

SPACKENKILL UNION FREE SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2000

% L.C	141109	200
	406020	%
	08-09	2000000
	767,749	2000000
% L.C	148780	200
	424,885	%
	00-00	2000000
	575071	2000000

SPACKENKILL UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general-purpose financial statements of the Spackenkill Union Free School District as of and for the year ended June 30, 2000, 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, 2000, 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 14, 2000, 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 performed 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.

Raymond B. Frensch
CPA, P.C.

Claverack, New York
July 14, 2000

SPACKENKILL UNION FREE SCHOOL DISTRICT
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2000

	Governmental Fund Types			Fiduciary	Account Groups		
	Special	Debt	Capital	Trust &	General	General Long-	
	General	Revenue	Service	Agency	Fixed Assets	Term Debt	
Assets							
Unrestricted Cash	\$4,224,600	\$101,638	\$77,194	\$443,130	\$48,723	\$0	\$0
Restricted Cash	92,707	0	0	0	69,154	0	0
Accounts Receivable, net	44,430	4,648	0	0	0	0	0
Prepaid Expense <i>ERS credits</i>	3,195	0	0	0	0	0	0
State and Federal Aid Receivable	290,116	109,969	0	0	0	0	0
Due from Other Governments	311,389	0	0	0	0	0	0
Due From Other Funds <i>behold</i>	158,113	0	<i>capital</i> 16,944	<i>debt</i> 26,384	0	0	0
Inventories	0	17,078	0	0	0	0	0
Fixed Assets	0	0	0	0	0	15,965,253	0
Amount to be Provided for Retirement of Long-Term Debt	0	0	0	0	0	0	10,966,570
Total Assets	\$5,124,550	\$233,333	\$94,138	\$469,514	\$117,877	\$15,965,253	\$10,966,570
Liabilities							
Accounts Payable	\$184,676	\$9,412	\$0	\$25,656	\$0	\$0	\$0
Accrued Liabilities	192,107	1,413	0	0	0	0	0
Bonds Payable	0	0	0	0	0	0	5,989,000
Bond Interest and Matured Bonds	5,825	0	0	0	0	0	0
Due to Other Governments	0	685	0	0	0	0	0
Due to Other Funds <i>capital</i>	26,384	158,113	<i>general</i> 0	<i>debt</i> 16,944	0	0	0
Due to Teachers' Retirement System	614,689	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	4,977,570
Extraclassroom Activity Balances	0	0	0	0	28,853	0	0
Other Liabilities	0	0	0	0	19,870	0	0
Deferred Revenues	20,715	0	0	0	0	0	0
Total Liabilities	1,121,568	169,623	0	42,600	48,723	0	10,966,570
Fund Equity							
Investment in General Fixed Assets	0	0	0	0	0	15,965,253	0
Reserved for Insurance	300,000	0	0	0	0	0	0
Repair Reserve	86,882	0	0	0	<i>DR - fees</i> 0	0	0
Scholarship	0	0	0	0	69,154	0	0
Reserved for Encumbrances	113,958	22,543	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	3,195	0	0	0	0	0	0
Reserved for Unemployment Insurance	113,493	0	0	0	0	0	0
Reserved for Debt	0	0	94,138	0	0	0	0
Unreserved-Designated for Subsequent Year's Expenditures	1,345,000	0	0	0	0	0	0
Unreserved - Undesignated <i>?</i>	575,671	41,167	0	426,914	0	0	0
Total Fund Equity	4,002,982	63,710	94,138	426,914	69,154	15,965,253	0
Total Liabilities and Fund Equity	\$5,124,550	\$233,333	\$94,138	\$469,514	\$117,877	\$15,965,253	\$10,966,570

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, 2000

	Governmental Fund Types				Fiduciary
	General	Special Revenue	Capital Projects	Debt Service	Trust & Agency
Revenues					
Real Property Taxes	\$15,186,086	\$0	\$0	\$0	\$0
Charges for Services	95,503	0	0	0	0
Use of Money and Property	670,826	360	0	18,977	0
Sale of Property and Compensation for Loss	2,400	0	0	0	0
Miscellaneous	87,512	26,614 <i>ca. 2000</i>	0	0	36,585
State Sources	3,880,146	109,119	0	0	0
Federal Sources	6,207	227,205	0	0	0
Sales	0	292,944	0	0	0
Total Revenues	19,928,680	656,242	0	18,977	36,585
Expenditures					
General Support	2,474,030	11,168	0	0	5,014
Instruction	13,201,527	193,581	0	0	0
Pupil Transportation	869,776	10,961	0	0	0
Employee Benefits	2,778,734	47,829	0	0	0
Debt Service	760,521	0	0	0	0
Capital Outlay	0	0	2,736,981	0	0
Cost of Sales	0	419,381	0	0	0
Total Expenditures	20,084,588	682,920	2,736,981	0	5,014
Excess (Deficiency) of Revenues Over Expenditures	(155,908)	(26,678)	(2,736,981)	18,977	31,571
Other Sources and Uses					
Operating Transfers In <i>fed summer school</i>	0	21,664	0	0	0
Operating Transfers (Out) <i>fed summer school</i>	(21,664)	0	0	0	0
Reserve Revenues <i>Bldg repair int</i>	2,540	0	0	0	0
Total Other Sources and Uses	(19,124)	21,664	0	0	0
Excess (Deficiency) Revenues and Other Sources Over Expenditures and Other Uses	(175,032)	(5,014)	(2,736,981)	18,977	31,571
Fund Equity, Beginning of Year	4,178,014	68,724	3,163,895	75,161	37,583
Fund Equity, End of Year	\$4,002,982	\$63,710	\$426,914	\$94,138	\$69,154

