

SPACKENKILL UNION FREE SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1998

PASSIKOFF, HEENEY & SCOTT
CERTIFIED PUBLIC ACCOUNTANTS
POUGHKEEPSIE, NEW YORK 12603

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PASSIKOFF, HEENEY & SCOTT
CERTIFIED PUBLIC ACCOUNTANTS

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August 11, 1998

To the President and Members
of the Board of Education of the
Spackenkill Union Free School District
42 Hagan Drive
Poughkeepsie, New York 12603

We have audited the accompanying general-purpose financial statements and the combining and individual fund and account group financial statements of the Spackenkill Union Free School District, as of and for the year ended June 30, 1998, as listed in the table of contents. These financial statements are the responsibility of the management of the School District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 audits provide a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Spackenkill Union Free School District, as of June 30, 1998, and the results of its operations and cash flows of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the Spackenkill Union Free School District, as of June 30, 1998, and the results of operations of such funds and the cash flows of individual proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

Spackenkill Union Free School District
August 11, 1998
Page 2

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

Passmore Heaney & Scott

Certified Public Accountants

Spackenkill Union Free School District
 Combined Balance Sheet - All Fund Types and Account Groups
 June 30, 1998

	Governmental Fund Types				Fiduciary	Account Groups	
	General	Special Revenue	Debt Service	Capital Projects	Trust & Agency	General Fixed Assets	General Long Term Debt
ASSETS							
Unrestricted Cash	4,878,539	57,619					
Restricted Cash		40,664			28,147		
Unrestricted Investments			41,818	1,939			
Restricted Investments - Special Reserves <i>Blaney Repair</i>	82,698						
Taxes Receivable, Net							
State and Federal Aid Receivable		64,994					
Due From Other Governments							
Other Receivables, Net	395,308	3,987					
Due From Other Funds	<i>Fed</i> 83,064	400	1,557	618	1		
Inventories		15,200					
Deferred Expenditures - Ensuing Budget	<i>Ret Credit</i> 9,644						
Fixed Assets						16,825,806	
Provisions to be Made in Future Budgets							8,031,987
Amount Available for Retirement of Long Term Debt							<i>Comp absences Bonds</i>
Amount to Be Provided for Retirement of Long Term Debt							
Total Assets	5,449,253	182,864	43,375	2,557	28,148	16,825,806	8,031,987
LIABILITIES							
Accounts Payable	839,312	9,355		1,000			
Accrued Liabilities <i>puck</i>	<i>2 paymets</i> 252,893	7,569					
Tax Anticipation Notes Payable							
Bond Anticipation Notes Payable							
Bonds Payable	825						3,010,000
Bond Interest and Matured Bonds							
Due to Other Governments		<i>Fed Int</i> 15,647					
Due to Other Funds	1,020	82,860		1,557	203		
Due to Teachers' Retirement System	132,505						
Due to Employees' Retirement System							
Installment Purchase Debt Payable							
Compensated Absences							5,021,987
Postemployment Benefits Payable							
Judgments and Claims Payable							
Extraclassroom Activity Balances							
Other Liabilities					2,743		
Overpayments and Collections in Advance							
Deferred Revenues	<i>Summer</i> 20,180						
Planned Balance							
Total Liabilities Carried Forward	1,246,735	115,431	0	2,557	2,946	0	8,031,987

See Accompanying Notes to Financial Statements

Statement #1 (Cont'd)

Spackenkill Union Free School District
 Combined Balance Sheet - All Fund Types and Account Groups
 June 30, 1998

	Governmental Fund Types				Fiduciary	Account Groups	
	General	Special Revenue	Debt Service	Capital Projects	Trust & Agency	General Fixed Assets	General Long Term Debt
Total Liabilities Brought Forward	1,246,735	115,431	0	2,557	2,946	0	8,031,987
FUND EQUITY							
Investment in General Fixed Assets						16,825,806	
Fund Balances:							
Reserved:							
Reserved for Encumbrances	168,774						
Reserved for Repairs	81,873						
Reserved for Tax Certiorari Claims	1,010,000						
Reserved for Workman's Compensation	454,783						
Reserved for Unemployment	113,493						
Reserved for Insurance	300,000						
Reserved for Retirement Systems Credits	9,644						
Reserved for Bond Debt			43,375				
Other Trust Funds Restricted & Unrestricted					25,202		
Unreserved:							
Designated for Subsequent Year's Expenditures	1,330,000						
Undesignated	3,721,733,951	67,433					
Total Fund Balance	4,202,518	67,433	43,375	0	25,202	16,825,806	0
Total Fund Equity	4,202,518	67,433	43,375	0	25,202	16,825,806	0
Total Liabilities and Fund Equity	5,449,253	182,864	43,375	2,557	28,148	16,825,806	8,031,987

