

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**Year Ended June 30, 1999**

SPACKENKILL UNION FREE SCHOOL DISTRICT

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1-2
<b>Combined Financial Statements - Overview:</b>	
Combined Balance Sheet - All Fund Types and Account Groups	3
Combined Statement of Revenues, Expenditures and Changes in Fund Equity - All Governmental Fund Types and Similar Trust Funds	4
Combined Statement of Revenues and Expenses and Changes in Fund Equity - Budget and Actual - General Fund	5
Notes to Financial Statements	6-21
<b>Financial Statements of Individual Funds and Schedules:</b>	
Combining Schedule of Balance Sheet - Special Revenue Funds	22
Combining Schedule of Revenues, Expenditures and Changes in Fund Equity - Actual - Special Revenue Funds	23
Schedule of Change from Original Budget to Revised Budget - General Fund	24
Schedule of Use of Fund Balance as of the Beginning of Year - General Fund	24
Schedule of Project Expenditures - Capital Projects Fund	25
Schedule of Revenues, Other Sources, Expenditures and Other Uses Compared to Budget - General Fund	26-27
Schedule of Certain Revenues and Expenditures Compared to ST-3 Data	28
Report on Compliance and on Internal Control Over Financial Reporting based on an Audit of Financial Statements performed in accordance with <i>Government Auditing Standards</i>	29-30
Management Letter	31

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general-purpose financial statements of the Spackenkill Union Free School District as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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 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, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated July 12, 1999 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 grants.

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

*Patterson, Kaskey, Rath PC*

Hudson, New York  
July 12, 1999

**SPACKENKILL UNION FREE SCHOOL DISTRICT**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS**  
**June 30, 1999**

	Governmental Fund Types			Fiduciary	Account Groups		
	Special	Debt	Capital	Fund Types	General	General Long-	
	General	Revenue	Service	Trust & Agency	Fixed Assets	Term Debt	
<b>Assets</b>							
Unrestricted Cash	\$4,760,168	\$53,245	\$0	\$3,195,366	\$1,989	\$0	\$0
Restricted Cash	4,675	0	44,690	0	71,330	0	0
Investments	84,342	0	0	0	0	0	0
Accounts Receivable	566	3,368	0	0	0	0	0
Prepaid Expense	5,168	0	0	0	0	0	0
State and Federal Aid Receivable	173,211	117,773	0	0	0	0	0
Due from Other Governments	318,109	0	0	0	0	0	0
Due From Other Funds	102,908	0	30,471	0	0	0	0
Inventories	0	20,941	0	0	0	0	0
Fixed Assets	0	0	0	0	0	12,007,971	0
Amount to be Provided for Retirement of Long-Term Debt	0	0	0	0	0	0	11,494,347
<b>Total Assets</b>	<b>5,449,147</b>	<b>195,327</b>	<b>75,161</b>	<b>3,195,366</b>	<b>73,319</b>	<b>12,007,971</b>	<b>11,494,347</b>
<b>Liabilities</b>							
Accounts Payable	91,870	15,500	0	1,000	0	0	0
Accrued Liabilities	218,134	7,720	0	0	0	0	0
Bonds Payable	0	0	0	0	0	0	6,444,000
Bond Interest and Matured Bonds	4,675	0	0	0	0	0	0
Due to Other Governments	0	664	0	0	0	0	0
Due to Other Funds	0	102,718	0	30,471	190	0	0
Due to Teachers' Retirement System	859,907	0	0	0	0	0	0
Due to Employees' Retirement System	77,172	0	0	0	0	0	0
Compensated Absences Payable	0	0	0	0	0	0	5,050,347
Extraclassroom Activity Balances	0	0	0	0	33,747	0	0
Other Liabilities	0	0	0	0	1,799	0	0
Deferred Revenues	19,375	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>1,271,133</b>	<b>126,602</b>	<b>0</b>	<b>31,471</b>	<b>35,736</b>	<b>0</b>	<b>11,494,347</b>
<b>Fund Equity</b>							
Investment in General Fixed Assets	0	0	0	0	0	12,007,971	0
Reserved for Insurance Recoveries	300,000	0	0	0	0	0	0
Repair Reserve	84,342	0	0	0	0	0	0
Capital Reserve	0	0	0	0	0	0	0
Scholarship	0	0	0	0	37,583	0	0
Reserved for Encumbrances	97,479	0	0	0	0	0	0
Reserved for Tax Certiorari	1,010,000	0	0	0	0	0	0
Reserved for Workers' Compensation	454,783	0	0	0	0	0	0
Reserved for Retirement System Credits	5,168	0	0	0	0	0	0
Reserved for Unemployment Insurance	113,493	0	0	0	0	0	0
Reserved for Debt	0	0	75,161	0	0	0	0
Unreserved-Designated for Subsequent Year's Expenditures	1,345,000	0	0	0	0	0	0
Unreserved - Undesignated	767,749	68,725	0	3,163,895	0	0	0
<b>Total Fund Equity</b>	<b>4,178,014</b>	<b>68,725</b>	<b>75,161</b>	<b>3,163,895</b>	<b>37,583</b>	<b>12,007,971</b>	<b>0</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$5,449,147</b>	<b>\$195,327</b>	<b>\$75,161</b>	<b>\$3,195,366</b>	<b>\$73,319</b>	<b>\$12,007,971</b>	<b>\$11,494,347</b>

