

BARKER CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2012

BARKER CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Barker Central School District

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the remaining fund information of the District as of June 30, 2012, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 7 and the schedule of funding progress postemployment benefit plan on page 26 be presented to supplement the 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Jensden & McAnnick, LLP
September 6, 2012

Barker Central School District
Management's Discussion and Analysis
June 30, 2012
(Unaudited)

Introduction

Management's Discussion and Analysis (MD&A) of Barker Central School District (the District) provides an overview of the District's financial performance and activities for the year ended June 30, 2012. The information contained in the MD&A should be considered in conjunction with the information presented as part of the District's financial statements that follow. This MD&A, the financial statements and the notes thereto are essential to obtaining a full understanding of the District's financial position and results of operations. The District's financial statements have the following components: (1) government-wide financial statements; (2) governmental fund financial statements; (3) reconciliations between the government-wide and governmental fund financial statements; (4) agency fund statements; and (5) notes to the financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. The statement of net assets presents information on all of the District's assets and liabilities and the difference between the two is reported as net assets. The statement of activities and changes in net assets presents information showing how the District's net assets change during each year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about the District as a whole. All of the activities of the District are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the year. Such information may be useful in evaluating the District's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. The reconciliation portion of the financial statements facilitates the comparison between governmental funds and governmental activities.

Agency funds are used to account for resources held for the benefit of parties outside the District. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's programs. The notes to the financial statements provide additional information essential for a full understanding of government-wide and governmental fund financial statements.

Supplementary information further explains and supports the financial statements and includes information required by the New York State Department of Education.

<u>Condensed Statement of Net Assets</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 25,455,000	\$ 23,521,000
Capital assets	15,537,000	16,399,000
Total assets	40,992,000	39,920,000
Long-term liabilities outstanding	9,385,000	10,140,000
Other liabilities	2,094,000	2,347,000
Total liabilities	11,479,000	12,487,000
Net assets:		
Invested in capital assets, net of related debt	9,025,000	9,356,000
Restricted	13,488,000	13,214,000
Unrestricted	7,000,000	4,863,000
Total net assets	\$ 29,513,000	\$ 27,433,000

Assets exceeded liabilities by \$29,513,000 (\$27,433,000 in 2011) at the close of the year. The largest portion of the District's net assets reflects its investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment), less any related debt (general obligation bonds) used to acquire those assets that is still outstanding. The District uses capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The investment in capital assets is governed by its long term capital plan which seeks to maintain the facilities in a safe and efficient manner.

An additional portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. These assets include reserve accounts set aside for specific purposes governed by statutory law and commissioner's regulations. Reserves include the debt service reserve which is set aside for the repayment of bonds issued to finance capital projects; the capital projects reserve which is set aside to pay for future renovations in concert with the District's long term capital plan; an employee benefit accrued liability reserve designated for the payment of accumulated vacation and sick time; and other similarly restricted reserves which include retirement contribution, unemployment insurance, property loss and liability, and workers' compensation.

Current and other assets increased by \$1,934,000 and capital assets decreased by \$862,000 (\$3,392,000 increase in current and other assets and \$777,000 decrease in capital assets in 2011 compared to 2010). The capital asset decrease is the result of relatively insignificant fixed asset purchases in 2012 offset by depreciation expense. Current asset increase is primarily due to increases in cash and amounts due from BOCES and other governments. Solid operating results and the timing of cash receipts impact these balances. Other liabilities decreased by \$253,000 (\$1,251,000 increase in 2011) primarily due to the reduction of the health consortium liabilities. Long-term liabilities decreased by \$755,000 (\$1,657,000 decrease in 2011) due to required debt service payments.

Long-term liabilities outstanding for the postemployment obligation required under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*, were \$68,000 and \$55,000 at June 30, 2012 and 2011. The increase of \$13,000 is due to the annual required contribution exceeding current benefit payments. The outstanding actuarially determined unfunded liability as of July 1, 2011 was \$488,000.

Condensed Statement of Activities	2012	2011
Revenues		
Program revenues		
Charges for services	\$ 290,000	\$ 329,000
Operating grants and contributions	1,294,000	1,416,000
Capital grants	186,000	22,000
General revenues		
Taxes and related items	12,158,000	13,038,000
State aid	6,184,000	5,905,000
Other	413,000	211,000
Total revenue	<u>20,525,000</u>	<u>20,921,000</u>
Expenses		
Instruction	13,336,000	12,953,000
Support services		
General support	3,239,000	3,134,000
Pupil transportation	1,047,000	969,000
Food service	402,000	396,000
Interest and other	421,000	448,000
Total expenses	<u>18,445,000</u>	<u>17,900,000</u>
Increase in net assets	2,080,000	3,021,000
Net assets - beginning	27,433,000	24,412,000
Net assets - ending	<u>\$ 29,513,000</u>	<u>\$ 27,433,000</u>

District revenues decreased by approximately 1.9% or \$396,000 over 2011 (7.1% or \$1,589,000 decrease in 2011). The decrease in revenues was generated largely due to a decrease in PILOT (payment in lieu of taxes) payments from AES, a power company located within the District. In 2012, PILOT payments received amounted to \$8,473,000, which is an \$889,000 decrease from 2011. In addition, the District received \$112,000 less operating grants and contributions, though this was offset by a \$164,000 increase in capital grants as a result of ARRA (American Recovery and Reinvestment Act of 2009) funding through the New York State Energy Research and Development Authority for a lighting efficiency project. The District also received \$279,000 in additional state aid with increases in the categories of basic formula aid, excess cost aid and lottery aid.

Expenses increased \$545,000 or 3.0% (\$81,000 or 0.5% decrease in 2011). The District cut over \$560,000 in personnel expenses through layoffs which were mostly offset by contractual step/scale increases. Employee benefit increases through contributions to the state required pension funds increased by \$177,000. Additionally, in 2011 due to expected staff reductions, the District's liability on a full accrual basis for compensated absences was reduced by \$877,000 which has an impact on the comparable data for 2012. Pupil transportation expenses increased \$78,000 or 8.0% (increase of \$99,000 or 11.4% in 2011) due to fuel costs and increased contractual expenditures.

Financial Analysis of the District's Funds

Total fund balances for the governmental funds increased from \$21,140,000 to \$23,333,000. Revenues of \$20,524,000 exceeded expenditures of \$18,331,000, resulting in the increase of \$2,193,000.

