BARKER CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2017

BARKER CENTRAL SCHOOL DISTRICT

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June 30, 2017

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Barker Central School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Barker Central School District (the District) as of and for the year ended June 30, 2017, 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, 2017, 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

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2017, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 September 18, 2017 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

September 18, 2017

Barker Central School District
Management's Discussion and Analysis
June 30, 2017
(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, 2017. 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. In 2017, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). The results of this statement include recognizing a total OPEB liability and related deferred outflows and deferred inflows of resources. The cumulative effect of implementing this required change in accounting principle resulted in a restatement of beginning net position as detailed in Note 2 to the financial statements. The comparative data in the MD&A for 2016 has not been restated.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and the difference between them is 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	2017	2016	Change $	Change %
Current assets	$ 19,388,000	$ 20,377,000	$ (989,000)	-4.9%
Net pension asset	-	4,734,000	(4,734,000)	-100.0%
Capital assets	15,375,000	15,193,000	182,000	1.2%
Total assets	34,763,000	40,304,000	(5,541,000)	-13.7%
Deferred outflows of resources	5,251,000	1,649,000	3,602,000	218.4%
Long-term liabilities	8,925,000	7,297,000	1,628,000	22.3%
Other liabilities	2,195,000	1,462,000	733,000	50.1%
Total liabilities	11,120,000	8,759,000	2,361,000	27.0%
Deferred inflows of resources	528,000	1,942,000	(1,414,000)	-72.8%
Net position				
Net investment in capital assets	14,564,000	12,488,000	2,076,000	16.6%
Restricted	7,508,000	9,494,000	(1,986,000)	-20.9%
Unrestricted	6,294,000	9,270,000	(2,976,000)	-32.1%
Total net position	$ 28,366,000	$ 31,252,000	$ (2,886,000)	-9.2%

The District's net position at June 30, 2017 and 2016 was $28,366,000 and $31,252,000. 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, which includes reserves set aside for specific purposes governed by statutory law and regulations. Such reserves are the capital reserve, which is set aside to pay for future buses, facilities, technology, and equipment purchases; the employee benefit accrued liability reserve, which is restricted to pay for future accumulated sick and vacation time, and other reserves including the unemployment insurance, and property loss and liability.

Total assets decreased by $5,541,000 ($2,430,000 decrease in 2016) primarily as a result of the New York State Teachers' Retirement System (TRS) change in actuarial assumptions resulting in a net pension liability. In 2016, the District's proportionate share of the TRS net pension position resulted in an asset of $4,734,000 compared to a liability of $453,000 in 2017. This change was largely caused by a decrease in the discount rate from 8.0% to 7.5%. Current assets decreased $989,000 ($1,372,000 decrease in 2016) due to negative operating activities and the use of $1,925,000 to fund capital projects. Capital assets increased by $182,000 due to capital expenditures exceeding depreciation.

Long-term liabilities increased by $1,628,000 (decrease of $286,000 in 2016) primarily as a result of the recognition of the total OPEB liability of $2,668,000. This was partially offset by debt payments of $1,105,000. Other liabilities increased by $733,000 (decrease of $303,000 in 2016) primarily due to an increase in capital project related payables.

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 include contributions required to be paid by the District to the State pension systems after the measurement date, and as such are not included in the current net pension position. Deferred outflows of resources and deferred inflows of resources also reflect variances from actuarial assumptions, actual results of investment earnings compared to projected earnings, and changes of assumptions. The District has no control or authority over these transactions.

Condensed Statement of Activities	2017	2016	Change $	Change %
Revenues				
Program revenues				
Charges for services	$ 387,000	$ 467,000	$ (80,000)	-17.1%
Operating grants and contributions	875,000	902,000	(27,000)	-3.0%
Capital grants and contributions	120,000	-	120,000	-
General revenues				
Taxes and related items	6,907,000	7,118,000	(211,000)	-3.0%
State aid	8,010,000	7,676,000	334,000	4.4%
Other	204,000	92,000	112,000	121.7%
Total revenue	16,503,000	16,255,000	248,000	1.5%
Expenses				
Instruction	12,953,000	12,048,000	905,000	7.5%
Support services				
General support	2,803,000	2,566,000	237,000	9.2%
Pupil transportation	945,000	911,000	34,000	3.7%
Food service	319,000	346,000	(27,000)	-7.8%
Interest and other	105,000	140,000	(35,000)	-25.0%
Total expenses	17,125,000	16,011,000	1,114,000	7.0%
Change in net position	(622,000)	244,000	(866,000)	-354.9%
Net position - beginning	31,252,000	31,008,000	244,000	0.8%
Restatement - GASB 75	(2,264,000)			
Net position - ending	$ 28,366,000	$ 31,252,000	$ (2,886,000)	-9.2%

District revenues increased 1.5% or $248,000 over 2016 (increase of $32,000 in 2016). The increase of $334,000 in state aid was primarily attributed to the gap elimination adjustment being completely removed during 2017. PILOT payments received from the District's largest taxpayer in 2017 and 2016 amounted to $2,737,000 and $3,034,000, respectively. Capital grants of $120,000 stem from a state program – Smart Schools Bond Act – which is available for technology upgrades.

Total expenses increased $1,114,000 or 7.0% (decrease of $431,000 in 2016). Overall, District-wide payroll and employee benefits increased a total of $821,000. Payroll decreased $219,000 or 2.7% as retiring teacher positions were not filled. Benefits include actuarially-determined pension expense, health insurance, OPEB, and employee sick and vacation time and in total increased $1,040,000. Benefits increased primarily due to changes of assumptions for TRS resulting in $1,093,000 of additional expense in 2017 compared to 2016.

