

SPACKENKILL UNION FREE SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2001

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, 2001, 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, 2001, 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 August 9, 2001, 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 H. Heussen
CPA, PC

Claverack, New York
August 9, 2001

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

June 30, 2001

	Governmental Fund Types			Fiduciary	Account Groups		
	General	Special Revenue	Debt Service	Trust & Agency	General Fixed Assets	General Long-Term Debt	
Assets							
Unrestricted Cash	\$3,704,102	\$121,086	\$64,326	\$70,852	\$23,052	\$0	\$0
Restricted Cash	89,923	0	0	0	51,885	0	0
Accounts Receivable, net	131,558	7,087	0	0	16,185	0	0
State and Federal Aid Receivable	151,733	139,572	0	0	0	0	0
Due from Other Governments	281,568	0	0	0	0	0	0
Due From Other Funds	218,070	0	3,445	0	0	0	0
Inventories	0	10,294	0	0	0	0	0
Fixed Assets	0	0	0	0	0	16,015,459	0
Amount to be Provided for Retirement of Long-Term Debt	0	0	0	0	0	0	10,357,917
Total Assets	\$4,576,954	\$278,039	\$67,771	\$70,852	\$91,122	\$16,015,459	\$10,357,917
Liabilities							
Accounts Payable	\$63,409	\$9,167	\$0	\$1,205	\$0	\$0	\$0
Accrued Liabilities	426,168	6,765	0	0	0	0	0
Bonds Payable	0	0	0	0	0	0	5,620,000
Bond Interest and Matured Bonds	688	0	0	0	0	0	0
Due to Other Governments	0	1,532	0	0	0	0	0
Due to Other Funds	0	218,070	0	3,445	0	0	0
Due to Teachers' Retirement System	160,501	0	0	0	0	0	0
Due to Employees' Retirement System	25,062	0	0	0	0	0	0
Compensated Absences Payable	0	0	0	0	0	0	4,737,917
Extraclassroom Activity Balances	0	0	0	0	32,459	0	0
Other Liabilities	0	0	0	0	6,778	0	0
Deferred Revenues	465	0	0	21,700	0	0	0
Total Liabilities	676,293	235,534	0	26,350	39,237	0	10,357,917
Fund Equity							
Investment in General Fixed Assets	0	0	0	0	0	16,015,459	0
Reserved for Insurance	300,000	0	0	0	0	0	0
Scholarship	0	0	0	0	51,885	0	0
Reserved for Encumbrances	234,472	248	0	0	0	0	0
Reserved for Tax Certiorari	989,700	0	0	0	0	0	0
Reserved for Workers' Compensation	454,783	0	0	0	0	0	0
Reserved for Unemployment Insurance	100,393	0	0	0	0	0	0
Reserved for Debt	0	0	67,771	0	0	0	0
Unreserved-Designated for Subsequent Year's Expenditures	1,345,000	0	0	0	0	0	0
Unreserved - Undesignated	476,313	42,257	0	44,502	0	0	0
Total Fund Equity	3,900,661	42,505	67,771	44,502	51,885	16,015,459	0
Total Liabilities and Fund Equity	\$4,576,954	\$278,039	\$67,771	\$70,852	\$91,122	\$16,015,459	\$10,357,917

