

**BARKER CENTRAL SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013**

# BARKER CENTRAL SCHOOL DISTRICT

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June 30, 2013

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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, 2013, and the related notes to the financial statements, which collectively comprise the 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.

### **Auditors' 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 from 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 auditors' 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 remaining fund information of the District as of June 30, 2013, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

As described in Note 2 of the financial statements, the District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities* in 2013.

### *Required Supplementary Information*

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.

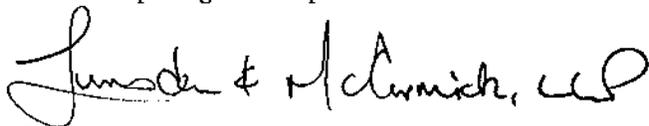
### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information as listed in the table of contents and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are 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. Such 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 accompanying supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the 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 September 23, 2013 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* in considering the District's internal control over financial reporting and compliance.



September 23, 2013

**Barker Central School District**  
**Management's Discussion and Analysis**  
**June 30, 2013**  
**(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, 2013. 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. In 2013, the District adopted GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. These statements require reporting of deferred outflows and inflows of resources separately from assets and liabilities and replace the concept of net assets with net position. In addition, certain items previously reported as assets and liabilities are required to be recognized as outflows or inflows of resources. GASB No. 63 segregated the loss on defeasance into deferred outflows of resources and tax receipts received in advance of the period of availability as deferred inflows of resources. However, there was no impact on the District's net position. GASB No. 65 resulted in expensing bond issuance costs incurred in 2013.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. The statement of activities presents information showing how the District's net position changed during each year. All changes in net position 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 that is essential for a full understanding of the information provided in the 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.

### Condensed Statement of Net Position

(000s Omitted)	2013	2012 (As Restated)	Change \$	%
Current assets	\$ 26,359	\$ 25,455	\$ 904	3.6%
Capital assets	15,401	15,537	(136)	-0.9%
Total assets	<u>41,760</u>	<u>40,992</u>	<u>768</u>	<u>1.9%</u>
Deferred outflows of resources	32	85	(53)	-62.4%
Long-term liabilities outstanding	8,917	9,470	(553)	-5.8%
Other liabilities	1,947	1,462	485	33.2%
Total liabilities	<u>10,864</u>	<u>10,932</u>	<u>(68)</u>	<u>-0.6%</u>
Deferred inflows of resources	-	632	(632)	100.0%
Net position				
Net investment in capital assets	9,618	9,025	593	6.6%
Restricted	12,373	13,488	(1,115)	-8.3%
Unrestricted	8,937	7,000	1,937	27.7%
Total net position	<u>\$ 30,928</u>	<u>\$ 29,513</u>	<u>\$ 1,415</u>	<u>4.8%</u>

The District's net position at June 30, 2013 and 2012 was \$30,928,000 and \$29,513,000. The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment), less the related bonds used to acquire those assets that are 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.

An additional portion of the District's net position 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. Examples of these reserves include the capital projects reserve which is set aside to pay for future buses, facilities, technology and equipment purchases and the employee benefit accrued liability reserve, which is restricted to pay for future accumulated sick and vacation time when an employee leaves. Other restricted reserves include the debt service, retirement contribution, unemployment insurance, property loss and liability, and workers' compensation reserves.

Total assets increased by \$768,000 (\$1,072,000 in 2012) as a result of the timing of cash flows and positive operating results. Cash increased by \$1,150,000 with other current assets remaining consistent with the prior year.

Long-term liabilities outstanding decreased by \$553,000 (decrease of \$755,000 in 2012) as a result of payments on bonds. Compensated absences increased by \$314,000 due to revisions in this estimate together with a greater number of vested employees expected to receive these payments upon termination of employment with the District.

Deferred inflows of resources decreased \$632,000 (decrease of \$74,000 in 2012) as the District's largest taxpayer did not remit its first installment of PILOT (payments in lieu of taxes) for the 2014 tax roll until after year end.