Financial Analysis of the District's Funds

Total fund balances for the governmental funds decreased from $18,722,000 to $17,020,000. Expenditures of $18,587,000 exceeded revenues of $16,885,000, resulting in the decrease of $1,702,000.

- Total fund revenue increased $629,000 or 3.9% (increase of $32,000 in 2016) and total fund expenditures increased $1,292,000 or 7.5% (decrease of $784,000 or 4.3% in 2016). Revenues primarily increased due to additional state aid as previously mentioned above and an insurance claim of $382,000. These increases were offset by a $297,000 decrease in the PILOT payment received from the District's largest taxpayer. The overall increase in expenditures is due to $1,249,000 of additional spending on capital projects.
- The general fund experienced a decrease in fund balance of $2,495,000 during 2017 compared to a $1,045,000 decrease for 2016. This fluctuation was due to the general fund transferring $1,925,000 from the capital reserve to fund the District's capital project.
- The school lunch fund had excess revenue of $17,000 in 2017 compared to revenues essentially equaling expenses in 2016. At June 30, 2017, there is a $9,000 deficit fund balance.

General Fund Budgetary Highlights

Total revenue of $15,823,000 was greater than budgeted revenue by $418,000. The final expenditure and other uses budget for the year ended 2017 was $19,928,000. The majority of the difference in revenues exceeding budget was due to the $382,000 insurance claim.

Actual expenditures and carryover encumbrances were less than the final amended budget by $1,574,000 or 8.8%. 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

	2017	2016
Land and land improvements	$ 1,137,000	$ 1,137,000
Buildings and improvements	33,010,000	33,010,000
Furniture and equipment	2,766,000	2,753,000
Vehicles	195,000	175,000
Construction in progress	895,000	20,000
	38,003,000	37,095,000
Accumulated depreciation	(22,628,000)	(21,902,000)
	$ 15,375,000	$ 15,193,000

Current year additions of $908,000 were offset by depreciation of $726,000.

Debt

At June 30, 2017 the District had $1,590,000 in bonds outstanding with $350,000 due within one year ($2,695,000 outstanding at June 30, 2016). Outstanding compensated absences payable were $3,779,000, with $787,000 expected to be paid within one year ($3,700,000 outstanding at June 30, 2016).

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, 2017
(With comparative totals as of June 30, 2016)

	2017	2016
Assets		
Cash	$ 18,341,499	$ 19,610,216
Due from other governments	440,059	324,507
Accounts, state, and federal aid receivable	595,007	431,309
Due from fiduciary funds	155	66
Inventory	10,944	11,215
Net pension asset	-	4,733,818
Capital assets (Note 6)	38,002,569	37,094,506
Accumulated depreciation	(22,627,929)	(21,902,005)
Total assets	34,762,304	40,303,632
Deferred Outflows of Resources		
Defeasance loss	-	6,148
Deferred outflows of resources related to pensions	4,913,013	1,642,827
Deferred outflows of resources related to OPEB	338,373	-
Total deferred outflows of resources	5,251,386	1,648,975
Liabilities		
Accounts payable	891,015	187,540
Accrued liabilities	478,126	328,292
Due to retirement systems	825,505	946,051
Long-term liabilities		
Due within one year:		
Bonds	350,000	1,105,000
Compensated absences	787,000	759,000
Due beyond one year:		
Bonds and related premiums	1,240,000	1,605,073
Compensated absences	2,992,000	2,941,000
Net pension liability	888,816	761,656
Total OPEB liability	2,667,698	125,504
Total liabilities	11,120,160	8,759,116
Deferred Inflows of Resources		
PILOT payments received in advance	195,288	218,988
Deferred inflows of resources related to pensions	221,181	1,722,601
Deferred inflows of resources related to OPEB	111,458	-
Total deferred inflows of resources	527,927	1,941,589
Net Position		
Net investment in capital assets	14,563,605	12,488,576
Restricted	7,508,494	9,493,907
Unrestricted	6,293,504	9,269,419
Total net position	$ 28,365,603	$ 31,251,902

See accompanying notes.

Statement of Activities

For the year ended June 30, 2017
(With summarized comparative totals for June 30, 2016)

		Program Revenues			Net (Expense) Revenue	
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**2017**	2016
Governmental activities						
General support	$ 2,802,502	$ -	$ -	$ -	$ (2,802,502)	$ (2,565,489)
Instruction	12,953,254	279,837	645,302	119,700	(11,908,415)	(11,019,436)
Pupil transportation	944,850	-	-	-	(944,850)	(911,149)
Community service	28,904	-	-	-	(28,904)	(40,684)
Interest expense	76,100	-	-	-	(76,100)	(99,312)
School food service	319,269	107,328	229,317	-	17,376	(5,591)
	$ 17,124,879	$ 387,165	$ 874,619	$ 119,700	(15,743,395)	(14,641,661)
General revenues						
Real property taxes					6,907,302	7,117,658
Miscellaneous					203,464	92,264
State aid					8,010,279	7,675,934
Total general revenues					15,121,045	14,885,856
Change in net position					(622,350)	244,195
Net position - beginning					31,251,902	31,007,707
Cumulative effect of a change in accounting principle (Note 2)					(2,263,949)	-
Net position - beginning, as restated					28,987,953	31,007,707
Net position - ending					$ 28,365,603	$ 31,251,902

