

**BEDFORD CENTRAL SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

BEDFORD CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Bedford Central School District
Bedford, New York

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Bedford Central School District as of and for the fiscal year ended June 30, 2011, which collectively comprise the Bedford Central School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bedford Central School 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 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 fiduciary funds of the Bedford Central School District as of June 30, 2011, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Bedford Central School District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2011, on our consideration of the Bedford Central School 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 the 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 information and schedule of funding progress on pages 1 through 14 and 49 through 51 be presented to supplement the basic financial statements. Such information, although not a required 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 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 Bedford Central School District's financial statements as a whole. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. The information 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.

R.S. Abrams & Co., LLP

R.S. Abrams & Co. LLP

October 7, 2011

**BEDFROD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The following is a discussion and analysis of the Bedford Central School District's (the "District") financial performance for the fiscal year ended June 30, 2011. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund 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 District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

- On the District-Wide Financial Statements, revenues decreased by 4% primarily as a result of a decrease in capital grants for waste water treatment plant construction funded by the Environmental Facility Corporation offset by an increase in property taxes and other tax related items.
- On the District-Wide Financial Statements, expenditures increased by 1% as a result of increased general support, instruction expenses, and pupil transportation offset by a slight decrease in debt service.
- On May 17, 2011, the District's residents authorized the proposed 2011-2012 budget in the amount of \$118,980,000.
- On the District-Wide and Fund Financial Statements, the District has adopted Governmental Accounting Standards Board ("GASB") Statement 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" to provide clearer fund balance classification that can be more consistently applied and clarifying the existing governmental fund type definitions.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and optional supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

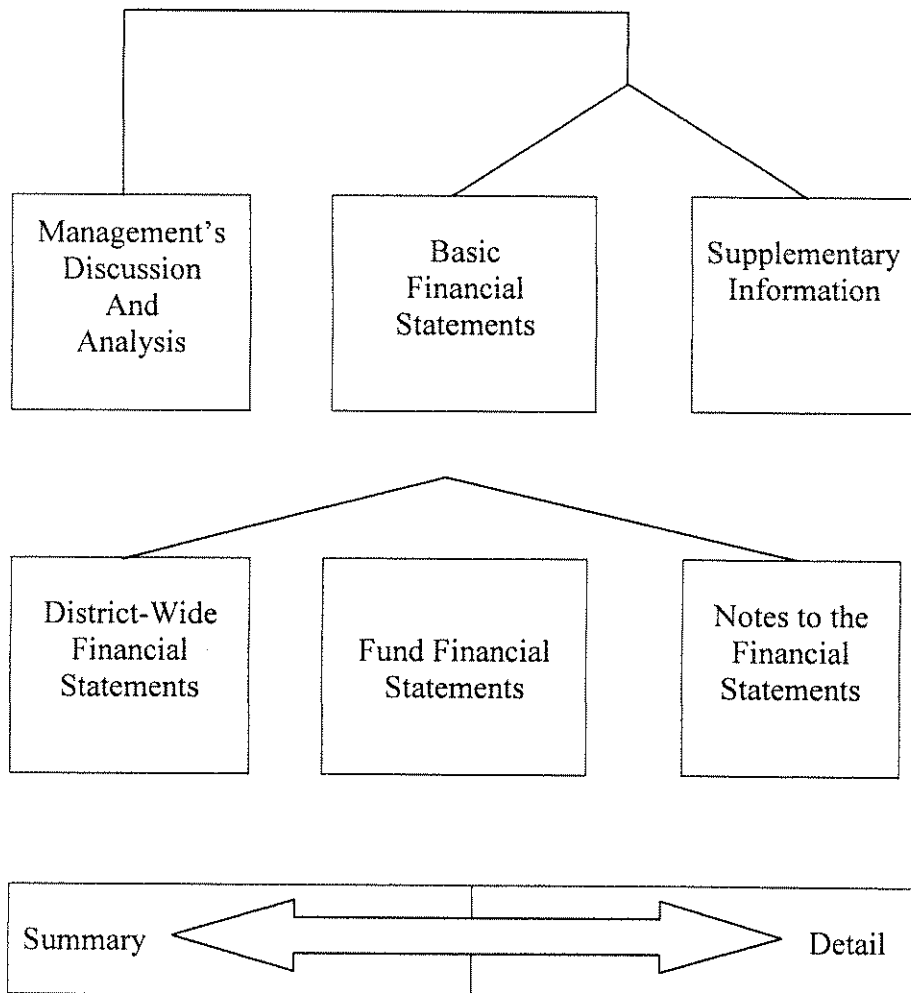
- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Financial Statements.
- The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.

**BEDFROD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

- *Fiduciary Funds Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

Table A-1: Organization of the District's Annual Financial Report



**BEDFROD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Table A-2: Major Features of the District-Wide and Fund Financial Statements

	District-Wide Financial Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset and 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 thereafter; no capital assets or long-term liabilities included	All financial assets and liabilities, short-term and long-term
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; 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

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

A) District-Wide Statements

The District-Wide Financial Statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the 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 Financial Statements report the District's net assets and how they have changed. Net assets, the difference between the assets and liabilities, are one way to measure the financial health or position of the District.

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

Net assets of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

District-Wide Financial Statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Assets:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net asset balances as follows:
 - *Net Assets* invested in capital assets, net of related debt;
 - *Restricted net assets* are those with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation.
 - *Unrestricted net assets* are net assets that do not meet any of the above restrictions.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

B) Fund Financial Statements

The Fund Financial Statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York.

The District has two kinds of funds:

i) Governmental funds

Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that 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 fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Financial Statements, additional information at the bottom of the Governmental Fund Financial Statements explains the relationship (or differences) between them. In summary, the Governmental Funds Statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special revenue funds, debt service fund and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance.

ii) Fiduciary funds

The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. The 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 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. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Assets

The District's total net assets decreased by \$8,832,133 in the fiscal year ended June 30, 2011 as detailed in Table A-3.

Table A-3 – Condensed Statement of Net Assets-Governmental Activities

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Fiscal Year 2011	Fiscal Year 2010	Increase/ (Decrease)	Total Percentage Change
Current assets and other assets, as restated	\$27,261,513	\$27,807,896	(\$546,383)	-2%
Capital assets	111,800,544	113,079,254	(1,278,710)	-1%
Total assets	<u>\$139,062,057</u>	<u>\$140,887,150</u>	<u>(\$1,825,093)</u>	<u>-1%</u>
Current liabilities	\$9,990,970	\$9,650,141	\$340,829	4%
Long-term liabilities	108,086,182	101,419,971	6,666,211	7%
Total liabilities	<u>118,077,152</u>	<u>111,070,112</u>	<u>7,007,040</u>	<u>6%</u>
Net assets				
Investment in capital assets, net of related debt	\$44,699,980	\$41,647,614	\$3,052,366	7%
Restricted	6,274,006	6,264,535	9,471	0%
Unrestricted, as restated	(29,989,081)	(18,095,111)	(11,893,970)	66%
Total net assets	<u>20,984,905</u>	<u>29,817,038</u>	<u>(8,832,133)</u>	<u>-30%</u>
Total liabilities and net assets	<u>\$139,062,057</u>	<u>\$140,887,150</u>	<u>(\$1,825,093)</u>	<u>-1%</u>

Reclassifications have been made to the restricted and unrestricted net assets to conform to the 2011 financial statement classification. This new classification is consistent to restricted fund balance per Governmental Accounting Standards Board (GASB) Statement No. 54. Such reclassification had no effect on the total net assets as previously reported.

Restatements have been made to current asset and other assets and unrestricted net assets for scholarships from the special purpose fund to the private purpose trust fund.

The net assets invested in capital assets, net of related debt, relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt. This number increased from the prior year by \$3,052,366 primarily due to capital additions offset by depreciation and related debt.

