

Reference Manual Appendix 3

Sample Notes to Financial Statements

_____ **School District**
Notes to Financial Statements
For the Year Ended June 30, 20____

Note 1 – Summary of accounting policies:

The financial statements of *name of the school district* (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are described below:

A) Reporting entity:

The _____ District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of ____ members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity, as amended by GASB Statement 39, Component Units. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District (*if applicable, add “and its component unit(s) and other organizational entities determined to be includable in the District’s financial reporting entity”*). The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District’s reporting entity is based on several criteria, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District’s reporting entity.

Describe entities included in the District’s reporting entity, as applicable

i) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District’s business office. The district accounts for assets held as an agent for various student organizations in an agency fund.

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ii) Public Library

The Public Library jointly shares the services of the District treasurer, appoints trustees for library purposes and has title to real property used by the Library.

iii) Other Entities

Consider disclosure about Parent Teacher Associations and educational foundations.

B) Joint venture:

The District is a component district *in name of BOCES*. A Board of Cooperative Educational Services (BOCES) is a voluntary, cooperative association of school districts in a geographic area that shares planning, services and programs that provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n (a) of the New York State General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year, the District was billed \$_____ for BOCES administrative and program costs.

Participating school districts issue debt on behalf of BOCES. During the year, the District issued \$_____ of serial bonds on behalf of BOCES. As of year-end, the District had outstanding BOCES debt of \$_____.

The District's share of BOCES aid amounted to \$_____.

Financial statements for the BOCES are available from the BOCES administrative office.

C) Basis of presentation:

i) District-wide statements:

The Statement of Net Assets and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have

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The District reports the following fiduciary funds:

Fiduciary Funds

Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements because their resources do not belong to the District and are not available to be used. There are two classes of fiduciary funds:

Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefit annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

D) Measurement focus and basis of accounting:

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within ____ days after the end of the fiscal year. *If "available" is defined differently than for real property taxes, add "except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year."*

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E) Property taxes:

Real property taxes are levied annually by the Board of Education no later than _____, and become a lien on _____. Taxes are collected during the period _____ to _____.

Common and Central Schools

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Uncollected real property taxes are subsequently enforced by the County(ies) in which the District is located. The County(ies) pay an amount representing uncollected real property taxes transmitted to the County(ies) for enforcement to the District no later than the following April 1.

City Schools

The City and Counties in which the District is located enforce uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City to the District within two years from the return of unpaid taxes to the city. Real property taxes receivable expected to be collected within 60 days of year-end, less similar amounts collected during this period in the preceding year are recognized as revenue. Otherwise, deferred revenues offset real property taxes receivable.

F) Restricted resources:

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy concerning which to apply first varies with the intended use and with associated legal requirements, many of which are described elsewhere in these Notes.

G) Interfund transactions:

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid with one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the district-wide statements, the amounts reported on the Statement of Net Assets for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note ____ for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and

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assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

I) Cash (and cash equivalents)/Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States 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 FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

Investments are stated at fair value.

J) Receivable (or Accounts receivable):

Direct Write-off

Receivables (accounts receivable) are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Allowance Method

An allowance for uncollectible accounts has been provided for certain amounts that may not be collectible within ____ days.

K) Inventories and prepaid items:

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 that approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase and are considered immaterial in amount.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the statement of net assets or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

If reserve method is used

A reserve for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

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L) Other assets/restricted assets (if applicable):

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment, are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants

In the district-wide financial statements, bond issuance costs are capitalized and amortized over the life of the debt issue. In the funds statements, these same costs are netted against bond proceeds and recognized in the period of issuance.

M) Capital assets:

Capital assets are reported at actual cost for acquisitions subsequent to _____. For assets acquired prior to _____, estimated historical costs, based on *[insert method of determining estimated historical costs, for example, appraisals conducted by independent third-party professionals]* were used. Donated assets are reported at estimated fair market value at the time received.