BARKER CENTRAL SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2017
(With summarized comparative totals as of June 30, 2016)

	General	Capital Projects	Special Aid	School Lunch	Total Governmental Funds 2017	Total Governmental Funds 2016
Assets						
Cash	$ 16,654,532	$ 1,594,665	$ 17,686	$ 74,616	$ 18,341,499	$ 19,610,216
Due from other governments	439,728	-	-	331	440,059	324,507
Accounts, state, and federal aid receivable	533,697	-	61,310	-	595,007	431,309
Due from other funds, net	171,963	-	-	-	171,963	298,218
Inventory	-	-	-	10,944	10,944	11,215
Total assets	$ 17,799,920	$ 1,594,665	$ 78,996	$ 85,891	$ 19,559,472	$ 20,675,465
Liabilities						
Accounts payable	$ 76,397	$ 814,442	$ -	$ 176	$ 891,015	$ 187,540
Accrued liabilities	453,033	-	-	3,093	456,126	302,292
Due to retirement systems	825,505	-	-	-	825,505	946,051
Due to other funds, net	-	1,258	78,996	91,554	171,808	298,152
Total liabilities	1,354,935	815,700	78,996	94,823	2,344,454	1,734,035
Deferred Inflows of Resources						
PILOT payments received in advance	195,288	-	-	-	195,288	218,988
Fund Balances						
Nonspendable:						
Inventory	-	-	-	10,944	10,944	11,215
Restricted:						
Capital	4,049,495	778,965	-	-	4,828,460	5,949,851
Retirement contribution	-	-	-	-	-	12,517
Unemployment insurance	10,094	-	-	-	10,094	16,631
Employee benefit accrued liability	3,131,276	-	-	-	3,131,276	3,197,540
Property loss and liability	317,629	-	-	-	317,629	317,368
Assigned:						
Designated for subsequent year's expenditures	2,627,610	-	-	-	2,627,610	2,685,939
Designated for future tax proceedings	5,415,415	-	-	-	5,415,415	5,846,541
Other purposes	14,249	-	-	-	14,249	2,464
Unassigned	683,929	-	-	(19,876)	664,053	682,376
Total fund balances (deficit)	16,249,697	778,965	-	(8,932)	17,019,730	18,722,442
Total liabilities, deferred inflows, and fund balances	$ 17,799,920	$ 1,594,665	$ 78,996	$ 85,891	$ 19,559,472	$ 20,675,465

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

June 30, 2017

Total fund balances - governmental funds		$ 17,019,730
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.		15,374,640
The District's proportionate share of net pension liabilities as well as pension-related deferred outflows and deferred inflows of resources are recognized on the government-wide statements and include:		
Deferred outflows of resources related to pensions	4,913,013	
Net pension liability	(888,816)	
Deferred inflows of resources related to pensions	(221,181)	3,803,016
The District's total OPEB liability as well as OPEB-related deferred outflows and deferred inflows of resources are recognized on the government-wide statements and include:		
Deferred outflows of resources related to OPEB	338,373	
Total OPEB liability	(2,667,698)	
Deferred inflows of resources related to OPEB	(111,458)	(2,440,783)
Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:		
Bonds	(1,590,000)	
Accrued interest	(22,000)	
Compensated absences	(3,779,000)	(5,391,000)
Net position - governmental activities		$ 28,365,603

See accompanying notes.

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

For the year ended June 30, 2017
(With summarized comparative totals for June 30, 2016)

	General	Capital Projects	Special Aid	School Lunch	Total Governmental Funds 2017	Total Governmental Funds 2016
Revenues						
Real property taxes	$ 3,264,457	$ -	$ -	$ -	$ 3,264,457	$ 3,174,838
Real property tax items	3,642,845	-	-	-	3,642,845	3,942,820
Charges for services	279,837	-	-	-	279,837	351,683
Use of money and property	14,644	-	-	-	14,644	9,887
Sale of property and compensation for loss	387,501	-	-	-	387,501	211
Miscellaneous	183,496	-	44,897	-	228,393	158,769
State sources	8,010,279	119,700	154,123	7,050	8,291,152	7,829,030
Federal sources	40,323	-	405,633	222,267	668,223	672,000
Sales	-	-	-	107,328	107,328	115,719
Total revenues	15,823,382	119,700	604,653	336,645	16,884,380	16,254,957
Expenditures						
General support	1,997,411	-	-	102,128	2,099,539	2,041,587
Instruction	8,751,462	-	646,404	-	9,397,866	9,310,050
Pupil transportation	912,462	-	12,954	-	925,416	907,830
Community service	28,904	-	-	-	28,904	28,990
Employee benefits	3,455,113	-	-	89,300	3,544,413	3,703,532
Debt service						
Principal	1,105,000	-	-	-	1,105,000	1,035,000
Interest	89,025	-	-	-	89,025	116,913
Cost of sales	-	-	-	127,841	127,841	131,277
Capital outlay	-	1,269,088	-	-	1,269,088	20,220
Total expenditures	16,339,377	1,269,088	659,358	319,269	18,587,092	17,295,399
Excess revenues (expenditures)	(515,995)	(1,149,388)	(54,705)	17,376	(1,702,712)	(1,040,442)
Other financing sources (uses)						
Operating transfers	(1,979,278)	1,924,573	54,705	-	-	-
Net change in fund balances	(2,495,273)	775,185	-	17,376	(1,702,712)	(1,040,442)
Fund balances (deficit) - beginning	18,744,970	3,780	-	(26,308)	18,722,442	19,762,884
Fund balances (deficit) - ending	$ 16,249,697	$ 778,965	$ -	$ (8,932)	$ 17,019,730	$ 18,722,442