Current assets and other assets decreased by \$546,383 from 2010 to 2011 primarily due to a decrease in cash and state and federal aid receivable. Capital assets (net of depreciation) decreased by \$1,278,710. This was attributable to depreciation expense offset by capital assets additions. Current liabilities increased by \$340,829 due to an increase in due to teachers' retirement system and employees' retirement system offset by a decrease in accrued liabilities. Long-term liabilities increased by \$6,666,211 primarily due to an increase in the net other post employment benefits obligation offset by a decrease in bonds payable. Net assets overall decreased by \$8,832,133.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

B) Changes in Net Assets

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2011 and 2010 are as follows:

Table A-4: Change in Net Assets from Operating Results

(Governmental Activities Only)

	Fiscal Year 2011	Fiscal Year 2010	Increase/ (Decrease)	Total Percentage Change
Revenues				
Program revenues				
Charges for services	\$2,296,146	\$2,154,622	\$141,524	7%
Operating grants	4,061,283	4,658,602	(597,319)	-13%
Capital grants	557,032	5,290,569	(4,733,537)	-89%
General revenues				
Property taxes and other	104,547,802	103,909,665	638,137	1%
State formula aid	5,074,883	4,630,669	444,214	10%
Interest earnings	439,484	97,856	341,628	349%
Other	1,143,663	2,224,397	(1,080,734)	-49%
Total revenues	<u>\$118,120,293</u>	<u>\$122,966,380</u>	<u>(\$4,846,087)</u>	<u>-4%</u>
Expenses				
General support	\$15,677,087	\$15,591,773	\$85,314	1%
Instruction	98,452,638	97,348,886	1,103,752	1%
Pupil transportation	8,715,544	8,119,265	596,279	7%
Debt service - interest	2,865,682	3,053,965	(188,283)	-6%
Other	0	55,959	(55,959)	-100%
School lunch program	1,241,475	1,153,254	88,221	8%
Total expenses	<u>126,952,426</u>	<u>125,323,102</u>	<u>1,629,324</u>	<u>1%</u>
Increase (decrease) in net assets	<u>(\$8,832,133)</u>	<u>(\$2,356,722)</u>	<u>(\$6,475,411)</u>	<u>275%</u>

The District's total fiscal year 2011 revenues totaled \$118,120,293 (See Table A-4). Property taxes and state formula aid accounted for most of the District's revenue by contributing 88 cents and 4 cents, respectively of every dollar raised. (See Table A-5). The remainder came from fees charged for services, operating grants, investment earnings, and other miscellaneous sources.

The total cost of all programs and services totaled \$126,952,426 for fiscal year 2011. These expenses are predominantly related to instruction and caring for (pupil services) and transporting students, which account for 86% of district expenses. (See Table A-6). The District's general support activities accounted for 12% of total costs.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Table A-5: Revenues for Fiscal Year 2011 (See Table A-4)

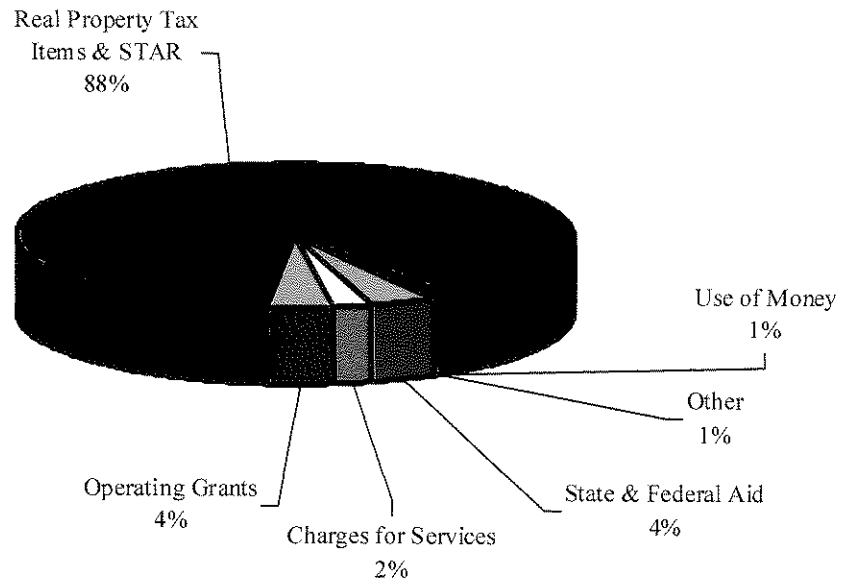
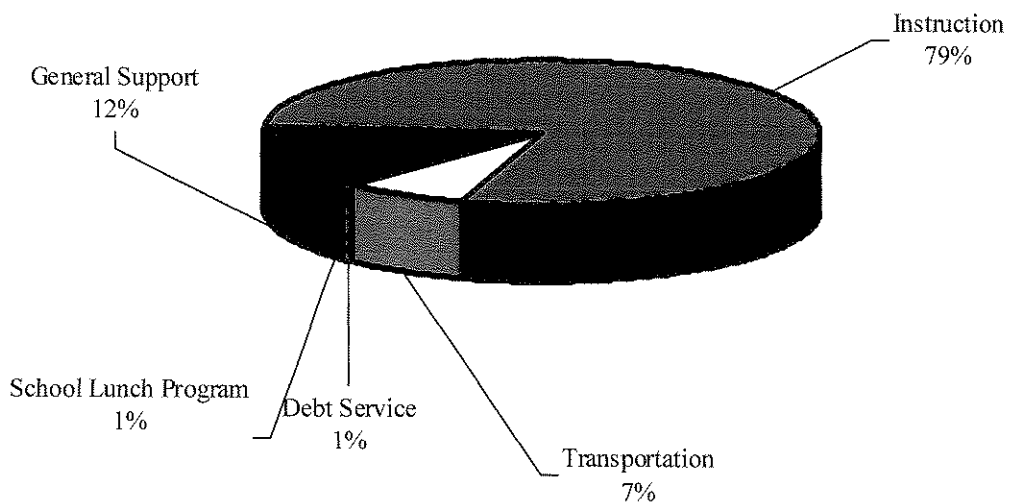


Table A-6: Expenses for Fiscal Year 2011 (See Tables A-4 and A-7)



**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

C) Governmental Activities

Revenues for the District's governmental activities totaled \$118,120,293 while total expenses equaled \$126,952,426. The overall decrease in net assets for governmental activities of \$8,832,133 was primarily the result of the increase in the net other post employment benefits obligation. However, the continuation of the District's good financial condition, as a whole, can be credited to:

- Continued leadership of the District's Board and administration;
- Approval of the District's proposed annual budget;
- Strong tax base
- Strategic use of services from the BOCES;
- Improved curriculum and community support.

Table A-7 presents the cost of major District activities: instruction, general support, pupil transportation, debt service and others. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2010
General Support	\$15,677,087	\$15,591,773	\$15,120,055	\$9,811,929
Instruction	98,452,638	97,348,886	93,531,289	92,236,445
Pupil Transportation	8,715,544	8,119,265	8,583,075	8,119,265
Debt Service - Interest	2,865,682	3,053,965	2,865,682	3,049,538
School Lunch Program	1,241,475	1,153,254	(62,136)	(44,604)
Other	0	55,959	0	46,736
Total	\$126,952,426	\$125,323,102	\$120,037,965	\$113,219,309

- The cost of all governmental activities this year was \$126,952,426. (Statement of Activities and Changes in Net Assets, Expenses column-see Exhibit 3)
- The users of the District's programs financed \$2,296,146 of the cost. (Statement of Activities and Changes in Net Assets, Charges For Services and Sales column-see Exhibit 3)
- The federal and state governments subsidized certain programs with grants of \$4,618,315. (Statement of Activities and Changes in Net Assets, Operating Grants column – see Exhibit 3)

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

- Most of the District's net costs of \$120,037,965 were financed by District taxpayers and state and federal aid. (Statements of Activities and Changes in Net Assets, Net (Expense) Revenue and Changes in Net Assets column-see Exhibit 3).

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variances between years for the governmental Fund Financial Statements are not the same as variances between years for the District-Wide Financial Statements. The District's governmental funds are presented on the **current financial resources measurement focus** and the **modified accrual basis of accounting**. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

As of June 30, 2011, the District's combined governmental funds reported a total fund balance of \$17,590,349, which is a decrease of \$908,245 from the prior year.