See auditors' report. See notes to financial statements.

**SPACKENKILL UNION FREE SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -**  
**ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS**  
**For the Year Ended June 30, 1999**

	Governmental Fund Types				Fiduciary
	General	Special Revenue	Capital Projects	Debt Service	Trust & Agency
<b>Revenues</b>					
Real Property Taxes	\$14,936,759	\$0	\$0	\$0	\$0
Charges for Services	58,783	0	0	0	0
Use of Money and Property	561,108	684	0	31,764	0
Miscellaneous	131,859	20,982	0	0	22,900
State Sources	3,457,752	63,034	0	0	0
Federal Sources	12,061	233,869	0	0	0
Sales	0	288,904	0	0	0
<b>Total Revenues</b>	<u>19,158,322</u>	<u>607,473</u>	<u>0</u>	<u>31,764</u>	<u>22,900</u>
<b>Expenditures</b>					
General Support	2,215,685	0	0	0	10,519
Instruction	12,525,391	163,572	0	0	0
Pupil Transportation	843,716	11,176	0	0	0
Employee Benefits	2,720,037	55,547	0	0	0
Debt Service	711,651	0	0	0	0
Capital Outlay	0	0	985,105	0	0
Cost of Sales	0	386,891	0	0	0
<b>Total Expenditures</b>	<u>19,016,480</u>	<u>617,186</u>	<u>985,105</u>	<u>0</u>	<u>10,519</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>141,842</u>	<u>(9,713)</u>	<u>(985,105)</u>	<u>31,764</u>	<u>12,381</u>
<b>Other Sources and Uses</b>					
Operating Transfers In	1,886	12,891	160,000	0	0
Operating Transfers (Out)	(172,891)	(1,886)	0	0	0
Proceeds of Obligations	0	0	3,989,000	0	0
Reserve Revenues	2,466	0	0	0	0
<b>Total Other Sources and Uses</b>	<u>(168,539)</u>	<u>11,005</u>	<u>4,149,000</u>	<u>0</u>	<u>0</u>
<b>Excess (Deficiency) Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>(26,697)</u>	<u>1,292</u>	<u>3,163,895</u>	<u>31,764</u>	<u>12,381</u>
<b>Fund Equity, Beginning of Year</b>	4,202,518	67,433	0	43,375	25,202
<b>Other Changes in Fund Equity</b>	<u>2,193</u>	<u>0</u>	<u>0</u>	<u>22</u>	<u>0</u>
<b>Fund Equity, End of Year</b>	<u>\$4,178,014</u>	<u>\$68,725</u>	<u>\$3,163,895</u>	<u>\$75,161</u>	<u>\$37,583</u>

See auditors' report. See notes to financial statements.