### Condensed Statement of Activities

(000s Omitted)	2013	2012	Change	
			\$	%
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 255	\$ 290	\$ (35)	-12.1%
Operating grants and contributions	1,262	1,294	(32)	-2.5%
Capital grants	-	186	(186)	-100.0%
General revenues				
Taxes and related items	11,375	12,158	(783)	-6.4%
State aid	6,421	6,184	237	3.8%
Other	240	413	(173)	-41.9%
Total revenue	<u>19,553</u>	<u>20,525</u>	<u>(972)</u>	<u>-4.7%</u>
<b>Expenses</b>				
Instruction	13,383	13,336	47	0.4%
Support services				
General support	2,933	3,239	(306)	-9.4%
Pupil transportation	1,035	1,047	(12)	-1.1%
Food service	404	402	2	0.5%
Interest and other	383	421	(38)	-9.0%
Total expenses	<u>18,138</u>	<u>18,445</u>	<u>(307)</u>	<u>-1.7%</u>
Change in net position	1,415	2,080	(665)	-32.0%
Net position - beginning	29,513	27,433	2,080	7.6%
Net position - ending	<u>\$ 30,928</u>	<u>\$ 29,513</u>	<u>\$ 1,415</u>	<u>4.8%</u>

District revenues decreased approximately 5.1% or \$1,057,000 over 2012 (decrease of 1.9% or \$396,000 in 2012). The decrease in revenues was generated largely due to a decrease in PILOT payments from AES, a power company located within the District. In 2013, PILOT payments received amounted to \$7,584,000, which is an \$889,000 decrease from 2012. In addition, the District received \$186,000 in capital grants in 2012 and none in 2013.

Total expenses decreased \$392,000 or 2.1% (increase of \$545,000 or 3.0% in 2012). General support decreases were largely due to 2012 including \$262,000 of repair costs on the District's buildings that were not capitalized as they did not extend the life of any of the District's assets. The remaining expenses remained fairly consistent with 2012 in part due to expected reductions in PILOT payments and the reduction in payroll of \$286,000 after step and scale increases. This helped to offset the expected increase in employee benefits of \$183,000.

## Financial Analysis of the District's Funds

Total fund balances for the governmental funds increased from \$23,333,000 to \$24,453,000. Revenues of \$19,635,000 exceeded expenditures and net financing uses of \$18,515,000, resulting in the increase of \$1,120,000.

- Total fund revenue decreased \$890,000 or 4.3% (decrease of \$396,000 or 1.9% in 2012) and total fund expenditures increased \$143,000 or .8% (decrease of \$443,000 or 2.4% in 2012). The overall revenue decrease is attributable to PILOT payments as previously noted, offset by increases in State aid (\$496,000). Expenditures reflect \$817,000 in capital outlays, an increase of \$361,000 over 2012. Expenditure increases also occurred in employee benefits as a result of increases in the mandated contributions to the State's pension systems.
- A \$5,000 decrease in fund balance in the school lunch fund was realized due to reductions in sales together with higher expenditures.
- Fund balance of \$2,326,000 is reported in the capital projects fund and is restricted to pay for capital projects as approved by the voters.
- The general fund experienced an increase in fund balance of \$1,843,000 during 2013 compared to a \$2,498,000 increase for 2012.

## General Fund Budgetary Highlights

Total revenue of \$18,259,000 was more than budgeted revenue by \$15,000. The total original and final expenditure and other uses budget for fiscal year 2013 was \$19,806,000. There were no budget adjustments affecting the total budget but individual line items changed on a recurring basis throughout the year.

Actual expenditures and carryover encumbrances were less than the final amended budget by \$3,328,000 or 16.9%. The difference is attributable to many factors and many unknown items when the budget is prepared. Because of the uncertainty level of educational funding at the State, the District cautiously managed its budget to generate savings in central services, teaching – regular school, programs for children with handicapping conditions, and employee benefits.

## Capital Assets

	2013	2012
Land and land improvements	\$ 1,149,000	\$ 1,149,000
Construction in progress	968,000	151,000
Buildings and improvements	30,422,000	30,422,000
Furniture and fixtures	2,379,000	2,379,000
	<u>34,918,000</u>	<u>34,101,000</u>
Accumulated depreciation	(19,517,000)	(18,564,000)
	<u>\$ 15,401,000</u>	<u>\$ 15,537,000</u>

Current year additions of \$817,000 were offset by depreciation of \$953,000. Current year additions were entirely concentrated on the District's \$3,000,000 capital improvements project.

### **Debt Administration**

On June 30, 2013, the District had \$5,736,000 in bonds outstanding with \$996,000 due within one year (\$6,695,000 outstanding at June 30, 2012). Outstanding compensated absences payable were \$3,021,000, with \$589,000 expected to be paid within one year (\$2,707,000 outstanding at June 30, 2012).

