BARKER CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2016

BARKER CENTRAL SCHOOL DISTRICT

Table of Contents

June 30, 2016

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

Cyclorama Building | 369 Franklin Street | Buffalo, NY 14202
p: 716.856.3300 | f: 716.856.2524 | www.LumsdenCPA.com

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, 2016, 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, 2016, 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 and other required supplementary information, as listed in the table of contents, 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 is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information is the responsibility of management and is 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 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 August 30, 2016 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.

Lumsden & McCormick, LLP

August 30, 2016

Barker Central School District
Management's Discussion and Analysis
June 30, 2016
(Unaudited)

Introduction

Management's Discussion and Analysis (MD&A) of Barker Central School District (the District) provides an overview of the District's financial activities and performance for the year ended June 30, 2016. The information contained in the MD&A should be considered in conjunction with the information presented as part of the District's financial statements that follow. This MD&A, the financial statements and notes thereto are essential to 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 net difference 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 generally accepted accounting principles and the New York State Department of Education.

Condensed Statement of Net Position	2016	2015	Change $	Change %
Current assets	$ 20,377,000	$ 21,749,000	$ (1,372,000)	-6.3%
Net pension asset	4,734,000	5,060,000	(326,000)	-6.4%
Capital assets	15,193,000	15,925,000	(732,000)	-4.6%
Total assets	40,304,000	42,734,000	(2,430,000)	-5.7%
Deferred outflows of resources	1,649,000	1,346,000	303,000	22.5%
Long-term liabilities outstanding	6,535,000	7,433,000	(898,000)	-12.1%
Other liabilities	1,462,000	1,765,000	(303,000)	-17.2%
Net pension liability	762,000	150,000	612,000	408.0%
Total liabilities	8,759,000	9,348,000	(589,000)	-6.3%
Deferred inflows of resources	1,942,000	3,724,000	(1,782,000)	-47.9%
Net position				
Net investment in capital assets	12,488,000	12,173,000	315,000	2.6%
Restricted	14,228,000	14,560,000	(332,000)	-2.3%
Unrestricted	4,536,000	4,275,000	261,000	6.1%
Total net position	$ 31,252,000	$ 31,008,000	$ 244,000	0.8%

The District's net position at June 30, 2016 and 2015 was $31,252,000 and $31,008,000. A significant portion of the District's net position reflects its investment in capital assets consisting of land, buildings and improvements, and furniture and equipment, less outstanding debt used to acquire those assets. The District uses capital assets to provide services to students; consequently, these assets are not available for future spending.

The District's net position includes resources that are subject to external restrictions on how they may be used. These reserves are set aside for specific purposes governed by statutory law and Commissioner's regulations and 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 reserves.

Total assets decreased by $2,430,000 ($2,474,000 increase in 2015) primarily due to a $1,138,000 reduction in cash from negative operating results on a cash flow basis. Capital assets decreased $732,000 ($802,000 decrease in 2015) due to current year depreciation expense in excess of current year additions.

Long-term liabilities outstanding decreased by $898,000 (decrease of $948,000 in 2015) as a result of bond payments of $1,035,000. Long-term liabilities outstanding include $126,000 and $109,000 as of June 30, 2016 and 2015 for the postemployment obligation required under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*. The unfunded actuarial accrued liability measured at January 1, 2015 is estimated to be $2,047,000. Other liabilities reflect a reduction in retirement system liabilities owed due to a reduction in the District's contribution rates when compared to 2015.

Changes in deferred outflows and deferred inflows of resources reflect changes in pension activity at the State level which is required to be reflected on the District's financial statements. Deferred outflows of resources reflect contributions paid by the District to the State pension systems, after the measurement date, which determines the respective plan's net position. Deferred outflows also reflect variances from actuarial assumptions and actual results for investment earnings and changes of assumptions. Deferred inflows of resources reflect better than anticipated investment results for the New York State Teacher's Retirement System.

			Change	
Condensed Statement of Activities	**2016**	**2015**	**$**	**%**
Revenues				
Program revenues				
Charges for services	$ 467,000	$ 441,000	$ 26,000	5.9%
Operating grants and contributions	902,000	1,166,000	(264,000)	-22.6%
General revenues				
Taxes and related items	7,118,000	7,039,000	79,000	1.1%
State aid	7,676,000	7,413,000	263,000	3.5%
Other	92,000	164,000	(72,000)	-43.9%
Total revenue	16,255,000	16,223,000	32,000	0.2%
Expenses				
Instruction	12,048,000	12,309,000	(261,000)	-2.1%
Support services				
General support	2,566,000	2,598,000	(32,000)	-1.2%
Pupil transportation	911,000	994,000	(83,000)	-8.4%
Food service	346,000	388,000	(42,000)	-10.8%
Interest and other	140,000	153,000	(13,000)	-8.5%
Total expenses	16,011,000	16,442,000	(431,000)	-2.6%
Change in net position	244,000	(219,000)	463,000	-211.4%
Net position - beginning	31,008,000	31,227,000	(219,000)	-0.7%
Net position - ending	$ 31,252,000	$ 31,008,000	$ 244,000	0.8%

District revenues increased 0.2% or $32,000 over 2015 (decrease of 2.9% or $489,000 in 2015). The decrease in operating grants and contributions was due to a $200,000 NYS performance improvement grant that was only received in 2015 causing the revenue decline in 2016. PILOT payments received in both 2016 and 2015 amounted to $3,034,000. State aid increased 3.5% or $263,000 due to a further reduction of $211,000 in the gap elimination adjustment.