Trust Funds
 25,202
None
None

See Accompanying Notes to Financial Statements

Statement #2

Spackenkill Union Free School District
 Combined Statement of Revenues, Expenditures and Changes in Fund Equity
 All Governmental Fund Types and Similar Trust Funds
 For Year Ended June 30, 1998

	Governmental Fund Types				Fiduciary
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trusts
Revenues					
Real Property Taxes	14,858,087				
Nonproperty Taxes					
Charges for Services	83,414				
Use of Money and Property	532,014	736	1,933		
Forfeitures					
Sale of Property and Compensation for Loss	5,392				
Miscellaneous	229,665	333			
Interfund Revenues					
State Sources	2,854,210	11,463			
Federal Sources		267,037			
Sales		294,084			
Total Revenues	18,562,782	573,653	1,933	0	0
Expenditures					
General Support	2,274,240	0			
Instruction	11,722,044	506,419			
Pupil Transportation	748,339	8,372			
Community Services	0				
Employee Benefits	2,223,778	43,756			
Debt Service	706,305				
Capital Outlay				258,359	
Total Expenditures	17,674,706	558,547	0	258,359	0
Excess (Deficiency) of Revenues over Expenditures	888,076	15,106	1,933	(258,359)	0
Other Sources and Uses					
Operating Transfers In		0	1,077	275,996	
Operating Transfers (Out)	(258,000)		(18,455)		
Proceeds of Obligations					
Proceeds of Obligations Issued					
Reserve Revenues	2,420				
Reserve Expenditures					
Total Other Sources and Uses	(255,580)	0	(17,378)	275,996	0
Excess (Deficiency) Revenues and Other Sources Over Expenditures and Other Uses	632,496	15,106	(15,445)	17,637	0
Other Changes in Fund Balance Retirement Systems Credits	(13,185)				
Net Increase (Decrease)	619,311	15,106	(15,445)	17,637	0
Fund Equity, Beginning of Year	3,583,207	52,327	58,820	(17,637)	0
Fund Equity, End of Year	4,202,518	67,433	43,375	0	0

See Accompanying Notes to Financial Statements

Statement #3

Spackenkill Union Free School District
 Combined Statement of Revenues, Expenditures and Changes in Fund Equity
 Budget and Actual - All Governmental Fund Types
 For Year Ended June 30, 1998

	General Fund			Special Revenue		
	Budget (Amended)	Actual	Variance Fav.-Unf.	Budget (Amended)	Actual	Variance Fav.-Unf.
Revenues						
Real Property Taxes	14,858,087	14,858,087	0			0
Nonproperty Taxes		0	0			0
Charges for Services	100,000	83,414	(16,586)			0
Use of Money and Property	485,000	532,014	47,014	500	736	236
Forfeitures		0	0			0
Sale of Property and Compensation for Loss		5,392	5,392			0
Miscellaneous	191,265	229,665	38,400	0	333	333
Interfund Revenues		0	0			0
State Sources	2,387,735	2,854,210	466,475	15,000	11,463	(3,537)
Federal Sources		0	0	257,758	267,037	9,279
Sales (School Lunch and School Store)		0	0	263,000	294,084	31,084
Total Revenues	18,022,087	18,562,782	540,695	536,258	573,653	37,395
Expenditures						
General Support	2,563,989	2,274,240	289,749			0
Instruction	12,260,582	11,722,044	538,538	503,365	506,419	(3,054)
Pupil Transportation	857,544	748,339	109,205	8,372	8,372	0
Community Services		0	0			0
Employee Benefits	2,732,527	2,223,778	508,749	24,521	43,756	(19,235)
Debt Service	707,200	706,305	895			0
Total Expenditures	19,121,842	17,674,706	1,447,136	536,258	558,547	(22,289)
Excess (Deficiency) of Revenues over Expenditures	(1,099,755)	888,076	1,987,831	0	15,106	15,106
Other Sources and Uses						
Operating Transfers In			0			0
Operating Transfers (Out)	(258,000)	(258,000)	0			0
Proceeds of Obligations			0			0
Proceeds of Obligations Issued			0			0
Reserve Revenue		2,420	2,420			0
Reserve Expenditures			0			0
Total Other Sources and Uses	(258,000)	(255,580)	2,420	0	0	0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(1,357,755)	632,496	(1,990,251)	15,106		
Less: Retirement Systems Credits		(13,185)				
Fund Equity, Beginning of Year	1,357,755	3,583,207		52,327		
Fund Equity, End of Year	0	4,202,518		67,433		

