

**BEDFORD CENTRAL SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

BEDFORD CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Bedford Central School District

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds information of Bedford Central School District, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Bedford Central School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 fund information of Bedford Central School District, as of June 30, 2013, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the Bedford Central School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 51 through 53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

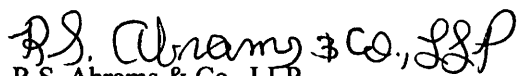
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bedford Central School District's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2013 on our consideration of 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bedford Central School District's internal control over financial reporting and compliance.


R.S. Abrams & Co., LLP
Islandia, NY
October 9, 2013

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013. 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 increased by 2.3% primarily as a result of the net effect of an increase in property taxes, student tuition, state aid and prior year refunds offset by decreases in STAR reimbursements, sale of equipment and federal aid.
- On the District-Wide Financial Statements, expenditures increased by 5.9% primarily as a result of an increase in instruction, general support, transportation and benefits offset by a slight debt service decrease.
- On May 14, 2013, the District's residents authorized the proposed 2013-2014 budget in the amount of \$125,057,000.
- On the Government Funds Financial Statement total fund balance decreased by 13% primarily due to general fund operating expenses exceeding revenues, offset by school lunch and capital fund sources exceeding expenses.

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:

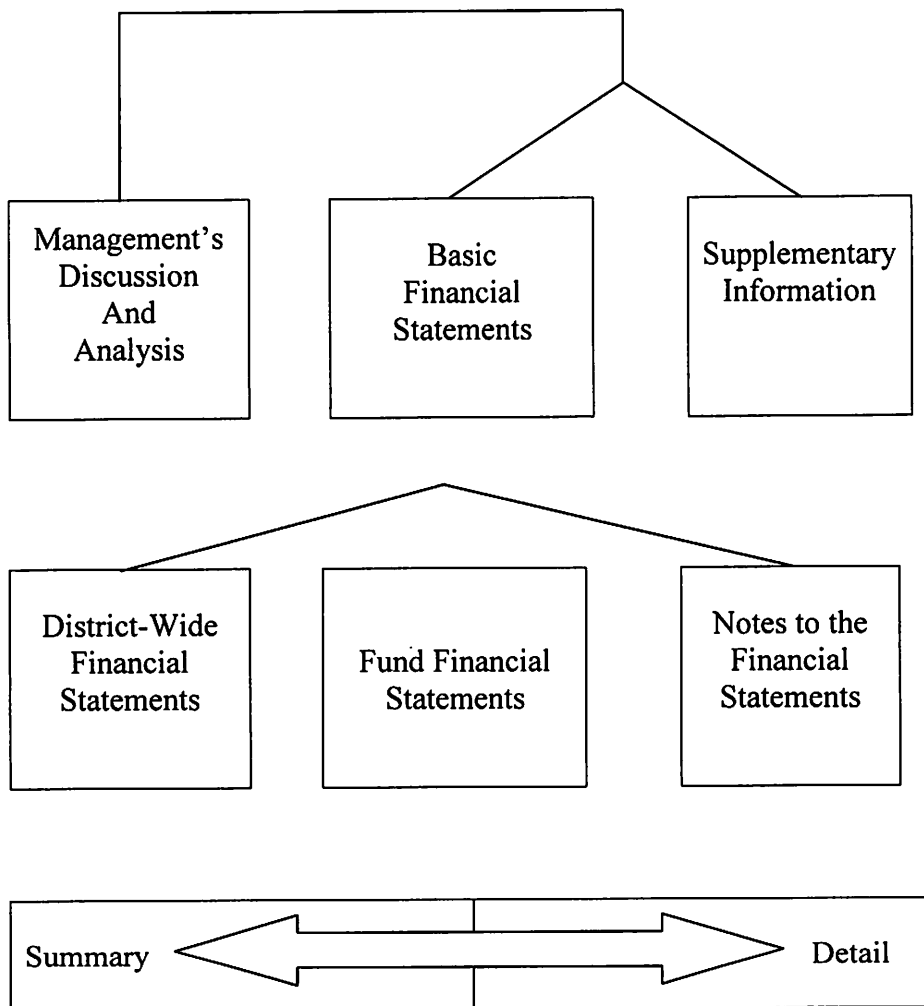
- The first two statements, Exhibits 2 and 3 are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, 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.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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- *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



**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 Position • 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 Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
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, 2013**

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 Position includes all of the District's assets, liabilities and deferred inflows of resources. 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 position and how it has changed. The net position, the difference between the total assets and total liabilities and deferred inflows of resources, are one way to measure the financial health or position of the District.

- Over time, increases and decreases in the net position 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.

The Net position of the governmental activities differs 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 Position:

- 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 position balances as follows:
 - *Net investment in capital assets*;
 - *Restricted net position* 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 position* are net position 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, 2013**

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 Position

The District's total net position decreased by \$14,623,232 in the fiscal year ended June 30, 2013 as detailed in Table A-3.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

	Fiscal Year 2013	Fiscal Year 2012	Increase/ (Decrease)	Total Percentage Change
Current assets and other assets	\$26,346,609	\$28,864,763	(\$2,518,154)	-9%
Capital assets	105,051,422	109,671,212	(4,619,790)	-4%
Total assets	<u>\$131,398,031</u>	<u>\$138,535,975</u>	<u>(\$7,137,944)</u>	<u>-5%</u>
Current liabilities	10,392,589	10,439,456	(46,867)	0%
Long-term liabilities	123,936,617	116,338,889	7,597,728	7%
Deferred inflows of resources	502,291	567,864	(65,573)	-12%
Total liabilities	<u>134,831,497</u>	<u>127,346,209</u>	<u>7,485,288</u>	<u>6%</u>
Net position				
Net investment in capital assets	46,655,019	45,741,904	913,115	2%
Restricted	4,740,385	5,902,272	(1,161,887)	-20%
Unrestricted	<u>(54,828,870)</u>	<u>(40,454,410)</u>	<u>(14,374,460)</u>	<u>36%</u>
Total net position	<u>(3,433,466)</u>	<u>11,189,766</u>	<u>(14,623,232)</u>	<u>-131%</u>
Total liabilities and net position	<u>\$131,398,031</u>	<u>\$138,535,975</u>	<u>(\$7,137,944)</u>	<u>-5%</u>

Reclassifications have been made to the 2012 liabilities, deferred inflows of resources, and net position to conform to the 2013 financial statement classification. This new classification is consistent with Governmental Accounting Standards Board (GASB) Statement No. 63 and Statement No. 65. Such reclassifications had no effect on the total net position as previously reported.

The net investment in capital assets, 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 \$913,115 primarily due to capital additions offset by depreciation and related debt.