**SPACKENKILL UNION FREE SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 1999**

	General Fund		
	Budget (Amended)	Actual	Variance Fav.-Unf.
<b>Revenues</b>			
Real Property Taxes	\$14,936,267	\$14,936,759	\$492
Charges for Services	60,000	58,783	(1,217)
Use of Money and Property	475,000	561,108	86,108
Sale of Property and Compensation for Loss	0	0	0
Miscellaneous	40,000	131,859	91,859
State Sources	2,850,000	3,457,752	607,752
Federal Sources	0	12,061	12,061
<b>Total Revenues</b>	<u>18,361,267</u>	<u>19,158,322</u>	<u>797,055</u>
<b>Expenditures</b>			
General Support	2,488,202	2,215,685	272,517
Instruction	12,708,339	12,525,391	182,948
Pupil Transportation	894,284	843,716	50,568
Community Services	0	0	0
Employee Benefits	2,879,244	2,720,037	159,207
Debt Service	712,081	711,651	430
<b>Total Expenditures</b>	<u>19,682,150</u>	<u>19,016,480</u>	<u>665,670</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(1,320,883)</u>	<u>141,842</u>	<u>1,462,725</u>
<b>Other Sources and Uses</b>			
Operating Transfers (In)	0	1,886	1,886
Operating Transfers (Out)	(177,891)	(172,891)	5,000
Reserve Revenues	0	2,466	2,466
<b>Total Other Sources and Uses</b>	<u>(177,891)</u>	<u>(168,539)</u>	<u>9,352</u>
<b>Excess (Deficiency) Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>(1,498,774)</u>	<u>(26,697)</u>	<u>1,472,077</u>
<b>Fund Equity, Beginning of Year</b>	4,202,518	4,202,518	0
<b>Other Changes in Fund Equity</b>	<u>0</u>	<u>2,193</u>	<u>2,193</u>
<b>Fund Equity, End of Year</b>	<u>\$2,703,744</u>	<u>\$4,178,014</u>	<u>\$1,474,270</u>

See auditors' report. See notes to financial statements.

# SPACKENKILL UNION FREE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### **I. Summary of Significant Accounting Policies**

The accompanying general-purpose financial statements of 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:

##### **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. The cash and investment balances are reported in the Trust and Agency Funds of the School District. Separate audited general-purpose financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the School District's business office.

#### **B. Joint Venture**

The Spackenkill Union Free School District is one of 14 component school districts in the Dutchess 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.



SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**B. Joint Venture (Continued)**

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.

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

During the year ended June 30, 1999, the Spackenkil Union Free School District was billed \$1,555,920 for BOCES administrative and program costs.

**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.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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I. **Summary of Significant Accounting Policies (Continued)**

C. **Fund Accounting (Continued)**

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**C. Fund Accounting (Continued)**

**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 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 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
-----**I. Summary of Significant Accounting Policies (Continued)****D. Basis of Accounting/Measurement Focus (Continued)****1. Modified Accrual Basis (Continued)**

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 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.

**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. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
-----**I. Summary of Significant Accounting Policies (Continued)****G. 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.

**H. 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).

**I. Compensated Absences**

The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the governmental funds in as much as it will be funded from current financial resources, and the general long-term debt account group for amounts to be paid from future financial resources.

**J. 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 incurring 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.

**K. 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.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

K. **Post - Employment Benefits (Continued)**

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.

L. **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**

The Capital Reserve Fund 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 people at any special or annual meeting. Such authorization is further required for payments from the capital reserve. The form of 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 Section 3651 of Education Law. This reserve is accounted in the Capital fund.

2. **Reserve for Encumbrances**

The balance of this account represents the amount of outstanding encumbrances at the end of the fiscal year.

3. **Repair Reserve**

The Repair Reserve Fund is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote of its members.

Voter approval is required to fund this reserve. Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted in the General Fund

See auditors' report.

**I. Summary of Significant Accounting Policies (Continued)**

**L. Fund Balance-Reservations and Designations (Continued)**

**4. 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 this 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.

**5. Tax Certiorari Reserve**

Chapter 588 of the laws of 1988 amended Section 3651 of the Education Law to permit the establishment of a reserve fund for tax certiorari and to expend from the fund without voter approval of the qualified voters of the school district.

The new chapter further stipulates that the total of the monies held in the reserve fund shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings.

Any monies deposited to such a reserve fund which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of these 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)**

M. **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 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 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 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.

Special Revenue Funds have not been included in the comparison because they do not have legally authorized budgets.

N. **Property Taxes**

1. **Calendar**

Real property taxes are levied annually by the Board of Education and became a lien on August 31, 1998. Taxes were collected during the period September 14, 1998 and ending November 12, 1998.