Select wording as applicable, for example:

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land/Site improvements			
Buildings and improvements			
Furniture and equipment			
Vehicles (optional)			
Infrastructure			

Certain infrastructure capital assets representing _____ are accounted for using the modified approach permitted for eligible assets under GASB 34. The modified approach requires that an asset management system be established which assures that an expenditure amount sufficient to preserve the assets in good condition for proper and efficient functioning is budgeted each year in lieu of depreciation. Accordingly, all expenditures made for those assets, other than additions and improvements that increase capacity or efficiency, are charged to expense in the period incurred instead of calculating depreciation. The school district is required to conduct a condition assessment of these assets at least once every three years.

N) Deferred revenues:

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

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

Many deferred revenues recorded in governmental funds are not recorded in the District-wide statements.

O) Vested employee benefits:

Compensated absences

Compensated absences consist of unpaid accumulated annual sick leave, vacation and sabbatical time:

Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

P) Other benefits:

District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. [If applicable "The cost of providing post-retirement benefits is shared between the District and the retired employee."] The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

Q) Short-term debt:

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The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN) in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

The District may issue Bond Anticipation Notes (BAN) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

R) Accrued liabilities and long-term obligations:

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, other postemployment benefits payable and compensated absences that will be paid from governmental funds are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Assets.

S) Equity classifications

District-wide statements:

In the district-wide statements there are three classes of net assets:

Invested in capital assets, net of related debt – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

Restricted net assets – reports net assets when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Funds statements:

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under the Real Property Tax Law. This reserve is accounted for in the General Fund under Restricted Fund Balance.

Unemployment Insurance

According to General Municipal Law §6-m, must be 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. 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. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund.

Workers' Compensation

According to General Municipal Law §6-j, must be used 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 either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Restricted fund balance includes the following:

General Fund:	
Capital	\$
Debt Service	
Employee Benefit Accrued Liability	
Insurance	
Liability Claims and Property Loss	
Repairs	
Retirement Contributions	
Tax Certiorari	
Uncollected Taxes in a City School District	
Unemployment Insurance	
Workers' Compensation	
Capital Fund*	
Debt Service Fund*	
Special Aid Fund*	
School Lunch Fund*	_____
Total restricted funds	\$ _____

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**includes remaining fund balance in these funds not otherwise classified as nonspendable, committed or assigned.*

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2011.

Assigned - Includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$XXX,XXX.

Unassigned - Includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the School District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Order of Use of Fund Balance:

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the general fund, committed fund balance is determine next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

If the School District has a policy other than the default policy contained in GASB 54, disclose the School District's policy.

T) New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2010, the District implemented the following new standards issued by GASB:

- GASB Statement 52, *Accounting and Reporting for Intangible Assets.*
- GASB Statement 53, *Accounting and Financial Reporting for Derivative Instruments.*

GASB has issued Statement 52, *Land and Other Real Estate Held as Investment by Endowments*, which establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities.

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GASB has issued Statement 53, *Accounting and Financial Reporting for Derivative Instruments*, which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

U) Future Changes in Accounting Standards

GASB has issued Statement 51, *Accounting and Reporting for Intangible Assets*, which improves financial reporting by reducing inconsistencies that have developed in accounting and financial reporting for intangible assets. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2011 financial statements.

GASB has issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2012 financial statements.

**Note 2 – Explanation of certain differences between fund statements and District-wide statements:
(if applicable; depends on format elected for financial statements)**

Due to the differences in the measurement focus and basis of accounting used in the funds statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

A) Total fund balances of governmental funds vs. net assets of governmental activities:

Total fund balances of the District's governmental funds differ from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental fund Balance Sheets.

B) Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown below represent:

i) Long-term revenue differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

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ii) Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

iii) Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred and principal payments are recorded as a reduction of liabilities in the Statement of Net Assets.

Details presented in the Sample Financial Statements can alternatively be expanded in this Note, rather than in the financial statements, with wording similar to the following.