Current assets and other assets decreased by \$2,518,154 from 2012 to 2013 primarily due to a decrease in cash and account receivables, offset by an increase in state and federal aid and due from other governments. Capital assets (net of depreciation) decreased by \$4,619,790. This was attributable to depreciation expense and a Board capitalization policy change where by assets are now capitalized at \$5,000 and above when they were formerly capitalized at \$500 and above. These decreases were offset by some capital asset additions. Long-term liabilities increased by \$7,597,728 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 \$14,623,232.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

B) Changes in Net Position

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, 2012 and 2013 are as follows:

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

(Governmental Activities Only)

	Fiscal Year 2013	Fiscal Year 2012	Increase/ (Decrease)	Total Percentage Change
Revenues				
Program revenues				
Charges for services	\$3,202,007	\$2,533,380	\$668,627	26%
Operating grants	3,132,862	3,389,445	(256,583)	-8%
Capital grants	0	9,580	(9,580)	-100%
General revenues				
Property taxes and other	109,121,753	106,437,483	2,684,270	3%
State formula aid	5,293,408	5,176,515	116,893	2%
Interest earnings	496,788	443,289	53,499	12%
Other	1,085,535	1,597,980	(512,445)	-32%
Total revenues	122,332,353	119,587,672	2,744,681	2%
Expenses				
General support	\$16,490,078	\$15,069,400	\$1,420,678	9%
Instruction	107,857,931	101,753,550	6,104,381	6%
Pupil transportation	8,773,903	8,555,311	218,592	3%
Debt service - interest	2,363,609	2,648,727	(285,118)	-11%
School lunch program	1,470,064	1,355,823	114,241	8%
Total expenses	136,955,585	129,382,811	7,572,774	6%
Increase (decrease) in net position	(\$14,623,232)	(\$9,795,139)	(\$4,828,093)	49%

The District's total fiscal year 2013 revenues totaled \$122,332,353 (See Table A-4). Property taxes and state formula aid accounted for most of the District's revenue by contributing 89 cents and 4 cents, respectively of every dollar raised. (See Table A-5). The remainder came from fees charged for services, operating grants, use of money and property and other miscellaneous sources.

The total cost of all programs and services totaled \$136,955,585 for fiscal year 2013. These expenses are predominantly related to instruction and caring for (pupil services) and transporting students, which account for 85% 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, 2013**

Table A-5: Revenues for Fiscal Year 2013 (See Table A-4)

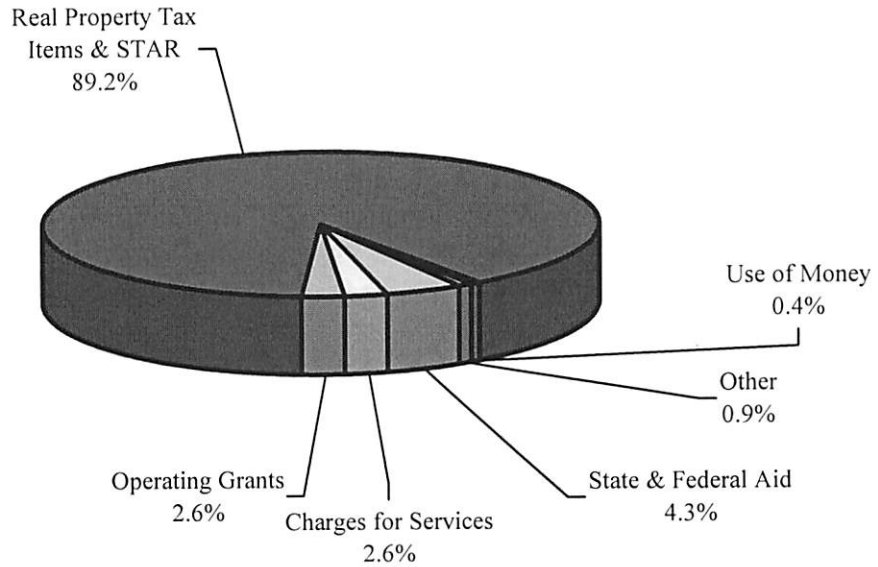
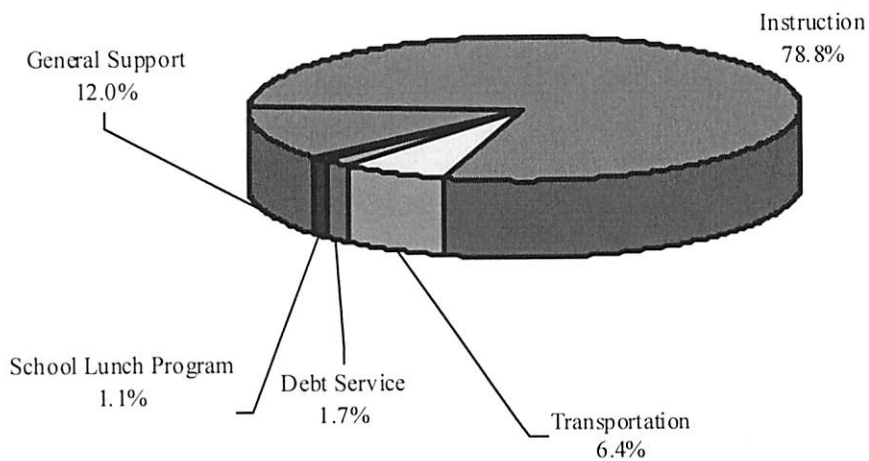


Table A-6: Expenses for Fiscal Year 2013 (See Tables A-4 and A-7)



**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

C) Governmental Activities

Revenues for the District's governmental activities totaled \$122,332,353 while total expenses equaled \$136,955,585. The overall decrease in net position for governmental activities of \$14,623,232 was primarily the result of the increase in the net other postemployment benefits obligation and the Board of Education's change in capitalization threshold for assets. (Change in Net Position from Operating Results – Table A-4)

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 2013	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2012
General Support	\$16,490,078	\$15,069,400	\$16,490,078	\$15,059,820
Instruction	107,857,931	101,753,550	103,357,664	97,341,603
Pupil Transportation	8,773,903	8,555,311	8,615,742	8,478,806
Debt Service - Interest	2,363,609	2,648,727	2,363,609	2,648,727
School Lunch Program	1,470,064	1,355,823	(206,377)	(78,550)
Total	\$136,955,585	\$129,382,811	\$130,620,716	\$123,450,406

- The cost of all governmental activities this year was \$136,955,585. (Statement of Activities and Changes in Net Position, Expenses column-see Exhibit 3)
- The users of the District's programs financed \$3,202,007 of the cost. (Statement of Activities and Changes in Net Position, Charges For Services and Sales column-see Exhibit 3)
- The federal and state governments subsidized certain programs with grants of \$3,132,862. (Statement of Activities and Changes in Net Position, Operating Grants column – see Exhibit 3)
- 87% of the district's net costs of \$130,620,716 were financed by District taxpayers and state aid. (Statements of Activities and Changes in Net Assets, Net (Expense) Revenue and Changes in Net Assets column-see Exhibit 3).

