

BALDWINSVILLE CENTRAL SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

For Year Ended June 30, 2012

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Raymond F. Wager, CPA, P.C.
Certified Public Accountants

Shareholders:

Raymond F. Wager, CPA
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Members of
American Institute of
Certified Public Accountants
and
New York State Society of
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Baldwinsville Central School District, New York

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2012 on our consideration of the Baldwinsville Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress postemployment benefit plan on pages 3 through 12 and 46 through 48 be presented to supplement the basic 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

A handwritten signature in black ink that reads "Raymond F. Wager CPA, PC". The signature is written in a cursive, flowing style.

October 2, 2012

Baldwinsville Central School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2012. This section is a summary of the School District's financial activities based on currently known facts, decisions, and/or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

Financial Highlights

At the close of the fiscal year, the total assets (what the district owns) exceeded its total liabilities (what the district owes) by \$38,460,375 (net assets) a decrease of \$3,767,075 from the prior year. . The decrease was a result of increased recognition of future post-retirement benefits including liabilities for health insurance.

General revenues which include State and Federal Aid and Property Taxes accounted for \$87,706,237 or 94% of all revenues. Program specific revenues in the form of Charges for Services and Operating Grants and Contributions accounted for \$6,048,002 or 6% of total revenues.

As of the close of the fiscal year, the School District's governmental funds reported combined fund balances of \$37,898,766, an increase of \$7,570,097 in comparison with the prior year. The increase was a result of a borrowing for a current capital project using a BAN of \$10,425,000.

Overview of the Financial Statements

This management's discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains individual fund statements and schedules in addition to the basic financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the School District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The *governmental* activities of the School District include instruction, pupil transportation, cost of food sales, general administrative support, community service, and interest on long-term debt.

The government-wide financial statements can be found on the pages immediately following this section as the first two pages of the basic financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The School District maintains seven individual governmental funds; General Fund, 2008-09 Renovation Capital Project, Special Aid Fund, School Lunch Fund, Library Fund, Debt Service Fund and Other Capital Projects. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the debt service fund, and the 2008-09 renovation capital project which are reported as major funds. Data for the special aid fund, the school lunch fund, the library fund, and the other capital projects are aggregated into a single column and reported as non-major funds.

The School District adopts and voters approve an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund within the basic financial statements to demonstrate compliance with the budget.

The *Fiduciary Funds* are used to account for assets held by the School District in an agency capacity which accounts for assets held by the School District on behalf of others. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are *not* available to support the School District's programs.

The financial statements for the governmental and fiduciary funds can be found in the basic financial statement section of this report.

Major Feature of the District-Wide and Fund Financial Statements			
	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statement section of this report.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively. Additional non-financial factors such as changes in the District's property tax base and the condition of the school buildings and facilities must also be considered to assess the District's overall health.

All of the District's services are reported in the government-wide financial statements as governmental activities. Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes, federal and state aid, and investment earnings finance most of these activities.

Financial Analysis of the School District As A Whole

Net Assets

The District's combined net assets were smaller on June 30, 2012, than they were the year before, decreasing by 9% to \$38,460,375 as shown in table below.

	<u>Explanation</u>	<u>Governmental Activities</u>		<u>Total Variance</u>
		<u>2012</u>	<u>2011</u>	
ASSETS:				
Current and Other Assets	Represents cash and cash equivalents together with other current assets	\$ 53,646,132	\$ 48,763,011	\$ 4,883,121
Capital Assets	Represents land, work in progress, and buildings (net of depreciation)	76,674,486	71,144,828	5,529,658
Total Assets		\$ 130,320,618	\$ 119,907,839	\$ 10,412,779
LIABILITIES:				
Long-Term Debt Obligations	Represents what District owes for serial bonds, post-employment benefits, and compensated absences	\$ 75,737,733	\$ 59,133,239	\$ 16,604,494
Other Liabilities	Represents obligations to teachers' and employees' retirement systems, accounts payable, and accrued liabilities	16,122,510	18,547,150	(2,424,640)
Total Liabilities		\$ 91,860,243	\$ 77,680,389	\$ 14,179,854
NET ASSETS:				
Invested in Capital Assets,				
Net of Related Debt	What the District owns less any related outstanding debt	\$ 46,883,236	\$ 43,249,236	\$ 3,634,000
Restricted For:				
Capital Projects	Funds restricted for capital projects	-	1,895	(1,895)
Debt Service	Funds restricted to pay debt service	164,457	27,440	137,017
Capital Reserve	Funds restricted for capital repair and capital improvement	2,245,919	2,238,709	7,210
Other Purposes	Funds restricted by enabling legislation or Board of Education resolutions	18,852,076	18,205,089	646,987
Unrestricted	Represents net assets not legally restricted	(29,685,313)	(21,494,919)	(8,190,394)
Total Net Assets		\$ 38,460,375	\$ 42,227,450	\$ (3,767,075)

The District's financial position is the product of many factors.

By far, the largest component of the School District's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

There are three restricted net asset balances, Debt Service, Capital Reserve, and Other Purposes. The remaining balance is unrestricted net assets which totals (\$29,685,313).