See Accompanying Notes to Financial Statement

Statement #4

Spackenkill Union Free School District
Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary Fund Type-Nonexpendable Trust Fund
For The Year Ended June 30, 1998

Operating Revenues:	
Gifts and Endowments	42,227
Operating Expenses	24,877
Operating Income	0
Nonoperating Revenue:	
Interest Income	0
Net Income	<u>17,350</u>
Fund Equity, Beginning of Year	<u>7,852</u>
Fund Equity, End of Year	<u><u>25,202</u></u>

*Mesday
Middle School
Programs
No. 10
Scholarship*

See Accompanying Notes to Financial Statements

Statement #5

Spackenkill Union Free School District
Statement of Cash Flows - Nonexpendable Trust Fund
For the Year Ended June 30, 1998

Cash Flows from Operating Activities:	\$	N/A
Gifts and Donations		
Cash Payments - Benefits		

Cash Flows from Noncapital Financing Activities:		
Interfund Transfers		

Cash Flows from Capital Related Financing Activities:

Cash Flows from Investing Activities:		
Sale of Investments		
Purchase of Investments		
Interest Income		

 Net Increase (Decrease) in Cash

Cash, Beginning of Year

Cash, End of Year

Reconciliation of Operating Income to Net Cash

Operating Income	\$	N/A
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Adjustments to Reconcile Operating Income to Net Cash Provided/(Used) from Operations		
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Net Cash Provided/(Used) by Operations

See Accompanying Notes to Financial Statements

Supplemental Schedule #1

Spackenkill Union Free School District
 Combining Schedule of Balance Sheets
 Special Revenue Funds
 June 30, 1998

	Special Aid	School Lunch	School Store	Public Library	Total
ASSETS					
Unrestricted Cash		57,619			57,619
Restricted Cash	40,664				40,664
Unrestricted Investments					0
Restricted Investments					0
State and Federal Aid Receivable	57,326	7,668			64,994
Due From Other Governments					0
Other Receivables, Net		3,987			3,987
Due From Other Funds	400				400
Inventories		15,200			15,200
Deferred Expenditures - Ensuing Budget					0
Total Assets	98,390	84,474	0	0	182,864
LIABILITIES					
Accounts Payable		9,355			9,355
Accrued Liabilities		7,569			7,569
Due to Other Governments	15,530	117			15,647
Due to Other Funds	82,860				82,860
Due to Teachers' Retirements Systems					0
Due to Employees' Retirement System					0
Other Liabilities					0
Deferred Revenues					0
Total Liabilities	98,390	17,041	0	0	115,431
FUND EQUITY					
Reserved Fund Balances					
Reserved for Encumbrances					0
Other					0
Total Reserved Fund Balance	0	0	0	0	0
Unreserved:					
Designated for Subsequent Year's Expenditures					0
Undesignated		67,433			67,433
Total Unreserved Fund Balance	0	67,433	0	0	67,433
Total Fund Equity	0	67,433	0	0	67,433
Total Liabilities and Fund Equity	98,390	84,474	0	0	182,864

PTA District

117 Summer School

See Accompanying Notes to Financial Statements

Supplemental Schedule #2

Spackenkill Union Free School District
 Combining Schedule of Revenues, Expenditures and Changes in Fund Equity
 Budget and Actual - Special Revenue Funds
 For Year Ended June 30, 1998

	Special Aid		School Lunch		School Store		Public Library		Total	
	Budget (Amended)	Actual	Budget (Amended)	Actual	Budget (Amended)	Actual	Budget (Amended)	Actual	Budget (Amended)	Actual
Revenues										
Real Property Taxes (Library Only)										
Charges for Service										
Use of Money and Property			500	736					500	736
Sale of Property and Compensation for Loss									0	0
Miscellaneous				333					0	333
State Sources			15,000	11,463					15,000	11,463
Federal Sources	162,758	157,627	95,000	109,410					257,758	267,037
Sales			263,000	294,084					263,000	294,084
Total Revenues	162,758	157,627	373,500	416,026	0	0	0	0	536,258	573,653
Expenditures										
General Support										
Instruction	153,865	148,734	349,500	357,685					503,365	506,419
Pupil Transportation	8,372	8,372							8,372	8,372
Employee Benefits	521	521	24,000	43,235					24,521	43,756
Total Expenditures	162,758	157,627	373,500	400,920	0	0	0	0	536,258	558,547
Excess (Deficiency) Revenues Over Expenditures	0	0	0	15,106	0	0	0	0	0	15,106
Other Sources and Uses										
Operating Transfers In										
Operating Transfers (Out)										
Reserve Revenue										
Reserve Expenditures										
Total Other Sources and Uses	0	0	0	0	0	0	0	0	0	0
Excess (Deficiency) Revenues and Other Sources Over Expenditures and Other Uses	0	0	0	15,106	0	0	0	0	0	15,106
Fund Equity, Beginning of Year				52,327					0	52,327
Fund Equity, End of Year			0	67,433	0	0	0	0	0	67,433