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013, the District's combined governmental funds reported a total fund balance of \$15,954,020, which is a decrease of \$2,471,287 from the prior year.

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

	Fiscal Year 2013	Fiscal Year 2012	Increase/ (Decrease)	Total Percentage Change
General Fund				
Restricted for tax certiorari	\$1,947,674	\$2,575,845	(\$628,171)	-24%
Restricted for retirement contributions	1,726,668	1,822,024	(95,356)	-5%
Restricted for repairs	105,915	67,200	38,715	58%
Restricted for employee benefit accrued liability	513,193	535,900	(22,707)	-4%
Restricted for unemployment benefits	253,771	103,700	150,071	145%
Restricted for insurance	90,003	94,765	(4,762)	-5%
Assigned-designated for subsequent year's expenditures	3,550,000	5,730,000	(2,180,000)	-38%
Assigned-general support	691,402	677,959	13,443	2%
Assigned-instruction	312,864	358,852	(45,988)	-13%
Assigned-pupil transportation	0	549	(549)	-100%
Unassigned	4,850,005	4,848,996	1,009	0%
Total fund balance - general fund	\$14,041,495	\$16,815,790	(\$2,774,295)	-16%

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Fiscal Year 2013	Fiscal Year 2012	Increase/ (Decrease)	Total Percentage Change
School Lunch Fund				
Nonspendable - inventory	\$14,192	\$1,441	\$12,751	885%
Assigned	631,426	429,055	202,371	47%
Total fund balance - school lunch fund	<u>645,618</u>	<u>430,496</u>	<u>215,122</u>	<u>50%</u>
Debt Service Fund				
Restricted	203,161	402,838	(199,677)	-50%
Total fund balance - debt service fund	<u>203,161</u>	<u>402,838</u>	<u>(199,677)</u>	<u>-50%</u>
Capital Projects Fund				
Restricted	167,400	290,882	(123,482)	-42%
Assigned	896,346	485,301	411,045	85%
Total fund balance - capital projects fund	<u>1,063,746</u>	<u>776,183</u>	<u>287,563</u>	<u>37%</u>
 Total Fund Balance - All funds	 <u>\$15,954,020</u>	 <u>\$18,425,307</u>	 <u>(\$2,471,287)</u>	 <u>-13%</u>

The decrease in the total fund balance of the general fund is primarily due to the reduction in assigned-designated for the 2013-14 budget and the use of the tax certiorari reserves to pay claims.

The increase in fund balance for school lunch can be attributed to an operating surplus and the receipt of \$165,373 as a result of the New York State's class action settlement for prior year rebates.

The decrease in debt service fund can be attributable to transfers to the general fund to pay debt partially offset by transfers in from capital projects that were funded by bond proceeds in the capital projects fund.

The increase fund balance for capital projects fund can be attributed to an increase in 2012-13 projects that are currently in progress.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2012-2013 Budget

The District's voter approved general fund adopted budget for the year ended June 30, 2013 was \$122,698,040. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,037,360 and budget revisions of \$1,558,578, which resulted in a final budget of \$125,293,978. 88% of the funding for the adopted budget was from property taxes and STAR revenue.

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	\$ 4,848,996
Revenues Over Budget	1,058,655
Expenditures and Encumbrances Under Budget	3,150,790
Changes in Restricted Fund Balances (net)	562,209
Use of Restricted Fund Balances	(1,020,647)
Use of unassigned Fund Balance	(200,000)
Assigned, designated for June 30, 2013 Budget	<u>(3,550,000)</u>
Closing, Unassigned Fund Balance	<u>\$ 4,850,004</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 2013-2014 budget.

The revenues over budget in the amount of \$1,058,655 were primarily due to, charges for services, refunds of prior year's expenses, and other unclassified revenues offset by a shortfall in real property taxes due to current year tax certiorari settlements. (See Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget in the amount of \$3,150,790 were primarily attributable to expenditure savings in general support, 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.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets

The District paid for equipment and various building additions and renovations during the fiscal year 2013. A summary of the District's capital assets net of depreciation is as follows:

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

Category	Fiscal Year 2013	Fiscal Year 2012	Increase / (Decrease)	Percentage Change
Land	\$2,021,645	\$2,022,825	(\$1,180)	0%
Buildings & improvements	134,273,982	133,474,151	799,831	1%
Machinery & equipment	4,240,929	12,994,238	(8,753,309)	-67%
Subtotal	<u>140,536,555</u>	<u>148,491,214</u>	<u>(7,954,658)</u>	<u>-5%</u>
Less: Accumulated depreciation	<u>35,485,133</u>	<u>38,820,002</u>	<u>(3,334,869)</u>	<u>-9%</u>
Total Net Capital Assets	<u>\$105,051,422</u>	<u>\$109,671,212</u>	<u>(\$4,619,790)</u>	<u>-4%</u>

The District spent \$1,607,041 in the capital projects fund for building improvements and equipment purchases during the year and has \$1,063,746 available for various projects.

B) Long-Term Debt

At June 30, 2013, the District had total bonds payable of \$56,720,000 and installment purchase debt of \$1,341,512. 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, 2013 and 2012 is as follows:

	2013	2012	Increase (Decrease)
Improvements to school buildings	\$0	\$180,000	(\$180,000)
Improvements to school buildings	1,025,000	2,025,000	(1,000,000)
Improvements to school buildings	22,500,000	23,800,000	(1,300,000)
Improvements to school buildings	15,450,000	16,350,000	(900,000)
Improvements to school buildings	2,580,000	2,705,000	(125,000)
Refunding bonds	2,390,000	3,530,000	(1,140,000)
Refunding bonds 2012	12,775,000	12,775,000	0
Installment purchase debt	<u>1,341,512</u>	<u>1,506,773</u>	<u>(165,261)</u>
Total	<u>\$58,061,512</u>	<u>\$62,871,773</u>	<u>(\$4,810,261)</u>

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- A) Subsequent to the close of the 2012-2013 fiscal year, the District settled its negotiated contract with the teachers' union. The three-year contract from July 1, 2013 through June 30, 2016 will provide some predictability in the cost of salaries for the largest employee unit in the District, and therefore for budgets through those years. The existing labor contract with the Civil Service employees' union, the second largest employee unit, runs through June 30, 2017. The smallest unit contract with District Administrators runs through June 30, 2014.
- B) The voters approved the general fund budget in the amount of \$125,057,000 for the school year 2013-2014. This is an increase of \$2,358,960 or 1.92% over the previous year's budget. The increase was primarily due to increases in personnel costs, utilities, student transportation and employee benefits.
- C) The District is seeking voter approval of a \$31,828,238 capital bond project referendum on October 22, 2013. These projects include site improvements, renovations, reconstruction and alterations to buildings and building systems, and some small additions to buildings. The projects are intended to be financed over a twenty-five year period utilizing both short-term bond anticipation note and long-term bond financing. Financing is intended to be structured to minimize the impact on tax levy growth and seize the timing of old debt service coming off the budget.