- Real property tax items decreased by \$914,000 (decrease of \$255,000 for 2011) due to the reduction in contracted PILOT payments as previously mentioned in the government-wide analysis.
- State aid increased by \$263,000 (decrease of \$794,000 for 2011).
- Spending across all government funds decreased by \$444,000 or 2.4% during 2012 (\$443,000 or 2.3% decrease for 2011). The decrease can be seen predominantly in capital outlays and is mainly attributable to the completion of the District's latest capital project. Also fund basis expenditures were down in all areas, but as mentioned planned staff reductions had a neutralizing impact based on contractual salary increases.
- \$3,634,000 is reported in the employee benefit accrued liability reserve to fund future vacation and sick time payments at an employee's retirement and \$5,926,000 for capital projects reserves which must be used for future voter-approved projects. The Board of Education assigned \$6,287,000 of unassigned fund balance in the general fund for future tax proceedings and to cover the County's share of the PILOT agreement based on continued concern over AES and subsequent owners.
- The general fund experienced an increase in fund balance of \$2,484,000 compared to \$2,223,000 in 2011 before a \$3,000,000 transfer of restricted capital projects reserve funds from the general to the capital projects fund. Revenues decreased \$740,000 from 2011; expenditures were \$1,016,000 lower than 2011.
- The capital projects fund balance decreased \$271,000 and the school lunch fund balance decreased by \$20,000.

General Fund Budgetary Highlights

Total revenue of \$18,945,000 was higher than budgeted revenue by \$148,000. The total original and final expenditure budget for fiscal year 2012 was \$19,405,000. There were no required budget adjustments affecting the total budget but line items changed on a recurring basis throughout the year.

Actual expenditures and carryover encumbrances were less than the final amended budget by \$2,638,000 or 13.6%. The difference is attributable to many factors and many unknown items when the budget is prepared. Because of the fiscal strain on Albany, the District adjusted accordingly and was able to generate savings in central services, teaching – regular school, instructional media, pupil services, and employee benefits. These savings were due to a concerted effort to control costs.

Capital Assets

	2012	2011
Land and land improvements	\$ 1,149,000	\$ 1,149,000
Construction in progress	151,000	83,000
Buildings and improvements	30,422,000	30,422,000
Furniture and equipment	2,379,000	2,355,000
	<u>34,101,000</u>	<u>34,009,000</u>
Accumulated depreciation	(18,564,000)	(17,610,000)
	<u>\$ 15,537,000</u>	<u>\$ 16,399,000</u>

Current year additions of \$93,000 were offset by depreciation of \$955,000.

Debt

At June 30, 2012 the District had \$6,695,000 in bonds outstanding with \$950,000 due within one year (\$7,620,000 outstanding at June 30, 2011). Outstanding compensated absences payable were \$2,707,000, with \$634,000 due within one year (\$2,643,000 outstanding at June 30, 2011).

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

Current Financial Issues and Concerns

School districts in New York State are impacted by the political pressures imposed on officials in the funding of school districts. Year to year changes in funding levels and state aid formulas complicate the planning process for schools.

Another challenge facing the District is the cost of mandated state employee retirement plans. These plans have experienced a negative financial impact as a result of current economic uncertainty and market volatility, and employer contributions will continue to be at current or slightly higher rates for the short term. The District will continue to make every attempt to mitigate the impact of these expenses on the overall budget, including using reserve funds to offset cost increases where allowed by law. The property tax levy cap which was implemented for the year ended June 30, 2013 further emphasizes the importance of using reserves judiciously and creative cost cutting measures.

These issues and concerns require management to plan carefully and prudently to provide the educational resources necessary to meet student needs.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Allison Brady, School Business Administrator, Barker Central School District, 1628 Quaker Road, Barker, New York 14012.

BARKER CENTRAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

(With comparative totals as of June 30, 2011)

	2012	2011
Assets		
Cash	\$ 24,449,455	\$ 22,659,563
Due from other governments	444,938	379,989
State and federal aid receivable	502,444	413,026
Due from fiduciary funds	163	87
Inventory	5,737	6,566
Bond issuance costs, net	52,631	61,403
Capital assets (Note 5)	34,100,800	34,009,229
Accumulated depreciation	(18,563,938)	(17,610,425)
Total assets	<u>40,992,230</u>	<u>39,919,438</u>
Liabilities		
Accounts payable	265,717	184,844
Accrued liabilities	289,978	678,233
Due to retirement systems	904,070	774,998
Deferred revenue	634,966	708,678
Long-term liabilities		
Due within one year		
Bonds	950,000	925,000
Compensated absences	634,000	425,000
Due beyond one year		
Bonds	5,659,911	6,517,067
Compensated absences	2,073,000	2,218,000
Other postemployment benefits	67,945	54,780
Total liabilities	<u>11,479,587</u>	<u>12,486,600</u>
Net Assets		
Invested in capital assets, net of related debt	9,025,376	9,355,785
Restricted	13,487,512	13,213,698
Unrestricted	6,999,755	4,863,355
Total net assets	<u>\$ 29,512,643</u>	<u>\$ 27,432,838</u>

BARKER CENTRAL SCHOOL DISTRICT

Statement of Activities and Changes in Net Assets

For the year ended June 30, 2012

(With summarized comparative totals for June 30, 2011)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2012	2011
Governmental activities						
General support	\$ 3,239,281	\$ -	\$ -	\$ 185,849	\$ (3,053,432)	\$ (3,109,405)
Instruction	13,335,874	119,365	1,082,376	-	(12,134,133)	(11,609,074)
Pupil transportation	1,046,363	-	-	-	(1,046,363)	(968,462)
Community service	26,508	-	-	-	(26,508)	(24,053)
Interest expense	394,402	-	-	-	(394,402)	(424,002)
School food service	402,343	170,368	211,734	-	(20,241)	2,144
	<u>\$ 18,444,771</u>	<u>\$ 289,733</u>	<u>\$ 1,294,110</u>	<u>\$ 185,849</u>	<u>(16,675,079)</u>	<u>(16,132,852)</u>
		General revenues				
		Real property taxes			12,158,099	13,037,623
		Interest income			89,066	117,144
		Miscellaneous			323,899	94,383
		State aid			6,183,820	5,904,694
		Total general revenues			<u>18,754,884</u>	<u>19,153,844</u>
		Change in net assets			2,079,805	3,020,992
		Net assets - beginning			<u>27,432,838</u>	<u>24,411,846</u>
		Net assets - ending			<u>\$ 29,512,643</u>	<u>\$ 27,432,838</u>

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BARKER CENTRAL SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2012

(With summarized comparative totals as of June 30, 2011)