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

### **Current Financial Issues and Concerns**

The District continues to strive to achieve financial stability in the face of national and state financial uncertainty. The continued implementation of state aid reform could affect the amount of state aid the District receives in the future. In addition, continued high contribution rates for both the teachers' retirement system and employees' retirement system and the mandated property tax levy cap will significantly impact revenue and how expenditures will be funded in future years.

### **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 Dr. Roger J. Klatt, Superintendent, Barker Central School District, 1628 Quaker Road, Barker, New York 14012.

# BARKER CENTRAL SCHOOL DISTRICT

## Statement of Net Position

June 30, 2013 (With comparative totals as of June 30, 2012)	2013	2012 (As Restated)
<b>Assets</b>		
Cash	\$ 25,599,346	\$ 24,449,455
Due from other governments	414,097	444,938
State and federal aid receivable	332,761	502,444
Due from fiduciary funds	229	163
Inventory and other assets	13,202	58,368
Capital assets (Note 6)	34,917,926	34,100,800
Accumulated depreciation	(19,517,318)	(18,563,938)
<b>Total assets</b>	<b>41,760,243</b>	<b>40,992,230</b>
<b>Deferred Outflows of Resources</b>		
Defeasance loss	32,186	85,089
<b>Liabilities</b>		
Accounts payable	769,926	265,717
Accrued liabilities	229,657	289,978
Due to retirement systems	935,603	904,070
Unearned revenue	12,040	2,966
Long-term liabilities		
Due within one year:		
Bonds	996,200	950,000
Compensated absences	589,000	634,000
Due beyond one year:		
Bonds	4,818,913	5,745,000
Compensated absences	2,432,000	2,073,000
Other postemployment benefits	80,667	67,945
<b>Total liabilities</b>	<b>10,864,006</b>	<b>10,932,676</b>
<b>Deferred Inflows of Resources</b>		
PILOT payments received in advance	-	632,000
<b>Net Position</b>		
Net investment in capital assets	9,617,681	9,025,376
Restricted	12,373,363	13,487,512
Unrestricted	8,937,379	6,999,755
<b>Total net position</b>	<b>\$ 30,928,423</b>	<b>\$ 29,512,643</b>

See accompanying notes.

# BARKER CENTRAL SCHOOL DISTRICT

## Statement of Activities

For the year ended June 30, 2013

(With summarized comparative totals for June 30, 2012)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	2013	2012
<b>Governmental activities</b>					
General support	\$ 2,932,766	\$ -	\$ 900	\$ (2,931,866)	\$ (3,053,432)
Instruction	13,383,267	101,421	1,015,363	(12,266,483)	(12,134,133)
Pupil transportation	1,034,593	-	-	(1,034,593)	(1,046,363)
Community service	22,472	-	-	(22,472)	(26,508)
Interest expense	360,169	-	-	(360,169)	(394,402)
School food service	404,229	153,419	245,801	(5,009)	(20,241)
	<u>\$ 18,137,496</u>	<u>\$ 254,840</u>	<u>\$ 1,262,064</u>	<u>(16,620,592)</u>	<u>(16,675,079)</u>
		<b>General revenues</b>			
		Real property taxes		11,375,362	12,158,099
		Interest income		62,224	89,066
		Miscellaneous		177,467	323,899
		State aid		6,421,319	6,183,820
		<b>Total general revenues</b>		<u>18,036,372</u>	<u>18,754,884</u>
		<b>Change in net position</b>		1,415,780	2,079,805
		<b>Net position - beginning</b>		29,512,643	27,432,838
		<b>Net position - ending</b>		<u>\$ 30,928,423</u>	<u>\$ 29,512,643</u>

# BARKER CENTRAL SCHOOL DISTRICT

## Balance Sheet - Governmental Funds

June 30, 2013

(With summarized comparative totals as of June 30, 2012)