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, 2000

	General Fund		
	Budget (Amended)	Actual	Variance Fav.-Unf.
Revenues			
Real Property Taxes	\$15,186,087	\$15,186,086	(\$1)
Charges for Services	58,500	95,503	37,003
Use of Money and Property	500,000	670,826	170,826
Sale of Property and Compensation for Loss	0	2,400	2,400
Miscellaneous	41,500	87,512	46,012
State Sources	3,200,000	3,880,146	680,146
Federal Sources <i>medicare</i>	0	6,207	6,207
Total Revenues	<u>18,986,087</u>	<u>19,928,680</u>	<u>942,593</u>
Expenditures			
General Support	2,533,656	2,474,030	59,626
Instruction	13,331,483	13,201,527	129,956
Pupil Transportation	961,764	869,776	91,988
Employee Benefits	2,819,033	2,778,734	40,299
Debt Service	760,966	760,521	445
Total Expenditures	<u>20,406,902</u>	<u>20,084,588</u>	<u>322,314</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,420,815)</u>	<u>(155,908)</u>	<u>1,264,907</u>
Other Sources and Uses			
Operating Transfers (Out)	(21,664)	(21,664)	0
Reserve Revenues <i>Bldg repair int</i>	0	2,540	2,540
Total Other Sources and Uses	<u>(21,664)</u>	<u>(19,124)</u>	<u>2,540</u>
Excess (Deficiency) Revenues and Other Sources Over Expenditures and Other Uses	<u>(1,442,479)</u>	<u>(175,032)</u>	<u>1,267,447</u>
Fund Equity, Beginning of Year	<u>4,178,014</u>	<u>4,178,014</u>	<u>0</u>
Fund Equity, End of Year	<u>\$2,735,535</u>	<u>\$4,002,982</u>	<u>\$1,267,447</u>

See auditors' report. See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
-----**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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2000, the Spackenkill Union Free School District was billed \$ 1,644,080 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
-----**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)
-----**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.

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

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.

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 Taxes1. Calendar

Real property taxes are levied annually by the Board of Education and became a lien on August 31, 1999. Taxes were collected during the period September 14, 1999 and ending November 12, 1999.

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, 2000, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 158,113	\$ 26,384	\$ 0	\$ 21,664
Special Aid Fund	0	158,113	21,664	0
Capital Fund	26,384	16,944	0	0
Debt Service Fund	<u>16,944</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 201,441</u>	<u>\$ 201,441</u>	<u>\$ 21,664</u>	<u>\$ 21,664</u>

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>7/1/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/00</u>
Land	\$ 121,545	\$ 0	\$ 0	\$ 121,545
Buildings	8,944,105	3,900,000	0	12,844,105
Machinery & Equipment	<u>2,942,321</u>	<u>57,282</u>	<u>0</u>	<u>2,999,603</u>
Total	<u>\$ 12,007,971</u>	<u>\$ 3,957,282</u>	<u>\$ 0</u>	<u>\$ 15,965,253</u>

V. Liabilities

A. Pension Plans and Post - Employment Benefits

1. General Information

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

2. Plan Descriptions

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

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)

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>
2000	\$ 1,946	\$ 545,963
1999	\$ 4,996	\$ 449,676
1998	\$ 5,778	\$ 104,964

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. Liabilities (Continued)

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

4. Post-Employment Benefits

Post-employment benefits aggregated \$ 332,895 for currently enrolled retirees.