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 POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

ASSETS	
Cash and cash equivalents	\$23,072,353
Receivables	
Accounts receivable	35,639
State and federal aid	2,100,974
Due from other governments	1,123,451
Inventories	14,192
Capital assets, not being depreciated	2,021,645
Capital assets, being depreciated, net of accumulated depreciation	<u>103,029,777</u>
TOTAL ASSETS	<u>\$131,398,031</u>
LIABILITIES	
Payables	
Accounts payable	\$2,254,012
Accrued liabilities	715,355
Retainage payable	51,502
Due to other governments	244,446
Due to teachers' retirement system	6,330,140
Due to employees' retirement system	563,708
Deferred credits	
Collections in advance	233,426
Long-term liabilities:	
Due and payable within one year	
Accrued interest payable	320,347
Bonds payable	4,760,000
Installment purchase debt payable	682,621
Compensated absences	507,869
Due and payable after one year	
Bonds payable	51,960,000
Installment purchase debt payable	658,891
Compensated absences	1,735,139
Net other post employment benefit obligations payable	63,311,750
DEFERRED INFLOWS OF RESOURCES	
Defeasance gain	<u>502,291</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>\$134,831,497</u>
NET POSITION	
Net investment in capital assets	\$46,655,019
Restricted	4,840,385
Unrestricted	<u>(54,928,870)</u>
TOTAL NET POSITION	<u>(3,433,466)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$131,398,031</u>

**BEDFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
FUNCTIONS / PROGRAMS		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Assets</u>
Governmental activities:				
General support	(\$16,490,078)			(\$16,490,078)
Instruction	(107,857,931)	\$2,067,796	\$2,432,471	(103,357,664)
Pupil transportation	(8,773,903)		158,161	(8,615,742)
Debt service - interest	(2,363,609)			(2,363,609)
Food service program	(1,470,064)	1,134,211	542,230	206,377
TOTAL GOVERNMENTAL ACTIVITIES	<u><u>(\$136,955,585)</u></u>	<u><u>\$3,202,007</u></u>	<u><u>\$3,132,862</u></u>	<u><u>(130,620,716)</u></u>
 GENERAL REVENUES				
Real property taxes				101,076,111
Other tax items - including STAR reimbursement				6,637,504
Non-property taxes				1,408,138
Use of money and property				496,788
Sale of property & compensation for loss				51,117
State sources				5,293,408
Miscellaneous				1,034,418
TOTAL GENERAL REVENUES				<u><u>115,997,484</u></u>
 CHANGE IN NET POSITION				(14,623,232)
 TOTAL NET POSITION - BEGINNING OF YEAR				<u><u>11,189,766</u></u>
 TOTAL NET POSITION - END OF YEAR				<u><u>(\$3,433,466)</u></u>

**BEDFORD CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<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	\$20,321,977	\$561,553	\$817,643	\$102,990	\$1,268,190	\$23,072,353
Receivables						
Accounts receivable	35,639					35,639
States and federal aid	752,228	1,342,394	6,352			2,100,974
Due from other governments	1,123,451					1,123,451
Due from other funds	1,653,281			100,171		1,753,452
Inventories			14,192			14,192
TOTAL ASSETS	<u>\$23,886,576</u>	<u>\$1,903,947</u>	<u>\$838,187</u>	<u>\$203,161</u>	<u>\$1,268,190</u>	<u>\$28,100,061</u>
LIABILITIES AND FUND BALANCE						
Payables						
Accounts payable	\$1,918,450	\$136,484	\$148,711		\$50,367	\$2,254,012
Accrued liabilities	711,401	3,954				715,355
Retainage payable					51,502	51,502
Due to other funds		1,650,877			102,575	1,753,452
Due to other governments	214,628	29,818				244,446
Due to teachers' retirement system	6,330,140					6,330,140
Due to employees' retirement system	563,708					563,708
Unearned credits						
Collections in advance	106,754	82,814	43,858			233,426
TOTAL LIABILITIES	<u>9,845,081</u>	<u>1,903,947</u>	<u>192,569</u>	<u>0</u>	<u>204,444</u>	<u>12,146,041</u>
FUND BALANCE						
Nonspendable			14,192			14,192
Restricted	4,637,224			203,161	167,400	5,007,785
Assigned	4,554,266		631,426		896,346	6,082,038
Unassigned	4,850,005					4,850,005
TOTAL FUND BALANCE	<u>14,041,495</u>	<u>0</u>	<u>645,618</u>	<u>203,161</u>	<u>1,063,746</u>	<u>15,954,020</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$23,886,576</u>	<u>\$1,903,947</u>	<u>\$838,187</u>	<u>\$203,161</u>	<u>\$1,268,190</u>	<u>\$28,100,061</u>

**BEDFORD CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2013**

Total Governmental Fund Balances		\$15,954,020
Amounts reported for governmental activities in the Statement of Net Position are different because:		
<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 Position 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	140,536,555	
Accumulated depreciation	<u>(35,485,133)</u>	105,051,422
<p>Defeasance loss - loss on defeasance on the advanced refunding. The Statement of Net Position will amortize the loss on defeasance on the advanced refunding over the life of the bonds (9 and 11 years respectively). Governmental funds recorded the loss on defeasance on the advanced refunding as an expenditure in the year of defeasance.</p>		
		(502,291)
<p>Long-term liabilities that 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	(56,720,000)	
Accrued interest payable	(320,347)	
Installment purchase debt payable	(1,341,512)	
Compensated absences	(2,243,008)	
Net other post employment benefit obligations payable	<u>(63,311,750)</u>	<u>(123,936,617)</u>
Total Net Position		<u><u>(\$3,433,466)</u></u>

BEDFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES						
Real property taxes	\$101,076,111					\$101,076,111
Other tax items	6,637,504					6,637,504
Non-property taxes	1,408,138					1,408,138
Charges for services	2,067,796					2,067,796
Use of money and property	496,134		\$331	\$323		496,788
Forfeitures	250					250
Sale of property and compensation for loss	51,117					51,117
Miscellaneous	1,034,168	\$572,858	167,173			1,774,199
State aid	5,293,408	392,736	31,980			5,718,124
Federal aid		1,625,038	425,573			2,050,611
Surplus food			84,677			84,677
Sales			967,038			967,038
TOTAL REVENUES	<u>118,064,626</u>	<u>2,590,632</u>	<u>1,676,772</u>	<u>323</u>	<u>0</u>	<u>122,332,353</u>
EXPENDITURES						
General support	12,926,644					12,926,644
Instruction	62,757,074	2,686,120				65,443,194
Pupil transportation	8,009,467	158,161				8,167,628
Employee benefits	27,967,039					27,967,039
Cost of food sales			1,461,650			1,461,650
Debt service - principal	5,554,865					5,554,865
Debt service - interest	2,420,183					2,420,183
Capital outlay					1,607,041	1,607,041
TOTAL EXPENDITURES	<u>119,635,272</u>	<u>2,844,281</u>	<u>1,461,650</u>	<u>0</u>	<u>1,607,041</u>	<u>125,548,244</u>
EXCESS (DEFICIENCY)						
OF REVENUES OVER EXPENDITURES	<u>(1,570,646)</u>	<u>(253,649)</u>	<u>215,122</u>	<u>323</u>	<u>(1,607,041)</u>	<u>(3,215,891)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from installment debt					744,604	744,604
Transfers in	300,000	253,649		100,000	1,250,000	1,903,649
Transfers (out)	(1,503,649)			(300,000)	(100,000)	(1,903,649)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,203,649)</u>	<u>253,649</u>	<u>0</u>	<u>(200,000)</u>	<u>1,894,604</u>	<u>744,604</u>
NET CHANGE IN FUND BALANCE	(2,774,295)	0	215,122	(199,677)	287,563	(2,471,287)
FUND BALANCE - BEGINNING OF YEAR	<u>16,815,790</u>	<u>0</u>	<u>430,496</u>	<u>402,838</u>	<u>776,183</u>	<u>18,425,307</u>
FUND BALANCE - END OF YEAR	<u>\$14,041,495</u>	<u>\$0</u>	<u>\$645,618</u>	<u>\$203,161</u>	<u>\$1,063,746</u>	<u>15,954,020</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, 2013**

Net Change in Fund Balance (\$2,471,287)

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 (114,001)

Net other post employment benefits obligations payable 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. (12,284,989)

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 Position and does not affect the Statement of Activities 4,645,000

Repayment of installment purchase debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities 909,865

Proceeds from installment purchase debt - The Statement of Net Position recognizes proceeds under the full accrual method. Governmental funds recognize proceeds under the modified accrual method. (744,604)

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, 2012 to June 30, 2013 changed by (8,999)

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	1,607,041	
Change in capitalization threshold	(3,236,231)	
Depreciation expense	<u>(2,990,600)</u>	<u>(4,619,790)</u>

Changes in Net Position of Governmental Activities (\$14,623,232)

**BEDFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$685,659	\$316,747
TOTAL ASSETS	<u>\$685,659</u>	<u>\$316,747</u>
LIABILITIES		
Accrued liabilities		169,640
Student activity funds	0	147,107
TOTAL LIABILITIES	<u>0</u>	<u>\$316,747</u>
NET POSITION		
Restricted for scholarships	685,659	
TOTAL NET POSITION	<u>685,659</u>	
TOTAL LIABILITIES AND NET POSITION	<u>\$685,659</u>	

**BEDFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Gifts and contributions	\$14,437
Interest and earnings	681
TOTAL ADDITIONS	<u>15,118</u>
 DEDUCTIONS	
Scholarships and awards	<u>46,442</u>
TOTAL DEDUCTIONS	<u>46,442</u>
 CHANGE IN NET ASSETS	 (31,324)
 NET POSITION - BEGINNING OF YEAR	 <u>716,983</u>
 NET POSITION - END OF YEAR	 <u><u>\$685,659</u></u>

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, develop and approve policy, 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* and GASB Statement 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. 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

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Extraclassroom organizations in the Statement of Fiduciary Net Position – Fiduciary Fund.

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. In the case of this particular BOCES, each component district's share of administrative and capital cost is determined by resident public school district enrollment and property wealth formula, 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 Position 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.

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, 2013**

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 fund 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.

The District reports the following fiduciary funds:

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 resources 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 Position 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 9 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 compensated absences, other post-employment benefits, workers compensation claims, potential contingent liabilities and useful lives of capital assets.

I) Cash and cash equivalents:

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

J) Receivables:

Receivables are shown net of an allowance for doubtful accounts. Allowances are reported when accounts are proven to be uncollectible. Management has deemed all receivables to be collectible.

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 inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 Position 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, when the information is available, or 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	\$5,000	Straight-line	20 - 50 years
Machinery and Equipment	\$5,000	Straight-line	5 - 20 years

M) Collections in advance:

Collections in advance 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 collections in advance 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

R) Equity Classifications:

i) District-Wide Financial Statements:

In the District-Wide Financial Statements, there are three classes of net position:

Net investment in capital assets - 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, including the deferred outflows of resources, the gain on defeasance on the bond refunding.

Restricted net position - reports net position 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 position - reports all other amounts 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, 2013**

ii) Funds 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 \$14,192.
- (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	\$1,947,674			\$1,947,674
Retirement contributions	1,726,668			1,726,668
Repairs	105,915			105,915
Employee benefit accrued liability	513,193			513,193
Unemployment insurance	253,771			253,771
Insurance	90,003			90,003
Debt service		\$203,161		203,161
Capital projects			\$167,400	167,400
Total	<u>\$4,637,224</u>	<u>\$203,161</u>	<u>\$167,400</u>	<u>\$5,007,785</u>

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 Reserve

Tax certiorari reserve (EL§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 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. This reserve is accounted for in the general fund under restricted fund balance.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Retirement Contribution Reserve

Retirement contribution reserve (GML§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. This reserve is accounted for in the general fund under restricted fund balance.

Repair Reserve

Repair reserve (GML§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. This reserve is accounted for in the general fund under restricted fund balance.

Employee Benefit Accrued Liability Reserve

Employee benefit accrued liability reserve (GML§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. This reserve is accounted for in the general fund under restricted fund balance.

Unemployment Insurance Reserve

Unemployment insurance reserve (GML§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. This reserve is accounted for in the general fund under restricted fund balance.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Insurance Reserve

Insurance reserve (GML§6-n), must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (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. This reserve is accounted for in the general fund under restricted fund balance.

Debt Service

Debt service accumulates funds from unused bond proceeds and interest earnings. The accumulated funds must be used to offset the cost of the bond principal and interest payments. This reserve is accounted for in the debt service fund, under restricted fund balance.

Capital Projects

Used to account for the financial resources that are restricted by voter approved propositions for acquisition, construction or major repair of capital facilities. This reserve is accounted for in the capital projects fund, under restricted fund balance.

- (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, 2013.
- (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:

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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<u>Assigned for:</u>	<u>General</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Total</u>
Designated for Subsequent Year's Expenditures	\$3,550,000			\$3,550,000
General support	691,402			691,402
Instruction	312,864			312,864
School lunch		\$631,426		631,426
Capital projects			\$896,346	896,346
Total	<u>\$4,554,266</u>	<u>\$631,426</u>	<u>\$896,346</u>	<u>\$6,082,038</u>

Designated for Subsequent Year's Expenditures

The amount of \$3,550,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2014.

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 capital projects. See Note 3 for further detail regarding accountability and Note 16 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 \$4,850,005.