Total expenses decreased $431,000 or 2.6% (decrease of $1,245,000 or 7.0% in 2015). The decrease was primarily due to decreases of $276,000 in District-wide payroll and $317,000 in related employee benefits caused by employee retirements which were not replaced and a decrease in the District's required contribution rate to the New York State Teacher's Retirement System. These decreases were offset by a $143,000 increase in the District's compensated absences liability which is charged to payroll expense.

Financial Analysis of the District's Funds

Total fund balances for the governmental funds decreased from $19,763,000 to $18,722,000. Expenditures of $17,295,000 exceeded revenues of $16,254,000, resulting in the decrease of $1,041,000.

- Total fund revenue increased $32,000 or 0.2% (decrease of $489,000 or 2.9% in 2015) and total fund expenditures decreased $784,000 or 4.3% (decrease of $1,468,000 or 7.5% in 2015). Revenues were stable from year to year as the PILOT payment received from the District's largest taxpayer was the same as 2015 as previously mentioned above. The overall decrease in expenditures is due to the decrease in payroll and related employee benefits expense also as previously discussed.
- The general fund experienced a decrease in fund balance of $1,045,000 during 2016 compared to a $1,799,000 decrease for 2015.
- For 2016, the school lunch fund ended with revenues essentially equaling expenses as the loss from operations was funded with a $6,000 transfer from the general fund. At June 30, 2016, there is a $26,000 deficit fund balance.
- Three capital projects began during 2016 in the capital projects fund. A total of $20,000 was spent on these projects in 2016 out of the total approved budgets totaling $1,949,000.

General Fund Budgetary Highlights

Total revenue of $15,265,000 was less than budgeted revenue by $12,000. The total original and final expenditure and other uses budget for fiscal year 2016 was $18,318,000. 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 $2,005,000 or 11.0%. 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, pupil transportation, and employee benefits.

Capital Assets

	2016	2015
Land and land improvements	$ 1,137,000	$ 1,137,000
Buildings and improvements	33,010,000	33,010,000
Furniture and fixtures	2,753,000	2,745,000
Vehicles	175,000	175,000
Construction in progress	20,000	-
	37,095,000	37,067,000
Accumulated depreciation	(21,902,000)	(21,142,000)
	$ 15,193,000	$ 15,925,000

Current year additions of $28,000 were offset by depreciation of $760,000.

Debt

At June 30, 2016 the District had $2,695,000 in bonds outstanding with $1,105,000 due within one year ($3,730,000 outstanding at June 30, 2015). Outstanding compensated absences payable were $3,700,000, with $759,000 expected to be paid within one year ($3,557,000 outstanding at June 30, 2015).

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

Current Financial Issues and Concerns

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

The District is dealing with reduced PILOT payments from its largest taxpayer together with uncertainty over economic viability of this entity. Property tax caps and tax freezes limit the District's ability to raise taxes to offset reductions in PILOT payments. The District will continue to mitigate the impact of rising costs of education on the overall budget, including using reserve funds as permitted by law to lessen the budget impact of rising costs. These issues and concerns require management to plan carefully and prudently to provide the educational resources necessary to meet student needs.

Contacting the District's Financial Management

This financial report is designed to provide our District residents, taxpayers, parents, students, investors and creditors with a general overview of the District's finances, and to demonstrate the District's accountability for the funds 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.

Statement of Net Position

June 30, 2016
(With comparative totals as of June 30, 2015)

	2016	2015
Assets		
Cash	$ 19,610,216	$ 20,748,555
Due from other governments	324,507	326,703
Accounts, state, and federal aid receivable	431,309	661,088
Due from fiduciary funds	66	15
Inventory	11,215	12,697
Net pension asset	4,733,818	5,059,893
Capital assets (Note 5)	37,094,506	37,067,044
Accumulated depreciation	(21,902,005)	(21,142,529)
Total assets	40,303,632	42,733,466
Deferred Outflows of Resources		
Defeasance loss	6,148	14,827
Deferred outflows of resources from pensions	1,642,827	1,331,613
Total deferred outflows of resources	1,648,975	1,346,440
Liabilities		
Accounts payable	187,540	37,718
Accrued liabilities	328,292	415,341
Due to retirement systems	946,051	1,312,326
Long-term liabilities		
Due within one year:		
Bonds	1,105,000	1,035,000
Compensated absences	759,000	729,000
Due beyond one year:		
Bonds	1,605,073	2,731,353
Compensated absences	2,941,000	2,828,000
Other postemployment benefits	125,504	109,179
Net pension liability	761,656	150,233
Total liabilities	8,759,116	9,348,150
Deferred Inflows of Resources		
Deferred inflows of resources from pensions	1,722,601	3,472,260
PILOT payments received in advance	218,988	251,789
Total deferred inflows of resources	1,941,589	3,724,049
Net Position		
Net investment in capital assets	12,488,576	12,172,989
Restricted	14,227,725	14,559,380
Unrestricted	4,535,601	4,275,338
Total net position	$ 31,251,902	$ 31,007,707

See accompanying notes.