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, 2017

Total net change in fund balances - governmental funds		$ (1,702,712)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense.		182,139
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:		
2017 TRS and ERS contributions	969,474	
2017 ERS accrued contribution	48,665	
2016 ERS accrued contribution	(57,044)	
2017 TRS net pension expense	(780,427)	
2017 ERS net pension expense	(270,040)	(89,372)
OPEB expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarily determined on the statement of activities.		(51,330)
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.		1,105,000
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:		
Amortization of bond premium	15,073	
Amortization of defeasance loss	(6,148)	
Compensated absences	(79,000)	
Interest	4,000	(66,075)
Change in net position - governmental activities		$ (622,350)

See accompanying notes.

BARKER CENTRAL SCHOOL DISTRICT

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

For the year ended June 30, 2017

	Budgeted Amounts		Actual		Variance with
	Original	Final	(Budgetary Basis)	Encumbrances	Final Budget Over/(Under)
Revenues					
Local sources					
Real property taxes	$ 4,153,994	$ 4,153,994	$ 3,264,457		$ (889,537)
Real property tax items	2,747,305	2,747,305	3,642,845		895,540
Charges for services	302,600	302,600	279,837		(22,763)
Use of money and property	10,000	10,000	14,644		4,644
Sale of property and compensation for loss	500	500	387,501		387,001
Miscellaneous	119,800	147,578	183,496		35,918
State sources	8,021,223	8,021,223	8,010,279		(10,944)
Federal sources	22,000	22,000	40,323		18,323
Total revenues	15,377,422	15,405,200	15,823,382		418,182
Expenditures					
General support					
Board of education	29,254	36,897	36,433	-	(464)
Central administration	244,495	254,145	249,414	-	(4,731)
Finance	204,794	205,284	199,923	-	(5,361)
Staff	90,035	89,584	36,882	-	(52,702)
Central services	1,588,732	1,619,494	1,270,213	8,217	(341,064)
Special items	213,102	213,166	204,546	-	(8,620)
Instruction					
Instruction, administration, and improvement	486,615	503,932	478,358	-	(25,574)
Teaching - regular school	5,007,712	4,987,811	4,765,132	2,260	(220,419)
Programs for children with handicapping conditions	1,995,599	1,992,999	1,768,962	-	(224,037)
Occupational education	335,000	330,120	342,100	-	11,980
Teaching - special schools	24,700	19,910	-	-	(19,910)
Instructional media	664,489	659,398	564,392	1,133	(93,873)
Pupil services	890,371	889,871	832,518	2,478	(54,875)
Pupil transportation	1,073,062	1,072,327	912,462	-	(159,865)
Community service	37,950	38,750	28,904	161	(9,685)
Employee benefits	3,820,035	3,820,035	3,455,113	-	(364,922)
Debt service					
Principal	1,105,000	1,105,000	1,105,000	-	-
Interest	89,025	89,025	89,025	-	-
Total expenditures	17,899,970	17,927,748	16,339,377	14,249	(1,574,122)
Excess revenues (expenditures)	(2,522,548)	(2,522,548)	(515,995)	(14,249)	1,992,304
Other financing sources (uses)					
Operating transfers	(100,000)	(2,000,000)	(1,979,278)		(20,722)
Appropriated fund balance, reserves and carryover encumbrances	2,622,548	4,522,548	-		(4,522,548)
Total other financing sources (uses)	2,522,548	2,522,548	(1,979,278)		(4,501,826)
Excess revenues (expenditures) and other financing sources (uses)	$ -	$ -	$ (2,495,273)	$ (14,249)	$ (2,509,522)

See accompanying notes.

BARKER CENTRAL SCHOOL DISTRICT

Statement of Fiduciary Net Position

June 30, 2017

	Private-Purpose Trusts	Agency
Assets		
Cash	$ 62,085	$ 122,971
Liabilities		
Extraclassroom activities balances	-	$ 56,975
Due to governmental funds	-	155
Agency liabilities	-	65,841
Total liabilities	-	$ 122,971
Net Position		
Restricted for scholarships	$ 62,085	

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BARKER CENTRAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position

For the year ended June 30, 2017

	Private-Purpose Trusts
Additions	
Gifts and donations	$ 500
Interest and earnings	49
	549
Deductions	
Scholarship awards	1,150
Change in net position	(601)
Net position - beginning	62,686
Net position - ending	$ 62,085

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, 2017, the District was billed $2,209,000 for BOCES administrative and program costs and recognized revenue of $135,000 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 10.

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, (b) grants and contributions that are restricted to meeting the operational requirements of a particular program, and (c) grants and contributions limited to the purchase of specific capital assets. Revenues that are not classified as program revenues, including all taxes and state aid, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category - *governmental and fiduciary* - are presented. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major funds:

- *General fund.* This is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Capital projects fund.* This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District also elected to display the following as major funds:

- *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.
- *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, 2016, 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 Taxes

The District levies real property taxes no later than September 1. For the year ended June 30, 2017, the tax lien was issued on August 22, 2016 for collection from September 1, 2016 through October 31, 2016. 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.

The District is subject to tax abatements granted by the Niagara County Industrial Development Agency (NCIDA), a public benefit corporation created by an act of the New York State Legislature to promote and assist private sector industrial and business development.