See Accompanying Notes to Financial Statements

Supplemental Schedule #3

Spackenkill Union Free School District
Schedule of Change from Original Budget to Revised Budget - General Fund
For Year Ended June 30, 1998

Original Budget	18,843,087
Additions:	
Encumbrances from Prior Year	257,755
Budget Revisions	279,000

Total Additions	19,379,842
Deductions:	
Budget Revisions	
Total Deductions	0

Revised Budget	19,379,842
	=====

See Accompanying Notes to Financial Statements

Supplemental Schedule #4

Spackenkill Union Free School District
Schedule of Use of Fund Balance as of the Beginning of Year - General Fund
For Year Ended June 30, 1998

Total Fund Balance (Unreserved) as of Beginning of Year	1,979,894
Less:	
Unreserved Fund Balance	
Designated for Subsequent Year's Expenditures	1,100,000
Unreserved Fund Balance Designated for	
Other Purposes	0

Total Unreserved Undesignated Fund Balance	879,894
	=====

See Accompanying Notes to Financial Statements

Spackenkill Union Free School District
 Schedule of Project Expenditures - Capital Projects Fund
 For the Year Ended June 30, 1998

<u>Project Title</u>	<u>Expenditures to Date</u>					<u>Available Balance</u>
	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Prior Year's</u>	<u>Current Year</u>	<u>Total</u>	
Spackenkill High School Reconstruction 13-16-02-02-0005-009	71,800	60,266	60,266		60,266	0
Todd Middle High School Reconstruction 13-16-02-02-0002-008	97,000	95,793	95,793		95,793	0
Todd Middle High School Reconstruction 13-16-02-02-0002-007	71,800	51,827	51,827		51,827	0
Nassau Road Elementary School Reconstruction 13-16-02-02-0003-007	140,300	129,774	129,774		129,774	0
Hagan Elementary School Reconstruction 13-16-02-02-0004-007	115,300	103,637	103,637		103,637	0
Todd Middle School Bus Storage Garage 13-16-02-02-4007-002	43,000	92,104	15,011	77,093	92,104	0
Spackenkill High School Track 13-16-02-02-0005-011	258,000	258,000	77,477	180,523	258,000	0

Supplemental Schedule #6

Spackenkill Union Free School District
 Schedule of Revenues, Other Sources, Expenditures and Other Uses Compared to Budget - General Fund
 For Year Ended June 30, 1998

	Original Budget	Revised Budget	Current Year's Revenues	Over (Under) Amended Budget
Revenues				
Local Sources				
Real Property Taxes	14,858,087	14,858,087	14,858,087	0
Appropriation of Planned Balance				0
Real Property Tax Items				0
Nonproperty Taxes				0
Charges for Services	100,000	100,000	83,414	(16,586)
Use of Money and Property	465,000	485,000	532,014	47,014
Forfeitures				0
Sales of Property and Compensation for Loss			5,392	5,392
Miscellaneous		191,265	229,665	38,400
Interfund Revenues				0
State Sources	2,300,000	2,387,735	2,854,210	466,475
Federal Sources				0
Total Revenues	17,743,087	18,022,087	18,562,782	540,695
Other Sources				
Operating Transfers in				0
Proceeds of Long-Term Debt				0
Total Revenues and Other Sources	17,743,087	18,022,087	18,562,782	540,695
Appropriated Fund Balance	1,100,000			0
Appropriated Reserves				0
Total Revenues, Other Sources and Appropriated Fund Balance	18,843,087	18,022,087	18,562,782	540,695

See Accompanying Notes to Financial Statements

Supplemental Schedule #6 (Cont'd)

Spackenkill Union Free School District
 Schedule of Revenues, Other Sources, Expenditures and Other Uses Compared to Budget - General Fund
 For Year Ended June 30, 1998