	General	Capital Projects	Special Aid	School Lunch	Total Governmental Funds	
					2013	2012 (As Restated)
<b>Assets</b>						
Cash	\$ 22,569,202	\$ 2,790,483	\$ 178,911	\$ 60,750	\$ 25,599,346	\$ 24,449,455
Due from other governments	413,684	-	-	413	414,097	444,938
State and federal aid receivable	144,491	-	186,440	1,830	332,761	502,444
Due from other funds, net	298,196	95,714	-	-	393,910	438,008
Inventory	-	-	-	13,202	13,202	5,737
<b>Total assets</b>	<b>\$ 23,425,573</b>	<b>\$ 2,886,197</b>	<b>\$ 365,351</b>	<b>\$ 76,195</b>	<b>\$ 26,753,316</b>	<b>\$ 25,840,582</b>
<b>Liabilities</b>						
Accounts payable	\$ 166,772	\$ 560,322	\$ 42,559	\$ 273	\$ 769,926	\$ 265,717
Accrued liabilities	186,905	-	-	1,752	188,657	265,086
Due to retirement systems	935,603	-	-	-	935,603	904,070
Unearned revenue	-	-	12,040	-	12,040	2,966
Due to other funds, net	-	-	310,752	82,929	393,681	437,845
<b>Total liabilities</b>	<b>1,289,280</b>	<b>560,322</b>	<b>365,351</b>	<b>84,954</b>	<b>2,299,907</b>	<b>1,875,684</b>
<b>Deferred Inflows of Resources</b>						
PILOT payments received in advance	-	-	-	-	-	632,000
<b>Fund Balances</b>						
Nonspendable:						
Inventory	-	-	-	13,202	13,202	5,737
Restricted:						
Capital projects	5,936,266	2,325,875	-	-	8,262,141	8,926,124
Debt service	113,757	-	-	-	113,757	278,280
Retirement contribution	226,432	-	-	-	226,432	226,047
Unemployment insurance	47,516	-	-	-	47,516	47,434
Employee benefit accrued liability	3,347,282	-	-	-	3,347,282	3,634,033
Property loss and liability	316,770	-	-	-	316,770	316,230
Workers' compensation	59,465	-	-	-	59,465	59,364
Assigned:						
Designated for subsequent year's expenditures	350,000	-	-	-	350,000	350,000
Designated for future tax proceedings	10,900,173	-	-	-	10,900,173	8,356,300
Other purposes	77,896	-	-	-	77,896	363,422
Unassigned	760,736	-	-	(21,961)	738,775	769,927
<b>Total fund balances (deficit)</b>	<b>22,136,293</b>	<b>2,325,875</b>	<b>-</b>	<b>(8,759)</b>	<b>24,453,409</b>	<b>23,332,898</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 23,425,573</b>	<b>\$ 2,886,197</b>	<b>\$ 365,351</b>	<b>\$ 76,195</b>	<b>\$ 26,753,316</b>	<b>\$ 25,840,582</b>

**BARKER CENTRAL SCHOOL DISTRICT**

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**Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position**

**June 30, 2013**

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<b>Total fund balances - governmental funds</b>	<b>\$ 24,453,409</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds.	15,400,608
Defeasance losses associated with bond refundings are recognized as deferred outflows of resources in the government-wide statements.	32,186
Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:	
Bonds	5,815,113
Accrued interest	43,000
Compensated absences	3,021,000
Other postemployment benefits	80,667
	<u>(8,957,780)</u>
<b>Net position - governmental activities</b>	<b>\$ 30,928,423</b>

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**BARKER CENTRAL SCHOOL DISTRICT**

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

For the year ended June 30, 2013

(With summarized comparative totals for June 30, 2012)