See auditors' report.



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

**I. Summary of Significant Accounting Policies (Continued)**

**N. Property Taxes (Continued)**

**2. Enforcement**

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

**O. Interfund Transfers**

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

**II. Cash and Investments**

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 New York 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.

**III. Interfund Transaction**

Interfund balances at June 30, 1999, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 102,908	\$ 0	\$ 1,886	\$ 172,891
Special Aid Fund	0	102,718	12,891	1,886
Capital Fund	0	30,471	160,000	0
Trust & Agency	0	190	0	0
Debt Service Fund	<u>30,471</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b><u>\$ 133,379</u></b>	<b><u>\$ 133,379</u></b>	<b><u>\$ 174,777</u></b>	<b><u>\$ 174,777</u></b>

See auditors' report.

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

**IV. Changes in Fixed Assets**

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

	<u>Balance</u> <u>7/1/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/99</u>
Land	\$ 121,545	\$ 0	\$ 0	\$ 121,545
Buildings	8,944,105	0	0	8,944,105
Machinery & Equipment	<u>2,942,321</u>	<u>0</u>	<u>0</u>	<u>2,942,321</u>
Total	<u>\$ 12,007,971</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,007,971</u>

**V. 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 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)**

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 New York State 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**V. Liabilities (Continued)**

**A. Pension Plans and Post - Employment Benefits (Continued)**

**2. Plan Descriptions (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 payroll of members, 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>
1999	\$ 4,996	\$ 449,676
1998	\$ 5,778	\$ 104,964
1997	\$ 5,307	\$ 300,564

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 (CONTINUED)  
 -----

**V. Liabilities (Continued)**

**A. Pension Plans and Post - Employment Benefits (Continued)**

**4. Post-Employment Benefits**

Post-employment benefits aggregated \$309,727 for currently enrolled retirees.

**B. Indebtedness**

**1. Long-Term Debt**

**a. Debt Limit**

At June 30, 1999, the total outstanding indebtedness represented approximately 10 % of the District's debt limit.

**b. Long-Term Interest**

Interest expense on long-term debt amounted to \$156,651 for 1998-1999.

**c. Changes**

The changes in the School District's indebtedness during the year ended June 30, 1999 are summarized as follows:

	<u>Balance</u> <u>7/1/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/99</u>
Serial Bonds	\$ 3,010,000	\$ 3,989,000	\$ 555,000	\$ 6,444,000
Compensated Absences	<u>5,021,987</u>	<u>28,360</u>	<u>0</u>	<u>5,050,347</u>
<b>Total</b>	<b><u>\$ 8,031,987</u></b>	<b><u>\$ 4,017,360</u></b>	<b><u>\$ 555,000</u></b>	<b><u>\$ 11,494,347</u></b>

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. Liabilities (Continued)

B. Indebtedness (Continued)

c. Changes (Continued)

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

d. Maturity

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

<u>Serial Bonds Payable</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding 6/30/99</u>
7 <sup>th</sup> issue	12/1/71	12/1/99	5.50%	\$ 150,000
8 <sup>th</sup> issue	8/1/89	8/1/10	6.65%	425,000
9 <sup>th</sup> issue	8/1/91	8/1/01	5.50%	150,000
10 <sup>th</sup> issue	9/15/94	9/15/14	5.7%	930,000
11 <sup>th</sup> issue	1/15/97	1/15/07	4.80%	800,000
12 <sup>th</sup> issue	4/1/99	4/1/19	4.25%	<u>3,989,000</u>
				<u>\$ 6,444,000</u>

2. The following is a summary of long-term maturing principal debt service requirements in each of the next five fiscal years and thereafter:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 455,000	\$ 297,168	\$ 752,168
2001	369,000	278,345	647,345
2002	375,000	259,803	634,803
2003	355,000	242,193	597,193
2004	360,000	224,458	584,458
2005 and Thereafter	<u>4,530,000</u>	<u>1,499,153</u>	<u>6,029,153</u>
	<u>\$ 6,444,000</u>	<u>\$ 2,801,120</u>	<u>\$ 9,245,120</u>

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**VI. Commitments and Contingencies**

**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 times. 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.

**VII. Additional Disclosures**

**A. Budget Modifications**

The 1998 - 1999 operating budget is summarized as follows:

Original Adopted Budget	\$ 19,691,267
June 30, 1998, Carryover Encumbrances	<u>168,774</u>
Revised budget	<u>\$ 19,860,041</u>

**B. Other Changes in Fund Equity**

The following is an explanation of other changes in fund balance occurring during the current fiscal year:

General Fund:	
Prior Year Federal	\$ 2,190
Rounding	<u>3</u>
	<u>\$ 2,193</u>

**C. Interfund Transfer**

The 1998-1999 interfund transfer increased as follows:

Original Budget	\$ 165,000
Special Aid Funds-Districts share of Summer Handicap	<u>12,891</u>
	<u>\$ 177,891</u>

**D. Other Items**

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.

See auditors' report.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
-----**VII. Additional Disclosures (Continued)****E. Disclosure about Year 2000 Issues**

The Spackenkill Union Free School District may be affected by the inability of certain data processing and electronic equipment that are dependent upon date-sensitive coding to operate beyond the year 1999. Accounting and financial reporting systems, student attendance systems, security systems, fire alarm and detection systems, HVAC systems, and programs and equipment used by teachers and students may be affected.

This problem has the potential for causing a disruption of activities and services and is a worldwide problem that affects governments and the private sector, whose operations are interdependent in many situations, which makes predictions troublesome.

The Spackenkill Union Free School District is addressing the Y2K issue for computer systems and other electronic equipment critical to conducting operations and monitoring health and safety standards. It has \$10,000 committed at June 30 to address the Y2K issue for mission-critical systems and believes it has appropriated sufficient resources in the subsequent year's budget to address this issue.

**Awareness** – The Spackenkill Union Free School District has developed a Y2K plan, which sets forth the major tasks and critical dates for dealing with the Y2K issue.

**Assessment** – A risk analysis has been performed and mission-critical systems and equipment has been reviewed and identified, a listing of which follows:

- Accounting and Processing
- Communication System
- HVAC System
- Lighting System
- Fire Control System

**Remediation** – The Spackenkill Union Free School District has determined that no changes are required to make mission-critical systems Y2K compliant.

Although steps have been taken to address the Y2K issue, there is no guarantee that systems and equipment will be Y2K compliant.

**SPACKENKILL UNION FREE SCHOOL DISTRICT  
 COMBINING SCHEDULE OF BALANCE SHEET -  
 SPECIAL REVENUE FUNDS  
 June 30, 1999**

	<u>Special Aid</u>	<u>School Lunch</u>	<u>Total</u>
<b>Assets</b>			
Unrestricted Cash	\$9,678	\$43,567	\$53,245
State and Federal Aid Receivable	93,040	24,733	117,773
Accounts Receivable	0	3,368	3,368
Inventories	0	20,941	20,941
<b>Total Assets</b>	<u><u>\$102,718</u></u>	<u><u>\$92,609</u></u>	<u><u>\$195,327</u></u>
<b>Liabilities</b>			
Accounts Payable	\$0	\$15,500	\$15,500
Accrued Liabilities	0	7,720	7,720
Due to Other Funds	102,718	0	102,718
Due to Other Gov'ts	0	664	664
<b>Total Liabilities</b>	<u><u>102,718</u></u>	<u><u>23,884</u></u>	<u><u>126,602</u></u>
<b>Fund Equity</b>			
Unreserved - Undesignated	<u><u>0</u></u>	<u><u>68,725</u></u>	<u><u>68,725</u></u>
<b>Total Liabilities and Fund Equity</b>	<u><u>\$102,718</u></u>	<u><u>\$92,609</u></u>	<u><u>\$195,327</u></u>

See auditors' report.



