

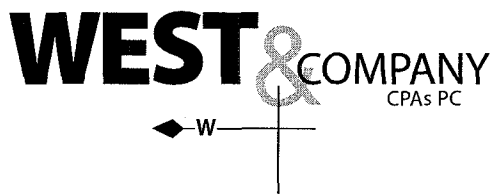
**ONTEORA CENTRAL SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL SCHEDULES**

**JUNE 30, 2012**

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## **INDEPENDENT AUDITORS' REPORT**

To the President and the Other Members  
of the Board of Education of the  
Onteora Central School District  
Boiceville, New York

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Onteora Central School District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Onteora Central School District, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America

In accordance with Government Auditing Standards, we have also issued our report dated August 27, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison and the schedule of post-employment actuarial valuation information on pages 3 through 10 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion on or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplementary information found on pages 41 through 44, as described in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information on pages 41 through 44, as described in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

WEST & COMPANY CPAs PC

Gloversville, New York  
August 27, 2012

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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*The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2012. This section is a summary of the School District's financial activities based on currently known facts, decisions or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's basic financial statements, which immediately follow this section.*

**FINANCIAL HIGHLIGHT**

- Net District-wide net assets of the School District were \$19,274,718, and decrease of \$208,116 for the year ended June 30, 2012.
- The District taxpayers approved the General Fund Budget.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: Management's Discussion and Analysis (MD&A) (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements are *District-wide* financial statements that provide both *short-term* and *long-term* information about the School District's *overall* financial status.
- The remaining statements are *fund* financial statements that focus on individual parts of the School District, reporting the School District's operations in *more detail* than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term*, as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships, in which the School District acts solely as a *trustee* or agent for the benefit of others.

The basic financial statements also include notes that provide additional information about the basic financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the basic financial statements with a comparison of the School District's budget for the year.

**Figure A-1**

Summary of the major features of the School District's basic financial statements, including the portion of the School District's activities that they cover and the types of information that they contain is in A-1. The remainder of this overview section highlights the structure and contents of each statement.

**Figure A-1**

Major Features of the District-wide and Fund Financial Statements

	<b>Fund Financial Statements</b>		
	<b>District-Wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire District (except fiduciary funds)	The daily operating activities of the School District, such as instruction and special education	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>· Statement of net assets</li> <li>· Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>· Balance sheet</li> <li>· Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>· Statements of fiduciary net assets</li> <li>· Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**District-Wide Statements**

The District-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the School District’s *net assets* and how they have changed. Net assets – the difference between the School District’s assets and liabilities – is one way to measure the School District’s financial health or *position*.

- Over time, increases or decreases in the School District’s net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the School District, additional nonfinancial factors such as changes in the property tax bases and the condition of buildings and other facilities should be considered.

In the District-wide financial statements, the School District’s activities are shown as *Governmental Activities*. Most of the School District’s basic services are included here, such as regular and special education, transportation and administration. Property taxes and State formula aid finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the School District’s funds – not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by bond covenants.
- The School District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund and the capital project fund. Required financial statements are the balance sheet and the statement of revenues, expenditures and changes in fund balances.
- **Fiduciary Fund:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net assets and changes in net assets.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Figure A-2 – Condensed Statement of Net Assets

	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>	<u>Percentage Change (Incr.;-Decr.)</u>
<b>Assets</b>			
Current and other assets	\$ 22,972,566	\$ 19,825,078	15.9%
Capital assets - net	<u>19,487,995</u>	<u>19,872,949</u>	-1.9%
<b>Total Assets</b>	42,460,561	39,698,027	7.0%
<b>Liabilities</b>			
Current liabilities	972,285	775,510	25.4%
Long-term liabilities	<u>22,213,558</u>	<u>19,439,684</u>	14.3%
<b>Total Liabilities</b>	23,185,843	20,215,194	14.7%
<b>Net Assets</b>			
Invested in capital assets - net of related debt	15,242,795	15,264,349	-0.1%
Restricted	13,997,174	11,130,423	25.8%
Unrestricted	<u>(9,965,251)</u>	<u>(6,911,939)</u>	44.2%
<b>Total Net Assets</b>	<u>\$ 19,274,718</u>	<u>\$ 19,482,833</u>	-1.1%

## Changes in Net Assets

The School District's 2012 revenue was \$50,307,269 (see Figure A-3). Property taxes and New York State aid accounted for the majority of revenue by contributing 80.3% and 14.0% of the total revenue raised (see Figure A-4). The remainder of revenue came from fees for services, use of money and property, operating grants and other miscellaneous sources.

The total cost of all programs and services totaled \$50,515,385 for 2012. These expenses (85.3%) are predominantly for the education, supervision, and transportation of students (see Figure A-5).

Net assets decreased during the year by \$208,116.

**Figure A-3 – Changes in Net Assets from Operating Results**

	<b>Fiscal Year 2012</b>	<b>Fiscal Year 2011</b>	<b>Percentage Change (Incr.;-Decr.)</b>
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for services	\$ 594,431	\$ 605,175	-1.8%
Operating grants and contributions	1,661,917	1,517,774	9.5%
<b>General Revenues</b>			
Property taxes	40,392,619	38,934,602	3.7%
State formula aid	7,036,779	7,906,560	-11.0%
Federal sources	9,966	434,643	-97.7%
Use of money and property	95,045	116,838	-18.7%
Sale of property and compensation for loss	9,372	1,369	584.6%
Miscellaneous	507,140	599,069	-15.3%
<b>Total Revenues</b>	<b>50,307,269</b>	<b>50,116,030</b>	<b>0.4%</b>
<b>Expenses</b>			
General support	6,164,607	6,640,762	-7.2%
Instruction	38,003,941	37,109,304	2.4%
Transportation	5,076,973	4,876,441	4.1%
Debt service	158,288	158,596	-0.2%
Cost of sales – Lunch Program	1,111,576	970,367	14.6%
<b>Total Expenses</b>	<b>50,515,385</b>	<b>49,755,470</b>	<b>1.5%</b>
<b>Total Increase in Net Assets</b>	<b>\$ (208,116)</b>	<b>\$ 360,560</b>	<b>-157.7%</b>