BARKER CENTRAL SCHOOL DISTRICT

Statement of Activities

For the year ended June 30, 2016
(With summarized comparative totals for June 30, 2015)

		Program Revenues		Net (Expense) Revenue	
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**2016**	2015
Governmental activities					
General support	$ 2,565,489	$ -	$ -	$ (2,565,489)	$ (2,598,558)
Instruction	12,047,723	351,683	676,604	(11,019,436)	(11,071,633)
Pupil transportation	911,149	-	-	(911,149)	(994,000)
Community service	40,684	-	-	(40,684)	(27,222)
Interest expense	99,312	-	-	(99,312)	(126,138)
School food service	346,405	115,719	225,095	(5,591)	(17,249)
	$ 16,010,762	$ 467,402	$ 901,699	(14,641,661)	(14,834,800)
	General revenues				
	Real property taxes			7,117,658	7,038,988
	Miscellaneous			92,264	163,932
	State aid			7,675,934	7,412,684
	Total general revenues			14,885,856	14,615,604
	Change in net position			244,195	(219,196)
	Net position - beginning			31,007,707	31,226,903
	Net position - ending			$ 31,251,902	$ 31,007,707

Balance Sheet - Governmental Funds

June 30, 2016
(With summarized comparative totals as of June 30, 2015)

	General	Special Aid	Capital Projects	School Lunch	Total Governmental Funds 2016	Total Governmental Funds 2015
Assets						
Cash	$ 19,530,159	$ 15,172	$ 20,157	$ 44,728	$ 19,610,216	$ 20,748,555
Due from other governments	323,941	-	-	566	324,507	326,703
Accounts, state, and federal aid receivable	226,305	190,340	-	14,664	431,309	661,088
Due from other funds, net	298,218	-	-	-	298,218	417,249
Inventory	-	-	-	11,215	11,215	12,697
Total assets	$ 20,378,623	$ 205,512	$ 20,157	$ 71,173	$ 20,675,465	$ 22,166,292
Liabilities						
Accounts payable	$ 170,951	$ -	$ 16,374	$ 215	$ 187,540	$ 37,718
Accrued liabilities	297,663	1,917	-	2,712	302,292	384,341
Due to retirement systems	946,051	-	-	-	946,051	1,312,326
Due to other funds, net	-	203,595	3	94,554	298,152	417,234
Total liabilities	1,414,665	205,512	16,377	97,481	1,734,035	2,151,619
Deferred Inflows of Resources						
PILOT payments received in advance	218,988	-	-	-	218,988	251,789
Fund Balances						
Nonspendable:						
Inventory	-	-	-	11,215	11,215	12,697
Restricted:						
Capital projects	5,946,071	-	3,780	-	5,949,851	5,945,858
Retirement contribution	12,517	-	-	-	12,517	12,511
Unemployment insurance	16,631	-	-	-	16,631	24,005
Employee benefit accrued liability	3,197,540	-	-	-	3,197,540	3,199,898
Property loss and liability	317,368	-	-	-	317,368	317,215
Assigned:						
Designated for subsequent year's expenditures	2,685,939	-	-	-	2,685,939	3,039,426
Designated for future tax proceedings	5,846,541	-	-	-	5,846,541	6,515,161
Other purposes	2,464	-	-	-	2,464	2,912
Unassigned	719,899	-	-	(37,523)	682,376	693,201
Total fund balances (deficit)	18,744,970	-	3,780	(26,308)	18,722,442	19,762,884
Total liabilities, deferred inflows, and fund balances	$ 20,378,623	$ 205,512	$ 20,157	$ 71,173	$ 20,675,465	$ 22,166,292

See accompanying notes.

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

June 30, 2016

Total fund balances - governmental funds		$	18,722,442
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds.			15,192,501
The District's proportionate share of the net pension asset and liability as well as pension-related deferred outflows and deferred inflows of resources are recognized on the government-wide statements and include:			
Net pension asset	4,733,818		
Deferred outflows of resources from pensions	1,642,827		
Net pension liability	(761,656)		
Deferred inflows of resources from pensions	(1,722,601)		3,892,388
Defeasance losses associated with bond refundings are recognized as deferred outflows of resources in the government-wide statements.			6,148
Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:			
Bonds and premiums	2,710,073		
Accrued interest	26,000		
Compensated absences	3,700,000		
Other postemployment benefits	125,504		(6,561,577)
Net position - governmental activities		$	31,251,902

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

For the year ended June 30, 2016
(With summarized comparative totals for June 30, 2015)

	General	Special Aid	Capital Projects	School Lunch	Total Governmental Funds 2016	Total Governmental Funds 2015
Revenues						
Real property taxes	$ 3,174,838	$ -	$ -	$ -	$ 3,174,838	$ 3,126,732
Real property tax items	3,942,820	-	-	-	3,942,820	3,912,256
Charges for services	351,683	-	-	-	351,683	318,187
Use of money and property	9,887	-	-	-	9,887	12,628
Sale of property and compensation for loss	211	-	-	-	211	908
Miscellaneous	87,096	71,673	-	-	158,769	215,628
State sources	7,675,934	145,580	-	7,516	7,829,030	7,796,285
Federal sources	22,051	432,370	-	217,579	672,000	717,545
Sales	-	-	-	115,719	115,719	122,908
Total revenues	15,264,520	649,623	-	340,814	16,254,957	16,223,077
Expenditures						
General support	1,931,062	-	-	110,525	2,041,587	2,084,908
Instruction	8,605,697	704,353	-	-	9,310,050	9,643,612
Pupil transportation	892,244	15,586	-	-	907,830	990,907
Community service	28,990	-	-	-	28,990	27,222
Employee benefits	3,598,929	-	-	104,603	3,703,532	4,032,547
Debt service						
Principal	1,035,000	-	-	-	1,035,000	1,010,000
Interest	116,913	-	-	-	116,913	143,738
Cost of sales	-	-	-	131,277	131,277	144,887
Capital outlay	-	-	20,220	-	20,220	993
Total expenditures	16,208,835	719,939	20,220	346,405	17,295,399	18,078,814
Excess expenditures	(944,315)	(70,316)	(20,220)	(5,591)	(1,040,442)	(1,855,737)
Other financing sources (uses)						
Operating transfers	(100,316)	70,316	24,000	6,000	-	-
Net change in fund balances	(1,044,631)	-	3,780	409	(1,040,442)	(1,855,737)
Fund balances (deficit) - beginning	19,789,601	-	-	(26,717)	19,762,884	21,618,621
Fund balances (deficit) - ending	$ 18,744,970	$ -	$ 3,780	$ (26,308)	$ 18,722,442	$ 19,762,884

See accompanying notes.

