

**BARKER CENTRAL SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

# BARKER CENTRAL SCHOOL DISTRICT

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June 30, 2014

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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, 2014, 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, 2014, 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

### *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.

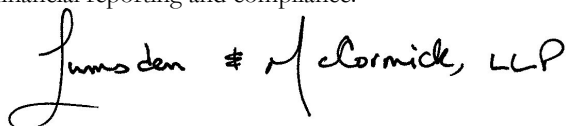
### *Supplementary Information*

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, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information including the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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 including the schedule of expenditures of federal awards is 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 18, 2014 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 18, 2014

**Barker Central School District**  
**Management's Discussion and Analysis**  
**June 30, 2014**  
**(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, 2014. The information contained in the MD&A should be considered in conjunction with the information presented as part of the District's financial statements which 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; (5) notes to the financial statements; and (6) supplementary information.

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 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 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)	2014		2013		Change		
					\$	%	
Current assets	\$	23,533	\$	26,359	\$	(2,826)	-10.7%
Capital assets		16,727		15,401		1,326	8.6%
Total assets		40,260		41,760		(1,500)	-3.6%
Deferred outflows of resources		24		32		(8)	-25.0%
Long-term liabilities outstanding		8,381		8,917		(536)	-6.0%
Other liabilities		1,698		1,947		(249)	-12.8%
Total liabilities		10,079		10,864		(785)	-7.2%
Deferred inflows of resources		252		-		252	100.0%
Net position							
Net investment in capital assets		11,953		9,618		2,335	24.3%
Restricted		9,933		12,373		(2,440)	-19.7%
Unrestricted		8,067		8,937		(870)	-9.7%
Total net position	\$	29,953	\$	30,928	\$	(975)	-3.2%

The District's net position at June 30, 2014 and 2013 was \$29,953,000 and \$30,928,000. 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 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. Other restricted resources include the retirement contribution, unemployment insurance, property loss and liability, and workers' compensation reserves.

Total assets decreased by \$1,500,000 (\$768,000 increase in 2013) as a result of the timing of cash flows and negative operating results and the use of over \$2,000,000 for various self-funded school building improvement projects. Cash decreased by \$2,843,000 while net capital assets increased \$1,326,000 due to current year additions in excess of current year depreciation. Other current assets remained consistent with the prior year.

Long-term liabilities outstanding decreased by \$536,000 (decrease of \$553,000 in 2013) as a result of payments on bonds. Compensated absences increased by \$469,000 due to revisions in this estimate together with a greater number of vested employees expected to receive these payments upon leaving employment of the District.

Deferred inflows of resources increased \$252,000 (decrease of \$632,000 in 2013) as the District's largest taxpayer remitted its first installment of PILOT (payments in lieu of taxes) for the 2015 tax roll prior to year end.

### Condensed Statement of Activities

(000s Omitted)	2014	2013	Change	
			\$	%
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 325	\$ 255	\$ 70	27.5%
Operating grants and contributions	1,200	1,262	(62)	-4.9%
General revenues				
Taxes and related items	8,474	11,375	(2,901)	-25.5%
State aid	6,563	6,421	142	2.2%
Other	150	240	(90)	-37.5%
Total revenue	<u>16,712</u>	<u>19,553</u>	<u>(2,841)</u>	<u>-14.5%</u>
<b>Expenses</b>				
Instruction	13,262	13,383	(121)	-0.9%
Support services				
General support	2,826	2,933	(107)	-3.6%
Pupil transportation	1,022	1,035	(13)	-1.3%
Food service	390	404	(14)	-3.5%
Interest and other	187	383	(196)	-51.2%
Total expenses	<u>17,687</u>	<u>18,138</u>	<u>(451)</u>	<u>-2.5%</u>
Change in net position	(975)	1,415	(2,390)	-168.9%
Net position - beginning	30,928	29,513	1,415	4.8%
Net position - ending	<u>\$ 29,953</u>	<u>\$ 30,928</u>	<u>\$ (975)</u>	<u>-3.2%</u>

District revenues decreased 14.5% or \$2,841,000 over 2013 (decrease of 4.7% or \$972,000 in 2013). The decrease in revenues was generated largely due to a decrease in PILOT payments from AES, a power company located within the District. In 2014, PILOT payments received amounted to \$4,550,000, which is a \$3,034,000 decrease from 2013.

Total expenses decreased \$451,000 or 2.5% (decrease of \$307,000 or 1.7% in 2013). General support and instruction decreases were largely due to retirement of employees where positions were left vacant for the 2014 year. Interest and other expenses decreased \$196,000 or 51.2% due to the expensing of certain costs in the prior year related to refunding certain bonds and the implementation of new accounting guidance. The remaining expenses remained fairly consistent with 2013. The reduction in expense would have been higher but employee benefits increased by \$402,000 due to required increase in contributions for teachers' retirement, increase in the compensated absences accrual, and a \$120,000 increase in health insurance. Employee benefits are allocated amongst the functional expense lines displayed above.

## Financial Analysis of the District's Funds

Total fund balances for the governmental funds decreased from \$24,454,000 to \$21,619,000. Expenditures of \$19,547,000 exceeded revenues of \$16,712,000, resulting in the decrease of \$2,835,000.