Expenditures	Original Budget	Revised Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balance
General Support					
Board of Education	27,675	31,407	30,823	98	486
Central Administration	141,029	149,854	145,811	500	3,543
Finance	237,300	253,008	250,864	1,401	743
Staff	108,000	132,697	132,244	28	425
Central Services	1,607,629	1,702,323	1,445,355	43,817	213,151
Special Items	286,100	294,700	269,143		25,557
Instructional					
Instruction, Administration & Improvement	780,196	771,329	729,561	354	41,414
Teaching - Regular School	7,672,830	7,776,794	7,663,357	69,590	43,847
Programs for Children with Handicapping Conditions	1,701,829	1,741,011	1,441,465	34,035	265,511
Occupational Education	125,000	134,600	130,800		3,800
Teaching - Special Schools	40,000	30,056	26,526	1,380	2,150
Instructional Media	579,650	783,738	738,978	7,485	37,275
Pupil Services	986,849	1,023,054	991,357	9,766	21,931
Pupil Transportation	857,500	857,544	748,339	320	108,885
Community Services					
Employee Benefits	2,936,500	2,732,527	2,223,778		508,749
Debt Service					
Debt Service Principal	555,000	519,200	519,200		
Debt Service Interest	200,000	188,000	187,105		895
Total Expenditures	18,843,087	19,121,842	17,674,706	168,774	1,278,362
Other Uses					0
Operating Transfers Out		258,000	258,000		
Total Expenditures and Other Uses	18,843,087	19,379,842	17,932,706	168,774	1,278,362
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses			630,076		

*279.00
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See Accompanying Notes to Financial Statements

Supplemental Schedule #7

Spackenkill Union Free School District
 Schedule of Certain Revenues and Expenditures Compared to ST-3 Data
 For the Year Ended June 30, 1998

	<u>Account Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
REVENUES			
Property Taxes	A-1001	14,858,087	14,858,087
Non-Property Taxes	AT-1199		
State Aid	AT-3999	2,854,210	2,854,210
Federal Aid	AT-4999		
Total Revenues	AT-5999	18,565,202	18,565,202
EXPENDITURES			
General Support (Note 9)	AT-1999	2,266,632	2,274,250
Pupil Transportation (Note 9)	AT-5599	755,946	748,339
Debt Service - Principal	AT-9798.6	519,200	519,200
Debt Service - Interest	AT-9798.7	187,105	187,105
Total Expenditures	AT-9999	17,932,706	17,932,706

See Accompanying Notes to Financial Statements

Spackenkill Union Free School District
Notes to Financial Statements
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The general purpose financial statements include all funds and account groups of the School District as well as the component units and other organizational entities determined to be includable in the School District's financial 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:

1. 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 general purpose financial statements (cash basis) of the extraclassroom activity funds can be found at the School District's business office, located at Hagan Elementary School, 42 Hagan Drive, Poughkeepsie, New York.

B. Joint Venture

The Spackenkill Union Free School District is one of fourteen component school districts in Dutchess County 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 also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

Spackenkill Union Free School District
Notes to Financial Statements
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Joint Venture (Continued)

A BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital costs 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 its 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.

C. Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The School District records its transactions in the fund types and account groups described below.

1. Governmental Fund Types

- a. **General**-is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.
- b. **Special Revenue**-is used to account for the proceeds of specific revenue sources such as Federal and State grants, that are legally restricted to expenditures for specified purposes, school lunch operations, and other activities whose funds are restricted as to use, other than expendable trust or major capital projects. These legal restrictions may be imposed by either governments that provide the funds or outside parties.
- c. **Capital Projects**-is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.
- d. **Debt Service**-is used to account for the accumulation of resources and the payment of general long-term debt principal and interest.

Spackenkill Union Free School District
Notes to Financial Statements
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

2. Fiduciary Fund Types

Fiduciary Fund Types include Expendable and Nonexpendable Trust Funds and Agency Funds. The Expendable and Nonexpendable Trust Funds and Agency Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, and other governments.

Nonexpendable Trust Funds are accounted for on the accrual basis. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis which approximates the modified accrual basis of accounting.

3. Account Groups

- a. **General Fixed Assets Account Group**-is used to account for general fixed assets of the School District.
- b. **General Long-Term Debt Account Group**-is used to account for long-term obligations of the School District including bonds, most obligations under lease/purchase and other financing arrangements, certain pension contributions, compensated absences, and other long-term obligations.

D. Basis of Accounting/Measurement Focus

The basis of accounting determines when revenues and expenditures are recognized in the accounts and reported in the general purpose financial statements, regardless of the measurement focus applied. Measurement focus is the determination of what is measured. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included in the fund types on the balance sheet. Operating statements of these fund types present increases (i.e. revenues, and other financing sources) and decreases (i.e. expenditures and other financing uses) in fund equity.