The costs of building and acquiring capital assets (land, buildings and equipment) financed from governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Assets includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets _____

Accumulated depreciation _____

Because the governmental funds focus on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example receivables) are offset by deferred revenue in the governmental funds, and thus are not included in fund balance. They are, however, included in the net assets of the governmental activities.

Adjustment of deferred revenue _____

Long-term liabilities are reported in the Statement of Net Assets, but not in the governmental funds, because they are not due and payable in the current period. Balances at year-end were:

Bonds and notes payable _____

Compensated absences payable _____

Accumulated termination pay _____

Because some State aid will not be collected for several months after the District's fiscal year-end, they are not considered as "available" revenues in the governmental funds, in the amount of _____.

The proceeds from the sale of land (\$_____) is reported as revenue in the governmental funds, however, the cost of the land sold (\$_____) is removed from the capital assets account in the Statement of Net Assets and offset against the sale proceeds resulting in a "gain on sale of land" in the

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Statement of Activities. Thus, the revenue reported in the governmental funds is greater than the gain in the Statement of Activities by \$_____.

Some of the assets acquired this year were financed with capital leases. The amount financed by leases is reported in the governmental funds as a source of financing. However, capital leases are not revenues in the Statement of Activities, but long-term liabilities in the Statement of Net Assets, in the amount of \$_____.

In the Statement of Activities, certain operating expenses (compensated absences and special termination benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits paid (early retirement) of \$_____ exceeded/were less than the amounts earned of \$_____. Also, compensated absences (vacations used) of \$_____ exceeded/were less than the amounts earned of \$_____.

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation of \$_____ exceeded capital expenditures of \$_____ in the current year.

Repayment of bond principal (\$_____) is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets, and does not affect the Statement of Activities.

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as expenditure in the funds when it is due and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on bonds, leases and contracts payable decreased by \$_____, and second, \$_____ of additional accumulated interest was accrued on the District's capital appreciation bonds.

Note 3 – Changes in accounting principles:

Describe those instances when a new accounting principle is adopted that is different from one used previously, and the impact of the new principle on the financial statements.

Note 4 – Stewardship, compliance and accountability:

Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

If budget is approved by the voters

The voters of the District approved the proposed appropriation budget for the General Fund.

If budget is defeated by the voters

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The voters of the District defeated the proposed appropriation budget; consequently, the Board of Education adopted a contingency budget, which includes appropriations for teachers' salaries and other ordinary contingent expenses. The contingency budget total is capped at the lesser of 120% of the CPI or 4% over the prior year's budget. In addition, the administrative component of a contingency budget, exclusive of the capital component, may not comprise a greater percentage of the budget than the lesser of that percentage of the prior year's budget or that percentage in the last defeated budget.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These 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. No supplemental appropriations occurred during the year or *"The following supplemental appropriations occurred during the year: _____"*.

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

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time as the liability is incurred or the commitment is paid.

*Disclose events such as the following examples
approved by the voters*

The District's unreserved undesignated fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. Actions the District plans to pursue to address this issue include _____.

The Capital Projects had a deficit fund balance of \$_____. This will be funded when the District obtains permanent financing for its current construction project.

The Special Aid Fund shows an unreserved deficit fund balance of \$_____. This deficit results from revenues that are due and expected to be received in no later than ____ days. In accordance with

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Note 6 – Investments:

The District has few investments (primarily donated scholarship funds), and chooses to disclose its investments by specifically identifying each. The District’s investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

- (A) Insured or registered, or investments held by the District or by the District’s agent in the District’s name, or
- (B) Uninsured and unregistered, with the investments held by the financial institutes trust department in the District’s name, or
- (C) Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the District’s name.

Investment			
Fund			
Carrying amount (fair value)			
Unrealized investment gain/loss			
Type of investment			
Category			

The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk.

The District does not typically purchase investments denominated in a foreign currency and is not exposed to foreign currency risk.

At year-end, the District held \$_____ in investments consisting of various investments in securities issued by the United States and its agencies.