**SPACKENKILL UNION FREE SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY**  
**SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 1999**

	<u>Special Aid</u>	<u>School Lunch</u>	<u>Total</u>
<b>Revenues</b>			
Use of Money and Property	\$0	\$684	\$684
Miscellaneous	0	20,982	20,982
State Sources	51,562	11,472	63,034
Federal Sources	118,929	114,940	233,869
Sales	0	288,904	288,904
<b>Total Revenues</b>	<u>170,491</u>	<u>436,982</u>	<u>607,473</u>
<b>Expenditures</b>			
Instruction	163,572	0	163,572
Pupil Transportation	11,176	0	11,176
Employee Benefits	6,748	48,799	55,547
Cost of Sales	0	386,891	386,891
<b>Total Expenditures</b>	<u>181,496</u>	<u>435,690</u>	<u>617,186</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(11,005)	1,292	(9,713)
<b>Other Sources and Uses</b>			
Operating Transfers In	12,891	0	12,891
Operating Transfers (Out)	(1,886)	0	(1,886)
<b>Total Other Sources and Uses</b>	<u>11,005</u>	<u>0</u>	<u>11,005</u>
<b>Excess (Deficiency) Revenues and Other Sources Over Expenditures and Other Uses</b>	0	1,292	1,292
<b>Fund Equity, Beginning of Year</b>	<u>0</u>	<u>67,433</u>	<u>67,433</u>
<b>Fund Equity, End of Year</b>	<u>\$0</u>	<u>\$68,725</u>	<u>\$68,725</u>

See auditors' report.

**SPACKENKILL UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET - GENERAL FUND**  
**For the Year Ended June 30, 1999**

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<b>Original Budget</b>	<b>\$19,691,267</b>
<b>Additions</b>	
Encumbrances from Prior Year	<u>168,774</u>
 <b>Revised Budget</b>	 <u><u>\$19,860,041</u></u>

**SCHEDULE OF USE OF FUND BALANCE AS OF THE BEGINNING OF YEAR - GENERAL FUND**  
**For the Year Ended June 30, 1999**

<b>Total Fund Balance (Unreserved) as of Beginning of Year</b>	<b>\$2,063,951</b>
<b>Less:</b>	
Appropriated Fund Balance Used For:	
Levy of Taxes	<u>1,330,000</u>
 <b>Total Unreserved Undesignated Fund Balance</b>	 <u><u>\$733,951</u></u>

See auditors' report.

**SPACKENKILL UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND**  
**For the Year Ended June 30, 1999**

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<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Prior Year's Expenditures</u>	<u>Current Year's Expenditures</u>	<u>Total Expenditures</u>	<u>Available Balance</u>
Todd Middle School Portable Classrooms	\$160,000	\$160,000	\$0	\$160,000	\$160,000	\$0
Todd Middle School Expansion	3,989,000	3,989,000	0	825,105	825,105	3,163,895
<b>Total</b>	<u>\$4,149,000</u>	<u>\$4,149,000</u>	<u>\$0</u>	<u>\$985,105</u>	<u>\$985,105</u>	<u>\$3,163,895</u>

See auditors' report.

**SPACKENKILL UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES AND**  
**OTHER USES COMPARED TO BUDGET - GENERAL FUND**  
**For the Year Ended June 20, 1999**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Current Year's Revenues</u>	<u>Over (Under) Amended Budget</u>
<b>Revenues</b>				
<b>Local Sources</b>				
Real Property Taxes	\$14,936,267	\$14,576,444	\$14,575,495	(\$949)
Other Tax Items	0	359,823	361,264	1,441
Charges for Services	60,000	60,000	58,783	(1,217)
Use of Money and Property	475,000	475,000	561,108	86,108
Sale of Property and				
Compensation for Loss	0	0	0	0
Miscellaneous	40,000	40,000	131,859	91,859
State Sources	2,850,000	2,850,000	3,457,752	607,752
Federal Sources	0	0	12,061	12,061
<b>Total Revenues</b>	<u>18,361,267</u>	<u>18,361,267</u>	<u>19,158,322</u>	<u>797,055</u>
<b>Other Sources</b>				
Operating Transfers In	0	0	1,886	1,886
<b>Total Revenues and Other Sources</b>	<u>18,361,267</u>	<u>18,361,267</u>	<u>\$19,160,208</u>	<u>\$798,941</u>
Appropriated Fund Balance	<u>1,330,000</u>	<u>1,498,774</u>		
<b>Total Revenues, Other Sources and     Appropriated Fund Balance</b>	<u>\$19,691,267</u>	<u>\$19,860,041</u>		

See auditors' report.

