY						
Reserved for encumbrances	124,529	-	-	-	-	124,529
Reserved for insurance	250,000	-	-	-	-	250,000
Reserved for tax certiorari	4,974,947	-	-	-	-	4,974,947
Reserved for workers' compensation	204,784	-	-	-	-	204,784
Reserved for unemployment insurance	108,172	-	-	-	-	108,172
Reserved for employee benefits	625,000	-	-	-	-	625,000
Capital reserve	250,000	-	-	-	-	250,000
Unreserved - Designated for subsequent year's expenditures	2,255,598	-	-	-	-	2,255,598
Unreserved - Undesignated	1,527,493	-	-	63,995	(373,430)	1,218,058
Total Fund Equity	10,320,523	-	-	63,995	(373,430)	10,011,088
Total Liabilities and Fund Equity	\$ 12,996,635	\$ 346,101	\$ 40,298	\$ 63,995	\$ 26,930	\$ 13,473,959

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, 2010

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 25,333,403	\$ -	\$ -	\$ -	\$ -	\$ 25,333,403
Other tax items	2,077,676	-	-	-	-	2,077,676
Charges for services	32,491	-	-	-	-	32,491
Use of money and property	382,430	-	47	520	-	382,997
Miscellaneous	583,906	-	21,562	-	-	605,468
State sources	6,619,319	133,098	9,186	-	-	6,761,603
Federal sources	971,299	625,979	144,348	-	-	1,741,626
Sales	-	-	314,311	-	-	314,311
Total Revenues	36,000,524	759,077	489,454	520	-	37,249,575
EXPENDITURES						
General support	4,385,378	9,786	-	-	-	4,395,164
Instruction	20,360,676	764,019	-	-	-	21,124,695
Pupil transportation	1,259,854	16,100	-	-	-	1,275,954
Employee benefits	7,359,092	-	118,604	-	-	7,477,696
Debt service	-	-	-	-	-	-
Principal	592,991	-	-	-	-	592,991
Interest	372,568	-	-	-	-	372,568
Cost of sales	-	-	457,947	-	-	457,947
Capital outlay	-	-	-	-	808,721	808,721
Total Expenditures	34,330,559	789,905	576,551	-	808,721	36,505,736
Excess (Deficiency) of Revenues Over Expenditures	1,669,965	(30,828)	(87,097)	520	(808,721)	743,839
OTHER SOURCES AND USES						
Operating transfers in	-	30,828	87,097	-	100,000	217,925
Operating transfers (out)	(217,925)	-	-	-	-	(217,925)
Total Other Sources (Uses)	(217,925)	30,828	87,097	-	100,000	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	1,452,040	-	-	520	(708,721)	743,839
Fund Equity - Beginning of year	8,868,483	-	-	63,475	335,291	9,267,249
Fund Equity (Deficit) - End of year	\$ 10,320,523	\$ -	\$ -	\$ 63,995	\$ (373,430)	\$ 10,011,088

See auditors' report. See notes to financial statements.

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

June 30, 2010

	<u>Private Purpose Trusts</u>	<u>Agency</u>
ASSETS		
Cash	\$ 87,768	\$ 285,709
Total Assets	<u>\$ 87,768</u>	<u>\$ 285,709</u>
 LIABILITIES		
Extraclassroom activity balances	\$ -	104,049
Due to governmental funds	-	197
Other liabilities	-	181,463
Total Liabilities	<u>-</u>	<u>\$ 285,709</u>
 NET ASSETS		
Reserved for scholarships	<u>\$ 87,768</u>	

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, 2010

	<u>Private Purpose Trusts</u>
ADDITIONS	
Contributions and interest	\$ <u>2,762</u>
DEDUCTIONS	
Scholarships and awards	<u>1,500</u>
Change in Net Assets	1,262
Net Assets - Beginning of year	<u>86,506</u>
Net Assets - End of year	<u>\$ 87,768</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, 2010, the Spackenkill Union Free School District was billed \$2,665,161 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$844,112. 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 31. Taxes are collected during the period September 14 to November 4.

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

G. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy concerning which to apply first varies with the intended use, and with the associated legal requirements, many of which are described elsewhere in these Notes.

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

I. Summary of Significant Accounting Policies (Continued)

H. Interfund Transactions

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

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

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

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

I. Estimates

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

J. Receivables

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

K. Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis or in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the District for which benefits extend beyond year end.

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.

See auditors' report.