A summary of the change in fund balance for all funds is as follows:

	Fiscal Year 2011	Fiscal Year 2010	Increase/ (Decrease)	Total Percentage Change
General Fund				
Restricted for tax certiorari	\$2,585,932	\$2,910,000	(\$324,068)	-11%
Restricted for retirement contributions	2,320,087	1,504,815	815,272	54%
Restricted for repairs	141,705	305,198	(163,493)	-54%
Restricted for employee benefit accrued liability	556,103	596,441	(40,338)	-7%
Restricted for unemployment benefits	53,512	100,000	(46,488)	-46%
Restricted for workers' compensation	0	501,928	(501,928)	-100%
Restricted for insurance	99,917	100,385	(468)	0%
Assigned-designated for subsequent year's expenditures	4,400,000	4,383,184	16,816	0%
Assigned-general support	195,797	290,451	(94,654)	-33%
Assigned-instruction	575,496	402,996	172,500	43%
Assigned-pupil transportation	17,230	0	17,230	100%
Unassigned	4,441,109	4,609,292	(168,183)	-4%
Total fund balance - general fund	<u>\$15,386,888</u>	<u>\$15,704,690</u>	<u>(\$317,802)</u>	<u>-2%</u>

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Fiscal Year 2011	Fiscal Year 2010	Increase/ (Decrease)	Total Percentage Change
School Lunch Fund				
Nonspendable - inventory	\$10,358	\$6,265	\$4,093	65%
Assigned	323,389	247,083	76,306	31%
Total fund balance - school lunch fund	<u>\$333,747</u>	<u>\$253,348</u>	<u>\$80,399</u>	<u>32%</u>
Special Purpose Fund				
Assigned	\$0	\$811,603	(\$811,603)	-100%
Total fund balance - special purpose fund	<u>\$0</u>	<u>\$811,603</u>	<u>(\$811,603)</u>	<u>-100%</u>
Debt Service Fund				
Restricted	\$555,884	\$52,558	\$503,326	958%
Total fund balance - debt service fund	<u>\$555,884</u>	<u>\$52,558</u>	<u>\$503,326</u>	<u>958%</u>
Capital Projects Fund				
Restricted	\$669,338	\$1,577,645	(\$908,307)	-58%
Assigned	644,492	910,353	(265,861)	-29%
Total fund balance - capital projects fund	<u>\$1,313,830</u>	<u>\$2,487,998</u>	<u>(\$1,174,168)</u>	<u>-47%</u>
 Total Fund Balance - All funds	 <u>\$17,590,349</u>	 <u>\$19,310,197</u>	 <u>(\$1,719,848)</u>	 <u>-9%</u>

Reclassifications have been made to the restricted and unrestricted net assets to conform to the 2011 financial statement classification. This new classification is consistent to restricted fund balance per Governmental Accounting Standards Board (GASB) Statement No. 54. Such reclassification had no effect on the total net assets as previously reported.

This decrease in the general fund balance is primarily due to the utilization of fund balance and the use of reserves, as well as expenses exceeding revenues.

The increase in fund balance for school lunch can be attributed to an operating surplus of \$80,399.

The decrease in special purpose fund can be attributed to the classification of fund balance as a fiduciary fund.

The increase in debt service fund can be attributable to transfers from the remaining fund balances of completed capital projects that were funded by bond proceeds in the capital projects fund.

The decrease in fund balance for capital projects fund can be attributed to increased capital outlay.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2010-2011 Budget

The District's voter approved general fund adopted budget for the year ended June 30, 2011 was \$116,481,460. This amount was increased by encumbrances carried forward from the prior year in the amount of \$693,447, and budget revisions of \$997,671, which resulted in a final budget of \$118,172,578. The majority of the funding was property taxes and STAR revenue of \$104,547,802.

B) Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is a component to total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and designations to fund subsequent years' budgets. It is this balance that is commonly referred to as "fund balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget are as follows:

Opening, Unassigned Fund Balance	\$ 4,609,292
Revenues Over Budget	754,833
Expenditures and Encumbrances Under Budget	3,858,038
Changes in Restricted Fund Balances (net)	261,512
Use of Restricted Fund Balances	(642,566)
Assigned, designated for June 30, 2012 Budget	<u>(4,400,000)</u>
Closing, Unassigned Fund Balance	<u>\$ 4,441,109</u>

The unassigned fund balance represents the fund balance retained by the District that is not restricted or assigned for subsequent years' taxes. This amount is limited to 4% of the 2011-2012 budget.

The revenues over budget in the amount of \$754,833 were primarily due to non-property taxes, charges for services, refunds of prior years expenses, and other unclassified revenues offset by a budget shortfall in state aid (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget in the amount of \$3,858,038 were primarily attributable to expenditure savings in central services, instruction and employee benefits (see Supplemental Schedule #1 for detail).

The changes in restricted, assigned and unassigned fund balance are discussed further in Management's Discussion and Analysis Section 4, Financial Analysis of the District's Funds.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets

The District paid for equipment and various building additions and renovations during the fiscal year 2011. A summary of the District's capital assets net of depreciation is as follows:

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Table A-8: Capital Assets (Net of Depreciation)

Category	Fiscal Year 2011	Fiscal Year 2010	Increase / (Decrease)	Percentage Change
Land	\$2,022,825	\$2,022,825	\$0	0%
Construction in progress	0	6,243,939	(6,243,939)	-100%
Buildings & improvements	133,012,736	125,427,870	7,584,866	6%
Machinery & equipment	12,789,083	12,486,923	302,160	2%
Subtotal	<u>147,824,644</u>	<u>146,181,557</u>	<u>1,643,087</u>	<u>1%</u>
Less: Accumulated depreciation	36,024,100	33,102,303	2,921,797	9%
Total Net Capital Assets	<u>\$111,800,544</u>	<u>\$113,079,254</u>	<u>(\$1,278,710)</u>	<u>-1%</u>

The District spent \$1,840,928 in the capital projects fund for building improvements and equipment purchases during the year and has \$1,313,830 available for various projects.

B) Long-Term Debt

At June 30, 2011, The District had total bonds payable of \$66,355,000 and installment purchase debt of 1,264,932. The bonds were issued for district-wide projects. The decrease in outstanding debt represents the difference between the borrowing and payments of principal. A summary of outstanding debt at June 30, 2011 and 2010 is as follows:

	2011	2010	Increase (Decrease)
Improvements to school buildings	\$2,290,000	\$2,460,000	(\$170,000)
Improvements to school buildings	14,250,000	15,175,000	(925,000)
Improvements to school buildings	25,050,000	26,250,000	(1,200,000)
Improvements to school buildings	17,225,000	18,075,000	(850,000)
Improvements to school buildings	2,825,000	2,940,000	(115,000)
Refunding bonds	4,715,000	5,890,000	(1,175,000)
Installment purchase debt	1,264,932	1,689,555	(424,623)
Total	<u>\$67,619,932</u>	<u>\$72,479,555</u>	<u>(\$4,859,623)</u>

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- A) The NYS Legislature has introduced and approved a property tax cap beginning in the 2012-2013 school year. This bill limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

prior year's levy. If the tax levy proposed to the voters is within the district's tax levy cap, then a majority vote would be required for approval. If the proposed tax levy exceeds the district's tax levy cap, the threshold required for approval would be 60 percent of the vote. A school district that does not levy an amount up to the cap in any one year would be allowed to carry over unused tax levy capacity into future years.

- B)** The voters approved the general fund budget in the amount of \$118,980,000 for the school year 2011-2012. This is an increase of \$2,498,540 or 2.15% over the previous year's budget. The increase was primarily due to increases in personnel costs, utilities, student transportation and employee benefits.