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, 2016

Total net change in fund balances - governmental funds		$ (1,040,442)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays.		(732,014)
Pension expense is recognized when paid on the fund statement of revenues, expenditures and changes in fund balances and actuarially determined on the statement of activities. These differences are:		
2016 TRS and ERS contributions	1,116,590	
2016 ERS accrued contribution	57,044	
2015 ERS accrued contribution	(75,976)	
2016 TRS net pension revenue	313,187	
2016 ERS net pension expense	(287,470)	1,123,375
Payments of long-term liabilities are reported as expenditures in the governmental funds and as a reduction of debt in the statement of net position.		1,035,000
In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds these expenditures are reported when paid. These differences are:		
Other postemployment benefits	(16,325)	
Amortization of bond premium	21,280	
Amortization of defeasance loss	(8,679)	
Compensated absences	(143,000)	
Interest	5,000	(141,724)
Change in net position - governmental activities		$ 244,195

See accompanying notes.

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

For the year ended June 30, 2016

	Budgeted Amounts		Actual		Variance with
	Original	Final	(Budgetary Basis)	Encumbrances	Final Budget Over/(Under)
Revenues					
Local sources					
Real property taxes	$ 4,072,543	$ 4,072,543	$ 3,174,838		$ (897,705)
Real property tax items	3,043,600	3,043,600	3,942,820		899,220
Charges for services	300,600	300,600	351,683		51,083
Use of money and property	10,000	10,000	9,887		(113)
Sale of property and compensation for loss	500	500	211		(289)
Miscellaneous	118,000	118,000	87,096		(30,904)
State sources	7,715,803	7,715,803	7,675,934		(39,869)
Federal sources	15,000	15,000	22,051		7,051
Total revenues	15,276,046	15,276,046	15,264,520		(11,526)
Expenditures					
General support					
Board of education	29,491	29,941	29,475	-	(466)
Central administration	273,171	274,021	269,405	-	(4,616)
Finance	205,308	205,233	199,343	-	(5,890)
Staff	99,167	108,512	51,444	-	(57,068)
Central services	1,610,339	1,602,429	1,176,165	-	(426,264)
Special items	215,453	215,453	205,230	-	(10,223)
Instruction					
Instruction, administration and improvement	500,530	500,450	466,459	-	(33,991)
Teaching - regular school	5,135,086	5,092,431	4,567,837	208	(524,386)
Programs for children with handicapping conditions	1,957,567	2,008,197	1,807,327	-	(200,870)
Occupational education	350,000	341,440	341,440	-	-
Teaching - special schools	24,700	20,255	14,351	-	(5,904)
Instructional media	648,988	630,978	583,476	-	(47,502)
Pupil services	875,407	871,792	824,807	2,256	(44,729)
Pupil transportation	1,127,017	1,127,092	892,244	-	(234,848)
Community service	40,950	40,950	28,990	-	(11,960)
Employee benefits	4,000,130	3,985,130	3,598,929	-	(386,201)
Debt service					
Principal	1,020,000	1,035,000	1,035,000	-	-
Interest	127,100	127,100	116,913	-	(10,187)
Total expenditures	18,240,404	18,216,404	16,208,835	2,464	(2,005,105)
Excess expenditures	(2,964,358)	(2,940,358)	(944,315)	(2,464)	1,993,579
Other financing sources (uses)					
Operating transfers out	(77,980)	(101,980)	(100,316)		(1,664)
Appropriated fund balance and carryover encumbrances	3,042,338	3,042,338	-		(3,042,338)
Total other financing sources (uses)	2,964,358	2,940,358	(100,316)		(3,040,674)
Excess revenues (expenditures) and other financing sources (uses)	$ -	$ -	$ (1,044,631)	$ (2,464)	$ (1,047,095)

See accompanying notes.

BARKER CENTRAL SCHOOL DISTRICT

Statement of Fiduciary Net Position

June 30, 2016

		Private-Purpose Trusts		Agency
Assets				
Cash	$	62,686	$	125,963
Liabilities				
Extraclassroom activities balances		-	$	68,800
Due to governmental funds		-		66
Agency liabilities		-		57,097
Total liabilities		-	$	125,963
Net Position				
Restricted for scholarships	$	62,686		

* * *

BARKER CENTRAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position

For the year ended June 30, 2016

		Private-Purpose Trusts
Additions		
Gifts and donations	$	750
Interest and earnings		31
		781
Deductions		
Scholarship awards		1,400
Change in net position		(619)
Net position - beginning		63,305
Net position - ending	$	62,686

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 13 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 shares 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; there is no such debt issued by the District.

During the year ended June 30, 2016, the District was billed $1,833,000 for BOCES administrative and program costs and recognized revenue of $53,000 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 presented in Note 9.