- Total fund revenue decreased \$2,926,000 or 14.9% (decrease of \$886,000 or 4.3% in 2013) and total fund expenditures increased \$1,069,000 or 5.8% (increase of \$147,000 or .8% in 2013). The overall revenue decrease is attributable to PILOT payments as previously noted, offset by increases in state aid (\$145,000) and real property taxes (\$117,000). Expenditures reflect \$2,017,000 in capital outlays, an increase of \$1,200,000 over 2013. Expenditure increases also occurred in employee benefits as previously mentioned.
- A \$700 decrease in fund balance in the school lunch fund was realized due to reductions in sales not fully absorbed by the reduction in expenditures.
- Fund balance of \$40,000 is reported in the capital projects fund and is restricted to pay for capital projects as approved by the voters.
- The general fund experienced a decrease in fund balance of \$548,000 during 2013 compared to a \$1,843,000 increase for 2013.

## General Fund Budgetary Highlights

Total revenue of \$15,393,000 was more than budgeted revenue by \$240,000. The total original and final expenditure and other uses budget for fiscal year 2014 was \$19,096,000. 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 \$2,828,000 or 14.9%. The difference is attributable to many factors and many unknown items when the budget is prepared. Because of the uncertainty 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

	<u>2014</u>	<u>2013</u>
Land and land improvements	\$ 1,137,000	\$ 1,149,000
Construction in progress	-	968,000
Buildings and improvements	33,010,000	30,422,000
Furniture and fixtures	2,738,000	2,204,000
Vehicles	175,000	175,000
	<u>37,060,000</u>	<u>34,918,000</u>
Accumulated depreciation	<u>(20,333,000)</u>	<u>(19,517,000)</u>
	<u>\$ 16,727,000</u>	<u>\$ 15,401,000</u>

Current year additions of \$2,142,000 were offset by depreciation of \$816,000. Current year additions were almost entirely concentrated on the District's \$3,000,000 capital improvements project.



## **Debt Administration**

On June 30, 2014, the District had \$4,740,000 in bonds outstanding with \$1,010,000 due within one year (\$5,736,000 outstanding at June 30, 2013). Outstanding compensated absences payable were \$3,490,000, with \$742,000 expected to be paid within one year (\$3,021,000 outstanding at June 30, 2013).

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 impacts the amount of state aid the District receives. In addition, continued high contribution rates for the teachers' retirement system and the mandated property tax levy cap will significantly impact revenue and how expenditures will be funded in future years. In 2014, additional legislation was introduced that pushes more pressure to local governments to freeze tax rates within the property tax cap formula. The result is a state funded refund to property owners if the local government abides by the terms of the legislation.

## **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, 2014

(With comparative totals as of June 30, 2013)

	2014	2013
<b>Assets</b>		
Cash	\$ 22,756,708	\$ 25,599,346
Due from other governments	309,462	414,097
State and federal aid receivable	452,743	332,761
Due from fiduciary funds	292	229
Inventory and other	13,495	13,202
Capital assets (Note 5)	37,060,445	34,917,926
Accumulated depreciation	(20,333,109)	(19,517,318)
<b>Total assets</b>	<b>40,260,036</b>	<b>41,760,243</b>
<b>Deferred Outflows of Resources</b>		
Defeasance loss	23,507	32,186
<b>Liabilities</b>		
Accounts payable	198,936	769,926
Accrued liabilities	285,071	229,657
Due to retirement systems	1,199,414	935,603
Unearned revenue	14,869	12,040
Long-term liabilities		
Due within one year:		
Bonds	1,010,000	996,200
Compensated absences	742,000	589,000
Due beyond one year:		
Bonds	3,787,633	4,818,913
Compensated absences	2,748,000	2,432,000
Other postemployment benefits	92,896	80,667
<b>Total liabilities</b>	<b>10,078,819</b>	<b>10,864,006</b>
<b>Deferred Inflows of Resources</b>		
PILOT payments received in advance	251,789	-
<b>Net Position</b>		
Net investment in capital assets	11,953,210	9,617,681
Restricted	9,932,906	12,373,363
Unrestricted	8,066,819	8,937,379
<b>Total net position</b>	<b>\$ 29,952,935</b>	<b>\$ 30,928,423</b>

See accompanying notes.

**BARKER CENTRAL SCHOOL DISTRICT**

**Statement of Activities**

For the year ended June 30, 2014

(With summarized comparative totals for June 30, 2013)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	2014	2013
<b>Governmental activities</b>					
General support	\$ 2,826,258	\$ -	\$ -	\$ (2,826,258)	\$ (2,931,866)
Instruction	13,262,212	184,191	951,869	(12,126,152)	(12,266,483)
Pupil transportation	1,021,743	-	-	(1,021,743)	(1,034,593)
Community service	21,847	-	-	(21,847)	(22,472)
Interest expense	164,825	-	-	(164,825)	(360,169)
School food service	390,733	140,673	248,229	(1,831)	(5,009)
	<u>\$ 17,687,618</u>	<u>\$ 324,864</u>	<u>\$ 1,200,098</u>	<u>(16,162,656)</u>	<u>(16,620,592)</u>
<b>General revenues</b>					
				8,474,200	11,375,362
				25,175	62,224
				125,188	177,467
				6,562,605	6,421,319
				<u>15,187,168</u>	<u>18,036,372</u>
				(975,488)	1,415,780
				30,928,423	29,512,643
				<u>\$ 29,952,935</u>	<u>\$ 30,928,423</u>