	General	Capital Projects	Special Aid	School Lunch	Total Governmental Funds	
					2012	2011
Assets						
Cash	\$ 21,262,634	\$ 3,070,461	\$ 58,282	\$ 58,078	\$ 24,449,455	\$ 22,659,563
Due from other governments	443,562	-	-	1,376	444,938	379,989
State and federal aid receivable	183,111	-	315,406	3,927	502,444	413,026
Due from other funds, net	438,008	-	-	-	438,008	2,953,783
Inventory	-	-	-	5,737	5,737	6,566
Total assets	\$ 22,327,315	\$ 3,070,461	\$ 373,688	\$ 69,118	\$ 25,840,582	\$ 26,412,927
Liabilities and Fund Balances						
Accounts payable	\$ 235,797	\$ 24,667	\$ 3,329	\$ 1,924	\$ 265,717	\$ 184,844
Accrued liabilities	261,801	-	-	3,285	265,086	650,971
Due to retirement systems	904,070	-	-	-	904,070	774,998
Due to other funds, net	-	2,793	367,393	67,659	437,845	2,953,696
Deferred revenue	632,000	-	2,966	-	634,966	708,678
Total liabilities	2,033,668	27,460	373,688	72,868	2,507,684	5,273,187
Fund Balances						
Nonspendable:						
Inventory	-	-	-	5,737	5,737	6,566
Restricted:						
Capital projects	5,926,124	3,000,000	-	-	8,926,124	8,909,411
Debt service	278,280	-	-	-	278,280	277,500
Retirement contribution	226,047	-	-	-	226,047	225,405
Unemployment insurance	47,434	-	-	-	47,434	47,302
Employee benefit accrued liability	3,634,033	-	-	-	3,634,033	3,623,853
Property loss and liability	316,230	-	-	-	316,230	71,030
Workers' compensation	59,364	-	-	-	59,364	59,197
Assigned:						
Designated for subsequent year's expenditures	350,000	-	-	-	350,000	350,000
Designated for future tax proceedings	8,356,300	-	-	-	8,356,300	6,268,677
Other purposes	320,421	43,001	-	-	363,422	556,069
Unassigned	779,414	-	-	(9,487)	769,927	744,730
Total fund balances (deficit)	20,293,647	3,043,001	-	(3,750)	23,332,898	21,139,740
Total liabilities and fund balances	\$ 22,327,315	\$ 3,070,461	\$ 373,688	\$ 69,118	\$ 25,840,582	\$ 26,412,927

BARKER CENTRAL SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2012

Total fund balances - governmental funds \$ 23,332,898

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. 15,536,862

Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:

Bonds, net	6,609,911	
Accrued interest	24,892	
Compensated absences	2,707,000	
Other postemployment benefits	<u>67,945</u>	(9,409,748)

Costs associated with the issuance of bonds are capitalized in the statement of net assets and are expensed in the governmental funds in the year the bonds are issued. Net unamortized costs at June 30, 2012 are: 52,631

Net assets - governmental activities \$ **29,512,643**

BARKER CENTRAL SCHOOL DISTRICT

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds**

For the year ended June 30, 2012

(With summarized comparative totals for June 30, 2011)

	General	Capital Projects	Special Aid	School Lunch	Total Governmental Funds	
					2012	2011
Revenues						
Real property taxes	\$ 2,858,011	\$ -	\$ -	\$ -	\$ 2,858,011	\$ 2,824,108
Real property tax items	9,300,088	-	-	-	9,300,088	10,213,515
Charges for services	119,365	-	-	-	119,365	150,009
Use of money and property	89,066	-	-	-	89,066	119,864
Sale of property and compensation for loss	11,758	-	-	-	11,758	9,127
Miscellaneous	312,141	-	58,326	-	370,467	139,013
State sources	6,183,820	-	159,839	10,051	6,353,710	6,090,718
Federal sources	70,572	185,849	793,639	201,683	1,251,743	1,198,076
Sales	-	-	-	170,368	170,368	176,441
Total revenues	18,944,821	185,849	1,011,804	382,102	20,524,576	20,920,871
Expenditures						
General support	2,275,618	-	-	132,354	2,407,972	2,678,448
Instruction	8,614,010	-	1,003,132	-	9,617,142	10,216,828
Pupil transportation	1,008,330	-	22,924	-	1,031,254	1,001,019
Community service	26,508	-	-	-	26,508	24,053
Employee benefits	3,301,871	-	-	111,484	3,413,355	3,377,056
Debt service						
Principal	925,000	-	-	-	925,000	895,000
Interest	295,156	-	-	-	295,156	325,625
Cost of sales	-	-	-	158,505	158,505	166,781
Capital outlay	-	456,526	-	-	456,526	89,973
Total expenditures	16,446,493	456,526	1,026,056	402,343	18,331,418	18,774,783
Excess revenues (expenditures)	2,498,328	(270,677)	(14,252)	(20,241)	2,193,158	2,146,088
Other financing sources (uses)						
Operating transfers in (out)	(14,252)	-	14,252	-	-	-
Net change in fund balances	2,484,076	(270,677)	-	(20,241)	2,193,158	2,146,088
Fund balances - beginning	17,809,571	3,313,678	-	16,491	21,139,740	18,993,652
Fund balances (deficit) - ending	\$ 20,293,647	\$ 3,043,001	\$ -	\$ (3,750)	\$ 23,332,898	\$ 21,139,740

BARKER CENTRAL SCHOOL DISTRICT

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities and Changes in Net Assets**

For the year ended June 30, 2012

Total net change in fund balances - governmental funds \$ 2,193,158

Amounts reported for governmental activities in the statement of activities and changes in net assets are different because:

Capital outlays are reported in governmental funds as expenditures. In the statement of activities and changes in net assets the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays. (861,942)

Payments of long-term liabilities are reported as expenditures in governmental funds and as a reduction of debt in the statement of activities. In the current year, principal payments that are not included in the statement of activities are: 925,000

In the statement of activities and changes in net assets, certain expenses are measured by the amounts earned during the year. In the governmental funds these expenditures are reported as paid. These differences are:

Interest	2,370	
Other postemployment benefits	(13,165)	
Compensated absences	(64,000)	
Amortization of bond issuance costs	(8,772)	
Amortization of loss on bond defeasance	(92,844)	(176,411)