If applicable, disclose securities underlying repurchase agreements held by the District.

If applicable, disclose the nature of reverse repurchase agreements, dollar repurchase agreements and securities lending transactions.

If applicable, disclose that the District is committed to resell securities under yield maintenance repurchase agreements, including carrying amount, market value, and description of terms of the agreement, including settlement price, agreed upon yields and maturity dates.

If applicable, disclose that during the year the District had material under-collateralized deposits or uninsured, unregistered securities held by the financial institution in the amount of \$_____.

Investment pool:

The District participates in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, §119-O, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents.

_____ **School District**
Notes to Financial Statements
For the Year Ended June 30, 20__

Total investments of the cooperative as of year-end are \$_____, which consisted of \$_____ in repurchase agreements, \$_____ in U. S. Treasury Securities, \$_____ in U.S. Government Guaranteed Securities and \$_____ in collateralized bank deposits, with various interest rate and due dates.

The following amounts are included as unrestricted and restricted cash:

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Description of Investments</u>
-------------	---------------------	------------------------	-----------------------------------

The above amounts represent the cost of the investment pool shares, and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of _____.

Note 7 – Receivables:

*Disclose if the details are not already disclosed
in the financial statements*

Receivables at year-end for individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

Description	Governmental Activities			Total
	General	Special Aid	Nonmajor	
Accounts receivable	\$ -	\$ -	\$ -	\$ -
Due from State and Federal	-	-	-	-
Due from other governments	-	-	-	-
Other	-	-	-	-
Allowance for uncollectible accounts	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -

District management has deemed the amounts to be fully collectible.

_____ **School District**
 Notes to Financial Statements
 For the Year Ended June 30, 20____

Note 8 – Capital assets:

Capital asset balances and activity were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land				-
Construction in progress				-
Total nondepreciable	-	-	-	-
<hr/>				
Capital assets that are depreciated:				
Land/site improvements				
Buildings				-
Furniture and equipment				
Vehicles				-
Total depreciated assets	-	-	-	-
<hr/>				
Less accumulated depreciation:				
Land/site improvements				
Buildings				-
Furniture and equipment				
Vehicles				-
Total accumulated depreciation	-	-	-	-
<hr/>				
Total depreciated assets, net	-	-	-	-
<hr/>				

Depreciation expense was charged to governmental functions as follows:

- Administrative services
- Regular instruction
- Vocational instruction
- Special education instruction
- Pupil services
- Operating & maintenance of plant
- Pupil transportation
- Community services
- Depreciation not charged to a specific function

**** depreciation expense should be allocated at a minimum to the same level of functional activity reported in the Statement of Activities, if an informative allocation methodology is computed by the District.

 -

If the district determines that it has infrastructure assets, refer to GASB publications for additional disclosure guidance.

_____ **School District**
 Notes to Financial Statements
 For the Year Ended June 30, 20____

Note 9 – Short-term debt:

Transactions in short-term debt for the year are summarized below:

	<u>Interest</u>	<u>Beginning</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending</u>
<u>Maturity</u>	<u>Rate</u>	<u>Balance</u>			<u>Balance</u>
RAN					
TAN					
Budget note					
BAN					

If applicable, disclose the amount of interest that has been included in direct expenses for a particular function in the Statement of Activities, for example, relating to expenditures for a new program, or for borrowing for installment payments.

Interest on short-term debt for the year was composed of:

Interest paid	\$	-
Less interest accrued in the prior year		-
Plus interest accrued in the current year		-
		<hr style="border: 1px solid black;"/>
Total expense	\$	<hr style="border: 1px solid black;"/> -

_____ **School District**
Notes to Financial Statements
For the Year Ended June 30, 20____

The following is a summary of debt service requirements:

	Serial bonds		Other debt, specify	
	Principal	Interest	Principal	Interest
Fiscal year ending June 30,				
20____				-
20____				-
20____				-
20____				-
20____				-
5 subsequent years				-
5 subsequent years				-
etc.				-
Totals	-	-	-	-

For the year in which defeased

On _____, 20__, the District issued \$_____ in general obligation bonds with an average interest rate of ____% to advance refund \$_____ of outstanding ____ Series bonds with an average interest rate of ____%. The net proceeds of \$_____ (after payment of \$_____ in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the District’s financial statements. The district advance refunded the bonds to revise its payment schedules due to changes in New York State’s aid payment schedules. The economic gain (loss) on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$_____.