B. Indebtedness

1. Long-Term Debt

a. **Debt Limit**

At June 30, 2000, 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 \$ 305,521 for 1999-2000.

c. **Changes**

The changes in the School District's indebtedness during the year ended June 30, 2000 are summarized as follows:

	<u>Balance</u> <u>7/1/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/00</u>
Serial Bonds	\$ 6,444,000	\$ 0	\$ 455,000	\$ 5,989,000
Compensated Absences	<u>5,050,347</u>	<u>0</u>	<u>72,777</u>	<u>4,977,570</u>
Total	<u>\$ 11,494,347</u>	<u>\$ 0</u>	<u>\$ 527,777</u>	<u>\$ 10,966,570</u>

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 6/30/00</u>
8 th issue	8/89	8/10	6.65%	\$ 375,000
9 th issue	8/91	8/01	5.50%	50,000
10 th issue	9/94	9/14	5.70%	875,000
11 th issue	1/97	1/07	4.80%	700,000
12 th issue	4/99	4/19	4.25%	<u>3,989,000</u>
				<u>\$ 5,989,000</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>
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	370,000	208,210	578,210
2006 and Thereafter	<u>4,160,000</u>	<u>1,290,943</u>	<u>5,450,943</u>
	<u>\$ 5,989,000</u>	<u>\$ 2,503,952</u>	<u>\$ 8,492,952</u>

See auditors' report.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Commitments and Contingencies

A. 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.

B. Operating Lease:

The School District leases copiers under an operating lease. The rental expenditure for the fiscal year ended June 30, 2000 was approximately \$ 5,745. The maximum future non-cancelable operating lease payments are as follows:

<u>Year Ended</u>	
2001	\$11,489
2002	11,489
2003	<u>5,745</u>
	<u>\$28,723</u>

VII. Additional Disclosures

A. Interfund Transfer

The 1999-2000 interfund transfer increased as follows:

Original Budget	\$ 0
Special Aid Funds-Districts share of Summer Handicap	<u>21,664</u>
	<u>\$ 21,664</u>

B. 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.

**SPACKENKILL UNION FREE SCHOOL DISTRICT
COMBINING SCHEDULE OF BALANCE SHEET -
SPECIAL REVENUE FUNDS**

June 30, 2000

	<u>Special Aid</u>	<u>School Lunch</u>	<u>Total</u>
Assets			
Unrestricted Cash	\$84,761	\$16,877	\$101,638
State and Federal Aid Receivable	92,964	17,005	109,969
Accounts Receivable	0	4,648	4,648
Inventories	0	17,078	17,078
Total Assets	<u>\$177,725</u>	<u>\$55,608</u>	<u>\$233,333</u>
Liabilities			
Accounts Payable	\$0	\$9,412	\$9,412
Accrued Liabilities	0	1,413	1,413
Due to Other Funds	155,182	2,931	158,113
Due to Other Governments	0	685	685
Total Liabilities	<u>155,182</u>	<u>14,441</u>	<u>169,623</u>
Fund Equity			
Reserve for Encumbrances	22,543	0	22,543
Unreserved - Undesignated	0	41,167	41,167
Total Fund Equity	<u>22,543</u>	<u>41,167</u>	<u>63,710</u>
Total Liabilities and Fund Equity	<u>\$177,725</u>	<u>\$55,608</u>	<u>\$233,333</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, 2000

	<u>Special Aid</u>	<u>School Lunch</u>	<u>Total</u>
Revenues			
Use of Money and Property	\$0	\$360	\$360
Miscellaneous	0	26,614	26,614
State Sources	97,823	11,296	109,119
Federal Sources	118,766	108,439	227,205
Sales	0	292,944	292,944
Total Revenues	<u>216,589</u>	<u>439,653</u>	<u>656,242</u>
Expenditures			
General Support	11,168	0	11,168
Instruction	193,581	0	193,581
Pupil Transportation	10,961	0	10,961
Employee Benefits	0	47,829	47,829
Cost of Sales	0	419,381	419,381
Total Expenditures	<u>215,710</u>	<u>467,210</u>	<u>682,920</u>
Excess (Deficiency) of Revenues Over Expenditures	879	(27,557)	(26,678)
Other Sources and Uses			
Operating Transfers In	21,664	0	21,664
Operating Transfers (Out)	0	0	0
Total Other Sources and Uses	<u>21,664</u>	<u>0</u>	<u>21,664</u>
Excess (Deficiency) Revenues and Other Sources Over Expenditures and Other Uses	22,543	(27,557)	(5,014)
Fund Equity, Beginning of Year	<u>0</u>	<u>68,724</u>	<u>68,724</u>
Fund Equity, End of Year	<u><u>\$22,543</u></u>	<u><u>\$41,167</u></u>	<u><u>\$63,710</u></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, 2000

Original Budget	\$20,331,087
Additions	
Encumbrances from Prior Year	<u>97,479</u>
Revised Budget	<u><u>\$20,428,566</u></u>

SCHEDULE OF USE OF FUND BALANCE AS OF THE BEGINNING OF YEAR - GENERAL FUND
For the Year Ended June 30, 2000

Total Fund Balance (Unreserved) as of Beginning of Year	\$2,112,749
Less:	
Appropriated Fund Balance Used For:	
Levy of Taxes	<u>1,345,000</u>
Total Unreserved Undesignated Fund Balance	<u><u>\$767,749</u></u>