Basis of Presentation

Government-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.
- *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 also elected to display the following as major funds:

- *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.
- *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 reports the following fiduciary funds:

- *Private-purpose trust fund.* This fund reports trust arrangements under which principal and income benefit 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, 2015, 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. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue 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, 2016, the tax lien was issued on August 17, 2015 for collection from September 1, 2015 through October 31, 2015. Thereafter, uncollected amounts became the responsibility of Niagara and Orleans Counties. Such amounts were submitted to the District by April 1st of the following year as required by law.

Budget Process, Amendments and Encumbrances

District administration prepares a proposed budget for the general fund requiring approval by the Board. A public hearing is held upon completion and filing of the tentative budget. Subsequently, the budget is adopted by the Board. The proposed budget is then presented to voters of the District. The budget for the fiscal year beginning July 1, 2015 was approved by a majority of the voters in a general election held on May 19, 2015.

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 budgetary expenditures 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 related to school lunch operations and is recorded at the lower of first-in, first-out cost or net realizable value. 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 deferred 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.

Pensions

On the government-wide statements, the District recognizes the net pension asset (liability), deferred outflows and deferred inflows of resources, pension expense (revenue), and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans. The District's participation in the plans is mandated by State law and includes the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS) (the Systems). The Systems recognize benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value.

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 administrative and employee groups which provide for the payment of accumulated sick time at retirement or the option of converting this vested amount to provide for the payment of health insurance 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, and certain deferred outflows of resources 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, including the net pension asset, reduced by liabilities and deferred inflows of resources related to those assets if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or terms of the District's bonds.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by the District.

Governmental Fund Statements

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

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

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

Fund balance 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 and the 2011 reserve has been funded in the amount of $2,557,000 plus accumulated interest.
- *Retirement contribution* – is used to finance retirement contributions payable to ERS.
- *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.

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 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.

Reclassifications

The prior year statement of net position has been reclassified to conform to the presentation adopted for 2016.

2. Stewardship and Compliance

The deficit fund balance of $26,308 in the school lunch fund will be funded in future years as operations improve or prices increase to provide revenues in excess of 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. Policies permit the Treasurer to use demand accounts and certificates of deposit. Invested resources are limited to 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, 2016, the District's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institutions' agents in the District's name.

4. Interfund Transactions – Fund Financial Statements

			Transfers	
Fund	**Receivable**	**Payable**	**In**	**Out**
General	$ 298,218	$ -	$ -	$ 100,316
Special aid	1,695	205,290	70,316	-
Capital projects	-	3	24,000	-
School lunch	6,000	100,554	6,000	-
Fiduciary funds	-	66	-	-
	$ 305,913	**$ 305,913**	**$ 100,316**	**$ 100,316**

The general fund provides cash flow to the various other funds; these amounts will be repaid when funds are received from the State after final expenditure reports have been submitted and approved or when permanent financing is obtained. The general fund made permanent transfers to the special aid fund to cover its share of costs related to the summer school handicap program, to the capital projects fund to pay preliminary capital project costs, and to the school lunch fund for operating cash flows.

5. Capital Assets

	Balance July 1, 2015	**Increases**	**Retirements/ Reclassifications**	**Balance June 30, 2016**
Non-depreciable capital assets:				
Land	$ 104,102	$ -	$ -	$ 104,102
Construction in progress	-	20,220	-	20,220
Total non-depreciable assets	104,102	20,220	-	124,322
Depreciable capital assets:				
Land improvements	1,033,677	-	-	1,033,677
Buildings and improvements	33,009,803	-	-	33,009,803
Furniture and fixtures	2,744,579	7,242	-	2,751,821
Vehicles	174,883	-	-	174,883
Total depreciable assets	36,962,942	7,242	-	36,970,184
Less accumulated depreciation:				
Land improvements	963,458	24,545	-	988,003
Buildings and improvements	17,749,739	656,280	-	18,406,019
Furniture and fixtures	2,266,685	71,986	-	2,338,671
Vehicles	162,647	6,665	-	169,312
Total accumulated depreciation	21,142,529	759,476	-	21,902,005
Total depreciable assets, net	15,820,413	(752,234)	-	15,068,179
	$ 15,924,515	**$ (732,014)**	**$ -**	**$ 15,192,501**

Depreciation expense has been allocated to the following functions: general support $141,951, instruction $614,166, pupil transportation $743, and community services $2,616.

As of June 30, 2016, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	$ 15,192,501
Bonds and premiums	(2,710,073)
Defeasance loss	6,148
	$12,488,576

6. Long-Term Liabilities

	July 1, 2015	Increases	Decreases	June 30, 2016	Amount Due in One Year
Bonds	$ 3,730,000	$ -	$ 1,035,000	$ 2,695,000	$ 1,105,000
Premium on 2013 issuance	36,353	-	21,280	15,073	-
Compensated absences	3,557,000	143,000	-	3,700,000	759,000
Other postemployment benefits	109,179	139,047	122,722	125,504	-
	$ 7,432,532	**$ 282,047**	**$ 1,179,002**	**$ 6,535,577**	**$ 1,864,000**

Existing Obligations

Description	Maturity	Rate	Balance
Serial Bonds - 2005	June 2020	3.625%-4.0%	$ 800,000
Serial Bonds - 2007	Jan. 2023	4.3% - 4.5%	1,130,000
Refunding Bonds - 2013	Dec. 2016	2.0%	765,000
			$2,695,000

Debt Service Requirements

Years ending June 30,	Principal	Interest
2017	$ 1,105,000	$ 89,025
2018	350,000	67,500
2019	365,000	53,213
2020	375,000	38,325
2021	165,000	22,500
2022-2023	335,000	22,725
	$ 2,695,000	**$ 293,288**

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, 2016, remaining principal of the defeased debt was $760,000.