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, 2001

	Governmental Fund Types				Fiduciary Fund Types
	General	Special Revenue	Capital Projects	Debt Service	Trust & Agency
Revenues					
Real Property Taxes	\$15,896,384	\$0	\$0	\$0	\$0
Charges for Services	187,952	0	0	0	0
Use of Money and Property	686,442	1,338	0	5,633	0
Sale of Property and Compensation for Loss	1,800	0	0	0	0
Miscellaneous	137,927	33,235	0	0	63,629
State Sources	3,707,746	125,762	0	0	0
Federal Sources	23,150	276,264	0	0	0
Sales	0	317,683	0	0	0
Total Revenues	20,641,401	754,282	0	5,633	63,629
Expenditures					
General Support	2,537,997	0	0	0	80,898
Instruction	13,549,512	304,908	0	0	0
Pupil Transportation	856,298	31,596	0	0	0
Employee Benefits	3,154,101	51,095	0	0	0
Debt Service	655,699	0	0	0	0
Capital Outlay	0	0	382,412	0	0
Cost of Sales	0	412,355	0	0	0
Total Expenditures	20,753,607	799,954	382,412	0	80,898
Excess (Deficiency) of Revenues Over Expenditures	(112,206)	(45,672)	(382,412)	5,633	(17,269)
Other Sources and Uses					
Operating Transfers In	36,172	28,639	0	0	0
Operating Transfers (Out)	(28,639)	(4,172)	0	(32,000)	0
Reserve Revenues	2,352	0	0	0	0
Total Other Sources and Uses	9,885	24,467	0	(32,000)	0
Excess (Deficiency) Revenues and Other Sources Over Expenditures and Other Uses	(102,321)	(21,205)	(382,412)	(26,367)	(17,269)
Fund Equity, Beginning of Year	4,002,982	63,710	426,914	94,138	69,154
Fund Equity, End of Year	\$3,900,661	\$42,505	\$44,502	\$67,771	\$51,885

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, 2001

	General Fund		Variance Fav.-Unf.
	Budget (Amended)	Actual	
Revenues			
Real Property Taxes	\$15,897,245	\$15,896,384	(\$861)
Charges for Services	47,500	187,952	140,452
Use of Money and Property	545,000	686,442	141,442
Sale of Property and Compensation for Loss	0	1,800	1,800
Miscellaneous	77,500	137,927	60,427
State Sources	3,400,000	3,707,746	307,746
Federal Sources	0	23,150	23,150
Total Revenues	<u>19,967,245</u>	<u>20,641,401</u>	<u>674,156</u>
Expenditures			
General Support	2,758,649	2,537,997	220,652
Instruction	13,944,807	13,549,512	395,295
Pupil Transportation	889,519	856,298	33,221
Employee Benefits	3,258,789	3,154,101	104,688
Debt Service	655,700	655,699	1
Total Expenditures	<u>21,507,464</u>	<u>20,753,607</u>	<u>753,857</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,540,219)</u>	<u>(112,206)</u>	<u>1,428,013</u>
Other Sources and Uses			
Operating Transfers In	32,000	36,172	4,172
Operating Transfers (Out)	(28,639)	(28,639)	0
Reserve Revenues	0	2,352	2,352
Total Other Sources and Uses	<u>3,361</u>	<u>9,885</u>	<u>6,524</u>
Excess (Deficiency) Revenues and Other Sources Over Expenditures and Other Uses	<u>(1,536,858)</u>	<u>(102,321)</u>	<u>1,434,537</u>
Fund Equity, Beginning of Year	<u>4,002,982</u>	<u>4,002,982</u>	<u>0</u>
Fund Equity, End of Year	<u>\$2,466,124</u>	<u>\$3,900,661</u>	<u>\$1,434,537</u>

See auditors' report. See notes to financial statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

The 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.

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT
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, 2001, the Spackenkil Union Free School District was billed \$1,681,397 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)

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.

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT

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.

SPACKENKILL UNION FREE SCHOOL DISTRICT
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.

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT
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. **Reserve for Encumbrances**

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

2. **Workers' Compensation Reserve**

The purpose of this reserve fund is to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program.

The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated.

Within sixty days after the end of any fiscal year, excess amounts may be either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget.

3. **Unemployment Insurance Reserve**

This reserve fund is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method.

The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated.

See auditors' report.

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

I. Summary of Significant Accounting Policies (Continued)

L. Fund Balance-Reservations and Designations (Continued)

3. Unemployment Insurance Reserve (Continued)

Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted in the General Fund.

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.

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

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

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

5. **Tax Certiorari Reserve (Continued)**

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.

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.

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

I. Summary of Significant Accounting Policies (Continued)

M. Budgetary Procedures and Budgetary Accounting (Continued)

2. Budget Basis of Accounting (Continued)

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 28, 2000. Taxes were collected during the period September 11, 2000 and ending November 9, 2000.

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

A. Deposits 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.

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. Cash and Investments (Continued)

A. Deposits and Investments

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.

B. Investment Pool

The School District participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2001, the School District held \$1,207,946 in investments consisting of various investments in securities issued by the United States and its agencies. The investments are highly liquid and considered to be cash equivalents.