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, contact:

Bedford Central School District
Mr. Mark Betz
Assistant Superintendent for Business
Route 172 – Fox Lane Campus
Bedford, New York 10506

BEDFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

ASSETS	
Cash and equivalents	\$23,460,022
Receivables	
Accounts receivable	95,300
State and federal aid	2,687,710
Due from other governments	963,819
Due from fiduciary funds	131
Inventories	10,358
Deferred charges	44,173
Capital assets (net of accumulated depreciation)	<u>111,800,544</u>
TOTAL ASSETS	<u><u>\$139,062,057</u></u>
 LIABILITIES	
Payables	
Accounts payable	\$3,194,229
Accrued liabilities	236,692
Retainage payable	350,961
Due to other governments	246,715
Due to teachers' retirement system	4,619,159
Due to employees' retirement system	755,958
Accrued interest payable	363,979
Deferred credits	
Deferred revenue	223,277
Long-term liabilities:	
Due and payable within one year	
Due to teachers' retirement system	60,788
Due to employees' retirement system	183,302
Bonds payable	4,565,242
Installment purchase debt payable	487,755
Compensated absences	488,230
Due and payable after one year	
Bonds payable	61,978,859
Installment purchase debt payable	777,180
Compensated absences	1,660,172
Other post employment benefit obligations payable	<u>37,884,654</u>
TOTAL LIABILITIES	<u>118,077,152</u>
 NET ASSETS	
Investment in capital assets, net of related debt	\$44,699,980
Restricted	6,274,006
Unrestricted	<u>(29,989,081)</u>
TOTAL NET ASSETS	<u>20,984,905</u>
TOTAL NET ASSETS AND LIABILITIES	<u><u>\$139,062,057</u></u>

BEDFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FUNCTIONS / PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General support	(\$15,677,087)			(\$15,120,055)
Instruction	(98,452,638)	\$1,441,403	\$3,479,946	(93,531,289)
Pupil transportation	(8,715,544)		132,469	(8,583,075)
Debt service - interest	(2,865,682)			(2,865,682)
Food service program	(1,241,475)	854,743	448,868	62,136
TOTAL GOVERNMENTAL ACTIVITIES	(\$126,952,426)	\$2,296,146	\$4,061,283	(\$120,037,965)
GENERAL REVENUES				
Real property taxes				95,962,432
Other tax items - including STAR reimbursement				7,255,511
Non-property taxes				1,329,859
Use of money and property				439,484
Sale of property & compensation for loss				83,990
State sources				5,074,883
Miscellaneous				1,059,673
TOTAL GENERAL REVENUES				111,205,832
CHANGES IN NET ASSETS				(8,832,133)
TOTAL NET ASSETS - BEGINNING OF YEAR				30,628,641
PRIOR PERIOD ADJUSTMENT				(811,603)
TOTAL NET ASSETS - BEGINNING OF YEAR AS RESTATED				29,817,038
TOTAL NET ASSETS - END OF YEAR				\$20,984,905

**BEDFORD CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash	\$20,124,168	\$885,977	\$440,703	\$555,779	\$1,453,395	\$23,460,022
Receivables						
Accounts receivable	95,300					95,300
States and federal aid	1,147,505	1,172,895	27,413		339,897	2,687,710
Due from other governments	958,665	5,154				963,819
Due from other funds	1,629,659			105	20,000	1,649,764
Inventories			10,358			10,358
TOTAL ASSETS	<u>\$23,955,297</u>	<u>\$2,064,026</u>	<u>\$478,474</u>	<u>\$555,884</u>	<u>\$1,813,292</u>	<u>\$28,866,973</u>
LIABILITIES AND FUND BALANCE						
Payables						
Accounts payable	\$2,666,196	\$262,919	\$116,770		\$148,344	\$3,194,229
Accrued liabilities	233,535	2,963	194			236,692
Retainage payable					350,961	350,961
Due to other funds	20,000	1,629,476			157	1,649,633
Due to other governments	207,501	39,214				246,715
Due to teachers' retirement system	4,619,159					4,619,159
Due to employees' retirement system	755,958					755,958
Deferred credits						
Deferred revenue	66,060	129,454	27,763			223,277
TOTAL LIABILITIES	<u>8,568,409</u>	<u>2,064,026</u>	<u>144,727</u>	<u>0</u>	<u>499,462</u>	<u>11,276,624</u>
FUND BALANCE						
Nonspendable			10,358			10,358
Restricted	5,757,256			555,884	669,338	6,982,478
Assigned	5,188,523		323,389		644,492	6,156,404
Unassigned	4,441,109					4,441,109
TOTAL FUND BALANCE	<u>15,386,888</u>	<u>0</u>	<u>333,747</u>	<u>555,884</u>	<u>1,313,830</u>	<u>17,590,349</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$23,955,297</u>	<u>\$2,064,026</u>	<u>\$478,474</u>	<u>\$555,884</u>	<u>\$1,813,292</u>	<u>\$28,866,973</u>

**BEDFORD CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2011**

Total Governmental Fund Balances		\$17,590,349
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p> <p>The cost of building and acquiring capital assets (land, buildings, equipment) financed from the 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.</p>		
Original cost of capital assets	147,824,644	
Accumulated depreciation	<u>(36,024,100)</u>	111,800,544
<p>Governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities</p>		
		44,173
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>		
Bonds payable	(66,544,101)	
Due to teachers' retirement system	(60,788)	
Due to employees' retirement system	(183,302)	
Accrued interest payable	(363,979)	
Installment purchase debt payable	(1,264,935)	
Other post employment benefit obligations payable	(37,884,654)	
Compensated absences	<u>(2,148,402)</u>	<u>(108,450,161)</u>
Total Net Assets		<u>\$20,984,905</u>

BEDFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General	Special Aid	School Lunch	Special Purpose	Debt Service	Capital Projects	Total Governmental Funds
REVENUES							
Real property taxes	\$95,962,432						\$95,962,432
Other tax items	7,255,511						7,255,511
Non-property taxes	1,329,859						1,329,859
Charges for services	1,441,403						1,441,403
Use of money and property	435,809		\$349		\$3,326		439,484
Forfeitures	2,325						2,325
Sale of property and compensation for loss	83,990						83,990
Miscellaneous	1,057,348	\$568,488					1,625,836
State aid	5,074,883	392,469	30,425			\$557,032	6,054,809
Federal aid	419,383	2,232,075	347,573				2,999,031
Surplus food			70,870				70,870
Sales			854,743				854,743
TOTAL REVENUES	<u>113,062,943</u>	<u>3,193,032</u>	<u>1,303,960</u>	<u>0</u>	<u>3,326</u>	<u>557,032</u>	<u>118,120,293</u>
EXPENDITURES							
General support	11,535,268						11,535,268
Instruction	58,600,315	3,191,253					61,791,568
Pupil transportation	7,343,329	132,469					7,475,798
Employee benefits	27,399,838						27,399,838
Cost of food sales			1,223,561				1,223,561
Debt service - principal	5,359,620						5,359,620
Debt service - interest	2,901,957						2,901,957
Capital outlay						1,840,928	1,840,928
TOTAL EXPENDITURES	<u>113,140,327</u>	<u>3,323,722</u>	<u>1,223,561</u>	<u>0</u>	<u>0</u>	<u>1,840,928</u>	<u>119,528,538</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(77,384)</u>	<u>(130,690)</u>	<u>80,399</u>	<u>0</u>	<u>3,326</u>	<u>(1,283,896)</u>	<u>(1,408,245)</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from installment debt						500,000	500,000
Transfers in	145,272	130,690			500,000	255,000	1,030,962
Transfers (out)	(385,690)					(645,272)	(1,030,962)
TOTAL OTHER SOURCES (USES)	<u>(240,418)</u>	<u>130,690</u>	<u>0</u>	<u>0</u>	<u>500,000</u>	<u>109,728</u>	<u>500,000</u>
NET CHANGE IN FUND BALANCE	<u>(317,802)</u>	<u>0</u>	<u>80,399</u>	<u>0</u>	<u>503,326</u>	<u>(1,174,168)</u>	<u>(908,245)</u>
FUND BALANCE - BEGINNING	<u>15,704,690</u>	<u>0</u>	<u>253,348</u>	<u>811,603</u>	<u>52,558</u>	<u>2,487,998</u>	<u>19,310,197</u>
PRIOR PERIOD ADJUSTMENT	<u>0</u>			<u>(811,603)</u>			<u>(811,603)</u>
FUND BALANCE - BEGINNING AS RESTATED	<u>15,704,690</u>	<u>0</u>	<u>253,348</u>	<u>0</u>	<u>52,558</u>	<u>2,487,998</u>	<u>18,498,594</u>
FUND BALANCE - ENDING	<u>\$15,386,888</u>	<u>\$0</u>	<u>\$333,747</u>	<u>\$0</u>	<u>\$555,884</u>	<u>\$1,313,830</u>	<u>\$17,590,349</u>