7. Pension Plans

Plan Descriptions

The District participates in the following cost-sharing, multiple employer, public employee retirement systems:

- 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. The report may be obtained from the New York State Teachers' Retirement System at www.nystrs.org.
- 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.

Benefits: The Systems provide retirement, disability, and death benefits for eligible members, including automatic cost of living adjustments. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

Contribution Requirements: 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 3.5% (TRS) or 3% (ERS) 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. Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually for TRS by the New York State Teachers' Retirement Board. This rate was 13.26% for 2016. 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. For 2016, these rates ranged from 10.6% - 18.9%.

The amount outstanding and payable to TRS for the year ended June 30, 2016 was $866,063. A liability to ERS of $57,044 is accrued based on the District's legally required contribution for employee services rendered from April 1, 2016 through June 30, 2016.

Net Pension Asset (Liability), Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At June 30, 2016, the District reported an asset of $4,733,818 for its proportionate share of the TRS net pension asset and a liability of $761,656 for its proportionate share of the ERS net pension liability.

The TRS net pension asset was measured as of June 30, 2015, and the total pension liability was determined by an actuarial valuation as of June 30, 2014, with update procedures applied to roll forward the net pension position to June 30, 2015. The District's proportion of the net pension asset was based on the ratio of its actuarially determined employer contribution to TRS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At June 30, 2015, the District's proportion was 0.045575%, an increase of 0.000152% from its proportion measured as of June 30, 2014.

The ERS net pension liability was measured as of March 31, 2016, and the total pension liability was determined by an actuarial valuation as of April 1, 2015. The District's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contribution for the fiscal year ended on the measurement date. At the March 31, 2016 measurement date, the District's proportion was 0.0047454%, an increase of 0.0002983% from its proportion measured as of March 31, 2015.

For the year ended June 30, 2016, the District recognized net pension income of $25,717 on the government-wide statements (income from TRS of $313,187 and expense from ERS of $287,470). At June 30, 2016, the District reported deferred outflows and deferred inflows of resources as follows:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 131,194	$ 3,849	$ 90,282
Changes of assumptions	-	-	203,111	-
Net difference between projected and actual earnings on pension plan investments	-	1,496,384	451,856	-
Changes in proportion and differences between District contributions and proportionate share of contributions	4,345	4,741	56,559	-
District contributions subsequent to the measurement date	866,063	-	57,044	-
	$ 870,408	**$ 1,632,319**	**$ 772,419**	**$ 90,282**

District contributions subsequent to the measurement date will be recognized as an addition to (reduction of) the net pension asset (liability) in the year ending June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30,	TRS	ERS
2017	$ (603,631)	$ 159,566
2018	(603,631)	159,566
2019	(603,631)	159,566
2020	248,775	146,395
2021	(16,433)	-
Thereafter	(49,423)	-
	$ (1,627,974)	**$ 625,093**

Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2014 valuation, with update procedures used to roll forward the total pension liability to June 30, 2015, were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010. These assumptions are:

Inflation – 3.0%
Salary increases – Based on TRS member experience, dependent on age and gender, ranging from 4.0-10.9%
Projected Cost of Living Adjustments (COLA) – 1.625% compounded annually
Investment rate of return – 8.0% compounded annually, net of investment expense, including inflation
Mortality – Based on TRS member experience, with adjustments for mortality improvements based on Society of Actuaries Scale AA
Discount rate – 8.0%

The long-term expected rate of return on TRS pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

For ERS, the actuarial assumptions used in the April 1, 2015 valuation, with update procedures used to roll forward the total pension liability to March 31, 2016, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Inflation – 2.5%
Salary increases – 3.8%
COLA – 1.3% annually
Investment rate of return – 7.0% compounded annually, net of investment expense, including inflation
Mortality – Based on ERS experience from April 1, 2010 – March 31, 2015 with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014
Discount rate – 7.0%

The long-term expected rate of return on ERS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Investment Asset Allocation

Best estimates of arithmetic real rates of return for each major asset class and the Systems' target asset allocations as of the applicable valuation dates are summarized as follows:

	TRS		**ERS**	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Domestic equities	37%	6.5%	38%	7.3%
International equities	18%	7.7%	13%	8.5%
Private equities	-	-	10%	11.0%
Real estate	10%	4.6%	8%	8.3%
Alternative investments	7%	9.9%	-	-
Domestic fixed income securities	17%	2.1%	2%	4.0%
Global fixed income securities	2%	1.9%	-	-
Bonds and mortgages	8%	3.4%	18%	4.0%
Short-term	1%	1.2%	2%	2.3%
Other	-	-	9%	6.8%-8.7%
	100%		**100%**	

Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the District's proportionate share of its net pension asset and liability calculated using the discount rate of 8.0% (TRS) and 7.0% (ERS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

	1.0% Decrease	At Current Discount Rate	1.0% Increase
District's proportionate share of the TRS net pension asset (liability)	$ (322,907)	$ 4,733,818	$ 9,046,142
District's proportionate share of the ERS net pension asset (liability)	$ (1,717,479)	$ (761,656)	$ 45,974

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. Thereby, the District provides an implicit rate subsidy on behalf of eligible employees.