Through NCIDA, companies promise to expand or maintain facilities or employment within Niagara County (the County), to establish a new business within the County, or to relocate an existing business to the County. Economic development agreements entered into by NCIDA can include the abatement of county, town, and school district taxes, in addition to other assistance. In the case of the District, this abatement has resulted in reductions of property taxes, which the District administers as a temporary reduction in the assessed value of the property involved. The abatement agreement stipulates a percentage reduction of property taxes, which can be as much as 100%.

For the year ended June 30, 2017, the District's taxes were abated by $5,293,000 under these agreements. However, because the abated amounts are spread across the District's entire tax base, there is no impact on the overall property taxes collected.

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, 2016 was approved by a majority of the voters in a general election held on May 17, 2016.

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

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS) (the Systems) as mandated by State law. The Systems recognize benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value. 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.

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 estimated 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, 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. 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* – 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; $2,000,000 was appropriated for the reserve in 2017. 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.

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.

2. Change in Accounting Principle

Effective July 1, 2016, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), which supersedes GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement addresses accounting and financial reporting for other postemployment benefits offered by the District and requires various note disclosures (Note 9) and required supplementary information. As a result, beginning of year net position has been restated as follows:

Net position previously reported, July 1, 2016	$ 31,251,902
OPEB previously reported	125,504
Total OPEB liability	(2,389,453)
Amounts paid by the District subsequent to the measurement date	-
Net position as restated	$ 28,987,953

Information on beginning of year deferred outflows and deferred inflows of resources, and all information for the prior year, is not available and therefore such amounts have not been restated.

3. Stewardship and Compliance

The deficit fund balance of $8,932 in the school lunch fund will be funded in future years as operations improve or prices increase to provide revenues in excess of expenditures.

4. 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, 2017, the District's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institutions' agents in the District's name.

5. Interfund Transactions – Fund Financial Statements

			Transfers	
Fund	**Receivable**	**Payable**	**In**	**Out**
General	$ 171,963	$ -	$ -	$ 1,979,278
Capital projects	-	1,258	1,924,573	-
Special aid	-	78,996	54,705	-
School lunch	-	91,554	-	-
Fiduciary	-	155	-	-
	$ 171,963	**$ 171,963**	**$ 1,979,278**	**$ 1,979,278**

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 and to the capital projects fund to pay capital project costs.

6. Capital Assets

	Balance July 1, 2016	Increases	Retirements/ Reclassifications	Balance June 30, 2017
Non-depreciable capital assets:				
Land	$ 104,102	$ -	$ -	$ 104,102
Construction in progress	20,220	875,008	-	895,228
Total non-depreciable assets	124,322	875,008	-	999,330
Depreciable capital assets:				
Land improvements	1,033,677	-	-	1,033,677
Buildings and improvements	33,009,803	-	-	33,009,803
Furniture and equipment	2,751,821	13,475	-	2,765,296
Vehicles	174,883	19,580	-	194,463
Total depreciable assets	36,970,184	33,055	-	37,003,239
Less accumulated depreciation:				
Land improvements	988,003	7,992	-	995,995
Buildings and improvements	18,406,019	656,280	-	19,062,299
Furniture and equipment	2,338,671	54,987	-	2,393,658
Vehicles	169,312	6,665	-	175,977
Total accumulated depreciation	21,902,005	725,924	-	22,627,929
Total depreciable assets, net	15,068,179	(692,869)	-	14,375,310
	$ 15,192,501	**$ 182,139**	**$ -**	**$ 15,374,640**

Depreciation expense has been allocated to the following functions: general support $136,239, instruction $586,479, and pupil transportation $3,206.

As of June 30, 2017, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	$ 15,374,640
Cash in capital projects fund, net of related payables	778,965
Bonds	(1,590,000)
	$ 14,563,605

7. Long-Term Liabilities

	July 1, 2016	Increases	Decreases	June 30, 2017	Amount Due in One Year
Bonds	$ 2,695,000	$ -	$ 1,105,000	$ 1,590,000	$ 350,000
Bond premium	15,073	-	15,073	-	-
Compensated absences	3,700,000	79,000	-	3,779,000	787,000
	$ 6,410,073	**$ 79,000**	**$ 1,120,073**	**$ 5,369,000**	**$ 1,137,000**

Existing Obligations

Description	Maturity	Rate	Balance
Serial Bonds - 2005	June 2020	3.625%-4.0%	$ 610,000
Serial Bonds - 2007	Jan. 2023	4.3% - 4.5%	980,000
			$ 1,590,000

Debt Service Requirements

Years ending June 30,	Principal	Interest
2018	$ 350,000	$ 67,500
2019	365,000	53,213
2020	375,000	38,325
2021	165,000	22,500
2022	165,000	15,075
2023	170,000	7,650
	$ 1,590,000	**$ 204,263**

8. 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 11.72% for 2017. 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 2017, these rates ranged from 9.4%-16.1%.

The amount outstanding and payable to TRS for the year ended June 30, 2017 was $755,474. A liability to ERS of $48,665 is accrued based on the District's legally required contribution for employee services rendered from April 1, 2017 through June 30, 2017.

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

At June 30, 2017, the District reported net pension liabilities of $453,334 and $435,482 for its proportionate share of the TRS and ERS net pension liabilities, respectively.