For the years after the year in which defeased

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District’s financial statements. \$_____ of bonds outstanding are considered defeased.

_____ **School District**
Notes to Financial Statements
For the Year Ended June 30, 20__

Interest on long-term debt for the year was composed of:

Interest paid	
Less interest accrued in the prior year	
Plus interest accrued in the current year	
Total expense	- _____

If applicable, also describe interest arrangements for variable-rate debt computed using the rate effective at year-end, and terms of interest rate changes for variable rate debt.

If applicable, also describe long-term debt related to business type activities, if any.

If applicable, also describe debt refundings, including a general description of the transactions, focusing on the primary government (including its blended component units).

If applicable, disclose the amount of interest that has been included in direct expenses for a particular function in the Statement of Activities, for example, relating to expenditures for a new program, or for borrowing for installment payments.

If applicable, disclose long-term debt that has been authorized but unissued at year-end.

The following is a summary of capital lease obligations:

	Total
Fiscal year ended June 30,	
20__	
20__	
20__	
20__	
20__	
5 subsequent years	
5 subsequent years	
etc.	
Total minimum lease payments	
Less amount representing interest	
Present value of minimum lease payments	

_____ **School District**
Notes to Financial Statements
For the Year Ended June 30, 20__

Note 11 – Pension plans:

General information:

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

Provisions and administration:

The New York State Teachers' Retirement Board administers NYSTRS. NYSTRS 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. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute and benefits to employees. NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244.

Funding policies:

The Systems are noncontributory for the employee who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined after January 1, 2010, employees in NYSERS contribute 3% of their salary throughout their active membership and those in NYSTRS contribute 3.5% throughout their active membership. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The District is required to contribute at a rate determined actuarially by the Systems. The District contributions made to the Systems were equal to 100% of the contributions required for each year. Required contributions for the current and two preceding years were:

<u>NYSTRS</u>	<u>NYSERS</u>
20__ - 20__	
20__ - 20__	
20__ - 20__	

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17-year period, with an 8.75% interest factor added. Local governments were

_____ **School District**
Notes to Financial Statements
For the Year Ended June 30, 20__

given the option to prepay this liability, which the District exercised. As a result, the total unpaid liability at the end of the year was \$_____.

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

Note 12 – Interfund transactions – governmental funds:

Fund:	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General				
Special Aid				
School Lunch				
School Store				
Debt Service				
Capital Projects				
Total government activities	-	-	-	-
Fiduciary				

Describe the nature of interfund transfer revenues and expenditures.

The District typically transfers from the General Fund to the _____ Fund, to _____.

The District also made a one-time transfer of \$_____ from the Debt Service Fund to the General Fund. This amount was an accumulation of excess levies in the Debt Service Fund for debt previously fully paid.

Note 13 – Post-employment (health insurance) benefits:

The District provides post employment (health insurance, life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District’s contractual agreements.

The District implemented GASB Statement #45, Accounting and Financial Reporting by employers for Postemployment Benefits Other than Pensions, in the school year ended June 30, _____. This required the District to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

_____ **School District**
Notes to Financial Statements
For the Year Ended June 30, 20____

Currently, ____ retired employees have elected to use accumulated sick pay to finance health insurance payments under the District's group plans. This plan pays for ____% of the cost of premiums until the accumulated sick pay amount is exhausted, at which time the insurance payments become the responsibility of the retiree. (*give appropriate District criteria*)

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended ____ the District recognized \$_____ for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of _____ which indicates that the total liability for other post employment benefits is \$_____, which is reflected in the Statement of Net Assets.