BEDFORD CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net Change in Fund Balance (\$908,245)

Amounts reported for governmental activities in the Statement of Activities are different because:

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating expenses-compensated absences (vacation and sick days), retirement incentive contributions-are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

Compensated absences	(35,100)	
Retirement incentives	<u>(244,090)</u>	(279,190)

Net other post employment benefits obligation in the Statement of Activities are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. (\$11,261,883)

Long-Term Debt Transactions

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 4,435,000

Repayment of installment purchase debt 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 924,620

Proceeds from installment purchase debt - The Statement of Net Assets recognizes proceeds under the full accrual method. Governmental funds recognize proceeds under the modified accrual method. (500,000)

Governmental funds report the issuance costs, premiums, discounts, and similar items on the refunded bonds. These amounts are deferred and amortized in the Statement of Activities. (2,428)

Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statements of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2010 to June 30, 2011 changed by 38,703

Capital Related Items

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the statement of net assets and allocated over their useful lives as annual depreciation expense in the Statement of Activities

Capital outlays	2,258,384	
Depreciation expense	<u>(3,537,094)</u>	<u>(1,278,710)</u>

Changes in Net Assets of Governmental Activities (\$8,832,133)

**BEDFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011**

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$763,513	\$337,316
Due from governmental funds	0	3,350
TOTAL ASSETS	<u>\$763,513</u>	<u>\$340,666</u>
LIABILITIES		
Accrued liabilities		\$204,877
Due to other governmental funds	3,350	131
Student activity funds	0	135,658
TOTAL LIABILITIES	<u>3,350</u>	<u>\$340,666</u>
NET ASSETS		
Restricted for scholarships	<u>760,163</u>	
TOTAL NET ASSETS	<u>760,163</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$763,513</u>	

**BEDFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Gifts and contributions	\$6,527
Interest and earnings	1,034
TOTAL ADDITIONS	<u>7,561</u>
DEDUCTIONS	
Scholarships and awards	59,001
TOTAL DEDUCTIONS	<u>59,001</u>
CHANGE IN NET ASSETS	(51,440)
NET ASSETS - BEGINNING	<u>0</u>
PRIOR PERIOD ADJUSTMENT	811,603
NET ASSETS - BEGINNING, AS RESTATED	<u>811,603</u>
NET ASSETS - ENDING	<u><u>\$760,163</u></u>

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Bedford Central School District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental 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.

Certain significant accounting principles and policies utilized 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 seven (7) 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, *Determining Whether Certain Organizations are 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 and its component unit 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.

i) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represents 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 reports these assets held by its agent for the Extraclassroom organizations in the Statement of Fiduciary Net Assets – Fiduciary Fund.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

B) Joint venture:

The District is a component district in the Putnam-Northern Westchester Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs, which 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.

C) Basis of presentation:

i) District-Wide Financial 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 been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

ii) Fund Financial Statements:

The Fund Financial Statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of Fund Financial Statements is on major governmental funds, each displayed in a separate column.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Aid Fund: This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

School Lunch Fund: This fund is used to account for the activities of the District's food service operations. The school lunch operation is supported by federal and state grants and charges participants for its services.

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

Capital Projects Funds: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Fiduciary Fund: These funds are used to account for fiduciary activities. 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 benefits 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.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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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 Financial 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 90 days after the end of the fiscal year, 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:

i) Calendar:

Real property taxes attach as an enforceable lien on real property as of July 1st and are payable in two installments in September and January.

ii) Enforcement:

The Towns of Bedford, Mount Kisco, New Castle, North Castle, and Pound Ridge, which are included in this levy, are responsible for the billing and collection of the taxes. The towns guarantee the full payment of the District warrant and assume responsibility for the uncollected taxes.

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.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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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 within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

In the District-Wide Financial 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 8 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 assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, other post-employment benefits, workers compensation claims, potential contingent liabilities and useful lives of long-lived assets.

I) Cash and cash equivalents:

The District's cash and cash equivalents consist of cash on hand and demand deposits.

J) Accounts receivable:

Accounts receivable are shown net of an allowance for doubtful accounts. Allowances are reported when accounts are proven to be uncollectible. Allowances for doubtful accounts were \$16,591 for the fiscal year ended June 30, 2011.

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

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Nonspendable fund balance for these non-liquid assets (inventories) has been recognized in the school lunch fund to signify that a portion of fund balance is not available for other subsequent expenditures.

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.

L) Capital assets:

Capital assets are reported at actual cost for acquisitions subsequent to 20 years. For assets acquired prior to 20 years, estimated historical costs, based on appraisals conducted by independent third-party professionals are used. Donated assets are reported at estimated fair market value at the time received.

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 Financial Statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	\$500	Straight-line	20 - 50 years
Machinery and Equipment	\$500	Straight-line	5 - 20 years

M) Deferred revenue:

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 the incidence of 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.

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.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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N) Vested employee benefits:

i) 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.

The 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 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 Financial 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.

O) 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 for 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. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the year paid.

P) Short-term debt:

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

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of 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 dated.

Q) 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, and compensated absences that will be paid from governmental funds, are reported as a liability in the Fund 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.

R) Equity Classifications:

i) District-Wide Financial Statements:

In the District-Wide Financial 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, or 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.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

ii) Funds Financial Statements:

As of these financial statements, the District has adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54) which redefines how fund balances of the governmental funds are presented in the financial statements. There are five classifications of fund balance as detailed below; however, in the Fund Financial Statements there are four classifications of fund balance presented:

- (1) **Non-spendable fund balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund of \$10,358.
- (2) **Restricted fund balance** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Restricted fund balance includes the following:

<u>Restricted for:</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Tax certiorari	\$2,585,932			\$2,585,932
Retirement contributions	2,320,087			2,320,087
Repairs	141,705			141,705
Employee benefit accrued liability	556,103			556,103
Unemployment insurance	53,512			53,512
Insurance	99,917			99,917
Debt service		\$555,884		555,884
Capital projects			\$669,338	669,338
Total	<u>\$5,757,256</u>	<u>\$555,884</u>	<u>\$669,338</u>	<u>\$6,982,478</u>

Beginning fund balances for the District's governmental funds and the governmental activities have been reclassified to reflect the above classifications.

Currently, New York State laws still use the terminology "reserves" and Districts are only allowed to use reserves authorized by law. The District has classified the following reserves as restricted:

Tax Certiorari

According to Education Law §3651.1-a, must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed

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necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve 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.

Retirement Contribution Reserve

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the fund must be provided to the Board.

Repairs

According to General Municipal Law §6-d, must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years.

Reserve for Employee Benefit Accrued Liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

Unemployment Insurance Reserve

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 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.

Insurance

According to General Municipal Law §6-n, must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of

**BEDFORD CENTRAL SCHOOL DISTRICT
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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 (for example, for unemployment compensation insurance). The 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.

- (3) **Committed fund balance** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District’s highest level of decision making authority (i.e., Board of Education). The District has no committed fund balances as of June 30, 2011.
- (4) **Assigned fund balance** – Includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District management through Board policies. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund. The District has classified the following as assigned:

<u>Assigned for:</u>	<u>General</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Total</u>
Designated for Subsequent Year's Expenditures	\$4,400,000			\$4,400,000
General support	195,797			195,797
Instruction	575,496			575,496
Pupil transportation	17,230			17,230
School lunch		\$323,389		323,389
Capital projects			\$644,492	644,492
Total	<u>\$5,188,523</u>	<u>\$323,389</u>	<u>\$644,492</u>	<u>\$6,156,404</u>

Beginning fund balances for the District’s governmental funds and the governmental activities have been reclassified to reflect the above classifications.

Designated for Subsequent Year’s Expenditures

The amount of \$4,400,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2012.