Change in net assets - governmental activities \$ 2,079,805

BARKER CENTRAL SCHOOL DISTRICT

**Statement of Revenues, Expenditures, and Changes in Fund
Balance Budget (Non-GAAP) and Actual - General Fund**

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Encumbrances	Variance with
	Original	Final	(Budgetary Basis)		Final Budget Over/(Under)
Revenues					
Local sources					
Real property taxes	\$ 3,675,442	\$ 3,675,442	\$ 2,858,011		\$ (817,431)
Real property tax items	8,478,750	8,478,750	9,300,088		821,338
Charges for services	9,000	9,000	119,365		110,365
Use of money and property	110,000	110,000	89,066		(20,934)
Sale of property and compensation for loss	-	-	11,758		11,758
Miscellaneous	35,000	35,000	312,141		277,141
State sources	6,489,040	6,489,040	6,183,820		(305,220)
Federal sources	-	-	70,572		70,572
Total revenues	18,797,232	18,797,232	18,944,821		147,589
Expenditures					
General Support					
Board of education	28,220	40,339	38,702	-	(1,637)
Central administration	234,863	238,743	236,588	341	(1,814)
Finance	268,946	264,921	247,604	9,400	(7,917)
Staff	135,974	122,524	46,646	19,586	(56,292)
Central services	2,203,473	2,206,610	1,512,915	51,414	(642,281)
Special items	210,652	219,243	193,163	8,591	(17,489)
Instruction					
Instruction, administration and improvement	522,643	545,004	469,512	5,965	(69,527)
Teaching - regular school	5,768,485	5,764,212	4,937,091	4,539	(822,582)
Programs for children with handicapping conditions	1,747,240	1,676,449	1,427,939	205,333	(43,177)
Occupational education	365,100	370,884	370,884	-	-
Teaching - special schools	24,870	25,895	19,947	-	(5,948)
Instructional media	665,605	705,190	562,161	308	(142,721)
Pupil services	964,761	960,341	826,476	14,944	(118,921)
Pupil transportation	1,062,579	1,062,579	1,008,330	-	(54,249)
Community services	40,034	40,511	26,508	-	(14,003)
Employee benefits	3,941,096	3,941,096	3,301,871	-	(639,225)
Debt service					
Principal	925,000	925,000	925,000	-	-
Interest	295,157	295,157	295,156	-	(1)
Total expenditures	19,404,698	19,404,698	16,446,493	320,421	(2,637,784)
Excess revenues (expenditures)	(607,466)	(607,466)	2,498,328	(320,421)	2,785,373
Other financing sources (uses)					
Operating transfers out	(30,000)	(30,000)	(14,252)		(15,748)
Appropriated use of reserves	55,000	55,000	-		(55,000)
Appropriated fund balance and carryover encumbrances	582,466	582,466	-		(582,466)
Total other financing sources (uses)	607,466	607,466	(14,252)		(621,718)
Excess revenues (expenditures) and other financing sources (uses)	\$ -	\$ -	\$ 2,484,076	\$ (320,421)	\$ 2,163,655

See accompanying notes.

BARKER CENTRAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

June 30, 2012

	Private-Purpose Trusts	Agency
Assets		
Cash	\$ 66,112	\$ 150,511
Liabilities		
Extraclassroom activities balances	-	\$ 88,817
Due to governmental funds	-	163
Other agency liabilities	-	61,531
Total liabilities	-	\$ 150,511
Net Assets		
Reserved for scholarships	\$ 66,112	

BARKER CENTRAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets

For the year ended June 30, 2012

	Private-Purpose Trusts
Additions	
Gifts and donations	\$ 500
Interest income	101
	<u>601</u>
Deductions	
Scholarship awards	<u>1,550</u>
Change in net assets	(949)
Net assets - beginning	<u>67,061</u>
Net assets - ending	\$ 66,112

BARKER CENTRAL SCHOOL DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

Barker Central School District (the District) is governed by Education and other laws of the State of New York (the State). The District's Board of Education has responsibility and control over all activities related to public school education within the District. The District's Superintendent is the chief executive officer and the President of the Board serves as the chief fiscal officer. The Board members are elected by the public and have decision-making authority, the power to designate management, the ability to influence operations, and the primary accountability for fiscal matters.

The District provides education and support services such as administration, transportation, and plant maintenance. The District receives funding from local, state, and federal sources and must comply with requirements of these funding sources. However, the District is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14 as amended by Statement No. 39.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Joint Venture

The District is one of thirteen participating school districts in the Orleans/Niagara Board of Cooperative Educational Services (BOCES). Formed under §1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES.

The component school district boards elect the members of the BOCES governing body. There are no equity interests and no single participant controls the financial or operating policies. BOCES may also contract with other municipalities on a cooperative basis under State General Municipal Law.

A BOCES' budget is comprised of separate spending plans for administrative, program, and capital costs. Each component school district shares in administrative and capital costs determined by its enrollment. Participating districts are charged a service fee for programs in which students participate, and for other shared contracted administrative services. Participating districts may also issue debt on behalf of BOCES. As of year end there was no such debt issued by the District.

During the year ended June 30, 2012, the District was billed \$1,773,000 for BOCES administrative and program costs and recognized \$128,000 in revenue as a refund from prior year expenditures paid to BOCES. Audited financial statements are available from BOCES' administrative offices.

Public Entity Risk Pools

The District participates in the Orleans/Niagara School Health Plan and the Orleans/Niagara Schools Workers' Compensation Plan, which are public entity risk pools. These plans are designed to provide health insurance and workers' compensation coverage for participating entities. These activities are further discussed in Note 9.

Basis of Presentation

District-wide Statements: The statement of net assets and the statement of activities and changes in net assets display financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. These statements are required to distinguish between *governmental* and *business-type* activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The District does not maintain any business-type activities.

The statement of activities and changes in net assets presents a comparison between direct expenses and program revenues for each function of the District's governmental activities.

- Direct expenses are those that are specifically associated with a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the District's programs, including personnel, overall administration and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational requirements of a particular program, and (c) grants and contributions limited to the purchase or construction of specific capital assets. Revenues that are not classified as program revenues, including all taxes and state aid, are presented as general revenues.

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 the fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major funds:

- *General fund.* This is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Capital projects fund.* This fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- *Special aid fund.* This fund is used to account for the proceeds of specific revenue sources - other than expendable trusts or major capital projects - such as federal, state, and local grants and awards that are restricted or committed to expenditures for specific purposes. Either governments or other third parties providing the grant funds impose these restrictions.

The District has also elected to display the following as a major fund:

- *School lunch fund.* This fund is a special revenue fund whose specific revenue sources, including free and reduced meal subsidies received from state and federal programs, are restricted to the operation of the District's breakfast and lunch programs.