## BARKER CENTRAL SCHOOL DISTRICT

### Balance Sheet - Governmental Funds

June 30, 2014

(With summarized comparative totals as of June 30, 2013)

	General	Capital Projects	Special Aid	School Lunch	Total Governmental Funds	
					2014	2013
<b>Assets</b>						
Cash	\$ 22,546,162	\$ 45,184	\$ 98,889	\$ 66,473	\$ 22,756,708	\$ 25,599,346
Due from other governments	308,094	-	-	1,368	309,462	414,097
State and federal aid receivable	157,431	-	274,849	20,463	452,743	332,761
Due from other funds, net	466,544	-	-	-	466,544	393,910
Inventory	-	-	-	13,495	13,495	13,202
<b>Total assets</b>	<b>\$ 23,478,231</b>	<b>\$ 45,184</b>	<b>\$ 373,738</b>	<b>\$ 101,799</b>	<b>\$ 23,998,952</b>	<b>\$ 26,753,316</b>
<b>Liabilities</b>						
Accounts payable	\$ 193,136	\$ -	\$ 5,547	\$ 253	\$ 198,936	\$ 769,926
Accrued liabilities	245,633	-	-	3,438	249,071	188,657
Due to retirement systems	1,199,414	-	-	-	1,199,414	935,603
Unearned revenue	-	-	14,869	-	14,869	12,040
Due to other funds, net	-	5,354	353,322	107,576	466,252	393,681
<b>Total liabilities</b>	<b>1,638,183</b>	<b>5,354</b>	<b>373,738</b>	<b>111,267</b>	<b>2,128,542</b>	<b>2,299,907</b>
<b>Deferred Inflows of Resources</b>						
PILOT payments received in advance	251,789	-	-	-	251,789	-
<b>Fund Balances</b>						
Nonspendable:						
Inventory	-	-	-	13,495	13,495	13,202
Restricted:						
Capital projects	5,942,707	39,830	-	-	5,982,537	8,262,141
Debt service	-	-	-	-	-	113,757
Retirement contribution	226,678	-	-	-	226,678	226,432
Unemployment insurance	24,669	-	-	-	24,669	47,516
Employee benefit accrued liability	3,322,379	-	-	-	3,322,379	3,347,282
Property loss and liability	317,113	-	-	-	317,113	316,770
Workers' compensation	59,530	-	-	-	59,530	59,465
Assigned:						
Designated for subsequent year's expenditures	350,000	-	-	-	350,000	350,000
Designated for future tax proceedings	10,577,798	-	-	-	10,577,798	10,900,173
Other purposes	46,284	-	-	-	46,284	77,896
Unassigned	721,101	-	-	(22,963)	698,138	738,775
<b>Total fund balances (deficit)</b>	<b>21,588,259</b>	<b>39,830</b>	<b>-</b>	<b>(9,468)</b>	<b>21,618,621</b>	<b>24,453,409</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 23,478,231</b>	<b>\$ 45,184</b>	<b>\$ 373,738</b>	<b>\$ 101,799</b>	<b>\$ 23,998,952</b>	<b>\$ 26,753,316</b>

See accompanying notes.

**BARKER CENTRAL SCHOOL DISTRICT**

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

**June 30, 2014**

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<b>Total fund balances - governmental funds</b>	<b>\$ 21,618,621</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.	16,727,336
Defeasance losses associated with bond refundings are recognized as deferred outflows of resources in the government-wide statements.	23,507
Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:	
Bonds	4,797,633
Accrued interest	36,000
Compensated absences	3,490,000
Other postemployment benefits	92,896
	<u>(8,416,529)</u>
<b>Net position - governmental activities</b>	<b>\$ 29,952,935</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, 2014

(With summarized comparative totals for June 30, 2013)