	General	Capital Projects	Special Aid	School Lunch	Total Governmental Funds	
					2013	2012
<b>Revenues</b>						
Real property taxes	\$ 2,946,114	\$ -	\$ -	\$ -	\$ 2,946,114	\$ 2,858,011
Real property tax items	8,429,248	-	-	-	8,429,248	9,300,088
Charges for services	101,421	-	-	-	101,421	119,365
Use of money and property	62,224	-	-	-	62,224	89,066
Sale of property and compensation for loss	935	-	-	-	935	11,758
Miscellaneous	262,553	-	60,027	-	322,580	370,467
State sources	6,421,319	-	418,478	10,269	6,850,066	6,353,710
Federal sources	39,226	-	497,632	235,532	772,390	1,251,743
Sales	-	-	-	153,419	153,419	170,368
<b>Total revenues</b>	<b>18,263,040</b>	<b>-</b>	<b>976,137</b>	<b>399,220</b>	<b>19,638,397</b>	<b>20,524,576</b>
<b>Expenditures</b>						
General support	2,082,757	-	-	131,002	2,213,759	2,407,972
Instruction	8,523,488	-	976,611	-	9,500,099	9,617,142
Pupil transportation	1,011,014	-	6,681	-	1,017,695	1,031,254
Community service	22,472	-	-	-	22,472	26,508
Employee benefits	3,475,540	-	-	121,081	3,596,621	3,413,355
Debt service						
Principal	950,000	-	-	-	950,000	925,000
Interest	208,191	-	-	-	208,191	295,156
Cost of sales	-	-	-	152,146	152,146	158,505
Capital outlay	-	817,126	-	-	817,126	456,526
<b>Total expenditures</b>	<b>16,273,462</b>	<b>817,126</b>	<b>983,292</b>	<b>404,229</b>	<b>18,478,109</b>	<b>18,331,418</b>
<b>Excess revenues (expenditures)</b>	<b>1,989,578</b>	<b>(817,126)</b>	<b>(7,155)</b>	<b>(5,009)</b>	<b>1,160,288</b>	<b>2,193,158</b>
<b>Other financing sources (uses)</b>						
Operating transfers	(107,155)	100,000	7,155	-	-	-
Proceeds from advance refunding	2,876,200	-	-	-	2,876,200	-
Payment to escrow agent	(2,915,977)	-	-	-	(2,915,977)	-
<b>Total other financing sources (uses)</b>	<b>(146,932)</b>	<b>100,000</b>	<b>7,155</b>	<b>-</b>	<b>(39,777)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>1,842,646</b>	<b>(717,126)</b>	<b>-</b>	<b>(5,009)</b>	<b>1,120,511</b>	<b>2,193,158</b>
Fund balances (deficit) - beginning	20,293,647	3,043,001	-	(3,750)	23,332,898	21,139,740
<b>Fund balances (deficit) - ending</b>	<b>\$ 22,136,293</b>	<b>\$ 2,325,875</b>	<b>\$ -</b>	<b>\$ (8,759)</b>	<b>\$ 24,453,409</b>	<b>\$ 23,332,898</b>

**BARKER CENTRAL SCHOOL DISTRICT**

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

**For the year ended June 30, 2013**

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**Total net change in fund balances - governmental funds** **\$ 1,120,511**

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

Capital outlays are reported in governmental funds as expenditures. In the statement of activities, 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. (136,254)

Payments of long-term liabilities are reported as expenditures in governmental funds and as reductions of debt in the statement of net position. 950,000

Net effect of bond refunding. (39,777)

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

Other postemployment benefits	(12,722)	
Amortization of bond premium	6,207	
Amortization of defeasance loss	(89,446)	
Compensated absences	(314,000)	
Interest	(68,739)	(478,700)

**Change in net position - governmental activities** **\$ 1,415,780**

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**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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Encumbrances	Variance with Final Budget Over/(Under)
	Original	Final			
<b>Revenues</b>					
Local sources					
Real property taxes	\$ 3,782,030	\$ 3,782,030	\$ 2,946,114		\$ (835,916)
Real property tax items	7,590,000	7,590,000	8,429,248		839,248
Charges for services	9,000	9,000	101,421		92,421
Use of money and property	110,000	110,000	62,224		(47,776)
Sale of property and compensation for loss	-	-	935		935
Miscellaneous	35,000	35,000	262,553		227,553
State sources	6,718,225	6,718,225	6,421,319		(296,906)
Federal sources	-	-	39,226		39,226
<b>Total revenues</b>	<b>18,244,255</b>	<b>18,244,255</b>	<b>18,263,040</b>		<b>18,785</b>
<b>Expenditures</b>					
General Support					
Board of education	24,643	30,968	26,621	-	(4,347)
Central administration	236,107	242,486	241,641	-	(845)
Finance	266,927	262,597	250,322	1,448	(10,827)
Staff	158,925	157,151	59,776	4,476	(92,899)
Central services	1,938,761	1,936,411	1,303,614	18,145	(614,652)
Special items	219,393	220,093	200,783	-	(19,310)
Instruction					
Instruction, administration and improvement	534,400	533,946	439,983	897	(93,066)
Teaching - regular school	5,851,618	5,849,247	4,982,726	14,210	(852,311)
Programs for children with handicapping conditions	1,990,213	1,964,712	1,342,399	26,316	(595,997)
Occupational education	365,100	365,100	355,200	4,410	(5,490)
Teaching - special schools	24,870	23,420	12,282	-	(11,138)
Instructional media	603,744	624,385	552,899	878	(70,608)
Pupil services	962,682	966,867	837,999	1,192	(127,676)
Pupil transportation	1,062,582	1,062,582	1,011,014	424	(51,144)
Community services	39,871	39,871	22,472	-	(17,399)
Employee benefits	4,183,124	4,183,124	3,475,540	5,500	(702,084)
Debt service					
Principal	950,000	950,000	950,000	-	-
Interest	262,857	262,857	208,191	-	(54,666)
<b>Total expenditures</b>	<b>19,675,817</b>	<b>19,675,817</b>	<b>16,273,462</b>	<b>77,896</b>	<b>(3,324,459)</b>
<b>Excess revenues (expenditures)</b>	<b>(1,431,562)</b>	<b>(1,431,562)</b>	<b>1,989,578</b>	<b>(77,896)</b>	<b>3,343,244</b>
<b>Other financing sources (uses)</b>					
Operating transfers	(130,000)	(130,000)	(107,155)		22,845
Proceeds from advance refunding	-	-	2,876,200		2,876,200
Payment to escrow agent	-	-	(2,915,977)		(2,915,977)
Appropriated fund balance, reserves, and carryover encumbrances	1,561,562	1,561,562	-		(1,561,562)
<b>Total other financing sources (uses)</b>	<b>1,431,562</b>	<b>1,431,562</b>	<b>(146,932)</b>		<b>(1,578,494)</b>
<b>Excess revenues (expenditures) and other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,842,646</b>	<b>\$ (77,896)</b>	<b>\$ 1,764,750</b>