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.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

S) Adoption of New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2013, the District implemented the following new standards issued by GASB:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* which provides improvements to existing standards with regard to reporting.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* which provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, and amends the net asset reporting provisions of GASB Statement No. 34 by incorporating deferred inflows and outflows into the definitions of the residual measure and by renaming that measure as net position, rather than Net Assets.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

T) Future Changes in Accounting Standards

GASB has issued Statement No. 66, *GASB Technical Corrections –2012– an Amendment of Statement 10 and 62*, effective for the year ending December 31, 2013.

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*, effective for the year ending December 31, 2015.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for the year ending December 31, 2014.

GASB has issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the year ending December 31, 2014.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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 Position of governmental activities:

Total fund balances of the District's governmental funds differ from "Net Position" of governmental activities reported in the Statement of Net Position. The difference primarily results from additional long-term economic focus of the Statement of Net Position 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.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 Position.

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.

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:

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Budget revisions for:

Use of reserves:	
Employee benefit accrued liability	24,044
Tax certiorari	896,603
Unemployment	100,000
Security services	200,000
Drivers education	70,761
Pupil transportation and field trips	61,202
Refund of prior years expense	65,333
Wastewater treatment plant reimbursement	57,622
Donations and gifts	83,013
Total	\$1,558,578

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.

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.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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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:

Uncollateralized;

Collateralized with securities held by the pledging financial institution in the District's name; or

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) Investments:

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 \$177,740,141 which consists of \$75,240,141 in repurchase agreements, \$69,500,000 in Treasury Bills, \$13,000,000 in Treasuries and \$20,000,000 in collateralized bank deposits with various interest rate and due dates.

The following amounts are included as cash:

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
General fund	\$592,848	\$592,848
School lunch fund	65,238	65,238
Capital projects fund	308,502	308,502
Debt service fund	102,990	102,990
Total	<u>\$ 1,069,578</u>	<u>\$1,069,578</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

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of Cooperative Liquid Assets Securities System – New York (CLASS), 777 Westchester Ave. Suite 101, White Plains, New York 10604.

NOTE 5 – PARTICIPATION IN BOCES

During the year ended June 30, 2013, the District was billed \$2,873,991 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$349,156.

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, 2013 consisted of the following:

	<u>General Fund</u>
Facilities use/rentals	\$19,382
Fees	271
Reimbursements	5,369
Tuition	<u>10,618</u>
Total accounts receivable	<u><u>\$35,639</u></u>

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General Fund	School Lunch Fund	Special Aid Fund	Total Governmental Funds
<u>State and federal aid</u>				
BOCES aid receivable	\$261,836			\$261,836
Excess cost aid	335,121			335,121
Lunch - state		\$6,352		6,352
Waste water treatment plant	155,271			155,271
Federal grants			\$760,720	760,720
State and local grants			581,674	581,674
Total state and federal aid	752,228	6,352	1,342,394	2,100,974
<u>Due from other governments</u>				
Sales tax	361,998			361,998
Tuition receivable	759,285			759,285
STAR Reimbursement	2,168			2,168
Total due from other governments	1,123,451	0	0	1,123,451
 Total	 \$1,875,679	 \$6,352	 \$1,342,394	 \$3,319,725

District management has deemed these funds to be fully collectible.

NOTE 7 – DEFERRED INFLOWS OF RESOURCES:

The gain on defeasance pertaining to the 2009 and 2011 refunding is recorded in the District-Wide Financial Statements, as deferred inflow of resources as of June 30, 2013 consisted of the following:

Bond issuance costs	\$201,675
Prepaid amount on refunding	589,733
Bond premium	(1,293,699)
Total gain on defeasance	(\$502,291)

The gain on defeasance on the advanced refunding is being amortized on the District-Wide financial Statements using the straight-line method over 9 and 11 years, respectively, the time to maturity of the refunded bonds, at the point of refunding.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 8 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2013 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		(\$1,180)	\$2,021,645
Total capital assets not depreciated	<u>2,022,825</u>	<u>0</u>	<u>(1,180)</u>	<u>2,021,645</u>
Capital assets that are depreciated:				
Building & improvements	133,474,151	862,437	(62,606)	134,273,982
Machinery and equipment	12,994,238	334,278	(9,087,587)	4,240,929
Total capital assets depreciated	<u>146,468,389</u>	<u>1,196,715</u>	<u>(9,150,193)</u>	<u>138,514,911</u>
Less accumulated depreciation:				
Building & building Improvements	30,541,653	2,540,866	57,166	33,139,685
Furniture & equipment	8,278,349	449,734	(6,382,635)	2,345,448
Total accumulated depreciation	<u>38,820,002</u>	<u>2,990,600</u>	<u>(6,325,469)</u>	<u>35,485,133</u>
Total capital assets, net	<u>\$109,671,212</u>	<u>(\$1,793,885)</u>	<u>(\$2,825,904)</u>	<u>\$105,051,422</u>

Depreciation expense was charged to governmental functions as follows:

General Support	\$129,502
Instruction	2,754,981
Pupil Transportation	97,703
Cost of Food Sales	8,414
Total depreciation expense	<u>\$2,990,600</u>

NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General fund	\$1,653,281	\$0	\$300,000	\$1,503,649
Special aid fund		1,650,877	253,649	
Debt service fund	100,171		100,000	300,000
Capital projects fund		102,575	1,250,000	100,000
Total government activities	<u>1,753,452</u>	<u>1,753,452</u>	<u>1,903,649</u>	<u>1,903,649</u>
Fiduciary agency funds	-	-	-	-
Totals	<u>\$1,753,452</u>	<u>\$1,753,452</u>	<u>\$1,903,649</u>	<u>\$1,903,649</u>

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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. During the year, the debt service fund transferred monies to the general fund to offset debt payments and the capital projects fund transferred unneeded proceeds to the debt service fund.

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 10 – COLLECTIONS IN ADVANCE:

Collections in advance on the governmental funds balance sheet at June 30, 2013 consisted of:

General fund	
Field trips	\$45,072
Cell tower	57,381
Driver's education	4,301
Total	<u>\$106,754</u>
Special aid fund	
Unearned revenues from state and local grants	<u>\$82,814</u>
School lunch Fund	
Prepaid meals and charged meals	<u>\$43,858</u>
Total Collections in Advance	<u><u>\$233,426</u></u>

NOTE 11 - SHORT-TERM DEBT:

The District did not incur any short-term debt during the year.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 12 – LONG-TERM LIABILITIES:

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	\$61,365,000	\$0	(\$4,645,000)	\$56,720,000	\$4,760,000
Total bonds payable	61,365,000	0	(4,645,000)	56,720,000	4,760,000
Other liabilities					
Installment purchase debt payable	1,506,772	744,605	(909,865)	1,341,512	682,621
Compensated absences	2,129,008	114,001	0	2,243,009	507,889
Other post employment benefit obligations payable	51,026,761	17,076,318	(4,791,329)	63,311,750	0
Total other liabilities	54,662,541	17,934,924	(5,701,194)	66,896,271	1,190,510
Total long-term liabilities	<u>\$116,027,541</u>	<u>\$17,934,924</u>	<u>(\$10,346,194)</u>	<u>\$123,616,271</u>	<u>\$5,950,510</u>

Reclassifications have been made to the 2012 beginning balances. Premium and deferred amounts on refunding were removed to conform to the 2013 financial statement classification. This new classification is consistent per Governmental Accounting Standards Board (GASB) Statement No's 63 and 65. Such reclassification lowers liabilities but increases deferred inflows of resources, for no effect on total liabilities and deferred inflows of resources.