1. Modified Accrual Basis

Generally accepted accounting principles and the New York State Uniform System of Accounts for School Districts require the use of the modified accrual basis of accounting for recording transactions in its governmental fund types and expendable trust and agency funds as applicable. Under this basis of accounting, revenues are recorded when they become measurable and available. Available means

Spackenkill Union Free School District
Notes to Financial Statements
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition for governmental fund revenues. Material revenues that are susceptible to accrual include real property taxes, charges for services, intergovernmental revenues, and operating transfers. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures are recorded when the fund liability is incurred except:

- a. Expenditures for prepaid expenses and inventory-type items are recognized at the time of the disbursements when liable for payment;
- b. Principal and interest on long-term debt is recognized as an expenditure when due;
- c. Interest on short-term debt is recognized as an expenditure when due;
- d. Unfunded pension costs which are recognized as an expenditure when billed by the State (see Note 7);
- e. Unfunded compensated absences for vacation leave and other compensated absences with similar characteristics and additional salary-related payments are recognized as a liability as the benefits are earned by the employees, based on the rendering of past service and the probability that the employees will be compensated for the benefits through paid time off or some other means.

2. Accrual Basis

Nonexpendable trust funds are accounted for on the accrual basis of accounting, whereby revenues are recognized when earned, and expenses are recorded when incurred.

E. Cash and Cash Equivalents

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

F. Investments

Investments are valued at \$82,698.

Spackenkill Union Free School District
Notes to Financial Statements
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventories

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis or in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase.

H. Fixed Assets

Fixed assets in the General Fixed Assets Account Group are reported at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Generally, equipment which has a cost in excess of \$200. at the date of acquisition and has an expected useful life of one year is capitalized. Interest incurred during construction is not capitalized. Fixed assets are not depreciated.

I. Long-Term Debt

The liabilities reported in the General Long-Term Debt Account Group include the School District's general obligation bonds, most obligations under lease/purchase and other financing arrangements, certain pension contributions and other long-term liabilities including vacation leave, sick leave, litigation, and other (i.e. workers' compensation, insurance-related liabilities pertaining to the Governmental Funds).

J. Compensated Absences

Sick leave and vacation leave are recorded as expenditures when paid. The estimated liability is reported in the General Long-Term Debt Account Group. Employees accrue sick leave and vacation leave based on the various contracts. The value as of June 30, 1998 is \$5,021,987.

K. Deferred Revenue

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

Spackenkill Union Free School District
Notes to Financial Statements
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Deferred Revenue - Planned Balance

The statute provides the authority for the School District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year rather than when measurable and available.

L. Post-Employment Benefits

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

M. 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. Capital Reserve

This reserve is used to accumulate funds to finance all or a portion of future capital projects for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and payments from the reserve. The reserve is accounted for in the Capital Funds.

2. Repair Reserve

This reserve is used to accumulate funds to finance future costs of major repairs to capital improvements or equipment. Voter authorization is required to fund the reserve. Expenditures from this reserve may be made only after a public hearing has been held. In an emergency, expenditures may be made from the reserve fund without a public hearing with approval of two-thirds of the Board of Education. The emergency expenditure must be repaid within the next two succeeding years. The reserve is accounted for in the General Fund.

Spackenkill Union Free School District
Notes to Financial Statements
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Insurance Reserve

The School District is insured through a cooperative self-insurance plan for workers' compensation, unemployment insurance, liability, casualty, and other types of losses for which the following types of insurance may not be purchased: workers' compensation, unemployment, life, annuities, accident and health, fidelity and surety, credit, title and residual value. The reserve is funded annually through budgetary provisions in the General Fund. Such reserve is recorded in the General Fund and, in the opinion of management, is adequate to fund the eventual loss on claims arising prior to year end.

4. Encumbrance Reserve

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Reserve Funds, and Capital Funds.

The cost of construction contract commitments generally is recorded as an encumbrance of Capital Funds and is presented as a reserve for encumbrances. These committed amounts generally will become liabilities in future periods as the construction work is performed by the contractors. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

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.

6. Reserve for Debt Service

This reserve is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations, and remaining bond proceeds not to be utilized for the intended purpose. These monies must be used to pay the debt service of the obligations from which they originated. This reserve is accounted for in the Debt Service Fund.

Spackenkill Union Free School District
Notes to Financial Statements
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Budgetary Procedures and Budgetary Accounting

1. Budget Policies

The budget policies are as follows:

- a. The School District administration prepares a proposed budget for approval by the Board of Education for the following governmental fund types:

General Fund
Federal Fund
Cafeteria Fund

- b. The proposed appropriation budget for the General Fund was approved by the voters within the School District.
- c. Appropriations are adopted at the program level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. 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. The following supplemental appropriations occurred during the year: the budget was revised by \$279,000 which was approved at the March 17, 1998 Board of Education meeting.