See accompanying notes.

**BARKER CENTRAL SCHOOL DISTRICT**

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**Statement of Fiduciary Net Position**

June 30, 2013

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	Private-Purpose Trusts	Agency
<b>Assets</b>		
Cash	\$ 65,652	\$ 131,138
<b>Liabilities</b>		
Extraclassroom activities balances	-	\$ 78,016
Due to governmental funds	-	229
Agency liabilities	-	52,893
<b>Total liabilities</b>	<b>-</b>	<b>\$ 131,138</b>
<b>Net Position</b>		
Restricted for scholarships	\$ 65,652	

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**BARKER CENTRAL SCHOOL DISTRICT**

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**Statement of Changes in Fiduciary Net Position**

For the year ended June 30, 2013

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	Private-Purpose Trusts
<b>Additions</b>	
Gifts and donations	\$ 520
Interest and earnings	170
	690
<b>Deductions</b>	
Scholarship awards	1,150
Change in net position	(460)
<b>Net position - beginning</b>	66,112
<b>Net position - ending</b>	<b>\$ 65,652</b>

# 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 and the District's reporting entity does not contain any component units.

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, 2013, the District was billed \$1,473,000 for BOCES administrative and program costs and recognized \$46,000 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 10.

#### Basis of Presentation

*District-wide Statements:* The statement of net position and the statement of activities 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 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 and (b) grants and contributions that are restricted to meeting the operational requirements of a particular program. 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 assigned 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 purpose 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, 2012, from which the summarized information was derived (Note 2).

#### **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 and 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 considered unearned and reported as revenue when the expense is 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, 2013, the tax lien was issued on August 20, 2012 for collection from September 1 through October 31, 2012. Thereafter, uncollected amounts become the responsibility of Niagara and Orleans Counties and are submitted to the District by April 1<sup>st</sup> 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, 2012 was approved by a majority of the voters in a general election held on May 15, 2012.

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 based on the cost of the project together with the requirements for external borrowings rather than annual appropriations. The capital project fund 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 Defeasances

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 recorded as either a deferred inflow or outflow of resources. In subsequent years, these amounts 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.

### Payments Received in Advance

PILOT (payment in lieu of taxes) payments received in advance of the applicable tax year are presented as a deferred inflow of resources 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 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 administrative 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

- *Net investment in capital assets* - consists of capital assets, net of accumulated depreciation reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or terms of the District's bonds.
- *Unrestricted* - the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore 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 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 position 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. 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 an 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 required by the District's largest taxpayer.

## Interfund Balances

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 transfers to provide financing or other services.