III. Interfund Transaction

Interfund balances at June 30, 2001, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 218,070	\$ 0	\$ 36,172	\$ 28,639
Special Aid Fund	0	214,862	28,639	4,172
School Lunch Fund	0	3,208	0	0
Capital Fund	0	3,445	0	0
Debt Service Fund	<u>3,445</u>	<u>0</u>	<u>0</u>	<u>32,000</u>
 Total	 <u>\$ 221,515</u>	 <u>\$ 221,515</u>	 <u>\$ 64,811</u>	 <u>\$ 64,811</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>7/1/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/01</u>
Land	\$ 121,545	\$ 0	\$ 0	\$ 121,545
Buildings	12,844,105	0	0	12,844,105
Machinery & Equipment	<u>2,999,603</u>	<u>96,298</u>	<u>46,092</u>	<u>3,049,809</u>
Total	<u>\$ 15,965,253</u>	<u>\$ 96,298</u>	<u>\$ 46,092</u>	<u>\$ 16,015,459</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.

See auditors' report.

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>
2001	\$ 52,110	\$ 589,877
2000	\$ 1,946	\$ 545,963
1999	\$ 4,996	\$ 449,676

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 \$ 347,735 for currently enrolled retirees.

B. Indebtedness

1. Long-Term Debt

a. **Debt Limit**

At June 30, 2001, 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 \$ 286,699 for 2000-2001.

c. **Changes**

The changes in the School District's indebtedness during the year ended June 30, 2001 are summarized as follows:

	<u>Balance</u> <u>7/1/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/01</u>
Serial Bonds	\$ 5,989,000	\$ 0	\$ 369,000	\$ 5,620,000
Compensated Absences	<u>4,977,570</u>	<u>0</u>	<u>239,653</u>	<u>4,737,917</u>
Total	<u>\$10,966,570</u>	<u>\$ 0</u>	<u>\$ 608,653</u>	<u>\$ 10,357,917</u>

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

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. **Liabilities (Continued)**

B. **Indebtedness (Continued)**

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 6/30/01</u>
8 th issue	8/89	8/10	6.65%	\$ 325,000
9 th issue	8/91	8/01	5.50%	25,000
10 th issue	9/94	9/14	5.70%	820,000
11 th issue	1/97	1/07	4.80%	600,000
12 th issue	4/99	4/19	4.25%	<u>3,850,000</u>
				<u>\$ 5,620,000</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>
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	350,000	190,586	540,586
2007 and Thereafter	<u>3,810,000</u>	<u>1,201,577</u>	<u>5,011,577</u>
	<u>\$ 5,620,000</u>	<u>\$ 2,326,827</u>	<u>\$ 7,946,827</u>

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.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Commitments and Contingencies (Continued)

B. Operating Lease:

The School District leases copiers under an operating lease. The rental expenditure for the fiscal year ended June 30, 2001 was approximately \$11,489. The maximum future non-cancelable operating lease payments are as follows:

<u>Year Ended</u>	
2002	\$ 11,489
2003	<u>5,745</u>
	<u>\$ 17,234</u>

C. Risk Financing and Related Insurance

1. General Information

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

2. Workers' Compensation Insurance

The School District participates in a risk sharing pool, Dutchess County Schools Cooperative Self-Insurance Plan for Workers' Compensation, to insure workers' compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims.

3. Health Insurance

The School District participates in the Dutchess Educational Health Insurance Consortium which is a Trust formed under New York State Insurance Law on June 30, 1988. The Consortium's purpose is to provide health insurance coverage at a lower rate for member educational institutions due to a larger participation pool.

