

SPACKENKILL UNION FREE SCHOOL DISTRICT

**Single Audit Reports
for the Year Ended
June 30, 2011**

Bonadio & Co., LLP
Certified Public Accountants

SPACKENKILL UNION FREE SCHOOL DISTRICT

**SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2011**

TABLE OF CONTENTS

	<u>Page</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1 - 2
Independent Auditors' Report on Compliance With Requirements that could have a Direct and Material effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	3 - 5
Schedule of Expenditures of Federal Awards.....	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs.....	8 - 10

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

November 14, 2011

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Spackenkill Union Free School District (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 14, 2011. 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

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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(Continued)

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

(Continued)

Internal Control Over Financial Reporting (Continued)

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as 2011-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic 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 have reported to the management of the District in a separate letter dated November 14, 2011.

The District's responses to the findings in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses, and accordingly we express no opinion on the responses.

This report is intended solely for the information and use of Board of Education, Audit Committee, Administration, federal awarding agencies, pass-through entities and others within the School District, and is not intended to be and should not be used by anyone other than these specified parties.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

February 28, 2012 (except for the Schedule of Expenditures of Federal Awards,
as to which the date is November 14, 2011)

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

Compliance

We have audited Spackenkill Union Free School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-2.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

(Continued)

Internal Control Over Compliance

The Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

The District's responses to the findings in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses, and accordingly we express no opinion on the responses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

(Continued)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

(Continued)

Schedule of Expenditures of Federal Awards (Continued)

This report is intended solely for the information and use of management, others within the School District, the Board of Education, 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.

Bonadio & Co., LLP

SPACKENKILL UNION FREE SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education:			
Pass-Through NY State Dept. of Education - Special Education Cluster -			
IDEA, Part B, Sec. 611	84.027	0032-11-0185	\$ 328,301
ARRA-IDEA, Part B, Sec. 611	84.391	5032-11-0185	203,030
IDEA, Preschool, Sec. 619	84.173	0033-11-0185	10,018
ARRA-IDEA, Preschool, Sec. 619	84.392	5033-11-0185	<u>9,466</u>
Total Special Education Cluster			<u>550,815</u>
Title I Grants Local Educational Agencies	84.010	0021-11-0680	<u>27,483</u>
Title II Part A, Improving Teacher Quality	84.367	0147-11-0680	<u>10,097</u>
ARRA-Education Stabilization Fund	84.394	5000-11-0680	<u>436,293</u>
Pass-Through from Dutchess County BOCES -			
Title III	84.365		<u>2,583</u>
Total U.S. Department of Education			<u>1,027,271</u>
U.S. Department of Agriculture- Child Nutrition Cluster			
Pass-Through NY State Education Dept. of Education (Child Nutrition Services) -			
School Breakfast Program	10.553		7,635
National School Lunch Program	10.555		<u>103,912</u>
			111,547
Pass-Through NY State Office of General Services (Division of Donated Foods) -			
National School Lunch Program	10.555		<u>38,712</u>
Total U.S. Department of Agriculture-Child Nutrition Cluster			<u>150,259</u>
Total Expenditures of Federal Awards			<u>\$ 1,177,530</u>

The accompanying notes are an integral part of this schedule.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2011

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes all the federal award programs administered by Spackenkill Union Free School District (the District). The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*. 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 Schedule of Expenditures of Federal Awards to be misleading or incomplete.

The accompanying Schedule of Expenditures of Federal Awards presents the federal award 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 District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other reporting entities included in the District's reporting entity.

Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the accompanying Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards has been prepared in conformity with accounting principles generally accepted in the United States. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

3. MATCHING COSTS

Matching costs, i.e., the District's share of certain program costs, are not included in the reported expenditures.

4. NON-MONETARY FEDERAL PROGRAM

The District is the recipient of a federal financial award program that does not result in cash receipts or disbursements termed a "non-monetary" program. During the year ended June 30, 2011, the District received food commodities, the fair market value of which amounted to \$38,712 is presented in the accompanying Schedule of Expenditures of Federal Awards as (Division of Donated Foods) National School Lunch Program (CFDA#10.555) and was considered in the District's single audit.

SPACKENKILL UNION FREE SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Type of auditor's report issued on compliance for major programs Unqualified

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified not considered to be material weaknesses? Yes No

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.391, 84.392, 84.027 and 84.173 84.394	Special Education Cluster ARRA – Education Stabilization Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes No

B. FINDINGS - FINANCIAL STATEMENT AUDIT

2011-1 Finding-Material Weakness

Criteria: The District is responsible for establishing and maintaining effective internal control over financial reporting to ensure that financial statements are prepared in accordance with generally accepting accounting principles.

Condition: During the year ended June 30, 2011, District Administration and the Board determined that a financial reporting error was made related to the accruing of health insurance liabilities to employees in its statement of net assets and the statement of revenue, expenditures, and changes in fund balance-governmental funds. In accordance with Generally Accepted Accounting Principles, corrections of financial reporting errors are made as an adjustment to the opening net assets for the year in which the error is identified. Accordingly, the District made a prior period adjustment to eliminate this liability and to reduce net assets at June 30, 2010 in the amount \$1,113,997.

Cause: The health insurance related accrued liability was recorded on the District-wide statement of net assets as well as on the Government fund statement of revenue, expenditures, and changes in fund balance maintained by the prior auditor. It is noted that the recording of this liability did not adhere to Generally Accepted Accounting Principles.

Effect: Prior year net assets were understated by \$1,113,997 on the District-wide statement of net assets as well as on the Government fund statement of revenue, expenditures, and changes in fund balance.

Recommendation: In addition, to correcting the error during the audit, the District has implemented new procedures to ensure that the District's financial statements are prepared in accordance with Generally Accepted Accounting Principles.

Management Comments: We agree with the above fully and have implemented new accounting procedures to ensure compliance with current accounting standards.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

2011-2 Finding

Criteria: Students eligible for special education services are required to have a triennial psychological evaluation indicating that the student is eligible to receive special education services.

Condition: Psychological evaluations are required triennially and the evaluations are required to be signed by the professional performing the evaluation. We noted that 1 out of 25 students tested had a psychological evaluation that was not signed by the professional performing the evaluation.

Cause: The Psychological evaluation was not signed by the professional performing the evaluation.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT
(Continued)**

2011-2 Finding (Continued)

Effect: Failure to meet requirements of Federal award programs may result in loss of Federal funding.

Recommendation: We recommend that the District strengthen controls over the Special Education Grant Program including a second review of student files to prevent non-compliance by ensuring that all required paperwork for services, including psychological evaluation forms, has been properly completed.

Management Comments: The District agrees with recommendation and is in the process of developing and implementing the appropriate review of student files to ensure that all required approvals and documents required under the grant are properly completed.