	General	Capital Projects	Special Aid	School Lunch	Total Governmental Funds	
					2014	2013
<b>Revenues</b>						
Real property taxes	\$ 3,063,308	\$ -	\$ -	\$ -	\$ 3,063,308	\$ 2,946,114
Real property tax items	5,410,892	-	-	-	5,410,892	8,429,248
Charges for services	184,191	-	-	-	184,191	101,421
Use of money and property	25,175	-	-	-	25,175	62,224
Sale of property and compensation for loss	1,489	-	-	-	1,489	935
Miscellaneous	121,876	701	32,322	1,122	156,021	322,580
State sources	6,562,605	-	422,854	9,932	6,995,391	6,850,066
Federal sources	23,083	-	473,610	238,297	734,990	772,390
Sales	-	-	-	140,673	140,673	153,419
<b>Total revenues</b>	<b>15,392,619</b>	<b>701</b>	<b>928,786</b>	<b>390,024</b>	<b>16,712,130</b>	<b>19,638,397</b>
<b>Expenditures</b>						
General support	1,925,497	-	-	125,008	2,050,505	2,213,759
Instruction	8,324,069	-	957,626	-	9,281,695	9,500,099
Pupil transportation	979,338	-	23,835	-	1,003,173	1,017,695
Community service	21,847	-	-	-	21,847	22,472
Employee benefits	3,728,294	-	-	114,964	3,843,258	3,596,621
Debt service						
Principal	996,200	-	-	-	996,200	950,000
Interest	182,426	-	-	-	182,426	208,191
Cost of sales	-	-	-	150,761	150,761	152,146
Capital outlay	-	2,017,053	-	-	2,017,053	817,126
<b>Total expenditures</b>	<b>16,157,671</b>	<b>2,017,053</b>	<b>981,461</b>	<b>390,733</b>	<b>19,546,918</b>	<b>18,478,109</b>
<b>Excess revenues (expenditures)</b>	<b>(765,052)</b>	<b>(2,016,352)</b>	<b>(52,675)</b>	<b>(709)</b>	<b>(2,834,788)</b>	<b>1,160,288</b>
<b>Other financing sources (uses)</b>						
Operating transfers, net	217,018	(269,693)	52,675	-	-	-
Proceeds from advance refunding	-	-	-	-	-	2,876,200
Payment to escrow agent	-	-	-	-	-	(2,915,977)
<b>Total other financing sources (uses)</b>	<b>217,018</b>	<b>(269,693)</b>	<b>52,675</b>	<b>-</b>	<b>-</b>	<b>(39,777)</b>
<b>Net change in fund balances</b>	<b>(548,034)</b>	<b>(2,286,045)</b>	<b>-</b>	<b>(709)</b>	<b>(2,834,788)</b>	<b>1,120,511</b>
<b>Fund balances (deficit) - beginning</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>Fund balances (deficit) - ending</b>	<b>\$ 21,588,259</b>	<b>\$ 39,830</b>	<b>\$ -</b>	<b>\$ (9,468)</b>	<b>\$ 21,618,621</b>	<b>\$ 24,453,409</b>

See accompanying notes.

**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, 2014**

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**Total net change in fund balances - governmental funds** \$ (2,834,788)

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 capital outlays exceed depreciation expense. 1,326,728

Payments of long-term liabilities are reported as expenditures in governmental funds and as a reduction of debt in the statement of net position. 996,200

In the statement of activities, certain operating 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	(12,229)	
Amortization of bond premium	21,280	
Amortization of defeasance loss	(8,679)	
Compensated absences	(469,000)	
Interest	5,000	(463,628)

**Change in net position - governmental activities** \$ (975,488)

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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, 2014

	Budgeted Amounts		Actual	Encumbrances	Variance with
	Original	Final	(Budgetary Basis)		Final Budget Over/(Under)
<b>Revenues</b>					
Local sources					
Real property taxes	\$ 3,914,401	\$ 3,064,480	\$ 3,063,308		\$ (1,172)
Real property tax items	4,556,400	5,406,321	5,410,892		4,571
Charges for services	9,000	9,000	184,191		175,191
Use of money and property	75,000	75,000	25,175		(49,825)
Sale of property and compensation for loss	-	-	1,489		1,489
Miscellaneous	50,000	50,000	121,876		71,876
State sources	6,547,725	6,547,725	6,562,605		14,880
Federal sources	-	-	23,083		23,083
<b>Total revenues</b>	<b>15,152,526</b>	<b>15,152,526</b>	<b>15,392,619</b>		<b>240,093</b>
<b>Expenditures</b>					
General Support					
Board of education	34,323	34,323	24,082	-	(10,241)
Central administration	210,030	273,630	269,240	-	(4,390)
Finance	234,386	192,305	174,297	-	(18,008)
Staff	144,276	144,797	27,831	-	(116,966)
Central services	1,846,600	1,853,350	1,213,929	28,643	(610,778)
Special items	216,400	227,400	216,118	-	(11,282)
Instruction					
Instruction, administration and improvement	546,486	541,066	448,761	-	(92,305)
Teaching - regular school	5,624,742	5,589,642	4,821,161	4,358	(764,123)
Programs for children with handicapping conditions	1,654,273	1,643,223	1,403,559	225	(239,439)
Occupational education	369,510	388,310	374,500	-	(13,810)
Teaching - special schools	22,800	29,890	19,272	1,840	(8,778)
Instructional media	463,545	474,585	455,725	11,042	(7,818)
Pupil services	935,488	910,338	801,091	-	(109,247)
Pupil transportation	1,093,235	1,093,235	979,338	-	(113,897)
Community service	40,746	40,746	21,847	176	(18,723)
Employee benefits	4,381,285	4,381,285	3,728,294	-	(652,991)
Debt service					
Principal	996,200	996,200	996,200	-	-
Interest	217,532	217,532	182,426	-	(35,106)
<b>Total expenditures</b>	<b>19,031,857</b>	<b>19,031,857</b>	<b>16,157,671</b>	<b>46,284</b>	<b>(2,827,902)</b>
<b>Excess expenditures</b>	<b>(3,879,331)</b>	<b>(3,879,331)</b>	<b>(765,052)</b>	<b>(46,284)</b>	<b>3,067,995</b>
<b>Other financing sources (uses)</b>					
Operating transfers out	(64,463)	(64,463)	(52,675)		11,788
Operating transfers in	-	-	269,693		269,693
Appropriated fund balance, reserves, and carryover encumbrances	3,943,794	3,943,794	-		(3,943,794)
<b>Total other financing sources</b>	<b>3,879,331</b>	<b>3,879,331</b>	<b>217,018</b>		<b>(3,662,313)</b>
<b>Excess expenditures and other financing sources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (548,034)</b>	<b>\$ (46,284)</b>	<b>\$ (594,318)</b>

See accompanying notes.