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

VII. Additional Disclosures

A. Interfund Transfer

The 2000-2001 interfund transfer increased as follows:

Original Budget	\$ 0
Special Aid Funds-Districts share of Summer Handicap	<u>28,639</u>
	<u>\$ 28,639</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, 2001**

	<u>Special Aid</u>	<u>School Lunch</u>	<u>Total</u>
Assets			
Unrestricted Cash	\$94,014	\$27,072	\$121,086
State and Federal Aid Receivable	121,975	17,597	139,572
Accounts Receivable	0	7,087	7,087
Inventories	0	10,294	10,294
Total Assets	<u>\$215,989</u>	<u>\$62,050</u>	<u>\$278,039</u>
Liabilities			
Accounts Payable	\$0	\$9,167	\$9,167
Accrued Liabilities	0	6,765	6,765
Due to Other Funds	214,862	3,208	218,070
Due to Other Governments	879	653	1,532
Total Liabilities	<u>215,741</u>	<u>19,793</u>	<u>235,534</u>
Fund Equity			
Reserve for Encumbrances	248	0	248
Unreserved - Undesignated	0	42,257	42,257
Total Fund Equity	<u>248</u>	<u>42,257</u>	<u>42,505</u>
Total Liabilities and Fund Equity	<u>\$215,989</u>	<u>\$62,050</u>	<u>\$278,039</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, 2001

	<u>Special Aid</u>	<u>School Lunch</u>	<u>Total</u>
Revenues			
Use of Money and Property	\$0	\$1,338	\$1,338
Miscellaneous	0	33,235	33,235
State Sources	114,559	11,203	125,762
Federal Sources	175,183	101,081	276,264
Sales	0	317,683	317,683
Total Revenues	<u>289,742</u>	<u>464,540</u>	<u>754,282</u>
Expenditures			
Instruction	304,908	0	304,908
Pupil Transportation	31,596	0	31,596
Employee Benefits	0	51,095	51,095
Cost of Sales	0	412,355	412,355
Total Expenditures	<u>336,504</u>	<u>463,450</u>	<u>799,954</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(46,762)</u>	<u>1,090</u>	<u>(45,672)</u>
Other Sources and Uses			
Operating Transfers In	28,639	0	28,639
Operating Transfers (Out)	(4,172)	0	(4,172)
Total Other Sources and Uses	<u>24,467</u>	<u>0</u>	<u>24,467</u>
Excess (Deficiency) Revenues and Other Sources Over Expenditures and Other Uses	<u>(22,295)</u>	<u>1,090</u>	<u>(21,205)</u>
Fund Equity, Beginning of Year	<u>22,543</u>	<u>41,167</u>	<u>63,710</u>
Fund Equity, End of Year	<u>\$248</u>	<u>\$42,257</u>	<u>\$42,505</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, 2001

Original Budget	\$21,344,245
Additions	
Reserves	77,900
Encumbrances from Prior Year	<u>113,958</u>
Revised Budget	<u><u>\$21,536,103</u></u>

SCHEDULE OF USE OF FUND BALANCE AS OF THE BEGINNING OF YEAR - GENERAL FUND
For the Year Ended June 30, 2001

Total Fund Balance (Unreserved) as of Beginning of Year	\$1,920,671
Less:	
Appropriated Fund Balance Used For:	
Levy of Taxes	<u>1,345,000</u>
Total Unreserved Undesignated Fund Balance	<u><u>\$575,671</u></u>

See auditors' report.

SPACKENKILL UNION FREE SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2001

<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>
Building Improvements	\$1,190,000	\$1,190,000	\$0	\$88,083	\$88,083	\$1,101,917
Todd Middle School Expansion	3,989,000	3,989,000	3,562,086	294,329	3,856,415	132,585
	<u>\$5,179,000</u>	<u>\$5,179,000</u>	<u>\$3,562,086</u>	<u>\$382,412</u>	<u>\$3,944,498</u>	<u>\$1,234,502</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 30, 2001

	Original Budget	Revised Budget	Current Year's Revenues	Over (Under) Amended Budget
Revenues				
Local Sources				
Real Property Taxes	\$14,771,019	\$14,769,999	\$14,770,423	\$424
Other Tax Items	1,126,226	1,127,246	1,125,961	(1,285)
Charges for Services	47,500	47,500	187,952	140,452
Use of Money and Property	545,000	545,000	686,442	141,442
Sale of Property and Compensation for Loss	0	0	1,800	1,800
Miscellaneous	77,500	77,500	137,927	60,427
State Sources	3,400,000	3,400,000	3,707,746	307,746
Federal Sources	0	0	23,150	23,150
Total Revenues	<u>19,967,245</u>	<u>19,967,245</u>	<u>20,641,401</u>	<u>674,156</u>
Other Sources				
Operating Transfers In	<u>32,000</u>	<u>32,000</u>	<u>36,172</u>	<u>4,172</u>
Total Revenues and other Sources	<u>19,999,245</u>	<u>19,999,245</u>	<u>20,677,573</u>	<u>\$678,328</u>
Appropriated Fund Balance	1,345,000	1,458,958		
Appropriated Reserves	<u>0</u>	<u>77,900</u>		
Total Revenues, Other Sources and Appropriated Fund Balance	<u>\$21,344,245</u>	<u>\$21,536,103</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, 2001