The TRS net pension liability was measured as of June 30, 2016, and the total pension liability was determined by an actuarial valuation as of June 30, 2015, with update procedures applied to roll forward the net pension position to June 30, 2016. The District's proportion of the net pension liability 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, 2016, the District's proportion was 0.042326%, a decrease of 0.003249% from its proportion measured as of June 30, 2015.

The ERS net pension liability was measured as of March 31, 2017, and the total pension liability was determined by an actuarial valuation as of April 1, 2016. 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 contributions for the fiscal year ended on the measurement date. At the March 31, 2017 measurement date, the District's proportion was 0.0046347%, a decrease of .0001107% from its proportion measured as of March 31, 2016.

For the year ended June 30, 2017, the District recognized net pension expense of $1,050,467 on the government-wide statements (TRS expense of $780,427 and ERS expense of $270,040). At June 30, 2017, 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	$ -	$ 147,268	$ 10,913	$ 66,130
Changes of assumptions	2,582,477	-	148,777	-
Net difference between projected and actual earnings on pension plan investments	1,019,332	-	86,983	-
Changes in proportion and differences between District contributions and proportionate share of contributions	194,449	4,176	65,943	3,607
District contributions subsequent to the measurement date	755,474	-	48,665	-
	$ 4,551,732	**$ 151,444**	**$ 361,281**	**$ 69,737**

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. 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
2018	$ 346,046	$ 103,014
2019	346,046	103,014
2020	1,137,687	90,035
2021	891,385	(53,184)
2022	425,458	-
Thereafter	498,192	-
	$ 3,644,814	**$ 242,879**

Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2015 valuation, with update procedures used to roll forward the total pension liability to June 30, 2016, were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014. These assumptions are:

Inflation – 2.5%
Salary increases – Based on TRS member experience, dependent on service, ranging from 1.90%-4.72%
Projected Cost of Living Adjustments (COLA) – 1.5% compounded annually
Investment rate of return – 7.5% 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 MP-2014, applied on a generational basis
Discount rate – 7.5%

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, 2016 valuation, with update procedures used to roll forward the total pension liability to March 31, 2017, 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 – 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%	6.1%	36%	4.6%
International equities	18%	7.3%	14%	6.4%
Private equities	7%	9.2%	10%	7.8%
Real estate	10%	5.4%	10%	5.8%
Inflation-indexed bonds	-	-	4%	1.5%
Domestic fixed income securities	17%	1.0%	-	-
Global fixed income securities	2%	0.8%	-	-
Bonds and mortgages	8%	3.1%	17%	1.3%
Short-term	1%	0.1%	1%	(0.3)%
Other	-	-	8%	4.0%-5.9%
	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 liability calculated using the discount rate of 7.5% (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)	$ (5,914,767)	$ (453,334)	$ 4,127,430
District's proportionate share of the ERS net pension asset (liability)	$ (1,390,844)	$ (435,482)	$ 372,274

9. Postemployment Benefits Other than Pensions (OPEB)

Plan Description

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. 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 Plan has no assets, does not issue financial statements, and is not a trust.

At June 30, 2017, employees covered by the Plan include:

Active employees	108
Inactive employees or beneficiaries currently receiving benefits	83
Inactive employees entitled to but not yet receiving benefits	-
	191

Total OPEB Liability

The District's total OPEB liability of $2,667,698 was measured as of March 31, 2017 and was determined by an actuarial valuation as of June 30, 2017.

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Healthcare cost trend rates – based on the National Health Expenditure Projections 2009-2025 for short-term rates and the Society of Actuaries Getzen Long-Term Healthcare Cost Trend Resource Model v2016_a (updated September 2016) for long-term rates, initially 5.3%, rising to 6.3% in 2019 and an ultimate rate of 4.17% after 2070
Salary increases – 3.31%
Mortality – 2015 TRS mortality rates for active members for all active employees; 2015 TRS mortality base rates for service and deferred annuitants and beneficiaries; fully generational using Mortality Improvement Scale MP-2016 for retirees and surviving spouses
Discount rate – 3.80% based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date
Inflation rate – 2.2%

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	$ 2,389,453
Changes for the year:	
Service cost	69,852
Interest	78,280
Changes of benefit terms	-
Differences between expected and actual experience	376,824
Changes of assumptions or other inputs	(124,124)
Benefit payments	(122,587)
Net changes	278,245
Balance at June 30, 2017	$ 2,667,698

The following presents the sensitivity of the District's total OPEB liability to changes in the discount rate, including what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current discount rate:

	1.0% Decrease (2.80%)	Discount Rate (3.80%)	1.0% Increase (4.80%)
Total OPEB liability	$ (3,017,351)	$ (2,667,698)	$ (2,367,794)

The following presents the sensitivity of the District's total OPEB liability to changes in the healthcare cost trend rates, including what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current healthcare cost trend rates:

	1.0% Decrease (4.30% to 3.17%)	Healthcare Cost Trend Rate (5.30% to 4.17%)	1.0% Increase (6.30% to 5.17%)
Total OPEB liability	$ (2,201,941)	$ (2,667,698)	$ (3,283,389)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2017, the District recognized OPEB expense of $173,917. At June 30, 2017, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 338,373	$ -
Changes of assumptions or other inputs	-	111,458
	$ 338,373	**$ 111,458**

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30,		
2018	$	25,785
2019		25,785
2020		25,785
2021		25,785
2022		25,785
Thereafter		97,990
	$	**226,915**

10. Risk Management

General Liability

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

Health Insurance

The District participates in the Orleans/Niagara School Health Plan (the Plan). The Plan has been established to administer a health insurance program to lower the costs of such coverage to the nine participating members as of June 30, 2016 (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, 2016, 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, 2016 (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, 2016, which can be obtained from Orleans/Niagara BOCES, 4232 Shelby Basin Road, Medina, New York 14103.