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>\$ 21,421,115</u>
Accumulated depreciation	<u>\$ 10,947,097</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>\$ 7,915,000</u>
Capital lease	<u>\$ 382,639</u>
OPEB obligations	<u>\$ 3,017,134</u>
Compensated absences	<u>\$ 109,277</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 \$578,976 was less than capital expenditures of \$890,100 in the current year.

Repayment of bond and capital lease principal of \$592,991 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 decreased by \$22,676.

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, 2010, the School District held \$4,491,635 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, 2010, are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 771,165	\$ 4,532	\$ -	\$ 217,925
Special Aid Fund	4,532	340,275	30,828	-
School Lunch Fund	-	30,693	87,097	-
Capital Fund	-	400,360	100,000	-
Debt Service Fund	360	-	-	-
Total governmental activities	776,057	775,860	\$ 217,925	\$ 217,925
Fiduciary Agency Fund	-	197		
Totals	\$ 776,057	\$ 776,057		

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 7/1/2009	Additions	Deletions	Balance 6/30/2010
<u>Capital assets that are not depreciated:</u>				
Land	\$ 121,545	\$ -	\$ -	\$ 121,545
Construction in progress	130,078	808,721	-	938,799
Total capital assets that are not depreciated	251,623	808,721	-	1,060,344
<u>Other capital assets:</u>				
Buildings and improvements	18,669,846	-	-	18,669,846
Machinery and equipment	774,215	22,200	-	796,415
Buses	835,331	59,179	-	894,510
Total other capital assets	20,279,392	81,379	-	20,360,771
<u>Less accumulated depreciation:</u>				
Buildings and improvements	9,159,449	485,707	-	9,645,156
Machinery and equipment	675,444	31,646	-	707,090
Buses	533,228	61,623	-	594,851
Total accumulated depreciation	10,368,121	578,976	-	10,947,097
Other capital assets, net	9,911,271	(497,597)	-	9,413,674
Total	\$ 10,162,894	\$ 311,124	\$ -	\$ 10,474,018

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

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

VI. Pension Plans

1. General Information

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

2. Plan Descriptions

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

As an employer, the School District makes contributions to the New York State Teachers' Retirement System (TRS), a cost sharing, multiple employer defined benefit pension plan administered by the New York State Teachers' Retirement Board. The System provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

b. **Employees' Retirement System (ERS)**

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 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, 2010, 2009, and 2008 were 6.19%, 7.63%, and 8.73%, 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
2010	\$ 214,507	\$ 1,306,188
2009	\$ 244,093	\$ 1,421,824
2008	\$ 238,488	\$ 1,324,041

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	\$ 372,568
Less interest accrued in the prior year	(122,604)
Plus interest accrued in the current year	<u>99,928</u>
Total expense	<u>\$ 349,892</u>

2. Changes

	Balance 7/1/2009	Additions	Deletions	Balance 6/30/2010	Amounts Due Within One Year
Serial Bonds	\$ 8,480,000	\$ -	\$ 565,000	\$ 7,915,000	<u>\$ 560,000</u>
Energy Performance Contract	410,630	-	27,991	382,639	<u>\$ 29,549</u>
Compensated Absences	-	109,277	-	109,277	
OPEB Obligations	1,458,905	1,558,229	-	3,017,134	
Totals	<u>\$ 10,349,535</u>	<u>\$ 1,667,506</u>	<u>\$ 592,991</u>	<u>\$ 11,424,050</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 6/30/2010
Serial Bonds:				
10th Issue	1994	2014	6.13%	\$ 300,000
12th Issue	1999	2019	4.40%	2,300,000
2001 Issue	2001	2021	4.80%	745,000
2005 Issue	2005	2025	4.00%	2,590,000
2007 Issue	2007	2022	4.20%	1,980,000
				<u>\$ 7,915,000</u>
Energy Performance Contract	2004	2022	3.71%	<u>\$ 382,639</u>

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

Year	Principal	Interest	Total
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	645,000	233,706	878,706
2016 and thereafter	4,900,000	933,525	5,833,525
Total	<u>\$ 7,915,000</u>	<u>\$ 2,376,740</u>	<u>\$ 10,291,740</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, 2010.

Year Ending June 30,	Long-Term Debt
2011	32,244
2012	32,244
2013	32,244
2014	32,244
2015-2023	300,837
Minimum Lease Payments- Capital Leases	429,813
Less: Amount representing interest 1.92% per annum	47,174
Present Value- Minimum Lease Payments	<u>\$ 382,639</u>

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, 2009, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$36,736,351, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability(UAAL) of \$36,736,351. 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 multi-year 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, 2009, 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, 2010, was 28 years.

X. Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

The Spackenkil 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.

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

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

2. Funded Status and Funding Progress

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

X. Commitments and Contingencies (Continued)

A. Risk Financing and Related Insurance (Continued)

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, 2010 were approximately \$3,284.

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.

XI. Other Disclosures

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

Total governmental fund balance	\$ 10,011,088
Capital assets, (net)	10,474,018
Bonds payable	(7,915,000)
Capital lease	(382,639)
OPEB obligations	(3,017,134)
Compensated absences	(109,277)
Accrued interest	(99,928)
Total net assets	<u>\$ 8,961,128</u>

See auditors' report.

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

XI. Other Disclosures (Continued)

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	\$	743,839
Capital outlays are expenditures in governmental funds, but are capitalized in the Statement of Net Assets.		890,100
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the Statement of Activities.		(578,976)
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.		592,991
Recognition of other post-employment accrued costs.		(1,667,506)
Interest is recognized as an expense in governmental funds when paid. For governmental activities interest expense is recognized as it accrues. The decrease in accrued interest during 2009/10 results in less expense.		<u>22,676</u>
Change in Net Assets- Governmental Activities	\$	<u>3,124</u>

C. Interfund Transfer

The 2009-2010 interfund transfer budget was increased as follows:

Original Budget	\$	135,000
Revisions:		
School Lunch Program		52,097
Special Aid- Summer Handicap Program		30,828
Revised Budget	\$	<u>217,925</u>

XII. Stewardship, Accountability and Compliance

The Capital Fund had a deficit fund balance of \$373,430. This will be eliminated when the District obtains permanent financing for its current construction project.

XIII. Subsequent Event

On September 23, 2010, the School District issued a serial bond totaling \$10,160,000. The bond is to be used to cover expenditures in the Capital Project Fund.

SPACKENKILL UNION FREE SCHOOL DISTRICT
 SCHEDULE OF REVENUES COMPARED TO BUDGET- GENERAL FUND
 For Year Ended June 30, 2010

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property taxes	\$ 25,333,403	\$ 25,333,403	\$ 25,333,403	\$ -
Other tax items	2,077,676	2,077,676	2,077,676	-
Charges for services	30,000	30,000	32,491	2,491
Use of money and property	430,000	430,000	382,430	(47,570)
Miscellaneous	150,000	150,000	583,906	433,906
Total Local Sources	<u>28,021,079</u>	<u>28,021,079</u>	<u>28,409,906</u>	<u>388,827</u>
State Sources	7,479,210	7,479,210	6,619,319	(859,891)
Federal Sources	-	-	971,299	971,299
Total Revenues	<u>35,500,289</u>	<u>35,500,289</u>	<u>36,000,524</u>	<u>\$ 500,235</u>
Appropriated Reserves	-	668,411		
Appropriated Fund Balance	<u>802,250</u>	<u>802,250</u>		
Total Revenues and Appropriated Reserves and Fund Balance	<u>\$ 36,302,539</u>	<u>\$ 36,970,950</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, 2010

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES					
General Support					
Board of education	\$ 60,923	\$ 61,023	\$ 47,475	\$ -	\$ 13,548
Central administration	258,443	271,774	269,955	194	1,625
Finance	476,220	505,328	477,274	-	28,054
Staff	194,836	223,673	189,789	-	33,884
Central services	2,758,546	2,853,783	2,476,470	55,725	321,588
Special items	453,874	969,780	924,415	-	45,365
Total General Support	4,202,842	4,885,361	4,385,378	55,919	444,064
Instruction					
Instruction, administration and improvement	1,490,302	1,629,196	1,542,083	10,384	76,729
Teaching - regular school	12,457,597	12,181,529	11,929,020	9,172	243,337
Programs for children with handicapping conditions	3,771,269	3,600,440	3,174,885	6,065	419,490
Occupational education	310,100	310,100	310,100	-	-
Teaching - special school	183,086	175,086	119,298	-	55,788
Instructional media	1,140,971	1,373,965	1,300,000	4,220	69,745
Pupil services	2,187,367	2,237,926	1,985,290	34,394	218,242
Total Instructional	21,540,692	21,508,242	20,360,676	64,235	1,083,331
Pupil Transportation	1,485,538	1,526,613	1,259,854	4,375	262,384
Employee Benefits	7,971,400	7,865,742	7,359,092	-	506,650
Debt Service					
Principal	600,000	594,498	592,991	-	1,507
Interest	367,067	372,569	372,568	-	1
Total Expenditures	36,167,539	36,753,025	34,330,559	124,529	2,297,937
OTHER USES					
Operating transfers out	135,000	217,925	217,925	-	-
Total Expenditures and Other Uses	\$ 36,302,539	\$ 36,970,950	34,548,484	\$ 124,529	\$ 2,297,937
Excess of Revenues Over Expenditures and Other Uses			\$ 1,452,040		