In the government-wide 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 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. Change in Accounting Principle

Effective July 1, 2012, the District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 63 requires reporting of deferred outflows and inflows of resources separately from assets and liabilities and replaces net assets with net position. In addition, certain items previously reported as assets and liabilities are now required to be recognized as outflows or inflows of resources. GASB 63 requires that defeasance losses be separately stated on the statement of net position as deferred outflows of resources and tax payments received in advance of the period of availability be recognized as deferred inflows of resources. The 2012 comparative totals have been restated to reflect these changes but there was no impact on the District's net position. GASB 65 has no impact on the current year or comparative statements.

## 3. Stewardship and Compliance

The deficit fund balance of \$8,759 in the school lunch fund will be funded in future years as operations improve or prices increase to provide revenues in excess in expenditures.

#### 4. Cash

Cash management 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, 2013, the District's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institution's agents in the District's name.

#### 6. Capital Assets

	Balance July 1, 2012	Increases	Retirements/ Reclassifications	Balance June 30, 2013
<b>Non-depreciable capital assets:</b>				
Land	\$ 104,102	\$ -	\$ -	\$ 104,102
Construction in progress	150,601	817,126	-	967,727
Total non-depreciable assets	254,703	817,126	-	1,071,829
<b>Depreciable capital assets:</b>				
Land improvements	1,045,029	-	-	1,045,029
Buildings and improvements	30,421,769	-	-	30,421,769
Furniture and fixtures	2,204,416	-	-	2,204,416
Vehicles	174,883	-	-	174,883
Total depreciable assets	33,846,097	-	-	33,846,097
<b>Less accumulated depreciation:</b>				
Land improvements	820,418	49,337	-	869,755
Buildings and improvements	15,589,471	847,547	-	16,437,018
Furniture and fixtures	2,016,436	47,273	-	2,063,709
Vehicles	137,613	9,223	-	146,836
Total accumulated depreciation	18,563,938	953,380	-	19,517,318
Total depreciable assets, net	15,282,159	(953,380)	-	14,328,779
	\$ 15,536,862	\$ (136,254)	\$ -	\$ 15,400,608

#### 5. Interfund Transactions – fund financial statements

Fund	Receivable	Payable	Transfers	
			In	Out
General	\$ 389,641	\$ 91,445	\$ -	\$ 107,155
Capital projects	100,000	4,286	100,000	-
Special aid	-	310,752	7,155	-
School lunch	-	82,929	-	-
Fiduciary funds	-	229	-	-
	\$ 489,641	\$ 489,641	\$ 107,155	\$ 107,155

The District's general fund provides cash flow to the various other funds; these amounts are repaid in the subsequent year when funds are received from the State after final expenditure reports have been submitted and approved or when permanent financing is obtained. The general fund made permanent transfers to the special aid fund to cover its share of costs related to the summer school handicap program and to the capital projects fund for capital project expenditures.

Depreciation expense has been allocated to the following functions: general support \$171,484, instruction \$778,509, and transportation \$3,387.

As of June 30, 2013, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	\$ 15,400,608
Bonds and premiums	(5,815,113)
Defeasance loss	32,186
	<u>\$ 9,617,681</u>

## 7. Long-Term Liabilities

	July 1, 2012	Increases	Decreases	June 30, 2013	Amounts Due in One Year
Bonds	\$ 6,695,000	\$ 2,876,200	\$ 3,835,000	\$ 5,736,200	\$ 996,200
Premium on 2013 issuance	-	85,120	6,207	78,913	-
Compensated absences	2,707,000	314,000	-	3,021,000	589,000
Other postemployment benefits	67,945	49,206	36,484	80,667	-
	<u>\$ 9,469,945</u>	<u>\$ 3,324,526</u>	<u>\$ 3,877,691</u>	<u>\$ 8,916,780</u>	<u>\$ 1,585,200</u>

### Existing obligations:

Description	Maturity	Rate	Balance
Serial Bonds - 2005	June 2020	3.625% - 4.0%	\$ 1,310,000
Serial Bonds - 2007	Jan 2023	4.3% - 4.5%	1,550,000
Refunding Bonds - 2013	Dec. 2016	2.0%	2,876,200
			<u>\$ 5,736,200</u>

### Debt service requirements:

Year ending June 30,	Principal	Interest
2014	\$ 996,200	\$ 182,426
2015	1,010,000	143,738
2016	1,035,000	116,913
2017	1,105,000	89,025
2018	350,000	67,500
2019-2023	1,240,000	136,763
	<u>\$ 5,736,200</u>	<u>\$ 736,365</u>