11. Commitments and Contingencies

Grants

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

Construction Commitments

The District has entered into contracts with various construction companies for its capital improvement project. District voters approved spending up to $1,900,000 on this project. To date, the District has spent $1,124,000.

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

As of the measurement date of June 30,	2016	2015	2014	2013
District's proportion of the net pension asset or liability	0.042326%	0.045575%	0.045423%	0.046257%
District's proportionate share of the net pension asset (liability)	$ (453,334)	$ 4,733,818	$ 5,059,893	$ 304,489
District's covered payroll	$ 6,531,396	$ 6,846,024	$ 6,709,754	$ 6,775,675
District's proportionate share of the net pension asset or liability as a percentage of its covered payroll	6.94%	69.15%	75.41%	4.49%
Plan fiduciary net position as a percentage of the total pension liability	99.01%	110.46%	111.48%	100.70%

Data prior to 2013 is unavailable.

The following is a summary of changes of assumptions:

	2016	2015
Inflation	2.5%	3.0%
Salary increases	1.90-4.72%	4.0-10.9%
Cost of living adjustments	1.5%	1.625%
Investment rate of return	7.5%	8.0%
Discount rate	7.5%	8.0%
Society of Actuaries' mortality scale	MP-2014	AA

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

June 30,	2017	2016	2015	2014	2013
Contractually required contribution	$ 755,474	$ 866,063	$ 1,200,108	$ 1,090,335	$ 802,240
Contribution in relation to the contractually required contribution	(755,474)	(866,063)	(1,200,108)	(1,090,335)	(802,240)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 6,446,024	$ 6,531,396	$ 6,846,024	$ 6,709,754	$ 6,775,675
Contributions as a percentage of covered payroll	11.72%	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,	2017	2016	2015
District's proportion of the net pension liability	0.0046347%	0.0047454%	0.0044471%
District's proportionate share of the net pension liability	$ 435,482	$ 761,656	$ 150,233
District's covered payroll	$ 1,401,461	$ 1,367,430	$ 1,338,961
District's proportionate share of the net pension liability as a percentage of its covered payroll	31.07%	55.70%	11.22%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%	97.90%

Data prior to 2015 is unavailable.

The following is a summary of changes of assumptions:

	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,	2017	2016	2015	2014	2013
Contractually required contribution	$ 214,000	$ 250,527	$ 242,227	$ 277,183	$ 309,480
Contribution in relation to the contractually required contribution	(214,000)	(250,527)	(242,227)	(277,183)	(309,480)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 1,401,461	$ 1,367,430	$ 1,338,961	$ 1,453,094	$ 1,605,623
Contributions as a percentage of covered payroll	15.27%	18.32%	18.09%	19.08%	19.27%

Data prior to 2013 is unavailable.

Required Supplementary Information
Schedule of Changes in the District's
Total OPEB Liability and Related Ratios

June 30, 2017

Total OPEB liability - beginning	$ 2,389,453
Changes for the year:	
Service cost	69,852
Interest	78,280
Changes of benefit terms	-
Differences between expected and actual experience	376,824
Changes of assumptions or other inputs	(124,124)
Benefit payments	(122,587)
Net change in total OPEB liability	278,245
Total OPEB liability - ending	$ 2,667,698
Covered-employee payroll	$ 6,805,025
Total OPEB liability as a percentage of covered-employee payroll	39.20%

Data prior to 2017 is unavailable.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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, 2017

Original expenditure budget	$	17,997,507
Encumbrances carried over from prior year		2,464
Budget amendments:		
Use of capital reserve		1,900,000
Insurance proceeds		27,777
Revised expenditure budget	$	19,927,748

* * *

Unrestricted Fund Balance		
Assigned	$	8,057,274
Unassigned		683,929
		8,741,203
Encumbrances included in assigned fund balance		(14,249)
Appropriated for future tax proceedings		(5,415,415)
Appropriated fund balance used for tax levy		(2,627,610)
Amount subject to 4% limit pursuant to Real Property Tax Law §1318	$	683,929
§1318 of Real Property Tax Law - unrestricted fund balance limit calculation		
2018 expenditure budget (unaudited)	$	17,098,307
4% of budget		683,932
Actual percentage of 2018 expenditure budget		4.0%

BARKER CENTRAL SCHOOL DISTRICT

Supplementary Information
Schedule of Capital Project Expenditures

June 30, 2017

Project Title	Original Budget	Expenditures Prior Years	Expenditures Current Year	Expenditures Total	Unexpended Balance
Carbon monoxide detectors	$ 24,000	$ 3,846	$ 19,727	$ 23,573	$ 427
Capital improvement 2016-2017	1,900,000	15,358	1,108,797	1,124,155	775,845
Fire safety capital outlay 2016-2017	25,000	1,016	20,864	21,880	3,120
Smart Schools Bond Act	119,700	-	119,700	119,700	-
Total	$ 2,068,700	$ 20,220	$ 1,269,088	$ 1,289,308	$ 779,392

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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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 18, 2017.

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:

> **<u>Financial accounting and external reporting</u>**
> 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.

<u>Management's Response</u>
In order to eliminate this condition, the District would need to devote considerable resources, either internally or externally, to ensure an understanding of existing accounting principles and disclosure requirements, and to remain current with all accounting updates. 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

September 18, 2017

BARKER CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY

JUNE 30, 2017

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2017, 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 $194,439.