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, 2016 the District contributed $122,722 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 30 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, 2016:

Annual required contribution	
Normal cost	$ 53,951
Amortization of unfunded actuarial accrued liability	85,186
Interest	4,367
ARC adjustment	(4,457)
	139,047
Contributions made	(122,722)
Increase in net OPEB obligation	16,325
Net OPEB obligation - beginning of year	109,179
Net OPEB obligation - end of year	$ 125,504

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

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	$ 139,047	88.3%	$ 125,504
2015	139,005	88.3%	109,179
2014	48,712	74.9%	92,896

As of January 1, 2015, the actuarial accrued liability for benefits was $2,046,585, all of which is unfunded. The annual payroll of employees eligible to be covered by the Plan was $8,494,967 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 24%.

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 the healthcare cost trends. Amounts determined regarding the funded status of the Plan and ARC of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress is presented as required supplementary information and displays trend data on plan assets (if any) and the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the Plan as understood by the District and Plan members and 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 2014 TRS Tier 2-4 retirement rates, separate for males and females, beginning at age 55 with all employees assumed to retire by age 75
Marital status – 70% married, with male spouses assumed to be three years older than female spouses
Mortality – 2014 TRS rates separate for males and females and actives and retirees
Salary Scale – 3%
Turnover – 2003 Society of Actuaries small plan withdrawal
Healthcare cost trend rate – initially 7.8% and settling at 4.2% post 2050 – Dental rate assumed 5%
Actuarial cost method – Entry age normal method over a level percent of pay
Discount rate – 4.0%
Amortization method – Level percent of pay, open group over 30 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 nine participating members as of June 30, 2015 (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 previous three years.

The Plan has published its own financial report for the year ended June 30, 2015, 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, 2015 (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 previous three years.

The Plan has published its own financial report for the year ended June 30, 2015, 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.

Required Supplementary Information
Schedule of Funding Progress
Postemployment Benefit Plan

June 30, 2016

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, 2010	$ -	$ 520,823	$ (520,823)	-	$ 145,746	357%
July 1, 2011	$ -	$ 487,714	$ (487,714)	-	$ 150,118	325%
* January 1, 2015	$ -	$ 2,046,585	$ (2,046,585)	-	$ 8,494,967	24%

* The increase in the actuarial accrued liability and covered payroll in part relates to a change in actuarial methods whereby implicit rate subsidies are now allocated to community-rated plans.

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Asset
New York State Teachers' Retirement System

As of the measurement date of June 30,	2015	2014	2013
District's proportion of the net pension asset	0.045575%	0.045423%	0.046257%
District's proportionate share of the net pension asset	$ 4,733,818	$ 5,059,893	$ 304,489
District's covered payroll	$ 6,846,024	$ 6,709,754	$ 6,775,675
District's proportionate share of the net pension asset as a percentage of its covered payroll	69.15%	75.41%	4.49%
Plan fiduciary net position as a percentage of the total pension liability	110.46%	111.48%	100.70%

Data prior to 2013 is unavailable.

Required Supplementary Information
Schedule of District Contributions
New York State Teachers' Retirement System

June 30,	2016	2015	2014	2013
Contractually required contribution	$ 866,063	$ 1,200,108	$ 1,090,335	$ 802,240
Contribution in relation to the contractually required contribution	(866,063)	(1,200,108)	(1,090,335)	(802,240)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 6,531,396	$ 6,846,024	$ 6,709,754	$ 6,775,675
Contributions as a percentage of covered payroll	13.26%	17.53%	16.25%	11.84%

Data prior to 2013 is unavailable.

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
New York State and Local Employees' Retirement System

As of the measurement date of March 31,	2016	2015
District's proportion of the net pension liability	0.0047454%	0.0044471%
District's proportionate share of the net pension liability	$ 761,656	$ 150,233
District's covered payroll	$ 1,367,430	$ 1,338,961
District's proportionate share of the net pension liability as a percentage of its covered payroll	55.70%	11.22%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%

Data prior to 2015 is unavailable.

The following is a summary of changes in assumptions:

As of the measurement date of March 31,	2016	2015
Inflation	2.5%	2.7%
Salary increases	3.8%	4.9%
Cost of living adjustments	1.3%	1.4%
Investment rate of return	7.0%	7.5%
Discount rate	7.0%	7.5%

Required Supplementary Information
Schedule of District Contributions
New York State and Local Employees' Retirement System

June 30,	2016	2015	2014	2013
Contractually required contribution	$ 250,527	$ 242,227	$ 277,183	$ 309,480
Contribution in relation to the contractually required contribution	(250,527)	(242,227)	(277,183)	(309,480)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 1,367,430	$ 1,338,961	$ 1,453,094	$ 1,605,623
Contributions as a percentage of covered payroll	18.32%	18.09%	19.08%	19.27%

Data prior to 2013 is unavailable.