Encumbrances

Encumbrances have been assigned based upon the District’s intent to be used for a specific purpose such as general support, instruction, pupil transportation and

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capital projects. See Note 3 for further detail regarding accountability and Note 13 for further detail regarding significant encumbrances.

- (5) **Unassigned fund balance** –Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance. The general fund has an unassigned fund balance of \$4,441,109.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the 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 included in assigned fund balance are also excluded from the 4% limitation. Currently, the District is in compliance with NYS Real Property Tax Law 1318 fund balance requirements.

Order of Use of Fund Balance

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

S) Adopted Change in Accounting Standards:

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. GASB Statement 54 is effective for the District's fiscal year ending June 30, 2011, and was adopted by the District (See Note 1 Rii for further information).

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS:

Due to the differences in the measurement focus and basis of accounting used in the Fund Financial Statements and the District-Wide Financial 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. The difference primarily

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results from 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 governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities fall into one of the four broad categories. The amounts shown below represent:

i) Long-term revenue and expense 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 accruals basis, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the Fund Financial 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 Financial 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.

iv) Employee benefits allocation:

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Balance based on the requirements of New York State. These costs have been allocated based on total salary for each function in the Statement of Activities.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) 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. The voters of the District approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line item level.

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Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which 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 by 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. The following supplemental appropriations occurred during the year:

Budget revisions for:

Use of reserves:

Employee benefit accrued liability	54,161
Repairs	165,000
Retirement contributions	304,925
Unemployment	97,000
Tax certiorari	12,979
Insurance	8,501
Drivers education	91,080
Pupil transportation and field trips	53,190
Wastewater treatment plant reimbursement	116,009
Donations and gifts	94,826
Total	\$997,671

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

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.

B) 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 assigned 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.

**BEDFORD CENTRAL SCHOOL DISTRICT
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NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash:

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.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB Statement 40, *Deposits and Investment Risk Disclosures*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

- i) Uncollateralized;
- ii) Collateralized with securities held by the pledging financial institution in the District's name; or
- iii) Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

None of the District's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year end.

B) Investment:

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

C) Investment Pool:

The District participates in 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.

Total investments of the cooperative as of year-end are \$530,923,641 which consists of \$224,363,926 in repurchase agreements, \$206,559,715 in U.S. Treasury Securities, and \$100,000,000 in collateralized bank deposits with various interest rate and due dates.

The following amounts are included as cash:

**BEDFORD CENTRAL SCHOOL DISTRICT
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<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
General fund	\$289,716	\$289,716
School lunch fund	65,220	65,220
Capital projects fund	845,286	845,286
Debt service fund	555,779	555,779
Fiduciary funds	88,883	88,883
Total	<u>\$1,844,884</u>	<u>\$1,844,884</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 Cooperative Liquid Assets Securities System – New York (CLASS), 113 King Street, Armonk, New York 10504.

NOTE 5 – PARTICIPATION IN BOCES

During the year ended June 30, 2011, the District was billed \$2,731,659 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$499,591.

Financial statements for the BOCES are available from the BOCES administrative office at 200 BOCES Drive, Yorktown Heights, New York 10598.

NOTE 6 – RECEIVABLES:

Receivables at June 30, 2011 consist of the following:

	<u>General</u>	<u>School Lunch</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>Accounts receivable</u>					
Facilities use/rentals	\$8,444				\$8,444
Reimbursements	31,724				31,724
Rebate	53,241				53,241
Donation	3,000				3,000
Tuition	15,482				15,482
Allowance for doubtful accounts	(16,591)				(16,591)
Total accounts receivable	<u>95,300</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>95,300</u>

**BEDFORD CENTRAL SCHOOL DISTRICT
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	<u>General</u>	<u>School Lunch</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>State and federal aid</u>					
BOCES aid receivable	374,666				374,666
Excess cost aid	302,179				302,179
Stabilization - ARRA	179,718				179,718
NYS - MTA Tax reimbursement	53,765				53,765
Homeless aid	237,177				237,177
Lunch - federal		24,936			24,936
Lunch - state		2,477			2,477
Waste water treatment plant				339,897	339,897
Federal grants			465,379		465,379
State grants			707,516		707,516
Total state and federal aid	<u>1,147,505</u>	<u>27,413</u>	<u>1,172,895</u>	<u>339,897</u>	<u>2,687,710</u>
<u>Due from other governments</u>					
Sales tax	338,214				338,214
Tuition receivable	617,983				617,983
Special education			5,154		5,154
COBRA	2,468				2,468
Total due from other governments	<u>958,665</u>	<u>0</u>	<u>5,154</u>	<u>0</u>	<u>963,819</u>
Total	<u>\$2,201,470</u>	<u>\$27,413</u>	<u>\$1,178,049</u>	<u>\$339,897</u>	<u>\$3,746,829</u>

Except for the amounts disclosed as allowance for doubtful accounts, District management has deemed these funds to be fully collectible.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$2,022,825			\$2,022,825
Construction in progress	6,243,939		\$ (6,243,939)	0
Total capital assets not depreciated	<u>8,266,764</u>	<u>0</u>	<u>(6,243,939)</u>	<u>2,022,825</u>
Capital assets that are depreciated:				
Building & improvements	125,427,870	1,340,927	6,243,939	133,012,736
Machinery and equipment	12,486,923	917,457	(615,297)	12,789,083
Total capital assets depreciated	<u>137,914,793</u>	<u>2,258,384</u>	<u>5,628,642</u>	<u>145,801,819</u>
Less accumulated depreciation:				
Building & building Improvements	25,602,432	2,401,946		28,004,378
Furniture & equipment	7,499,871	1,135,148	(615,297)	8,019,722
Total accumulated depreciation	<u>33,102,303</u>	<u>3,537,094</u>	<u>(615,297)</u>	<u>36,024,100</u>
Total depreciable historical cost, net	<u>\$113,079,254</u>	<u>(\$1,278,710)</u>	<u>\$0</u>	<u>\$111,800,544</u>

Depreciation expense was charged to governmental functions as follows:

General Support	\$705,367
Instruction	2,583,935
Pupil Transportation	229,878
Cost of Food Sales	17,914
	<u>\$3,537,094</u>

NOTE 8- INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General fund	\$1,629,659	\$20,000	\$145,272	\$385,690
Special aid fund		1,629,476	130,690	
School lunch fund				
Debt service fund	105		500,000	
Capital projects fund	20,000	157	255,000	645,272
Total government activities	<u>1,649,764</u>	<u>1,649,633</u>	<u>1,030,962</u>	<u>1,030,962</u>
Fiduciary agency funds	3,350	3,481		
Totals	<u>\$1,653,114</u>	<u>\$1,653,114</u>	<u>\$1,030,962</u>	<u>\$1,030,962</u>

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The District typically transfers from the general fund to the capital projects fund, to finance capital projects. The District typically transfers from the general fund to the special aid fund to fund the District's 20% share of summer school handicap expenses required by state law.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

NOTE 9 – LONG-TERM DEBT OBLIGATIONS:

Long-term liability balances and activity for the year are summarized below:

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Government activities:					
Bonds payable	70,790,000		(4,435,000)	66,355,000	4,550,000
Add:					
Premium	173,612		(10,851)	162,761	10,851
Deferred amounts on refunding	30,731		(4,391)	26,340	4,391
Total bonds payable	70,994,343	0	(4,450,242)	66,544,101	4,565,242
Other liabilities					
Due to teachers' retirement system	0	60,788		60,788	60,788
Due to employees' retirement system	0	183,302		183,302	183,302
Installment purchase debt payable	1,689,555	500,000	(924,620)	1,264,935	487,755
Compensated absences	2,113,302	76,330	(41,230)	2,148,402	488,230
Other post employment benefit obligations payable	26,622,771	16,987,830	(5,725,947)	37,884,654	0
Total other liabilities	30,425,628	17,808,250	(6,691,797)	41,542,081	1,220,075
Total long-term liabilities	\$101,419,971	\$17,808,250	(\$11,142,039)	\$108,086,182	\$5,785,317

The general fund has typically been used to liquidate long-term liabilities such as compensated absences.