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, 2017, 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

September 18, 2017

BARKER CENTRAL SCHOOL DISTRICT
Extraclassroom Activity

Statement of Cash Receipts and Disbursements

For the year ended June 30, 2017

Activities	July 1, 2016	Receipts	Disbursements	June 30, 2017
Class Clubs:				
2016	$ 99	$ -	$ 99	$ -
2017	5,063	19,641	22,629	2,075
2018	1,644	10,420	10,039	2,025
2019	1,534	1,022	1,035	1,521
2020	1,814	991	1,750	1,055
2021	4,520	25,102	27,289	2,333
2022	982	5,206	1,309	4,879
2023	-	423	-	423
American Field Service Club	1,119	6,460	5,813	1,766
Band Club	2,118	9,927	10,796	1,249
Barker Singers Club	1,838	2,336	1,542	2,632
Baseball Club	1,285	8,221	8,344	1,162
Boys Basketball Club	1,479	4,507	3,515	2,471
Cheerleaders Club	17	-	-	17
Cross Country Club	4,313	15,970	15,886	4,397
Field Hockey Club	1,218	9,459	8,739	1,938
Football Club	26	3,147	3,018	155
Foreign Language Club	1,969	-	380	1,589
Girls Basketball Club	326	2,509	2,411	424
High School Musical Club	8,738	4,538	5,728	7,548
International Exchange Club	1,650	32,136	32,516	1,270
Latrator (Yearbook Club)	13,448	17,580	27,200	3,828
National Academy of Finance Club	967	-	-	967
Shop Deluxe Club	3,514	498	166	3,846
Soccer Club	734	1,357	1,967	124
Softball Club	129	325	429	25
Student Council Club - High School	1,909	2,011	2,986	934
Student Council Club - Middle School	1,825	1,606	1,536	1,895
Swimming Club	618	5,148	4,481	1,285
Tennis Club	935	-	237	698
Track Club	924	1,072	828	1,168
Varsity Club	970	1,477	2,027	420
Wrestling Club	1,075	1,350	1,569	856
Totals	**$ 68,800**	**$ 194,439**	**$ 206,264**	**$ 56,975**

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.

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MANAGEMENT LETTER

September 18, 2017

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, 2017, 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 in drafting 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.

SUPERINTENDENT'S RECOMMENDATION,
that the Board of Education, upon recommendation of the Superintendent of Schools, approve the resolution pertaining to the external auditor, Lumsden McCormick, LLP's independent audit report of the District's financial records for year ending June 30, 2017, and accept Management's Letter and Corrective Action Plan developed in response to the audit report.

INFORMATIONAL POINTS

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

2. Upcoming changes

- GASB Statement No. 84, *Fiduciary Activities*, is effective for the District's year ending June 30, 2020. This statement establishes criteria for identifying fiduciary activities and generally focuses on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. This statement describes four fiduciary funds that should be reported, if applicable, and requires presentation of a statement of fiduciary net position and a statement of changes in fiduciary net position for each.
- GASB issued statement No. 87, *Leases*, is effective for the year ending June 30, 2021. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease as a liability and an intangible right-to-use lease asset.

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 continue to recommend a process of analyzing the interfund accounts and to liquidate the interfund activity. If necessary, transfers should be made permanent with the appropriate documentation and Board approval.
- Extraclassroom activity funds:
  - We encourage the Central Treasurer verify all necessary Club advisor signatures on deposit receipts.
  - All clubs should provide money collected to the Central Treasurer in a timely manner so bank deposits are made whenever cash or checks are collected.
  - Based on 2017 club activity, there were two clubs with no activity during the year and idle funds of $984. A determination should be made as to whether clubs are active and if not, the remaining funds should be transferred in accordance with Board policy.

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.

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

September 18, 2017

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

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of Barker Central School District (the District) for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our engagement letter dated June 23, 2017 and in our planning meeting on June 12, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As discussed in Note 2 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). Other than the adoption of this standard, no new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus.

Estimates
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly important because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

- Recognition of capital assets at historical or estimated historical cost within established threshold values and the consistent application of depreciable lives and methods
- Accrual of compensated absences (vacation and sick pay liabilities) and OPEB and related disclosures
- Net pension position and related disclosures
- Reserves established, funded, and reported in the general fund as restricted fund balance.

Management's process for determining the above estimates is based on firm concepts and reasonable assumptions of future events. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Footnote Disclosures
Certain financial statement disclosures are particularly important because of their significance to financial statement users. The most important disclosures affecting financial statements are reflected in Note 2 – Change in Accounting Principle, Note 7 – Long-Term Liabilities, Note 8 – Pension Plans, Note 9 – Postemployment Benefits Other than Pensions (OPEB), and Note 10 – Risk Management. These disclosures present the required adoption of GASB 75; the existing long-term obligations of the District; the actuarially determined net pension position; the actuarially determined OPEB liability; and the nature of the District's participation in health and workers' compensation risk pools.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has taken responsibility for and agreed to all such adjustments suggested during our audit. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 18, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and other required supplementary information (RSI) regarding pensions and OPEB. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on certain supplementary information accompanying the financial statements that is not RSI, which includes schedules required by the New York State Department of Education. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Audit Committee, Board of Education, and management of the District. It is not intended to be, and should not be, used by anyone other than these specified parties.

Lumsden & McCormick, LLP