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, 2010

Original Budget		\$ 36,302,539
Additions:		
Prior year's encumbrances	\$ 216,159	
Budget revision -Tax certiorari	434,332	
-Unemployment insurance	17,920	668,411
Revised Budget		\$ 36,970,950

USE OF UNRESERVED FUND BALANCE

Unreserved Fund Balance -		
As of the beginning of the year		\$ 2,254,352
Less:		
Designated fund balance used for the levy of taxes - Original budget		802,250
Undesignated Fund Balance -		
As of the beginning of the year		\$ 1,452,102

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT
 SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
 For Year Ended June 30, 2010

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2010
			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	1,804,473	-	1,804,473	345,527	2,150,000	-	2,150,000	345,527
Capital Improvement-Hagan	100,000	100,000	10,024	69,722	79,746	20,254	-	100,000	100,000	20,254
Capital Improvement-Todd MS	100,000	100,000	-	11,324	11,324	88,676	-	-	-	88,676
Capital Improvement-High School	13,934,000	13,934,000	120,054	727,675	847,729	13,086,271	-	100,000	100,000	(847,729)
Totals	\$19,234,000	\$19,234,000	\$ 4,864,947	\$ 808,721	\$ 5,673,668	\$ 13,560,332	\$ 5,100,000	\$ 200,000	\$ 5,300,000	\$ (373,668)

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT
 SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES COMPARED TO ST-3 DATA
 For Year Ended June 30, 2010

	Code	ST-3 Amount	Audited Amount
REVENUES			
Real Property Taxes	A -1001	\$ 25,333,403	\$ 25,333,403
Non-Property Taxes	AT-1199	\$ -	\$ -
State Aid	AT-3999	\$ 6,619,319	\$ 6,619,319
Federal Aid	AT-4999	\$ 971,299	\$ 971,299
Total Revenues	AT-5999	\$ 36,000,524	\$ 36,000,524
EXPENDITURES			
General Support	AT-1999	\$ 4,385,381	\$ 4,385,378 *
Pupil Transportation	AT-5599	\$ 1,259,854	\$ 1,259,854
Debt Service - Principal	AT-9798.6	\$ 592,991	\$ 592,991
Debt Service - Interest	AT-9798.7	\$ 372,568	\$ 372,568
Total Expenditures	AT-9999	\$ 34,548,489	\$ 34,548,484 *

*-Rounding

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2010

Capital assets, net		\$ 10,474,018
Deduct:		
Short-term portion of capital lease	\$ 29,549	
Long-term portion of capital lease	353,090	
Short-term portion of bonds payable	560,000	
Long-term portion of bonds payable	7,355,000	
Less: unspent bond proceeds	<u>(365,131)</u>	<u>7,932,508</u>
Investment in capital assets, net of related debt		<u><u>\$ 2,541,510</u></u>

See auditors' report.

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

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

We have audited the financial statements of 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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Spackenkill Union Free School District's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

See auditors' report.

Internal Control Over Financial Reporting: (Continued)


Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. 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 certain 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.


CFA PC
Claverack, New York
September 29, 2010

RAYMOND G. PREUSSER, CPA, P.C.

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

Telephone: (518) 851-6650
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To the Board of Education of
Spackenkill Union Free School District:

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the fiduciary funds of Spackenkill Union Free School District as of and for the year ended June 30, 2010, 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 (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Spackenkill Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Spackenkill Union Free School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 September 29, 2010 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 are parts of the 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 finish documenting 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.

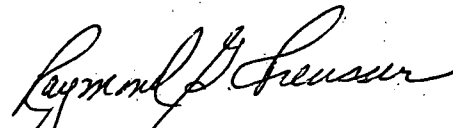
Fiscal Planning:

Due to the economic conditions facing all school districts, such as increasing benefit costs and State Aid cuts, we recommend that the District develop a three-year fiscal plan and update it annually based on current information available.

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