[Note: The specific note disclosure requirements can be found on pages 16, 17, 18, and 19 of the GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions".

Until changes are made in the law to permit funding, there is no legal authority to fund OPEB, other than "pay as you go". Accordingly, references to OPEB funding will need to be modified to reflect law that is current at the time of disclosure.

Annual OPEB Cost and Net OPEB Obligation: The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to HP:

Annual required contribution
Interest on net OPEB obligation
Adjustment to annual required contribution
Annual OPEB cost (expense)
Contributions made
Increase in net OPEB obligation
Net OPEB obligation—beginning of year
Net OPEB obligation—end of year

_____ **School District**
Notes to Financial Statements
For the Year Ended June 30, 20__

Note 14 – Risk management:

General

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters and other risks. 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.

Consortiums and Self Insured Plans

Disclose other risks, such as consortiums and self-insured risks, such as the following

The District participates in _____, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of _____ individual governmental units located within the pool’s geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members up to \$_____ per insured event. The pool obtains independent coverage for insured events in excess of the \$_____ limit and the District has essentially transferred all related risk to the pool.

The District participates in _____, a risk-sharing pool, to insure Workers’ Compensation claims. This is a public entity risk pool created under Article 5 of the Workers’ Compensation Law to finance liability and risks related to Workers’ Compensation claims. The District’s share of the liability for unbilled and open claims is \$_____.

The District has chosen to establish a self-funded health benefit program for its employees. The benefit programs administrator, _____, is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30. The program is accounted for in the General Fund of the district. At year-end, the district has a liability of \$_____ which represents reported and unreported claims which were incurred on or before year-end, but which were not paid by the District as of that date. This amount consists of claims reported to the District by the benefits program administrator of \$_____, and the estimated incurred claims which were not reported to either the benefits program administrator or the District of \$_____. Claims activity is summarized below:

	Current Year Balance at Beginning of Year	Claims and Changes in Estimates	Claims Payments	Balance at End of Year
Claims Reported for the fiscal years ended June 30:				
20__				
20__				
20__				
20__				
20__				

_____ **School District**
Notes to Financial Statements
For the Year Ended June 30, 20____

Incurred but not reported
for the fiscal years ended
June 30:

20__
20__
20__
20__
20__

Note 15 – Commitments and contingencies:

When a loss contingency exists, the likelihood that the future event will confirm the loss or impairment of an asset, or the incurring of a liability, can range from probable to remote. An estimated loss from a contingency should be accrued by a charge to income if information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. If there is a reasonable possibility that a loss may occur, disclosure of the loss is required, including the nature of the contingency and an estimate of the possible loss or range of loss (or a statement that such an estimate cannot be made).

The 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 years' experience, the District's administration believes disallowances, if any, will be immaterial.

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of GASB #16, the value for accumulating, non-vesting sick leave is considered a contingent liability. The District reports \$ _____ for accumulating, non-vesting sick leave.

A judgment has been filed against the District for _____. This judgment is being appealed. Our attorney estimates that the case will either be won on appeal, or the amount of the judgment will be reduced and will have no material affect on the financial statements.

An audit of certain issues in the District is currently being conducted by the New York State Comptroller's Office. As of the date of issuance of these financial statements no report has been received.

The District has signed commitments for future construction projects (*describe and quantify*).

_____ **School District**
Notes to Financial Statements
For the Year Ended June 30, 20__

Note 16 – Lease obligations (operating leases):

The District leases certain equipment (specify type: copiers, autos, office space, computers or other) under the terms of various non-cancelable leases. Rental expense for the year was \$_____.