**BARKER CENTRAL SCHOOL DISTRICT**

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**Statement of Fiduciary Net Position**

**June 30, 2014**

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	<b>Private-Purpose Trusts</b>	<b>Agency</b>
<b>Assets</b>		
Cash	\$ 63,943	\$ 128,142
<b>Liabilities</b>		
Extraclassroom activities balances	-	\$ 56,949
Due to governmental funds	-	292
Agency liabilities	-	70,901
<b>Total liabilities</b>	-	<b>\$ 128,142</b>
<b>Net Position</b>		
Restricted for scholarships	<b>\$ 63,943</b>	

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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, 2014**

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	<b>Private-Purpose Trusts</b>
<b>Additions</b>	
Gifts and donations	\$ 400
Interest and earnings	41
	<u>441</u>
<b>Deductions</b>	
Scholarship awards	2,150
<b>Change in net position</b>	<b>(1,709)</b>
<b>Net position - beginning</b>	<u>65,652</u>
<b>Net position - ending</b>	<b>\$ 63,943</b>

# BARKER CENTRAL SCHOOL DISTRICT

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## Notes to Financial Statements

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### 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, nor does it 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, 2014, the District was billed \$1,518,000 for BOCES administrative and program costs and recognized revenue of \$44,000 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 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, 2013, 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 is 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, 2014, the tax lien was issued on August 19, 2013 for collection from September 1, 2013 through October 31, 2013. Thereafter, uncollected amounts become the responsibility of Niagara and Orleans Counties and were 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, 2013 was approved by a majority of the voters in a general election held on May 21, 2013.

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 and external financing 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 budgetary control over commitments related to unperformed (executory) contracts for goods or services outstanding at the end of each year. Encumbrances are reflected as a budgetary expenditure in the year committed and again 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 appraisals. 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 Premiums

Premiums received upon the issuance of debt are included as other financing sources in the governmental funds statements when issued. In the government-wide statements, premiums are recognized with the related debt issue and amortized on a straight-line basis as a component of interest expense over the life of the related obligation.

### Bond Defeasances

In the government-wide financial statements, gains or losses on bond refundings 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 outflow or inflow 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 those expected to become eligible 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.

## 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 that are 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 and net position 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 balance represents resources that cannot be spent as they are not expected to be converted to cash and includes 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. In April 2009, the voters approved a capital reserve 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. The 2009 authorization has 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 incurred. Separate funds for property loss and liability claims are required. These reserves may not separately exceed 3% of the annual budget or \$15,000, whichever is greater.

- *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 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. Stewardship and Compliance**

The deficit fund balance of \$9,468 in the school lunch fund will be funded in future years as operations improve or prices increase to provide revenues in excess in expenditures.

### **3. Cash**

Cash management is 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, 2014, 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.

The District's general fund provides cash flow to the various other funds 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 or when permanent financing is obtained. The general fund made a permanent transfer to the special aid fund to cover its share of costs related to the summer school handicap program. The capital projects fund permanently transferred residual project-related funds back to the general fund.

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

Fund	Receivable	Payable	Transfers	
			In	Out
General	\$ 466,544	\$ -	\$ 269,693	\$ 52,675
Capital projects	-	5,354	-	269,693
Special aid	-	353,322	52,675	-
School lunch	-	107,576	-	-
Fiduciary funds	-	292	-	-
	<b>\$ 466,544</b>	<b>\$ 466,544</b>	<b>\$ 322,368</b>	<b>\$ 322,368</b>

#### 5. Capital Assets

	July 1, 2013	Increases	Retirements/ Reclassifications	June 30, 2014
Non-depreciable capital assets:				
Land	\$ 104,102	\$ -	\$ -	\$ 104,102
Construction in progress	967,727	-	(967,727)	-
Total non-depreciable assets	1,071,829	-	(967,727)	104,102
Depreciable capital assets:				
Land improvements	1,045,029	-	(11,352)	1,033,677
Buildings and improvements	30,421,769	1,620,307	967,727	33,009,803
Furniture and fixtures	2,204,416	522,212	11,352	2,737,980
Vehicles	174,883	-	-	174,883
Total depreciable assets	33,846,097	2,142,519	967,727	36,956,343
Less accumulated depreciation:				
Land improvements	869,755	48,769	-	918,524
Buildings and improvements	16,437,018	645,707	-	17,082,725
Furniture and fixtures	2,063,709	112,997	-	2,176,706
Vehicles	146,836	8,318	-	155,154
Total accumulated depreciation	19,517,318	815,791	-	20,333,109
Total depreciable assets, net	14,328,779	1,326,728	967,727	16,623,234
	<b>\$ 15,400,608</b>	<b>\$ 1,326,728</b>	<b>\$ -</b>	<b>\$ 16,727,336</b>

Depreciation expense has been allocated to the following functions: general support \$146,226, instruction \$666,550, and transportation \$3,015.