2. Budget Basis of Accounting

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

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

Certain Special Revenue Funds have not been included in the comparison because they do not have legally authorized (appropriated) budgets. The following is a reconciliation of the actual activity of these unbudgeted funds to the actual activity on the budget to actual comparison:

Spackenkill Union Free School District
Notes to Financial Statements
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	<u>July 1</u> <u>1997</u>	<u>Revenues</u>	<u>Expendi-</u> <u>tures</u>	<u>Encum-</u> <u>brances</u>	<u>June 30</u> <u>1998</u>
Total for Funds Included in Budget Comparison	52,327	573,653	558,547	-	67,433.
Funds Excluded from Budget Comparison	-	-	-	-	-
Total Special Revenue Funds	<u>52,327</u>	<u>573,653</u>	<u>558,547</u>	<u>-</u>	<u>67,433</u>

O. Property Taxes

1. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 26, 1997. Taxes were collected during the period September and October, 1997.

2. Enforcement

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

P. Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers to provide services and construct assets.

Q. Total (Memorandum Only)

Total columns in the general purpose financial statements are captioned "memorandum only" to indicate they are presented only to facilitate financial analysis. Data in these columns do not present results of operations in conformity with generally accepted accounting principles; nor is such data comparable to a consolidation.

Spackenkill Union Free School District
Notes to Financial Statements
June 30, 1998

NOTE 2 - JOINT VENTURE

During the year ended June 30, 1998, the Spackenkill Union Free School District was billed \$1,420,455. for BOCES administrative and programs costs.

NOTE 3 - RELATED PARTY TRANSACTIONS

There are no related party transactions.

NOTE 4 - CASH AND INVESTMENTS

The Spackenkill Union Free School District investment policies are governed by State statutes. Spackenkill Union Free School District 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.

A. Deposits

Deposits are valued at cost or cost plus interest and are categorized as:

1. Insured or collateralized with securities held by the District's agent in the District's name; or
2. Collateralized with securities held by the pledging financial institution's trust department or agency in the District's name; or
3. Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, its trust department, or agent but not in the District's name.)

Total financial institution (bank) balances at June 30, 1998, per the bank were \$5,657,119. These deposits are categorized as follows:

<u>1</u>	<u>2</u>	<u>3</u>
\$ 5,657,119	\$ -0-	\$ -0-

Spackenkill Union Free School District
Notes to Financial Statements
June 30, 1998

NOTE 4 - CASH AND INVESTMENTS (Continued)

B. Investments

Investments are stated at cost plus accrued interest and are categorized as (1) insured or registered, with investments held by the School District or by the School District's agent in the School District's name, or (2) uninsured and unregistered, with the investments held by the financial institutions trust department in the School District's name, or (3) uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the School District's name.

<u>Fund</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Type of Investment</u>	<u>Category</u>
General	\$ 81,873	\$ 81,873	Savings-Repair Reserve	(1)
General	\$ 825	\$ 825	Cash with Fiscal Agent	(1)

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 1998, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 83,064	\$ 1,020	\$	\$
Special Aid Fund	400	82,860		
Debt Service	1,557	0		
School Lunch Fund	0	0		
Capital Fund	618	1,557		
Trust & Agency Fund	<u>1</u>	<u>203</u>	<u> </u>	<u> </u>
Total	\$ <u>85,640</u>	\$ <u>85,640</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

Spackenkill Union Free School District
Notes to Financial Statements
June 30, 1998

NOTE 6 - CHANGES IN FIXED ASSETS

A summary of changes in general fixed assets is as follows:

	<u>Balance</u> <u>07/01/97</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/98</u>
Land	\$ 287,418			\$ 287,418
Buildings	12,579,291	791,400		13,370,691
Machinery & Equipment	<u>3,068,498</u>	\$ <u>129,275</u>	\$ <u>30,076</u>	<u>3,167,697</u>
Total	<u>\$15,935,207</u>	\$ <u>920,675</u>	\$ <u>30,076</u>	<u>\$16,825,806</u>

NOTE 7 - LIABILITIES

A. Pension Plans and Post-Employment Benefits

1. General Information

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

The NYS TRS is administered by the New York State Teachers' Retirement Board. The System provides 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 NYS TRS 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.

Spackenkill Union Free School District
Notes to Financial Statements
June 30, 1998

NOTE 7 - LIABILITIES (Continued)

b. Employees' Retirement System (ERS)

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

3. Funding Policies

The Systems are noncontributory except for employees who joined the Systems after July 27, 1976, who contribute 3% of their salary. For the New York State and Local Employees' Retirement System, the Comptroller shall certify annually the rates expressed as proportions of members' payroll, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, rates are established annually for TRS by the New York State Teachers' Retirement Board.