The District has elected not to use a debt service fund as debt activity is currently reflected in the general fund. Amounts accumulated for the payment of future principal and interest payments restricted for such purposes are included in the general fund.

The District reports the following fiduciary funds:

- *Private-purpose trust fund.* This fund reports trust arrangements under which principal and income benefits various third party scholarship arrangements.
- *Agency fund.* This fund accounts for assets held by the District as agent for various student groups and clubs, payroll, and employee third party withholdings. The agency fund is custodial in nature and does not involve measurement of results of operations.

The financial statements include certain prior year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Basis of Accounting and Measurement Focus

The government-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 flows take place. Nonexchange transactions, in which the District receives value directly without 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 in which taxes are levied. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds 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 they are collected within ninety days after year end. 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. Capital asset purchases are reported as expenditures in governmental funds. Proceeds of long-term liabilities and equipment or property purchased under capital leases are reported as other financing sources.

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Amounts received in advance of the expenditures are deferred and reported as revenues when the expenses are incurred.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Property Tax Calendar

The District levies real property taxes no later than September 1. For the year ended June 30, 2012, the tax lien was issued on August 15, 2011 for collection from September 1 through October 31, 2011. Thereafter, uncollected amounts become the responsibility of Niagara and Orleans Counties. Such amounts are submitted to the District by April 1st of the following year as required by law.

Budget Process, Amendments and Encumbrances

District administration prepares a proposed budget for the general fund requiring approval by the Board. A public hearing is held upon completion and filing of the tentative budget. Subsequently, the budget is adopted by the Board. The proposed budget is then presented to voters of the District. The budget for the fiscal year beginning July 1, 2011 was approved by a majority of the voters in a general election held on May 17, 2011.

Annual appropriations are adopted and employed for control of the general fund. These budgets are adopted on a GAAP basis under the modified accrual basis of accounting. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations authorized for the current year may be increased by the planned use of specific restricted, committed and assigned fund balances and subsequent budget amendments approved by the Board as a result of new revenue sources not included in the original budget.

Major capital expenditures are subject to individual project budgets determined primarily by the cost of the project together with the requirements for external borrowings used to fund a particular project rather than annual appropriations. For the capital projects fund, these budgets do not lapse at year end and are carried over to the completion of the project.

Encumbrance accounting is used to assure effective budgetary control. Encumbrances represent commitments related to unperformed (executory) contracts for goods or services. Amounts outstanding at year end represent the estimated amount of the expenditures ultimately to result if unperformed contracts in process at year end are completed. Encumbrances are reflected as a budgetary expenditure in the year of incurrence of the commitment for the purchase and in the subsequent period when the expenditure is paid. All budget appropriations that are unencumbered lapse at the end of the fiscal year. Encumbrances outstanding at year end are presented for GAAP-related purposes as committed or assigned fund balances and do not constitute expenditures or liabilities. At July 1, encumbrances carried forward from the prior year are reestablished as budgeted appropriations.

Inventory

Inventory consists of food and similar food service goods and is recorded at cost on a first-in, first-out basis. Donated commodities are stated at values which approximate market.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisal. Contributed assets are recorded at fair value at the time received. Depreciation is provided in the government-wide statements over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization Policy	Estimated Useful Life
Land improvements	\$ 5,000	20
Buildings and improvements	\$ 5,000	20-40
Furniture and fixtures	\$ 5,000	5-20
Vehicles	\$ 5,000	8-15

Bond Issuance Costs

Bond issuance costs are expensed in the period bonds are issued in the governmental funds. Within the government-wide financial statements, bond issuance costs are capitalized and amortized on a straight-line basis over the life of the debt issue as a component of interest expense.

Bond Defeasances and Refundings

In the government-wide financial statements, gains or losses represent the difference between the price required to repay previously issued debt, and the net carrying amount of the retired debt, and are deferred as an addition to or are deducted from the new bonded liability. In subsequent years, they are amortized on a straight-line basis as a component of interest expense over the shorter of the life of the old or new debt.

Deferred Revenue

PILOT (payment in lieu of taxes) payments received in advance of the applicable tax year are deferred and recognized in the following year in both the government-wide and governmental fund financial statements.

Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid accumulated annual sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and other employees expected to become eligible in the future to receive such payments are included. Sick pay is accrued on the basis of negotiated contracts with administrators and employee groups which provide for the payment of accumulated sick time or the option of converting the vested amount to provide for the payment of health insurance at retirement until exhausted.

The government-wide financial statements reflect the entire liability, while in the governmental funds financial statements, only the amount of matured liabilities is accrued based on expendable available financial resources. These amounts are expensed as paid.

Equity Classifications

Government-wide statements

- *Invested in capital assets, net of related debt* – consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net assets* – net assets are considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or included within the District's bond agreements.
- *Unrestricted net assets* – consists of all other net assets that do not meet the definition of the above two components and are available for general use by the District.

Governmental fund statements

The District considers unrestricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, unless the use of the restricted amount was appropriated in the current year's budget. Within unrestricted fund balance, the District considers committed, assigned, then unassigned resources to have been spent when an expenditure is incurred for which amounts in any of those fund balance classifications could be used.

Restricted fund balances and net assets generally result from reserves created by the State of New York Legislature and included in General Municipal Law, State Education Law, or Real Property Tax Law as authorized for use by the Board of Education. Certain reserves may require voter approval for their establishment and/or use. Earnings on invested resources are required to be added to the various reserves.

Committed fund balances are authorized by the Board of Education as recommended by the District's management prior to the end of the fiscal year, although funding of the commitment may be established subsequent to year end. Assigned fund balances include the planned use of existing fund balance to offset the subsequent year's tax levy provided that it does not result in a deficit unassigned fund balance. Additionally, the Board of Education has given the District's management the authority to assign fund balances for specific purposes that are neither restricted nor committed. Nonspendable fund balances represent resources that cannot be spent as they are not expected to be converted to cash and include inventory.