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

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

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Improvement to school buildings	2003	2022	2.75 - 5.00%	\$ -
Improvement to school buildings	2003	2023	3.38 - 4.25%	1,025,000
Improvement to school buildings	2005	2026	3.50 - 5.00%	22,500,000
Improvement to school buildings	2006	2026	3.50 - 4.50%	15,450,000
Improvement to school buildings	2008	2028	3.50 - 5.00%	2,580,000
Refunding bonds 2008	2008	2026	3.00 - 5.00%	2,390,000
Refunding bonds 2012	2012	2023	2.00 - 4.00%	12,775,000
				<u>\$ 56,720,000</u>

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2014	\$4,760,000	\$2,226,366	\$6,986,366
2015	4,160,000	2,056,431	6,216,431
2016	4,260,000	1,891,756	6,151,756
2017	4,445,000	1,707,406	6,152,406
2018	4,200,000	1,508,581	5,708,581
2019 - 2023	23,315,000	4,813,619	28,128,619
2024 - 2028	11,580,000	914,044	12,494,044
	<u>\$56,720,000</u>	<u>\$15,118,203</u>	<u>\$71,838,203</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2014	\$682,621	\$23,947	\$706,568
2015	451,285	9,760	461,045
2016	184,575	3,443	188,018
2017	12,366	653	13,019
2018	10,665	184	10,849
	<u>\$1,341,512</u>	<u>\$37,987</u>	<u>\$1,379,499</u>

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

Interest paid	<u>\$2,420,183</u>
Less interest accrued in the prior year	(311,348)
Plus interest accrued in the current year	320,347
Amortization of issuance costs, loss on refunding and issuance premium	<u>(65,573)</u>
Total expense	<u>\$2,363,609</u>

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 13 – 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:

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.

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, Office of the State Comptroller, 110 State Street, 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, 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.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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:

	NYSERS	NYSTRS
2012 - 2013	\$ 2,608,776	\$ 5,881,411
2011 - 2012	\$ 2,655,218	\$ 5,361,213
2010 - 2011	\$ 1,901,069	\$ 3,382,985

NOTE 14 – 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 2013, the District contributed \$4,791,329 to the Plan, including \$4,791,329 for current claims and \$0 to prefund benefits. Currently, no active plan members are required to contribute to the Plan. (Current contract language for BASA, BTA and CSEA reflect an employee contribution into retirement based on the premium contribution percentage paid while an active employee.

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:

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Annual OPEB Cost and Net OPEB Obligation

Annual required contribution	\$17,872,634
Interest on net OPEB obligation	2,041,070
Adjustment to Annual Required Contribution	<u>(2,837,387)</u>
Annual OPEB cost (expense)	17,076,317
Contributions made	<u>(4,791,329)</u>
Increase in net OPEB obligation	12,284,988
Net OPEB obligation-beginning of year	<u>51,026,761</u>
Net OPEB obligation-end of year	<u><u>63,311,750</u></u>
Annual OPEB cost	\$17,076,317
Percentage of annual OPEB cost contributed	28%
Net OPEB obligation-end of year	\$63,311,750

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2013 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, 2011	\$17,403,301	\$16,987,830	\$5,725,947	34%	\$37,884,654
June 30, 2012	\$18,278,931	\$17,687,708	\$4,545,600	26%	\$51,026,761
June 30, 2013	\$17,872,634	\$17,076,317	\$4,791,329	28%	\$63,311,750

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$181,501,904, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$18,501,904. The covered payroll (annual payroll of active employees covered by the plan) was \$64,369,523 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.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

D) 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, 2012 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 6.1% 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 15 – 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.

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, 2013 was \$23,341,278 with a discount rate of 2.0%. The District's share of the liability for unbilled and open claims is \$1,175,000. The District also maintained reserves of \$1,179,399 with the Workers' Compensation Plan. Therefore, the District did not have a net long-term liability.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 16 – 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, 2013 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:

General Fund - Total encumbrances of the general fund as of June 30, 2013 were \$1,004,267. Significant encumbrances total \$665,237. \$600,138 is related to contract service and repair projects in the operation of the plant and \$65,098 repair projects in the maintenance of the plant.

Capital Projects Fund - Total encumbrances of the capital projects fund as of June 30, 2013 were \$218,232 and are restricted for current capital projects.

School Lunch Fund – Total encumbrances of the School Lunch Fund as of June 30, 2013 were \$23,902 and are for equipment purchases.