As of June 30, 2014, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	\$ 16,727,336
Bonds and premiums	(4,797,633)
Defeasance loss	23,507
	<u>\$ 11,953,210</u>

## 6. Long-Term Liabilities

	July 1, 2013	Increases	Decreases	June 30, 2014	Amounts Due in One Year
Bonds	\$ 5,736,200	\$ -	\$ 996,200	\$ 4,740,000	\$ 1,010,000
Premium on 2013 issuance	78,913	-	21,280	57,633	-
Compensated absences	3,021,000	469,000	-	3,490,000	742,000
Other postemployment benefits	80,667	48,712	36,483	92,896	-
	<u>\$ 8,916,780</u>	<u>\$ 517,712</u>	<u>\$ 1,053,963</u>	<u>\$ 8,380,529</u>	<u>\$ 1,752,000</u>

### Existing obligations:

Description	Maturity	Rate	Balance
Serial Bonds - 2005	June 2020	3.625%-4.0%	\$ 1,145,000
Serial Bonds - 2007	Jan. 2023	4.3% - 4.5%	1,415,000
Refunding Bonds - 2013	Dec. 2016	2.0%	2,180,000
			<u>\$ 4,740,000</u>

### Debt service requirements:

Year ending June 30,	Principal	Interest
2015	\$ 1,010,000	\$ 143,738
2016	1,035,000	116,913
2017	1,105,000	89,025
2018	350,000	67,500
2019	365,000	53,213
2020-2023	875,000	83,550
	<u>\$ 4,740,000</u>	<u>\$ 553,939</u>

### Advance Refunding of Debt:

The District previously defeased certain serial bonds by placing the proceeds of the new issuance in an irrevocable trust to provide for all future debt service payments on the original bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2014, remaining principal of the defeased debt was \$2,200,000.



## 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](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
2014	\$ 1,090,335	16.25%	\$ 277,183	11.5% - 28.8%
2013	802,240	11.84%	309,480	10.2% - 25.4%
2012	758,590	11.11%	225,240	12.8% - 21.5%

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, 2014 the District contributed \$36,483 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, 2014:

Annual required contribution	
Normal cost	\$ 9,144
Amortization of unfunded actuarial accrued liability	42,696
Interest	3,630
ARC adjustment	(6,758)
	<u>48,712</u>
Contributions made	(36,483)
Increase in net OPEB obligation	<u>12,229</u>
Net OPEB obligation - beginning of year	80,667
Net OPEB obligation - end of year	<u>\$ 92,896</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
2014	\$ 48,712	74.9%	\$ 92,896
2013	49,206	74.2%	80,667
2012	49,649	73.5%	67,945

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 multi-year trend information about whether the actuarial value of plan assets (if any) is increasing or decreasing over time relative to 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 include 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 include 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).

## 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 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, 2013 (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, 2013, 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, 2013 (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, 2013, 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.

**BARKER CENTRAL SCHOOL DISTRICT**

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

June 30, 2014

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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, 2014**

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<b>Original expenditure budget</b>	\$	19,018,424
Encumbrances carried over from prior year		<u>77,896</u>
<b>Revised expenditure budget</b>	\$	<u>19,096,320</u>

\* \* \*

**Unrestricted Fund Balance**

Assigned	\$	10,974,082
Unassigned		<u>721,101</u>
		11,695,183
Encumbrances included in assigned fund balance		(46,284)
Appropriated for future tax proceedings		(10,577,798)
Appropriated fund balance used for tax levy		<u>(350,000)</u>
<b>Amount subject to 4% limit pursuant to Real Property Tax Law §1318</b>	\$	<u>721,101</u>

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

2015 expenditure budget (unaudited)	\$	18,543,787
4% of budget		<u>741,751</u>
<b>Actual percentage of 2015 expenditure budget</b>		<u>3.9%</u>

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**BARKER CENTRAL SCHOOL DISTRICT**

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**Supplementary Information  
Schedule of Capital Project Expenditures**

For the year ended June 30, 2014

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Project Title	Original Budget	Expenditures			Unexpended Balance
		Prior Years	Current Year	Total	
2011 Capital Improvement	\$ 3,000,000	\$ 943,817	\$ 1,917,453	\$ 2,861,270	\$ 138,730
2014 Energy Efficiency Lighting Project	99,600	-	99,600	99,600	-
	<b>\$ 3,099,600</b>	<b>\$ 943,817</b>	<b>\$ 2,017,053</b>	<b>\$ 2,960,870</b>	<b>\$ 138,730</b>

**BARKER CENTRAL SCHOOL DISTRICT**

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

For the year ended June 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor Number</u>	<u>Expenditures</u>
<b>U.S. Department of Education:</b>			
<b>Passed Through New York State Department of Education</b>			
<b>Special Education Cluster:</b>			
Special Education_Grants to States	84.027	0032-14-0614	\$ 205,177
Special Education_Preschool Grants	84.173	0033-14-0614	11,389
<b>Total Special Education Cluster</b>			<u>216,566</u>
Title I Grants to Local Educational Agencies	84.010	0021-14-1985	194,121
Improving Teacher Quality State Grants	84.367	0147-14-1985	46,963
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the- Top Incentive Grants, Recovery Act	84.395	5500-12-1985	5,330
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the- Top Incentive Grants, Recovery Act	84.395	5500-14-1985	10,630
<b>Total U.S. Department of Education</b>			<u>473,610</u>
<b>U.S. Department of Agriculture:</b>			
<b>Passed Through New York State Department of Education</b>			
<b>Child Nutrition Cluster:</b>			
School Breakfast Program	10.553	N/A	52,704
National School Lunch Program	10.555	N/A	159,393
<b>Total Child Nutrition Cluster</b>			<u>212,097</u>
<b>Passed Through New York State Office of General Services</b>			
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	26,200
<b>Total U.S. Department of Agriculture</b>			<u>238,297</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 711,907</u>