Fund balance and net asset restrictions consist of the following reserves:

- *Capital projects* – is used to accumulate funds to finance all or a portion of future capital projects for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and payments from the reserve. During 2003, a capital reserve was approved by District voters and can be funded to a maximum of \$2,000,000 plus interest earnings. In 2007, a separate reserve was approved with maximum funding of \$3,000,000 plus interest and in April 2009 an additional capital reserve was approved for funding up to \$3,500,000 plus interest earnings. In 2011, a separate reserve was approved with maximum funding of \$3,700,000 plus interest earnings. Based on amounts the District has previously funded and used from the reserves, the 2003, 2007, and 2009 authorizations have been fully funded.
- *Debt service* – is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations (including bond premiums), and remaining bond proceeds not needed for their original purpose as required by §165 of Finance Law. The District has elected to maintain the reserve in the general fund as there is no external requirement to establish a debt service fund. This reserve must be used to pay the debt service obligations for which the original money was generated.
- *Retirement contribution* - is used to finance retirement contributions payable to the New York State and Local Employees' Retirement System.
- *Unemployment insurance* – is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants as the District has elected to use the benefit reimbursement method.
- *Employee benefit accrued liability* – is used to account for the payment of accumulated vacation and sick time due upon termination of the employee's services. It is 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.
- *Property loss and liability* – is used to pay property loss and liability claims. The amount is funded through budgetary appropriations and may not exceed the greater of 3% of the budget or \$15,000.
- *Workers' compensation* – is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program.

Fund balance assignments designated for future tax proceedings are authorized by the Board and are related to the uncertainty of future PILOT (payments in lieu of taxes) payments required by the District's largest tax payer.

Interfund Transfers

The operations of the District include transactions between funds including resources for cash flow purposes. These interfund receivables and payables are repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

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

Interfund receivables and payables are netted on the accompanying governmental funds balance sheet as the right of legal offset exists. It is the District's practice to settle these amounts at the net balances due between funds.

2. Stewardship and Compliance

The District's unassigned unrestricted fund balance in the general fund was in excess of the 4% limit of the subsequent year's budget as required under New York State Real Property Tax Law §1318.

The deficit fund balance of \$3,750 in the school lunch fund will be funded in future years as operations are improved or prices increased so that school lunch revenues exceed expenditures.

3. Cash and Investments

Investment policies are governed by State laws and as established in the District's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. At June 30, 2012, the District's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institution's trust departments or agents in the District's name.

4. Interfund Transactions – fund financial statements

Fund	Receivable	Payable	Transfers	
			In	Out
General	\$ 438,008	\$ -	\$ -	\$ 14,252
Capital projects	-	2,793	-	-
Special aid	-	367,393	14,252	-
School lunch	-	67,659	-	-
Fiduciary funds	-	163	-	-
	<u>\$ 438,008</u>	<u>\$ 438,008</u>	<u>\$ 14,252</u>	<u>\$ 14,252</u>

The special aid fund borrows from the general fund for cash flow throughout the year. These amounts are repaid in the subsequent year when funds are received from the State after final expenditure reports have been submitted and approved. The school lunch fund owes the general fund for expenditures paid by the general fund on its behalf. The capital projects fund owes the general fund for reimbursements of capital expenditures paid from the general fund. The general fund made a permanent transfer to the special aid fund to cover the District's local share of costs related to the summer school handicap program.

5. Capital Assets

	Balance July 1, 2011	Increases	Retirements/ Reclassifications	Balance June 30, 2012
Non-depreciable capital assets:				
Land	\$ 104,102	\$ -	\$ -	\$ 104,102
Construction in progress	82,845	67,756	-	150,601
Total non-depreciable assets	<u>186,947</u>	<u>67,756</u>	<u>-</u>	<u>254,703</u>
Depreciable capital assets:				
Land improvements	1,045,029	-	-	1,045,029
Buildings and improvements	30,421,769	-	-	30,421,769
Furniture and fixtures	2,180,601	25,315	(1,500)	2,204,416
Vehicles	174,883	-	-	174,883
Total depreciable assets	<u>33,822,282</u>	<u>25,315</u>	<u>(1,500)</u>	<u>33,846,097</u>
Less accumulated depreciation:				
Land improvements	771,084	49,334	-	820,418
Buildings and improvements	14,741,919	847,552	-	15,589,471
Furniture and fixtures	1,969,816	48,120	(1,500)	2,016,436
Vehicles	127,606	10,007	-	137,613
Total accumulated depreciation	<u>17,610,425</u>	<u>955,013</u>	<u>(1,500)</u>	<u>18,563,938</u>
Total depreciable assets, net	<u>16,211,857</u>	<u>(929,698)</u>	<u>-</u>	<u>15,282,159</u>
	<u>\$ 16,398,804</u>	<u>\$ (861,942)</u>	<u>\$ -</u>	<u>\$ 15,536,862</u>

Depreciation expense has been allocated to the following functions: general support \$160,117, instruction \$791,567, and transportation \$3,329.

As of June 30, 2012, invested in capital assets, net of related debt consists of the following:

Capital assets, net of accumulated depreciation	\$ 15,536,862
Cash restricted for capital projects, net of related payables	45,794
Bond issuance costs, net	52,631
Bonds, net	(6,609,911)
	<u>\$ 9,025,376</u>

6. Long-Term Liabilities

	July 1, 2011	Increases	Decreases	June 30, 2012	Due in One Year
Bonds	\$ 7,620,000	\$ -	\$ 925,000	\$ 6,695,000	\$ 950,000
Unamortized loss on defeasance	(177,933)	-	92,844	(85,089)	-
Compensated absences	2,643,000	64,000	-	2,707,000	634,000
Other postemployment benefits	54,780	49,649	36,484	67,945	-
	<u>\$ 10,139,847</u>	<u>\$ 113,649</u>	<u>\$ 1,054,328</u>	<u>\$ 9,384,856</u>	<u>\$ 1,584,000</u>

Existing obligations:

Description	Maturity	Rate	Balance
Series A refunding serial bonds	June 2017	1.0% - 4.0%	\$ 3,545,000
Serial Bonds - 2005	June 2020	3.625%-4.0%	1,470,000
Serial Bonds - 2007	Jan. 2023	4.3% - 4.5%	<u>1,680,000</u>
			<u>\$ 6,695,000</u>

Debt service requirements:

Year ending June 30,	Principal	Interest
2013	\$ 950,000	\$ 262,856
2014	985,000	228,731
2015	1,015,000	192,494
2016	1,055,000	154,262
2017	1,100,000	111,775
2018-2022	1,420,000	196,613
2023	170,000	7,650
	<u>\$ 6,695,000</u>	<u>\$ 1,154,381</u>

7. Contributions to Pension Plans

The District participates in the New York State and Local Employees' Retirement System (ERS) and New York State Teachers' Retirement System (TRS) (the Systems), which 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.

- **New York State Teachers' Retirement System:**

TRS is administered by the New York State Teachers' Retirement Board and 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. TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained from the New York State Teachers' Retirement System at www.nystrs.org.