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, 2013**

	<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	\$101,332,823	\$101,332,823	\$101,076,111	(\$256,712)
Other tax items	6,630,217	6,630,217	6,637,504	7,287
Non-property taxes	1,400,000	1,400,000	1,408,138	8,138
Charges for services	1,331,400	1,425,855	2,067,796	641,941
Use of money and property	475,000	475,000	496,134	21,134
Forfeitures	0	0	250	250
Sale of property and compensation for loss	15,000	31,226	51,117	19,891
Miscellaneous	323,600	493,228	1,034,168	540,940
State sources				
Basic formula	2,072,568	2,072,568	1,788,762	(283,806)
Excess cost aid	1,538,919	1,538,919	1,736,128	197,209
Lottery aid	100,000	100,000	146,886	46,886
BOCES aid	341,549	341,549	349,156	7,607
Textbook aid	304,000	304,000	300,454	(3,546)
Software aid	73,000	73,000	72,265	(735)
Library aid	25,791	25,791	31,218	5,427
Building aid	514,173	514,173	513,492	(681)
Other state aid	190,000	247,622	355,047	107,425
Federal Sources				
ARRA Stabilization	0	0	0	0
Other Financing Sources				
Transfers from other funds	300,000	300,000	300,000	0
TOTAL REVENUES AND OTHER SOURCES	<u>116,968,040</u>	<u>117,305,971</u>	<u>\$118,364,626</u>	<u>\$1,058,655</u>
Assigned - Designated for subsequent year's expenditures	\$5,730,000	\$5,730,000		
Appropriated Reserves	<u>\$1,037,360</u>	<u>\$2,258,007</u>		
TOTAL REVENUES AND APPROPRIATED FUND BALANCE	<u>\$123,735,400</u>	<u>\$125,293,978</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, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual and Encumbrances</u>
EXPENDITURES					
General Support					
Board of education	\$60,808	\$61,941	\$39,911	\$0	\$22,030
Central administration	375,860	396,616	395,398	149	1,069
Finance	999,651	1,001,749	924,071	131	77,547
Staff	973,393	799,475	623,821	27,773	147,881
Central services	8,759,666	9,582,485	8,694,110	663,349	225,026
Special items	1,450,228	2,351,831	2,249,333	0	102,498
Instructional					
Instruction, adm. & imp.	5,244,234	5,294,315	5,051,795	122,896	119,624
Teaching - regular school	39,563,709	40,281,605	40,000,592	96,521	184,492
Programs for children with handicapping conditions	9,404,468	9,396,326	9,043,098	75,715	277,513
occupational education	710,243	710,243	710,243	0	0
Teaching special schools	0	0	0	0	0
Instructional media	2,706,528	2,754,593	2,722,054	10,538	22,001
Pupil services	5,172,724	5,320,536	5,229,292	7,195	84,049
Pupil Transportation	8,028,148	8,196,810	8,009,467	0	187,343
Employee Benefits	30,758,327	29,593,041	27,967,039	0	1,626,002
Debt Service					
Debt service principal	5,464,102	5,563,822	5,554,865	0	8,957
Debt service interest	2,583,310	2,483,590	2,420,183	0	63,407
TOTAL EXPENDITURES	<u>122,255,400</u>	<u>123,788,978</u>	<u>119,635,272</u>	<u>1,004,267</u>	<u>3,149,439</u>
Other Financing Uses					
Transfers to other funds	1,480,000	1,505,000	1,503,649	0	1,351
TOTAL EXPENDITURES AND OTHER USES	<u>\$123,735,400</u>	<u>\$125,293,978</u>	<u>121,138,921</u>	<u>\$1,004,267</u>	<u>\$3,150,790</u>
Net change in fund balances			(2,774,295)		
Fund balance - beginning			<u>16,815,790</u>		
Fund balance - ending			<u>\$14,041,495</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, 2013**

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
July 1, 2010	\$0	\$179,371,640	\$179,371,640	0%	\$63,629,474	281.90%
July 1, 2011	\$0	\$188,438,492	\$188,438,492	0%	\$63,851,045	295.12%
July 1, 2012	\$0	\$181,501,904	\$181,501,904	0%	\$64,369,523	281.97%

**BEDFORD CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
JUNE 30, 2013**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$122,698,040
Add: Prior year's encumbrances	<u>1,037,360</u>
Original Budget	123,735,400
Budget Revisions	<u>1,558,578</u>
Final Budget	<u><u>\$125,293,978</u></u>
Next Year's Voter Approved Budget	<u><u>\$125,057,000</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2013 - 2014 voter-approved expenditure budget		\$5,002,280
Maximum allowed (4% of 2013-14 budget)		
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:		
Unrestricted fund balance:		
Assigned fund balance	4,554,266	
Unassigned fund balance	<u>4,850,005</u>	
Total unrestricted fund balance	<u>9,404,271</u>	
Less:		
Appropriated fund balance	3,550,000	
Encumbrances included in assigned fund balance	<u>1,004,266</u>	
Total adjustments	<u>4,554,266</u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u><u>\$4,850,005</u></u>
Actual percentage		3.88%

Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

**BEDFORD CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Supplemental Schedule #4

Project Title	Expenditures to Date				Unexpended Balance	Proceeds of Obligations	Local Sources Transfers	Methods of Financing			Fund Balance at June 30, 2013
	Appropriation	Prior Years Expense	Current Year Expense	Total				State Aid	Other	Totals	
01-02 Bond Authorization - DW Renovations	\$77,003,805	\$76,412,923	\$23,482	\$76,436,405	\$567,400	\$76,663,805	\$255,000	\$0	\$85,000	\$77,003,805	\$567,400
Transfer Out to Debt Service	0	300,000	100,000	400,000	(400,000)	0	0	0	0	0	(400,000)
TOTAL 01-02 DW RENOVATIONS	77,003,805	76,712,923	123,482	76,836,405	167,400	76,663,805	255,000	0	85,000	77,003,805	167,400
01-02 Interfund Transfer Site Improvement-Utilities	635,000	570,777	0	570,777	64,223	0	635,000	0	0	635,000	64,223
02-03 Interfund Transfer Districtwide	470,000	452,226	0	452,226	17,774	0	470,000	0	0	470,000	17,774
04-05 Interfund Transfers	1,314,005	1,219,142	9,239	1,228,381	85,624	0	1,314,005	0	0	1,314,005	85,624
06-07 Interfund Transfers	1,004,464	930,534	0	930,534	73,930	0	1,004,464	0	0	1,004,464	73,930
08-09 Bond Authorization*	670,000	600,553	0	600,553	69,447	0	670,000	0	0	670,000	69,447
10-11 Interfund Transfer	255,000	215,761	5,226	220,987	34,013	0	255,000	0	0	255,000	34,013
11-12 Interfund Transfer - Admin. Generator	250,000	124,175	14,603	138,778	111,222	0	250,000			250,000	111,222
12-13 Interfund Transfers	1,250,000	0	809,887	809,887	440,113	0	1,250,000	0	0	1,250,000	440,113
12-13 Capital Lease - Computers	685,337	0	685,337	685,337	0	685,337	0	0	0	685,337	0
12-13 Capital Lease - Small Truck	59,267		59,267	59,267	0	59,267	0	0	0	59,267	0
Total Capital Lease	744,604	0	744,604	744,604	0	744,604	0	0	0	744,604	0
Total	\$83,596,878	\$80,826,091	\$1,707,041	\$82,533,132	\$1,063,746	\$77,408,409	\$6,103,469	\$0	\$85,000	\$83,596,878	\$1,063,746

*In June 2010 the Board of Education authorized the use of excess general fund balance to pay off a Bond Anticipation Note for these projects, thereby precluding the necessity to bond these projects long term.

**BEDFORD CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2013**

Capital assets, net		105,051,422
Add:		
Unspent bond proceeds		167,400
Deduct:		
Defeasance gain	502,291	
Short-term portion of bonds payable	4,760,000	
Long-term portion of bonds payable	51,960,000	
Short-term portion of installment debt	682,621	
Long-term portion of installment debt	658,891	58,563,803
 Net investment in capital assets		 \$46,655,019

**INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the fiduciary funds of Bedford Central School District, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Bedford Central School District's basic financial statements, and have issued our report thereon dated October 9, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bedford Central School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bedford Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Bedford Central School District's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

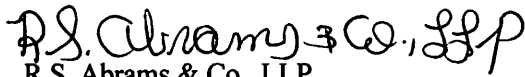
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bedford Central School District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


R.S. Abrams & Co., LLP
Islandia, NY
October 9, 2013