In prior years, the District defeased certain general obligation 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. On June 30, 2011, \$4,715,000 of bonds outstanding are considered defeased.

Existing serial and statutory bond obligations are comprised of the following:

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Improvements to school buildings	2003	June, 2022	2.75 - 5.00%	\$2,290,000
Improvements to school buildings	2003	October, 2022	3.38 - 4.25%	14,250,000
Improvements to school buildings	2005	November, 2025	3.50 - 5.00%	25,050,000
Improvements to school buildings	2006	June, 2026	3.50 - 4.50%	17,225,000
Improvements to school buildings	2008	May, 2028	3.50 - 5.00%	2,825,000
Refunding bonds	2008	June, 2026	3.00 - 5.00%	4,715,000
				\$66,355,000

The following is a summary of debt service requirements for bonds payable:

Fiscal Year Ended June 30,	Principal	Interest	Total
2012	\$4,550,000	\$2,682,525	\$7,232,525
2013	4,645,000	2,495,806	7,140,806
2014	4,770,000	2,320,122	7,090,122
2015	4,190,000	2,145,944	6,335,944
2016	4,300,000	1,973,681	6,273,681
2017 - 2021	22,485,000	7,035,334	29,520,334
2022 - 2026	20,980,000	2,347,075	23,327,075
2027 and thereafter	435,000	9,900	444,900
	\$66,355,000	\$21,010,387	\$87,365,387

The following is a summary of obligations of government activities under installment purchase debt:

Fiscal Year Ended June 30,	Principal	Interest	Total
2012	\$487,755	\$41,818	\$529,573
2013	493,992	25,163	519,155
2014	260,301	8,249	268,550
2015	22,884	143	23,027
	\$1,264,932	\$75,373	\$1,340,305

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

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Total
Interest paid	\$2,901,957
Less interest accrued in the prior year	(402,682)
Plus interest accrued in the current year	363,979
Amortization of issuance costs, loss on refunding and issuance premium	2,428
Total expense	\$2,865,682

NOTE 10 – PENSION PLANS:

A) General information:

The District participates in the New York State Employees’ Retirement System (NYSERS) (“the System”) and the New York State Teachers’ Retirement System (NYSTRS) (“the System”). 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.

B) Provisions and administration:

i) Teachers’ Retirement System

The New York State Teachers’ Retirement Board administers NYSTRS. 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. NYSTRS 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 NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

ii) Employees’ Retirement System

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. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

C) Funding policies:

The Systems are noncontributory for the employees 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,

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 an actuarially determined rate. The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	<u>NYSERS</u>	<u>NYSTRS</u>
2010 - 2011	\$1,901,069	\$3,382,985
2009 - 2010	\$1,114,941	\$2,871,939
2008 - 2009	\$1,228,736	\$3,605,532

D) Retirement Incentive:

Chapter 105 of the Laws of 2010 of the State of New York authorized local governments to make available a retirement benefit incentive program with an estimated total cost of \$244,090, of which \$244,090 was charged to expenditures in the District-Wide Financial Statements.

NOTE 11 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:

A) Plan Description

The District primarily provides post-employment health insurance coverage to retired employees and their spouses in accordance with the provisions of various employment contracts. The District sponsors and administers a single-employer defined benefit health care plan (the "Plan"). The Plan does not issue a stand alone, publicly available report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

B) Funding Policy

The contribution requirements of retired plan members and the District are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the District. For fiscal year 2011, the District contributed \$5,725,947 to the Plan, including \$5,725,947 for current claims and \$0 to prefund benefits. Currently, no active plan members are required to contribute to the Plan.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

C) Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, 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 the plan:

Annual OPEB Cost and Net OPEB Obligation

Annual required contribution	\$17,403,301
Interest on net OPEB obligation	1,064,911
Adjustment to Annual Required Contribution	<u>(1,480,382)</u>
Annual OPEB cost (expense)	16,987,830
Contributions made	<u>(5,725,947)</u>
Increase in net OPEB obligation	11,261,883
Net OPEB obligation-beginning of year	<u>26,622,771</u>
Net OPEB obligation-end of year	<u><u>\$37,884,654</u></u>
Annual OPEB cost	\$16,987,830
Percentage of annual OPEB cost contributed	34%
Net OPEB obligation-end of year	\$37,884,654

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011 and the preceding two years was as follows:

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution</u>	<u>Annual OPEB Cost</u>	<u>OPEB Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$17,314,166	\$17,314,166	\$4,690,625	27%	\$12,623,541
June 30, 2010	\$18,272,991	\$18,075,990	\$4,076,760	23%	\$26,622,771
June 30, 2011	17,403,301	16,987,830	5,725,947	34%	37,884,654

D) Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$179,371,640, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$179,371,640.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The covered payroll (annual payroll of active employees covered by the plan) was \$63,629,474 and the ratio of the UAAL to the covered payroll was 282%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E) Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation prepared by an outside actuarial firm, the projected unit credit actuarial cost method was used to value the actuarial accrued liability and normal cost. The actuarial assumptions included a discount rate of 4% and an annual healthcare cost trend rate of 7.5% initially, reduced by decrements to an ultimate rate of 5% after 4 years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

NOTE 12 – RISK MANAGEMENT:

A) 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 three years.

B) Consortiums and Self Insured Plans:

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its District property and liability 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. The pool obtains independent coverage for insured events and the District has essentially transferred all related risk to the pool.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The District participates in the Westchester-Putnam Schools Cooperative Self-Insurance Plan (the "Workers' Compensation Plan) to insure workers' compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to administer claims and finance liability and risks related to workers compensation claims. The Workers' Compensation Plan's total discounted liability for unbilled and open claims at June 30, 2011 was \$28,282,256 with a discount rate of 2.0%. The District's share of the liability for unbilled and open claims is \$953,112. The District also maintained reserves of \$1,236,308 with the Workers' Compensation Plan. Therefore, the District did not have a net long-term liability.

NOTE 13 – COMMITMENTS AND CONTINGENCIES:

A) Grants

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 audits, the district's administration believes disallowances, if any, will be immaterial.

B) Litigation

As of June 30, 2011 we are unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

C) Encumbrances:

Significant encumbrances included in governmental fund balances have been classified as assigned fund balance and are as follows:

- i) **General Fund** - Total encumbrances of the general fund as of June 30, 2011 were \$788,523. Significant encumbrances total \$236,000. \$124,500 is related to repair projects and \$111,500 is related to special education costs.
- ii) **Capital Projects Fund** - Total encumbrances of the capital projects fund as of June 30, 2011 were \$223,810. Significant encumbrances of \$118,193 were restricted for current capital projects.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 14 – PRIOR PERIOD ADJUSTMENT:

The District has determined that certain transactions were recorded incorrectly in a prior year. Amounts related to scholarships were recorded in the special purpose fund and have been restated to the private purpose trust fund as detailed below.

	<u>Special Purpose Fund</u>	<u>Governmental Activities</u>	<u>Private Purpose Trust Fund</u>
Beginning fund balance/net assets as previously reported	\$811,603	\$30,628,641	\$0
Fund balance related to scholarships and donations	<u>(811,603)</u>	<u>(811,603)</u>	<u>811,603</u>
Beginning fund balance/net assets as restated	<u>\$0</u>	<u>\$29,817,038</u>	<u>\$811,603</u>