### Advance Refunding of Debt:

In March 2013, the District issued \$2,876,200 in general obligation bonds with a coupon rate of 2.0% to advance refund \$2,885,000 of outstanding serial bonds bearing an average rate of 3.78%. The net proceeds of \$2,915,977 (including a premium of \$85,120 and payment of \$45,343 for underwriting, insurance and other issuance costs) was used to purchase U.S. Government Securities. Those securities were placed in an irrevocable trust with an escrow agent to pay all future debt service payments of the original bonds. As a result, the original bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding including the premium decreased the total debt service payment for the next 4 years by \$163,962, resulting in an economic impact of approximately \$152,148 at net present value.

## 8. 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](http://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](http://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 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
2013	\$ 802,240	11.84%	\$ 309,480	10.2% - 25.4%
2012	758,590	11.11%	225,240	12.8% - 21.5%
2011	621,153	8.62%	185,131	11.4% - 15.3%

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

## 9. 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, 2013 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, 2013:

Annual required contribution	
Normal cost	\$ 9,144
Amortization of unfunded actuarial accrued liability	42,696
Interest	3,058
ARC adjustment	<u>(5,692)</u>
	49,206
Contributions made	<u>(36,484)</u>
Increase in net OPEB obligation	12,722
Net OPEB obligation - beginning of year	67,945
Net OPEB obligation - end of year	<u>\$ 80,667</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
2013	\$ 49,206	74.2%	\$ 80,667
2012	49,649	73.5%	67,945
2011	62,493	64.9%	54,780

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 method** – Average future lifetime for non-actives (13 years).

## 10. 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 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, 2012 (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, 2012, 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 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, 2012 (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, 2012, which can be obtained from Orleans/Niagara BOCES, 4232 Shelby Basin Road, Medina, New York 14103.

## **11. 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.

### **Commitments**

The District has received voter approval and plans to spend up to \$3,000,000 on various capital improvements. Through June 30, 2013, \$944,000 has been spent on this project with various open contracts.

**BARKER CENTRAL SCHOOL DISTRICT**

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

June 30, 2013

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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**

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**Supplementary Information  
 Schedule of Change from Original to Final Budget and  
 Calculation of Unrestricted Fund Balance Limit - General Fund**

**For the year ended June 30, 2013**

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Original expenditure budget	\$ 19,485,396
Encumbrances carried over from prior year	<u>320,421</u>
Revised expenditure budget	<u>\$ 19,805,817</u>

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**Unrestricted Fund Balance**

Committed*	\$ -
Assigned	11,328,069
Unassigned	<u>760,736</u>
	12,088,805
Encumbrances included in committed and assigned fund balance	(77,896)
Appropriated for future tax proceedings	(10,900,173)
Appropriated fund balance used for tax levy	<u>(350,000)</u>
Amount subject to 4% limit pursuant to Real Property Tax Law §1318	<u>\$ 760,736</u>

**§1318 of Real Property Tax Law - unrestricted fund balance limit calculation**

2014 expenditure budget (unaudited)	\$ 19,018,424
4% of budget	<u>760,737</u>
Actual percentage of 2014 expenditure budget	<u>4.00%</u>

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

**BARKER CENTRAL SCHOOL DISTRICT**

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**Supplementary Information  
Schedule of Capital Project Expenditures**

For the year ended June 30, 2013

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Project Title	Original Budget	Expenditures			Unexpended Balance
		Prior Years	Current Year	Total	
2011 Capital Improvement	\$ 3,000,000	\$ 126,691	\$ 817,126	\$ 943,817	\$ 2,056,183

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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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Janssen & McAmich, LLP". The signature is written in a cursive, flowing style.

September 23, 2013

# BARKER CENTRAL SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

For the year ended June 30, 2013

### Section I. Summary of Auditors' Results

#### Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? Yes [2007-001]

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: *Unmodified*

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>
<b>Special Education Cluster:</b>		
Special Education_Grants to States	84.027	\$ 207,407
Special Education_Preschool Grants	84.173	10,921
		<u>\$ 218,328</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**

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**Schedule of Findings and Questioned Costs (continued)**

**For the year ended June 30, 2013**

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**Section II. Financial Statement Findings**

2007-001      **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**

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**Summary Schedule of Prior Audit Findings**

**June 30, 2013**

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No findings were reported and as such no corrective action plan is needed.