# BARKER CENTRAL SCHOOL DISTRICT

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## Notes to Schedule of Expenditures of Federal Awards

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### 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, 2014, the District used \$26,200 worth of commodities under the Child Nutrition Discretionary Grants Limited Availability program (CFDA Number 10.579).



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

The Board of Education  
Barker Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of Barker Central School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated September 18, 2014.

**Internal Control over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item [2007-001] that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**The District's Response to Findings**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

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

Junsden # McCormick, LLP

September 18, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Board of Education  
Barker Central School District

**Report on Compliance for Each Major Federal Program**

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, 2014. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of 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, 2014.

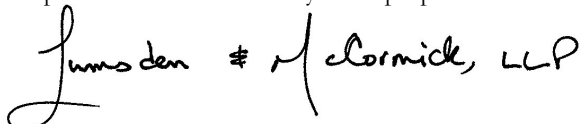
**Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. 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 that reads "Jumsden & McCormick, LLP". The signature is written in a cursive, flowing style.

September 18, 2014

**BARKER CENTRAL SCHOOL DISTRICT**

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**Schedule of Findings and Questioned Costs**

**For the year ended June 30, 2014**

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**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 OMB Circular A-133? No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA #</u>	<u>Amount</u>
<b>Child Nutrition Cluster:</b>		
School Breakfast Program	10.553	\$ 52,704
National School Lunch Program	10.555	159,393
Total Child Nutrition Cluster		<u>\$ 212,097</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, 2014

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**Section II. Financial Statement Findings**

<b>2007-001</b>	<b>Condition:</b>	Historically, management has requested that its external auditors provide feedback and assistance with entries required by GASB 34 and with the annual financial statements and related disclosures.
	<b>Criteria:</b>	Controls should be in place to ensure proper financial reporting and complete and accurate disclosures, exclusive of the efforts of the external auditor.
	<b>Effect:</b>	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.
	<b>Recommendation:</b>	While possibly impractical, management may wish to consider additional training or other resources to ensure completeness of its reporting process and control system.
	<b>Management's Response:</b>	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, 2014**

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

**BARKER CENTRAL SCHOOL DISTRICT**

**EXTRACLASROOM ACTIVITY**

**JUNE 30, 2014**



**INDEPENDENT AUDITORS' REPORT**

The Board of Education  
Barker Central School District

We have audited the accompanying statement of cash receipts and disbursements of Barker Central School District (the District) Extraclassroom Activity for the year ended June 30, 2014, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of this financial statement in the circumstances. Management is also responsible for 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 an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

**Basis for Qualified Opinion**

Certain accounting records of Barker Central School District Extraclassroom Activity accounts were not adequate for us to form an opinion regarding the completeness of cash receipts in the accompanying statement of cash receipts and disbursements stated at \$201,773.

### Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash receipts and disbursements of Barker Central School District Extraclassroom Activity for the year ended June 30, 2014, in accordance with the cash basis of accounting as described in Note 1.

### Basis of Accounting

We draw attention to Note 1 of this financial statement, which describes the basis of accounting. This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Janssen & McDermid, LLP*

September 18, 2014

**BARKER CENTRAL SCHOOL DISTRICT**  
**Extracurricular Activity**

**Statement of Cash Receipts and Disbursements**

**For the year ended June 30, 2014**

<u>Activities</u>	<u>July 1, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2014</u>
Class Clubs:				
2013	\$ 181	\$ 105	\$ 286	\$ -
2014	6,727	27,906	34,248	385
2015	4,802	12,296	14,003	3,095
2016	1,186	2,163	1,857	1,492
2017	2,030	1,929	1,859	2,100
2018	3,653	18,484	20,937	1,200
2019	-	4,681	1,432	3,249
American Field Service Club	1,774	6,132	7,563	343
Band Club	1,473	14,810	13,227	3,056
Barker Singers Club	3,494	1,484	3,151	1,827
Baseball Club	3,564	3,672	4,807	2,429
Boys Basketball Club	2,820	4,006	6,160	666
Cheerleaders Club	277	3,334	2,949	662
Cross Country Club	2,494	15,317	14,363	3,448
English Club	8	-	8	-
FCCLA Club	516	-	516	-
Field Hockey Club	729	16,616	13,994	3,351
Football Club	1	6,608	6,331	278
Foreign Language Club	321	4,515	2,262	2,574
Girls Basketball Club	350	5,060	4,921	489
High School Musical Club	7,860	6,493	4,564	9,789
Latrator (Yearbook Club)	17,668	21,262	39,284	(354)
Shop Deluxe Club	3,356	511	515	3,352
Soccer Club	828	2,324	2,241	911
Softball Club	434	2,361	153	2,642
Student Council Club - High School	3,833	4,792	5,443	3,182
Student Council Club - Middle School	2,756	1,964	2,322	2,398
Swimming Club	156	5,651	5,256	551
Tennis Club	514	1,193	1,004	703
Track Club	770	1,064	763	1,071
Varsity Club	1,900	3,285	4,673	512
Video Club	735	495	1,230	-
Volleyball Club	208	-	208	-
Wrestling Club	598	1,260	310	1,548
<b>Totals</b>	<b>\$ 78,016</b>	<b>\$ 201,773</b>	<b>\$ 222,840</b>	<b>\$ 56,949</b>

See accompanying notes.