The School District is required to contribute at an actuarially determined rate. The required and actual contributions for the current year and two preceding years were:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
1998	\$ 5,778	\$ 104,964
1997	5,307	300,564
1996	2,459	505,911

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

Spackenkill Union Free School District
Notes to Financial Statements
June 30, 1998

NOTE 7 - LIABILITIES (Continued)

Since 1989, the ERS' billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989, over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. The Spackenkill Union Free School District elected to make the full payment on December 15, 1989.

The State Legislature authorized local governments to make available retirement incentive programs with estimated total costs of \$207,890 of which \$207,890 was charged to expenditures/expenses in the Governmental Funds and \$0 to Proprietary Funds in the current fiscal year.

4. Post-Employment Benefits

Post-employment benefits aggregated \$293,918. for 87 employees.

B. Indebtedness

1. Short-Term Debt

a. Revenue Anticipation Notes and Tax Anticipation Notes

For Governmental Funds, notes issued in anticipation of the receipt of revenues is recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The revenue anticipation and tax anticipation notes represent a liability that will be extinguished by the use of expendable, available resources of the fund.

b. Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as part of the

Spackenkill Union Free School District
Notes to Financial Statements
June 30, 1998

NOTE 7 - LIABILITIES (Continued)

General Long-Term Debt Account Group when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance-sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

c. Short-Term Debt Interest

Interest expense amounted to \$-0- for 1997-1998.

2. Long-Term Debt

a. Debt Limit

At June 30, 1998, the total outstanding indebtedness represented approximately 5% of the District's debt limit.

b. Long-Term Debt Interest

Interest expense on long-term debt amounted to \$187,105. for 1997-1998.

c. Changes

The changes in the School District's indebtedness during the year ended June 30, 1998, are summarized as follows:

	<u>Balance</u> <u>07/01/97</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/98</u>
Serial Bonds	\$3,529,200	\$ -	\$ 519,200	\$3,010,000
Compensated Absences	<u>4,937,691</u>	<u>84,296</u>	<u>-</u>	<u>5,021,987</u>
Total	<u>\$8,466,891</u>	<u>\$ 84,296</u>	<u>\$ 519,200</u>	<u>\$8,031,987</u>

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

Spackenkill Union Free School District
Notes to Financial Statements
June 30, 1998

NOTE 7 - LIABILITIES (Continued)

d. Maturity

1) The following is a summary of maturity of indebtedness:

<u>Issue Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 1998</u>
<u>Serial Bonds</u>				
7th Issue	12/01/71	12/01/99	5.50%	300,000
8th Issue	08/01/89	08/01/10	6.65%	575,000
9th Issue	08/01/91	08/01/01	5.50%	250,000
10th Issue	09/15/94	09/15/14	5.70%	985,000
11th Issue	01/15/97	01/15/07	4.80%	<u>900,000</u>
Total				<u>3,010,000</u>

2) The following is a summary of maturing debt service requirements:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	555,000	156,651	711,651
2000	455,000	128,316	583,316
2001	230,000	109,494	339,494
2002	230,000	96,859	326,859
2003	205,000	84,911	289,911
2004	205,000	73,551	278,551
2005	205,000	62,191	267,191
2006	180,000	51,662	231,662
2007	185,000	41,793	226,793
2008	85,000	31,720	116,720
2009	85,000	26,488	111,488
2010	90,000	21,074	111,074
2011	65,000	16,344	81,344
2012	65,000	12,404	77,404
2013	65,000	8,423	73,423
2014	55,000	4,748	59,748
2015	<u>50,000</u>	<u>1,531</u>	<u>51,531</u>
TOTAL	<u>3,010,000</u>	<u>928,160</u>	<u>3,938,160</u>

Spackenkill Union Free School District
Notes to Financial Statements
June 30, 1998

NOTE 8 - COMMITMENTS AND CONTINGENCIES

A. Risk Financing and Related Insurance

1. General Information

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

B. Other Items

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

C. Litigation

1. The District is named as the defendant in several student personal injury actions which are covered by liability insurance.
2. The District has also been named as a defendant, together with the Town of Poughkeepsie, in several tax certiorari actions. In the opinion of its attorney, no estimate of reductions in assessments that might result in tax refunds can be made at this time.

NOTE 9 - REVENUES AND EXPENDITURES COMPARED TO ST-3

A discrepancy between audited expenditures and ST-3 reported expenditures appears in General Support and Pupil Transportation. During the school year the District shows bus fuel of \$7,618. as a General Support (operation of plant) expenditure and on the ST-3, this same amount is categorized as pupil transportation.