**SPACKENKILL UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES AND**  
**OTHER USES COMPARED TO BUDGET - GENERAL FUND (CONTINUED)**  
**For the Year Ended June 30, 1999**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balance</u>
<b>Expenditures</b>					
<b>General Support</b>					
Board of Education	\$31,575	\$43,118	\$40,137	\$169	\$2,812
Central Administration	153,600	173,581	171,889	104	1,588
Finance	257,800	276,435	274,364	198	1,873
Staff	109,780	130,231	125,346	4,636	249
Central Services	1,623,183	1,605,734	1,347,107	44,650	213,977
Special Items	295,100	259,103	256,842	885	1,376
<b>Instructional</b>					
Instruction, Administration & Improvement	844,926	833,862	825,697	2,191	5,974
Teaching - Regular School	8,193,055	7,948,825	7,895,791	9,501	43,533
Programs for Children with Handicapping Conditions	1,588,611	1,673,249	1,665,099	4,598	3,552
Occupational Education	140,000	166,500	166,500	0	0
Teaching - Special Schools	40,000	40,712	40,430	0	282
Instructional Media	618,050	851,356	778,851	1,950	70,555
Pupil Services	1,097,557	1,193,835	1,153,023	28,493	12,319
Pupil Transportation	914,530	894,284	843,716	104	50,464
Community Services	0	0	0	0	0
Employee Benefits	2,863,500	2,879,244	2,720,037	0	159,207
<b>Debt Service</b>					
Debt Service Principal	550,000	555,000	555,000	0	0
Debt Service Interest	205,000	157,081	156,651	0	430
<b>Total Expenditures</b>	<u>\$19,526,267</u>	<u>\$19,682,150</u>	<u>\$19,016,480</u>	<u>\$97,479</u>	<u>\$568,191</u>
<b>Other Uses</b>					
Operating Transfers Out	165,000	177,891	172,891	0	5,000
<b>Total Expenditures &amp; Other Uses</b>	<u>\$19,691,267</u>	<u>\$19,860,041</u>	<u>\$19,189,371</u>	<u>\$97,479</u>	<u>\$573,191</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>			<u>(\$29,163)</u>		

See auditors' report.

**SPACKENKILL UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES COMPARED TO ST-3 DATA**  
**For the Year Ended June 30, 1999**

	<u>Account Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
<b>Revenues</b>			
Property Taxes	AT-1001	\$14,575,495	\$14,575,495
Non-Property Taxes	AT-1199	\$0	\$0
State Aid	AT-3999	\$3,457,752	\$3,457,752
Federal Aid	AT-4999	\$12,061	\$12,061
<b>Total Revenues</b>	<b>AT-5999</b>	<b>\$19,160,208</b>	<b>\$19,160,208</b>
<b>Expenditures</b>			
General Support	AT-1999	\$2,215,685	\$2,215,685
Pupil Transportation	AT-5599	\$843,716	\$843,716
Debt Service - Principal	AT-9798.6	\$555,000	\$555,000
Debt Service - Interest	AT-9798.7	\$156,651	\$156,651
<b>Total Expenditures</b>	<b>AT-9999</b>	<b>\$19,189,371</b>	<b>\$19,189,371</b>

See auditors' report.

# PATTISON, KOSKEY & RATH, PC

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

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

We have audited the general-purpose financial statements of Spackenkill Union Free School District as of and for the year ended June 30, 1999 and have issued our report thereon dated July 12, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

See auditors' report.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered Spackenkill Union Free School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Education, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Patterson, Kosky, Roth PC*

Hudson, New York  
July 12, 1999



# PATTISON, KOSKEY & RATH, PC

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

We have examined the combined financial statements of the Spackenkill Union Free School District at June 30, 1999, and have reported thereon under date of July 12, 1999. As an inherent part of our examination, we reviewed those accounting procedures and internal controls used to effect the accurate and suitable recording and summarization of authorized financial transactions.

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

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

## Fund Balance:

Section 1318 of Real Property Tax Law establishes the maximum undesignated fund balance that can be retained by a school district. The current law limits this amount to 2% of the ensuing year's budget. The District's financial statements for the year ended June 30, 1999 indicate that the undesignated fund balance is currently in excess of legal limit.

We would like to acknowledge the Business Office personnel for their excellent job in maintaining the financial records for the District and thank all of the school District personnel for the courtesy received during the course of our audit.

Very truly yours,

PATTISON, KOSKEY & RATH, P.C.

  
Raymond G. Preusser

RGP/lmh

See auditors' report.