- **New York State and Local Employees' Retirement System:**

ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

- **Funding Policies:**

No employee contribution is required for those hired prior to July 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3% (ERS) or 3.5% (TRS) of compensation throughout their active membership in the Systems. Participants hired on or after April 1, 2012 are required to contribute 3% of compensation through March 31, 2013. Beginning April 1, 2013, these participants will contribute a percentage ranging from 3% to 6% each year, based on their level of compensation.

For ERS, the Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the District to the pension accumulation fund. Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually by the New York State Teachers' Retirement Board.

The required contributions and rates over the past three years were:

	TRS		ERS	
	Amount	Rate	Amount	Rate
2012	\$ 758,590	11.11%	\$ 225,240	12.8% - 21.5%
2011	621,153	8.62%	185,131	11.4% - 15.3%
2010	452,202	6.19%	110,312	7.1% - 9.3%

The District's contributions made to the Systems were equal to 100% of the amount required for each year.

8. Postemployment Healthcare Benefits

The District maintains a single-employer defined benefit healthcare plan (the Plan) providing for continuation of medical insurance and dental benefits for certain District retirees and spouses. The Plan covers 8 retirees with legacy agreements and is closed to new entrants. Other employees are permitted coverage through the conversion of sick time.

Benefit provisions are based on individual contracts with the District, as negotiated from time to time. The Plan does not issue a publicly available financial report. Eligibility is based on covered employees who retired from the District (and the current superintendent) over the age of 55 and have met vesting requirements. The Plan pays 100% of the cost of coverage for 15 years and provides for surviving spouse benefits.

The required contribution is based on projected pay-as-you-go financing requirements, with no current funding of actuarially determined liabilities. For the year ended June 30, 2012 the District contributed \$36,484 for plan benefits.

The District's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution (ARC) of the District. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial liabilities over 13 years. OPEB expense is also calculated based upon the following components:

- Amortization of the unfunded actuarial accrued liability (UAAL) for the current year, which is the actuarially-determined, unfunded present value of all future OPEB costs associated with current employees and retirees at the beginning of the year.
- Normal cost which is the actuarially-determined cost of future OPEB earned in the current year.

The following table summarizes the District's annual OPEB for the year ended June 30, 2012:

Annual required contribution	
Normal cost	\$ 9,144
Amortization of unfunded actuarial accrued liability	42,696
Interest	2,465
ARC adjustment	<u>(4,656)</u>
	49,649
Contributions made	<u>(36,484)</u>
Increase in net OPEB obligation	13,165
Net OPEB obligation - beginning of year	54,780
Net OPEB obligation - end of year	<u>\$ 67,945</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations are as follows:

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 49,649	73.5%	\$ 67,945
2011	62,493	64.9%	54,780
2010	59,119	70.2%	32,866

As of July 1, 2011, the actuarial accrued liability for benefits was \$487,714, all of which is unfunded. The annual payroll of employees covered by the Plan was \$150,118 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 325%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and ARC of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress is presented as required supplementary information and displays trend data on plan assets (if any) and the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the Plan as understood by the District and Plan members and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the District and Plan members. The methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets (if any), consistent with the long-term perspective of the calculations. The following assumptions were made:

Retirement age for active employees – based on the historical average retirement age for the covered group, active Plan members begin retiring at age 55 through age 70.

Marital status – 70% married, with male spouses assumed to be three years older than female spouses.

Mortality – 2006 New York State Teachers Retirement System rates separate for males and females and actives and retirees.

Salary Scale – 4%

Turnover – 2003 Society of Actuaries small plan withdrawal.

Healthcare cost trend rate – initially 5.2% peaking at 10.8% in 2014 and settling at 4.2% post 2050.

Actuarial cost method – Level percent of pay, closed group.

Discount rate – 4.5%

Amortization methods – Average future lifetime for non-actives (13 years).

9. Risk Management

General Liability

The District purchases commercial insurance for various risks of loss due to torts, theft, damage, errors and omissions, and natural disasters. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

Health Insurance

The District participates in the Orleans/Niagara School Health Plan (the Plan). The Plan has been established to administer a health insurance program to lower the costs of such coverage to the ten participating members as of June 30, 2011 (the most recent information available).

The District has transferred partial risk to the Plan. Plan members pay monthly premium equivalents based upon a pro-rata share of expenditures. All funds received are pooled and administered as a common fund. Plan members could be subjected, however, to pro-rata supplemental assessments in the event that the Plan's assets are not adequate to meet claims. No such supplemental assessments have been required in the past three years.

The Plan has published its own financial report for the year ended June 30, 2011, which can be obtained from Orleans/Niagara BOCES, 4232 Shelby Basin Road, Medina, New York, 14103.

Workers' Compensation

The District participates in the Orleans/Niagara Schools Workers' Compensation Plan (the Plan) sponsored by the Orleans/Niagara BOCES. The Plan administers a workers' compensation insurance fund pursuant to Article 5 of the Workers' Compensation Law to finance the liability and risk related to workers' compensation claims and to lower the costs of coverage to the participating members. The Plan includes five school districts and the BOCES unit as of June 30, 2011 (the most recent information available).

The District has transferred partial risk to the Plan. Plan members pay an annual premium equivalent based upon a pro-rata share of expenditures. All funds received are pooled and administered as a common fund. Plan members could be subjected, however, to pro-rata supplemental assessments in the event that the Plan's assets are not adequate to meet claims. No such supplemental assessments have been required in the past three years.

The Plan has published its own financial report for the year ended June 30, 2011, which can be obtained from Orleans/Niagara BOCES, 4232 Shelby Basin Road, Medina, New York 14103.

10. Commitments and Contingencies

Grants

The District receives financial assistance from federal and state agencies in the form of grants and calculated aid as determined by the State. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and are subject to audit by the grantor agencies. State aid payments are based upon estimated expenditures and pupil statistics, are complex and subject to adjustment. Any disallowed claims resulting from such audits could become a liability of the District. Based on prior experience, management expects such amounts to be immaterial.

Encumbrances

Significant outstanding encumbrances as of June 30, 2012 include \$205,300 for BOCES services and \$47,300 for equipment purchases.