**BARKER CENTRAL SCHOOL DISTRICT**  
**Extraclassroom Activity**

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**Notes to Financial Statement**

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**1. Summary of Significant Accounting Policies**

**Financial Reporting Entity**

Extraclassroom Activity accounts are those operated by and for the students. Proceeds are voluntarily collected by students and are spent by them, as they deem appropriate under established guidelines. The cash balances of the Extraclassroom Activity accounts are included in the financial statements of Barker Central School District (the District). These amounts are included in the Agency column of the Statement of Fiduciary Net Position.

**Basis of Presentation**

The District's policy is to prepare the accompanying financial statement on the cash basis of accounting. Consequently, revenues are recognized when received rather than when earned, and expenses are recognized when cash is disbursed rather than when the obligation is incurred.

## MANAGEMENT LETTER

September 18, 2014

The Audit Committee, Board of Education,  
and Management  
Barker Central School District

In planning and performing our audit of the 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, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance and includes the following.

### 1. Financial accounting and external reporting

Management requests our assistance with the annual financial statements and related notes. Although we do not believe that our assistance impacts our overall independence, professional auditing standards do require that we inform the Board and management of our involvement in this process. Given the current structure of the business office, it is neither practical nor fiscally prudent to expect an implementation strategy that would avoid this comment in future audits.

## OTHER MATTERS

### 2. Capital Assets

The capital asset and depreciation schedules provided by a third party appraisal company do not properly reconcile with the same schedules from the prior year. We recommend that in the future, management reconcile any differences noted with these reports. Alternatively, the District may want to consider purchasing its own capital asset program to maintain its capital asset and depreciation schedules internally rather than using a third party appraisal company.

Additionally, we noted current year capital asset additions that were below the District's capitalization threshold. We recommend that procedures be put into place to ensure that only purchases in excess of the District's capitalization policy are capitalized.

## INFORMATIONAL POINTS

The following points are for informational purposes only and we do not consider it necessary for management to include a response within the District's corrective action plan.

### 3. Upcoming changes to GASB 45

GASB 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, became effective for fiscal years ended after June 30, 2009. This statement established standards for the measurement, recognition, and display of other postemployment benefits (OPEB), including postemployment healthcare.

In May 2014, the actuarial standards covering pooled plans, including community-rated plans, changed. Plans offering continuation of health insurance at the retiree's expense, even if community-rated, are now deemed to provide an implicit rate subsidy and therefore require recognition of an OPEB liability and expense. This amendment takes effect on March 31, 2015 and we expect that it will require an additional recognition of OPEB liabilities on the District's June 30, 2015 financial statements. We recommend that the District consult with its actuary for applicability of this change and revised calculations, if required.

### 4. Upcoming changes due to GASB 68

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* will be effective for the year ending June 30, 2015. The pronouncement will have sweeping effects on pension accounting by all governmental entities who participate in the State systems. The State systems have begun the accumulation of data and the process of determining the systems' net position that must be provided to each employer. The current funding model will change to a full accrual model and will require the District to reflect on its statement of net position the proportionate share of liabilities for both the New York State and Local Employees' Retirement System and New York State Teachers' Retirement System attributable to services provided by District employees who are members of these systems. The pronouncement will require more detailed disclosures on pension liabilities and expense, and the financial statements will contain required supplemental information for key pension data over 10 years.

### PRIOR YEAR RECOMMENDATIONS

Included in our current year procedures is an update of the status of recommendations made in previous audits. Recommendations not mentioned elsewhere are as follows:

- All personnel files, tested in the current year, properly included an employee signed salary notice.
- We continue to recommend that the extraclass clubs provide funds to the Central Treasurer in a timely manner, so bank deposits may be made whenever cash or checks are collected.
- The District's employee accrued liability reserve stands at \$3,322,000. As recommended, management has initiated a plan to make current year allowable payments of accumulated time to those who leave in the current year. We remind the District to watch the level of funding due to the legal restrictions regarding its usage, and wish to emphasize that the reserve can only be used for accumulated time earned, not for postemployment benefits.

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We have discussed these comments with District personnel and would be pleased to discuss them in further detail, perform any additional studies, or assist you in implementing the recommendations.

This communication is intended solely for the information and use of the District's management, Audit Committee, and Board of Education; others within the District; the NYS Education Department Office of Audit Services; and the Office of the NYS Comptroller, Division of Local Government and School Accountability. It is not intended to be, and should not be, used by anyone other than these specified parties.

*Jumden & McCormick, LLP*