Minimum annual rentals for each of the remaining years of the lease are:

For the fiscal years ended June 30,:

- 20__
- 20__
- 20__
- 20__
- 20__

The District as lessee leases a building for use as a school, for monthly payments of \$_____. The lease expires in _____. Minimum annual rentals for each of the remaining years of the lease are:

For the fiscal years ended June 30,:

- 20__
- 20__
- 20__
- 20__
- 20__

Note 17 – Donor-restricted endowments:

The District administers endowment funds, which are restricted by the donor for the purposes of _____.

Donor-restricted endowments are reported at fair value. The amount of net appreciation on investments of donor-restricted endowments that is available for authorization for expenditure by the District is \$_____.

The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

Note 18 – On-behalf-of payments:

During the year, the District made direct payments to a third party (or received payments from another government) for fringe benefits and salaries of another legally separate entity, in the aggregate amount of \$_____.

_____ **School District**
Notes to Financial Statements
For the Year Ended June 30, 20____

Note 19 - Overpayments

Due to a change in financial data used to compute State Aid in a prior year, the District received an overpayment of \$_____. This is recorded in the General Fund as a liability in the amount owed back to the State. The overpayment is being recovered through reductions in state aid payments. As of the end of the year the total amount due to the State over the next ____ (months, years) is \$ _____.

Note 20 – Related party transactions:

If applicable, disclose the nature of the relationship, a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods in which an operating statement is presented, and such other information as is deemed necessary for an understanding of the effects of transactions on the financial statements. Also disclose the dollar amounts of transactions for each of the periods for which operating statements are presented, and the effects of any change in the method of establishing the terms from that used in the preceding period. Also disclose amounts due from or to related parties as of the balance sheet date, and their terms and manner of settlement.

Note 21 – Discretely presented component units:

If applicable, include disclosures about significant transactions between discretely presented component units with the primary government, condensed financial statements for major discretely presented component units (when required), and the nature and amount of inconsistencies in financial statements caused by transactions between component units having different fiscal years, or changes in component unit fiscal years.

Note 22 – Derivatives not reported at fair value on the Statement of Net Assets:

Refer to GASB Technical Bulletin 2003-1, for additional guidance on disclosures required under this heading.

Note 23 – Impairment losses and insurance recoveries:

Program expenses in the Statement of Activities include an impairment loss of \$ _____ due to the change in the use of the _____ school building from education to storage.

An impairment gain of \$ _____ realized through an insurance recovery of \$ _____ on a damaged school building with a gross impairment loss of \$ _____ is reported as an extraordinary item in the Statement of Activities. The fund financial statements report an insurance recovery as another financing source and restoration costs as expenditures.

There are a variety of considerations to be assessed for disclosure in this regard, many of which are identified in GASB #42, such as whether capital asset impairment was considered unusual or infrequent by management (as outlined in APB Opinion #30). The specific disclosures required in the Notes and financial statements will be different, depending on those assessments. For example, the specific prior use vs. future use to which the asset is put could influence the wording of the disclosure, and the type of valuation that is used.

_____ **School District**
Notes to Financial Statements
For the Year Ended June 30, 20____

Note 24 – Subsequent events:

The District has signed contracts for the construction of _____. The total anticipated cost of this project is \$_____, of which \$_____ has been expended through the end of this fiscal year.

On (date), the District issued \$_____ in revenue anticipation notes at _____ % maturing _____.

On (date), the District issued \$_____ in serial bonds with interest rates ranging from ____5 to ____% over the life of the bonds. Final maturity is in _____.

List other events, as applicable.

Note 25 – Real estate held as investments by endowments:

This Note applies to real estate held as an endowment investment, not to other real estate. Changes made to comply with the change from cost to fair value reporting should be treated as an adjustment of prior periods, with restatement of financial statements presented for the affected periods. If restatement is not practical, the cumulative effect should be reported as a restatement of beginning net assets, equity or fund balance for the current period.

The District reports land and other real estate held by endowments at fair value at year-end. Changes in fair value during the period are reported as investment income. The methods and significant assumptions used to estimate fair value are _____. No investments are reported at amortized cost. No income from the investments is assigned to another fund.