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2000

Project Title	Original Appropriation	Revised Appropriation	Prior Year's Expenditures	Current Year's Expenditures	Total Expenditures	Available Balance
Todd Middle School Expansion	\$3,989,000	\$3,989,000	\$825,105	\$2,736,981	\$3,562,086	\$426,914

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 30, 2000

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Current Year's Revenues</u>	<u>Over (Under) Amended Budget</u>
Revenues				
Local Sources				
Real Property Taxes	\$14,478,938	\$14,478,938	\$14,473,211	(\$5,727)
Other Tax Items	707,149	707,149	712,875	5,726
Charges for Services	58,500	58,500	95,503	37,003
Use of Money and Property	500,000	500,000	670,826	170,826
Sale of Property and Compensation for Loss	0	0	2,400	2,400
Miscellaneous	41,500	41,500	87,512	46,012
State Sources	3,200,000	3,200,000	3,880,146	680,146
Federal Sources	0	0	6,207	6,207
Total Revenues	<u>18,986,087</u>	<u>18,986,087</u>	<u>19,928,680</u>	<u>\$942,593</u>
 Appropriated Fund Balance	 <u>1,345,000</u>	 <u>1,442,479</u>		
 Total Revenues and Appropriated Fund Balance	 <u><u>\$20,331,087</u></u>	 <u><u>\$20,428,566</u></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, 2000

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balance</u>
Expenditures					
General Support					
Board of Education	\$35,575	\$29,794	\$29,134	\$198	\$462
Central Administration	153,300	165,692	165,564	0	128
Finance	271,400	282,303	282,034	105	164
Staff	110,500	115,126	114,998	0	128
Central Services	1,687,900	1,658,533	1,606,492	25,252	26,789
Special Items	283,000	282,208	275,808	0	6,400
Instructional					
Instruction, Administration & Improvement	895,533	866,064	856,760	8,155	1,149
Teaching - Regular School	8,405,069	8,215,294	8,176,309	30,684	8,301
Programs for Children with Handicapping Conditions	1,849,400	2,014,422	1,992,916	3,716	17,790
Occupational Education	140,000	198,312	198,312	0	0
Teaching - Special Schools	44,550	46,791	46,711	0	80
Instructional Media	606,419	677,847	655,121	2,210	20,516
Pupil Services	1,192,675	1,312,753	1,275,398	33,232	4,123
Pupil Transportation	898,500	961,764	869,776	8,406	83,582
Employee Benefits	2,974,500	2,819,033	2,778,734	2,000	38,299
Debt Service					
Debt Service Principal	455,000	455,000	455,000	0	0
Debt Service Interest	327,766	305,966	305,521	0	445
Total Expenditures	<u>20,331,087</u>	<u>20,406,902</u>	<u>20,084,588</u>	<u>113,958</u>	<u>208,356</u>
Other Uses					
Operating Transfers Out	<u>0</u>	<u>21,664</u>	<u>21,664</u>	<u>0</u>	<u>0</u>
Total Expenditures & Other Uses	<u>\$20,331,087</u>	<u>\$20,428,566</u>	<u>\$20,106,252</u>	<u>\$113,958</u>	<u>\$208,356</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses			<u><u>(\$177,572)</u></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, 2000

	<u>Account Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
Revenues			
Property Taxes	AT-1001	\$14,473,211	\$14,473,211
Non-Property Taxes	AT-1199	\$0	\$0
State Aid	AT-3999	\$3,880,146	\$3,880,146
Federal Aid	AT-4999	\$6,207	\$6,207
Total Revenues	AT-5999	\$19,928,680	\$19,928,680
Expenditures			
General Support	AT-1999	\$2,474,030	\$2,474,030
Pupil Transportation	AT-5599	\$869,776	\$869,776
Debt Service - Principal	AT-9798.6	\$455,000	\$455,000
Debt Service - Interest	AT-9798.7	\$305,521	\$305,521
Total Expenditures	AT-9999	\$20,106,252	\$20,106,252

See auditors' report.

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountant

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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, 2000 and have issued our report thereon dated July 14, 2000. 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*. However, we noted an immaterial instance of noncompliance that we have reported in our management letter.

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 and use of the Board of Education, management, New York State Education Department and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Raymond G. Heussen
CPA, P.C.

Claverack, New York
July 14, 2000

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountant

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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, 2000, and have reported thereon under date of July 14, 2000. 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.

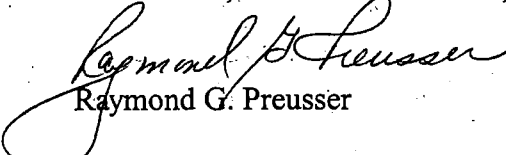
Fund Balance:

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, 2000 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/srp

See auditors' report.