BARKER CENTRAL SCHOOL DISTRICT

**Required Supplementary Information
Schedule of Funding Progress
Postemployment Benefit Plan (Unaudited)**

June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
October 1, 2008	\$ -	\$ 531,089	\$ (531,089)	-	\$ 134,800	394%
October 1, 2010	\$ -	\$ 520,823	\$ (520,823)	-	\$ 145,746	357%
July 1, 2011	\$ -	\$ 487,714	\$ (487,714)	-	\$ 150,118	325%

BARKER CENTRAL SCHOOL DISTRICT

**Supplementary Information
Schedule of Change from Original to Final Budget
And Use of Unrestricted Fund Balance - General Fund**

For the year ended June 30, 2012

Original expenditure budget	\$	19,202,232
Encumbrances carried over from prior year		<u>232,466</u>
Revised expenditure budget	\$	<u>19,434,698</u>

Use of Unrestricted Fund Balance as of July 1, 2011:

Committed*	\$	-
Assigned		6,851,143
Unassigned		<u>744,730</u>
		7,595,873
Encumbrances included in committed and assigned fund balance		(232,466)
Less appropriated fund balance used for tax levy		<u>(350,000)</u>
Amount subject to 4% limit pursuant to Real Property Tax Law §1318	\$	<u>7,013,407</u>

* As defined by the Office of the Comptroller of the State of New York.

BARKER CENTRAL SCHOOL DISTRICT

**Supplementary Information
Schedule of Capital Project Expenditures**

For the year ended June 30, 2012

Project Title	Original Budget	Expenditures			Unexpended Balance
		Prior Years	Current Year	Total	
NYSERDA Lighting Project	\$ 417,607	\$ 22,250	\$ 185,849	\$ 208,099	\$ 209,508
2011 Capital Improvement	3,000,000	6,615	120,076	126,691	2,873,309
Phase II Renovation Capital Reserve	213,921	53,980	150,601	204,581	9,340
Grand Totals	\$ 3,631,528	\$ 82,845	\$ 456,526	\$ 539,371	\$ 3,092,157

BARKER CENTRAL SCHOOL DISTRICT

**Supplementary Information
Schedule of Certain Revenues and Expenditures
Compared to ST-3 Data**

For the year ended June 30, 2012

		ST-3		General Fund
	Account Code	Amounts		Financial
		(Unaudited)		Statement Amounts
Revenues				
Real property taxes	A-1001	\$	2,858,011	\$ 2,858,011
Nonproperty taxes	AT-1199	\$	-	\$ -
State aid	AT-3999	\$	6,183,820	\$ 6,183,820
Federal aid	AT-4999	\$	70,572	\$ 70,572
Total revenues and other financing sources	AT-5999	\$	18,944,821	\$ 18,944,821
Expenditures				
General support	AT-1999	\$	2,275,618	\$ 2,275,618
Pupil transportation	AT-5599	\$	1,008,330	\$ 1,008,330
Debt service - principal	AT-9798.6	\$	925,000	\$ 925,000
Debt service - interest	AT-9798.7	\$	295,156	\$ 295,156
Total expenditures and other financing uses	AT-9999	\$	16,460,745	\$ 16,460,745

BARKER CENTRAL SCHOOL DISTRICT

**Supplementary Information
Schedule of Expenditures of Federal Awards**

For the year ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor Number</u>	<u>Expenditures</u>
U.S. Department of Education:			
Passed Through New York State Department of Education			
Special Education Cluster:			
Special Education_Grants to States	84.027	0032-12-0614	\$ 212,369
Special Education_Preschool Grants	84.173	0033-12-0614	10,950
Total Special Education Cluster			<u>223,319</u>
Title I Grants to Local Educational Agencies	84.010	0021-12-1985	218,089
Improving Teacher Quality State Grants	84.367	0147-12-1985	47,448
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	5500-12-1985	11,943
ARRA - Education Jobs Fund, Recovery Act	84.410	5400-12-0830	292,840
Total U.S. Department of Education			<u>793,639</u>
U.S. Department of Energy:			
Passed through New York State Energy Research and Development Authority			
ARRA - State Energy Program, Recovery Act	81.041	18909	<u>185,849</u>
U.S. Department of Agriculture:			
Passed Through New York State Department of Education			
Child Nutrition Cluster:			
School Breakfast Program	10.553	n/a	41,894
National School Lunch Program	10.555	n/a	145,720
Total Child Nutrition Cluster			<u>187,614</u>
Passed Through New York State Office of General Services			
Child Nutrition Discretionary Grants Limited Availability	10.579	n/a	14,069
Total U.S. Department of Agriculture			<u>201,683</u>
Total Expenditures of Federal Awards			\$ 1,181,171

BARKER CENTRAL SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs administered by Barker Central School District (the District), an entity as defined in Note 1 to the District's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule of Expenditures of Federal Awards.

Basis of Accounting

The District uses the modified accrual basis of accounting for each federal program, consistent with the fund basis financial statements.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the District's financial reporting system.

Non-monetary Federal Program

The District is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2012, the District used \$14,069 worth of commodities under the Child Nutrition Discretionary Grants Limited Availability program (CFDA Number 10.579).

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Board of Education
Barker Central School District

Compliance

We have audited Barker Central School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the Audit Committee, Board of Education, New York State Department of Education, federal awarding agencies and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

Janssen & McCarroll, LLP

September 6, 2012

BARKER CENTRAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the year ended June 30, 2012

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? Yes [2007-01]

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA #</u>	<u>Amount</u>
ARRA - State Energy Program, Recovery Act	81.041	\$ 185,849
ARRA - Education Jobs Fund, Recovery Act	84.410	292,840
		<u>\$ 478,689</u>

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

BARKER CENTRAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs (continued)

For the year ended June 30, 2012

Section II. Financial Statement Findings

2007-01 **Condition:** Historically, management has requested that its external auditors provide feedback and assistance with entries required by GASB 34 and in drafting the annual financial statements and footnote disclosures.

Criteria: Controls should be in place to ensure proper financial reporting and complete and accurate disclosures, exclusive of the efforts of the external auditor.

Effect: The District's financial statements may not be properly presented in accordance with generally accepted accounting principles absent the efforts of the external auditing firm.

Recommendation: While possibly impractical, management may wish to consider additional training or other resources to ensure completeness of its reporting process and control system.

Management's Response: In order to eliminate this condition, the District would need to devote considerable resources either internally or externally to ensure complete mastery of existing and future accounting principles and disclosure requirements. Management would have to compile the financial statements, including footnotes, and employ separate personnel familiar with all accounting standards, in lieu of the services presently provided by our auditing firm. Based on an evaluation of resources and cost/benefit scenarios, we do not believe this option is practical for the District.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.

BARKER CENTRAL SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

June 30, 2012

<u>Reference Number</u>	<u>Discussion</u>	<u>Cost</u>	<u>Status of Finding</u>
	No findings were reported and as such no corrective action plan is needed.		