SUPPLEMENTARY INFORMATION

**BEDFORD CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local Sources				
Real property taxes	\$96,039,190	\$96,039,190	\$95,962,432	(\$76,758)
Other tax items	7,335,123	7,335,123	7,255,511	(79,612)
Non-property taxes	1,125,000	1,125,000	1,329,859	204,859
Charges for services	1,051,400	1,168,740	1,441,403	272,663
Use of money and property	490,911	490,911	435,809	(55,102)
Forfeitures	0	0	2,325	2,325
Sale of property and compensation for loss	15,000	36,731	83,990	47,259
Miscellaneous	555,000	681,756	1,057,348	375,592
State sources				
Basic formula	1,961,642	1,825,560	1,812,173	(13,387)
Excess cost aid	1,595,101	1,572,037	1,575,640	3,603
Lottery aid	96,000	153,832	153,832	0
BOCES aid	500,000	499,699	499,591	(108)
Textbook aid	164,415	296,784	296,784	0
Software aid	93,591	73,717	73,717	0
Library aid	41,596	30,756	30,756	0
Building aid	514,924	514,885	514,885	0
Other state aid	100,000	189,278	117,505	(71,773)
Federal Sources				
ARRA Stabilization	419,383	419,383	419,383	0
Other Financing Sources				
Transfers from other funds	0	0	145,272	145,272
TOTAL REVENUES AND OTHER SOURCES	<u>112,098,276</u>	<u>112,453,382</u>	<u>\$113,208,215</u>	<u>\$754,833</u>
Assigned - Designated for subsequent year's expenditures	\$4,383,184	\$4,383,184		
Appropriated Reserves	<u>\$693,447</u>	<u>\$1,336,012</u>		
TOTAL REVENUES AND APPROPRIATED FUND BALANCE	<u>\$117,174,907</u>	<u>\$118,172,578</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

BEDFORD CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
General Support					
Board of education	\$59,348	\$62,006	\$32,083	\$0	\$29,923
Central administration	366,900	374,038	373,190	0	848
Finance	995,311	1,050,377	1,013,066	254	37,057
Staff	1,000,840	992,190	774,003	9,529	208,658
Central services	8,335,106	8,655,750	7,822,873	186,014	646,863
Special items	1,498,681	1,551,439	1,520,053	0	31,386
Instructional					
Instruction, adm. & imp.	5,121,241	5,207,416	4,713,198	109,963	384,255
Teaching - regular school	37,951,307	37,888,189	36,813,031	188,700	886,458
Programs for children with handicapping conditions	8,883,234	8,876,722	8,570,914	207,618	98,190
occupational education	769,578	769,578	769,578	0	0
Teaching special schools	58,000	58,072	43,858	0	14,214
Instructional media	2,720,450	2,753,420	2,539,127	47,151	167,142
Pupil services	5,285,046	5,348,644	5,150,609	22,064	175,971
Pupil Transportation	7,301,318	7,497,144	7,343,329	17,230	136,585
Employee Benefits	27,975,304	28,234,350	27,399,838	0	834,512
Debt Service					
Debt service principal	5,442,693	5,441,556	5,359,620	0	81,936
Debt service interest	2,955,550	2,956,687	2,901,957	0	54,730
TOTAL EXPENDITURES	<u>116,719,907</u>	<u>117,717,578</u>	<u>113,140,327</u>	<u>788,523</u>	<u>3,788,728</u>
Other Financing Uses					
Transfers to other funds	<u>455,000</u>	<u>455,000</u>	<u>385,690</u>	<u>0</u>	<u>69,310</u>
TOTAL EXPENDITURES AND OTHER USES	<u>\$117,174,907</u>	<u>\$118,172,578</u>	<u>113,526,017</u>	<u>\$788,523</u>	<u>\$3,858,038</u>
Net change in fund balances			(317,802)		
Fund balance - beginning			<u>15,704,690</u>		
Fund balance - ending			<u>\$15,386,888</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**BEDFORD CENTRAL SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB)
 JUNE 30, 2011**

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
July 1, 2008	\$0	\$170,318,073	\$170,318,073	0%	\$60,980,968	279.30%
July 1, 2010	\$0	\$179,371,640	\$179,371,640	0%	\$63,629,474	281.90%

**BEDFORD CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND USE OF UNASSIGNED FUND BALANCE - GENERAL FUND
JUNE 30, 2011**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	116,481,460
Add: Prior year's encumbrances	<u>693,447</u>
Original Budget	117,174,907
Budget Revisions	<u>997,671</u>
Final Budget	<u><u>\$118,172,578</u></u>
Next year's voter approved budget	<u><u>\$118,980,000</u></u>

USE OF UNASSIGNED FUND BALANCE

Unassigned Fund Balance- As of the beginning of the year	\$8,992,476
Less:	
Assigned fund balance used for the levy of taxes- Adopted Budget	<u>4,383,184</u>
Unassigned Fund Balance- As of the beginning of the year	<u><u>\$4,609,292</u></u>

**BEDFORD CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Project Title	Expenditures to Date			Unexpended Balance	Proceeds of Obligations	Methods of Financing			Fund Balance June 30, 2011
	Prior Year's	Current Year	Total			Transfers	State Aid	Other	
District Wide Renovations	\$18,176,586	\$8,096	\$18,184,682	\$39,134	\$17,840,000	\$383,816	\$0	\$0	\$39,134
01-02 Bond Authorization and Transfers - District-Wide Renovations	75,473,390	861,077	76,334,467	669,338	76,663,805	255,000	0	85,000	669,338
NYS Environmental Facilities Corporation - (NYC Funded) - Fox Lane Waste Water Treatment Plant Upgrade	6,243,939	410,015	6,653,954	186,404	-	0	6,653,954	0	0
01-02 Interfund Transfers - Site Improvement Utilities and Service System	522,227	48,550	570,777	64,223	0	635,000	0	0	64,223
02-03 Interfund Transfers - District-Wide	450,067	2,159	452,226	17,774	0	470,000	0	0	17,774
Fox Lane Athletic Fields	855,862	0	855,862	24,138	0	880,000	0	0	24,138
04-05 Interfund Transfer - District-Wide	1,226,953	16,327	1,243,280	70,725	0	1,314,005	0	0	70,725
06-07 Interfund Transfer - District-Wide	798,297	99,582	897,879	106,585	0	1,004,464	0	0	106,585
07-08 Interfund Transfer - District-Wide	308,957	143,000	451,957	0	0	451,957	0	0	0
08-09 Bond Authorization	352,710	227,825	580,535	243,465	0	670,000	0	0	89,465
08-09 Pound Ridge Playground	0	3,315	3,315	(3,315)	0	0	0	0	(3,315) *
10-11 Interfund Transfer	0	19,237	19,237	235,763	0	255,000	0	0	235,763
DASNY Grant - BVES	0	147,016	147,016	2,984	0	0	0	147,016	0
10-11 Capital Leases - Computer	0	500,000	500,000	0	500,000	0	0	0	0
Total	\$104,408,988	\$2,486,199	\$106,895,187	\$1,657,218	\$95,003,805	\$6,319,242	\$6,653,954	\$232,016	\$1,313,830

* Permanent financing will be applied to fund balance when available

**BEDFORD CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES
COMPARED TO ST-3 DATA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Account Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
Property Taxes	A-1001	\$95,962,432	\$95,962,432
Non-Property Taxes	AT-1199	\$1,329,859	\$1,329,859
State Aid	AT-3999	\$5,074,883	\$5,074,883
Federal Aid	AT-4999	\$419,383	\$419,383
TOTAL REVENUES	AT-5999	\$113,208,215	\$113,208,215
 EXPENDITURES			
General Support	AT-1999	\$11,535,268	\$11,535,268
Pupil Transportation	AT-5999	7,343,329	7,343,329
Debt Service-Principal	AT-9798.6	5,359,620	5,359,620
Debt Service-Interest	AT-9798.7	2,901,957	2,901,957
TOTAL EXPENDITURES	AT-9999	\$113,526,017	\$113,526,017

**BEDFORD CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
JUNE 30, 2011**

Capital assets, net		\$111,800,544
Add:		
Unspent bond proceeds		708,472
Deduct:		
Short-term portion of bonds payable	4,565,242	
Long-term portion of bonds payable	61,978,859	
Short-term portion of installment debt	487,755	
Long-term portion of installment debt	<u>777,180</u>	<u>67,809,036</u>
Investment in capital assets, net of related debt		<u><u>\$44,699,980</u></u>



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

To the Board of Education
Bedford Central School District

We have audited the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Bedford Central School District, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Bedford Central School District's basic financial statements and have issued our report thereon dated October 7, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bedford Central School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bedford Central School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bedford Central School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Bedford Central School District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bedford Central School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Bedford Central School District in a separate letter dated October 7, 2011.

This report is intended solely for the information and use of management, the Board of Education, the audit committee, 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.

R. S. Abrams & Co., LLP
R.S. Abrams & Co. LLP
October 7, 2011