	<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	\$37,575	\$36,539	29,666	\$81	\$6,792
Central Administration	159,500	182,685	179,136	0	3,549
Finance	285,500	296,891	287,979	338	8,574
Staff	113,700	117,123	90,974	0	26,149
Central Services	1,735,600	1,850,421	1,697,825	41,349	111,247
Special Items	291,000	274,990	252,417	0	22,573
Instructional					
Instruction, Administration & Improvemen	919,950	886,222	880,604	950	4,668
Teaching - Regular School	8,585,718	8,523,351	8,413,806	80,364	29,181
Programs for Children with Handicapping					
Conditions	2,229,000	2,257,445	2,092,635	79,835	84,975
Occupational Education	230,000	230,000	219,740	0	10,260
Teaching - Special Schools	49,950	61,068	59,690	0	1,378
Instructional Media	675,431	707,138	637,199	10,760	59,179
Pupil Services	1,233,887	1,279,583	1,245,838	20,795	12,950
Pupil Transportation	879,500	889,519	856,298	0	33,221
Employee Benefits	3,256,234	3,258,789	3,154,101	0	104,688
Debt Service					
Debt Service Principal	375,000	369,000	369,000	0	0
Debt Service Interest	286,700	286,700	286,699	0	1
Total Expenditures	<u>21,344,245</u>	<u>21,507,464</u>	<u>20,753,607</u>	<u>234,472</u>	<u>519,385</u>
Other Uses					
Operating Transfers Out	0	28,639	28,639	0	0
Total Expenditures & Other Uses	<u>\$21,344,245</u>	<u>\$21,536,103</u>	<u>20,782,246</u>	<u>\$234,472</u>	<u>\$519,385</u>
Deficiency of Revenues and Other Sources Over Expenditures and Other Uses			<u>(\$104,673)</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, 2001

	<u>Account Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
Revenues			
Property Taxes	AT-1001	\$14,746,109	\$14,770,423
Non-Property Taxes	AT-1199	\$0	\$0
State Aid	AT-3999	\$3,707,746	\$3,707,746
Federal Aid	AT-4999	\$23,150	\$23,150
Total Revenues	AT-5999	\$20,657,293	\$20,677,573
Expenditures			
General Support	AT-1999	\$2,517,718	\$2,537,997
Pupil Transportation	AT-5599	\$856,298	\$856,298
Debt Service - Principal	AT-9798.6	\$369,000	\$369,000
Debt Service - Interest	AT-9798.7	\$286,699	\$286,699
Total Expenditures	AT-9999	\$20,761,967	\$20,782,246

See auditors' report.

RAYMOND G. PREUSSER, CPA, P.C.

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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, 2001 and have issued our report thereon dated August 9, 2001. 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 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 J. Scussio
CPA PC

Claverack, New York
August 9, 2001

See auditors' report.

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, 2001, and have reported thereon under date of August 9, 2001. 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.

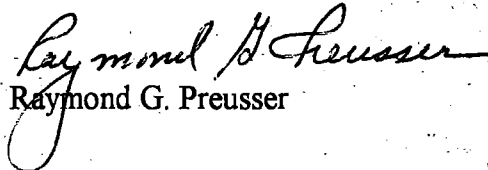
Audits of the Financial Statements of New York State School Districts requires us to submit a letter to your Board indicating any suggestions that we might have as a result of our aforementioned audit.

Since we did not become aware of any weaknesses in your internal operating or accounting controls during our audit, please regard this letter as merely fulfilling our responsibility.

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,

RAYMOND G. PREUSSER, CPA, PC



Raymond G. Preusser

RGP/srp

See auditors' report.