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, 2016

Original expenditure budget	$	18,315,472
Encumbrances carried over from prior year		2,912
Revised expenditure budget	$	18,318,384

* * *

Unrestricted Fund Balance		
Assigned	$	8,534,944
Unassigned		719,899
		9,254,843
Encumbrances included in assigned fund balance		(2,464)
Appropriated for future tax proceedings		(5,846,541)
Appropriated fund balance used for tax levy		(2,685,939)
Amount subject to 4% limit pursuant to Real Property Tax Law §1318	$	719,899
§1318 of Real Property Tax Law - unrestricted fund balance limit calculation		
2017 expenditure budget (unaudited)	$	17,997,507
4% of budget		719,900
Actual percentage of 2017 expenditure budget		4.0%

Supplementary Information
Schedule of Capital Project Expenditures

For the year ended June 30, 2016

Project Title	Original Budget	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Total	Unexpended Balance
Carbon monoxide detectors	$ 24,000	$ -	$ 3,846	$ 3,846	$ 20,154
Fire safety capital outlay 2016-2017	25,000	-	1,016	1,016	23,984
Capital improvement 2016-2017	1,900,000	-	15,358	15,358	1,884,642
Total	$ 1,949,000	$ -	$ 20,220	$ 20,220	$ 1,928,780

Lumsden McCormick LLP
Cyclorama Building | 369 Franklin Street | Buffalo, NY 14202
CERTIFIED PUBLIC ACCOUNTANTS
p: 716.856.3300 | f: 716.856.2524 | www.LumsdenCPA.com

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 30, 2016.

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. We did identify a deficiency in internal control that we consider to be a significant deficiency as follows:

Financial accounting and external reporting

Management requests our assistance with the annual financial statements and 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.

Management's Response

In order to eliminate this condition, the District would need to devote considerable resources, either internally or externally, to ensure an understanding 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 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 is a practical solution for the District.

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 above. 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lumsden & McCormick, LLP

August 30, 2016

BARKER CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY

JUNE 30, 2016

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS
Cyclorama Building | 369 Franklin Street | Buffalo, NY 14202
p: 716.856.3300 | f: 716.856.2524 | www.LumsdenCPA.com

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, 2016, 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 $176,897.

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, 2016, 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.

Lumsden & McCormick, LLP

August 30, 2016

BARKER CENTRAL SCHOOL DISTRICT
Extraclassroom Activity

Statement of Cash Receipts and Disbursements

For the year ended June 30, 2016

Activities	July 1, 2015	Receipts	Disbursements	June 30, 2016
Class Clubs:				
2015	$ 137	$ 171	$ 308	$ -
2016	1,188	24,162	25,251	99
2017	2,521	9,252	6,710	5,063
2018	1,279	2,320	1,955	1,644
2019	1,604	1,453	1,523	1,534
2020	2,363	21,009	21,558	1,814
2021	1,679	4,115	1,274	4,520
2022	-	982	-	982
American Field Service Club	1,183	6,009	6,073	1,119
Band Club	1,897	12,315	12,094	2,118
Barker Singers Club	2,190	868	1,220	1,838
Baseball Club	1,752	7,339	7,806	1,285
Boys Basketball Club	385	4,912	3,818	1,479
Cheerleaders Club	385	162	530	17
Cross Country Club	3,741	15,176	14,604	4,313
Field Hockey Club	346	9,710	8,838	1,218
Football Club	39	4,101	4,114	26
Foreign Language Club	133	3,048	1,212	1,969
Girls Basketball Club	187	3,019	2,880	326
High School Musical Club	9,207	7,440	7,909	8,738
International Exchange Club	975	2,913	2,238	1,650
Latrator (Yearbook Club)	17,023	15,552	19,127	13,448
National Academy of Finance Club	986	722	741	967
Shop Deluxe Club	3,489	182	157	3,514
Soccer Club	990	1,851	2,107	734
Softball Club	522	1,636	2,029	129
Student Council Club - High School	3,202	4,862	6,155	1,909
Student Council Club - Middle School	1,974	1,545	1,694	1,825
Swimming Club	546	5,542	5,470	618
Tennis Club	935	212	212	935
Track Club	1,108	792	976	924
Varsity Club	1,417	3,525	3,972	970
Wrestling Club	1,075	-	-	1,075
Totals	**$ 66,458**	**$ 176,897**	**$ 174,555**	**$ 68,800**

See accompanying notes.

Notes to Financial Statement

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.

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

Cyclorama Building | 369 Franklin Street | Buffalo, New York 14202

716-856-3300 | Fax 716-856-2524 | www.LumsdenCPA.com

MANAGEMENT LETTER

September 14, 2015

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, 2015, 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. <u>Financial accounting and external reporting</u>

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. Interfund accounting

While analyzing the amounts owed between funds, we noted that these balances have been steadily increasing. These amounts are not intended to be permanent in nature. We recommend that management review these accounts to liquidate the interfund activity. If necessary, transfers should be made permanent with the appropriate documentation and Board approval.

3. Extraclassroom activity funds

We noted instances of deposit receipts that were not properly reviewed and approved by Club advisors. We encourage the Central Treasurer to verify that all necessary signatures are present prior to the disbursement of funds.

INFORMATIONAL POINTS

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

4. Upcoming changes due to GASB Statement No. 75

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* replaces GASB Statement No. 45 and is effective for the District's year ending June 30, 2018. This statement will require recognition of the District's full unfunded actuarial accrued liability for OPEB in the statement of net position, rather than the current method of recognizing only an amortized portion of the total. For defined benefit OPEB, this statement also identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Additional note disclosures and required supplementary information requirements are also addressed. The intention of GASB Statement No. 75 is to report data consistent with the methods of accounting to be used for pension plans under GASB Statement No. 68.

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:

- We had commented that capital asset detail records did not agree with balances recorded within the District's final reporting system. Additionally, the District capitalized assets whose purchase prices were below capitalization thresholds. We are pleased to report that these conditions did not occur in this year's audit.
- We continue to recommend that the extraclassroom activity clubs provide funds to the Central Treasurer in a timely manner, so bank deposits may be made whenever cash or checks are collected.

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.

Lumsden & McCormick, LLP