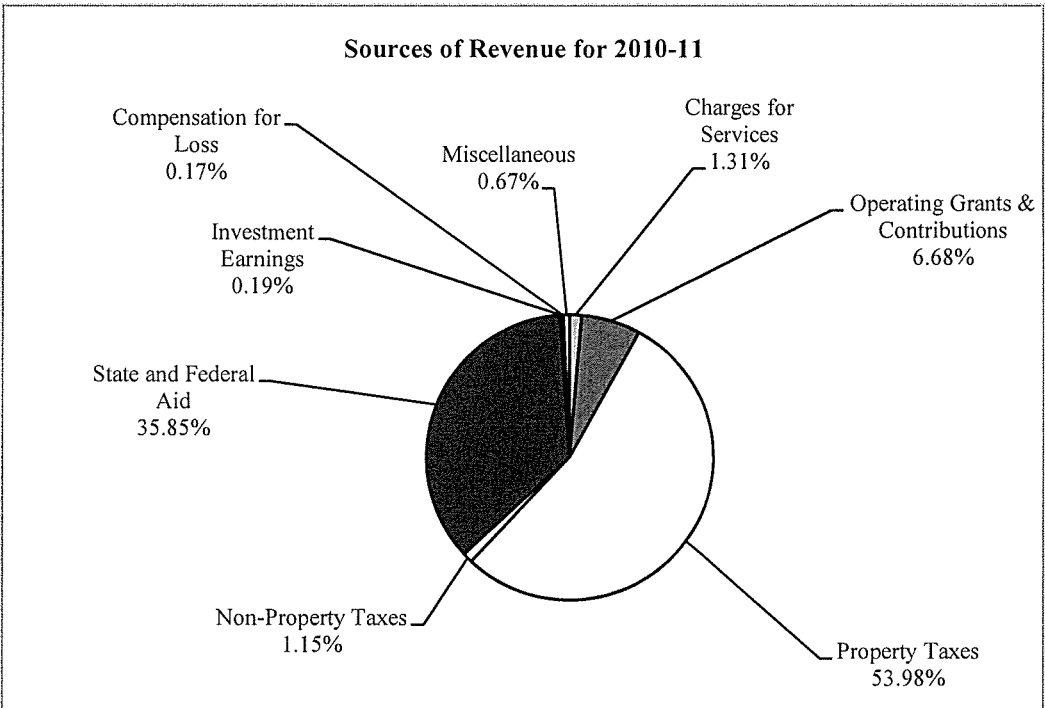
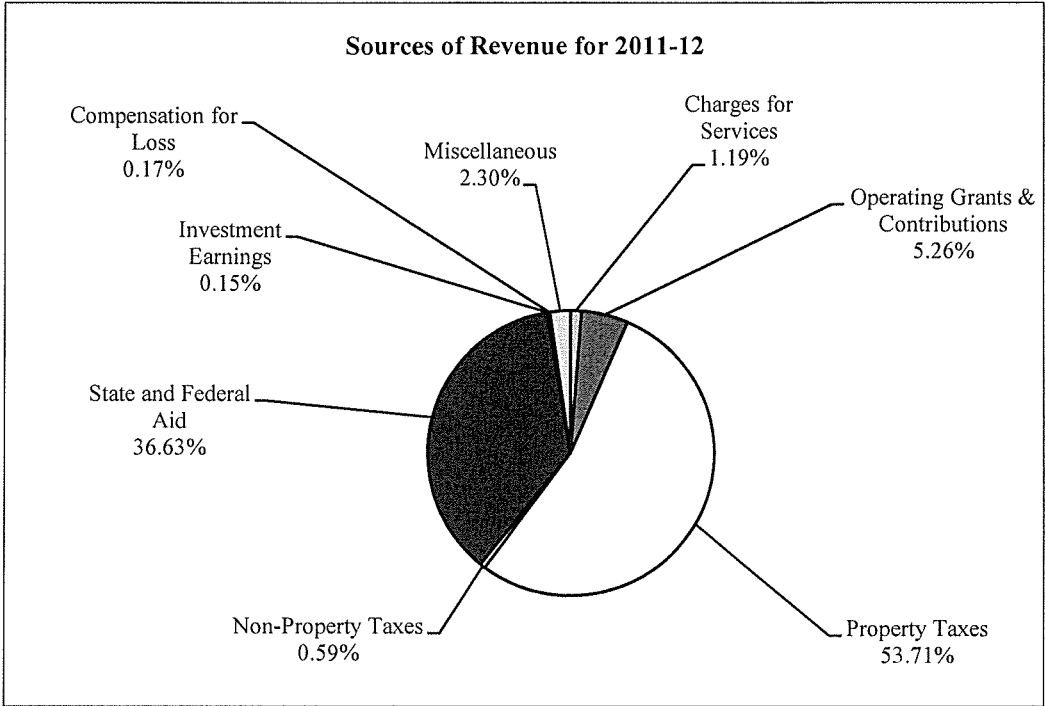
Changes in Net Assets

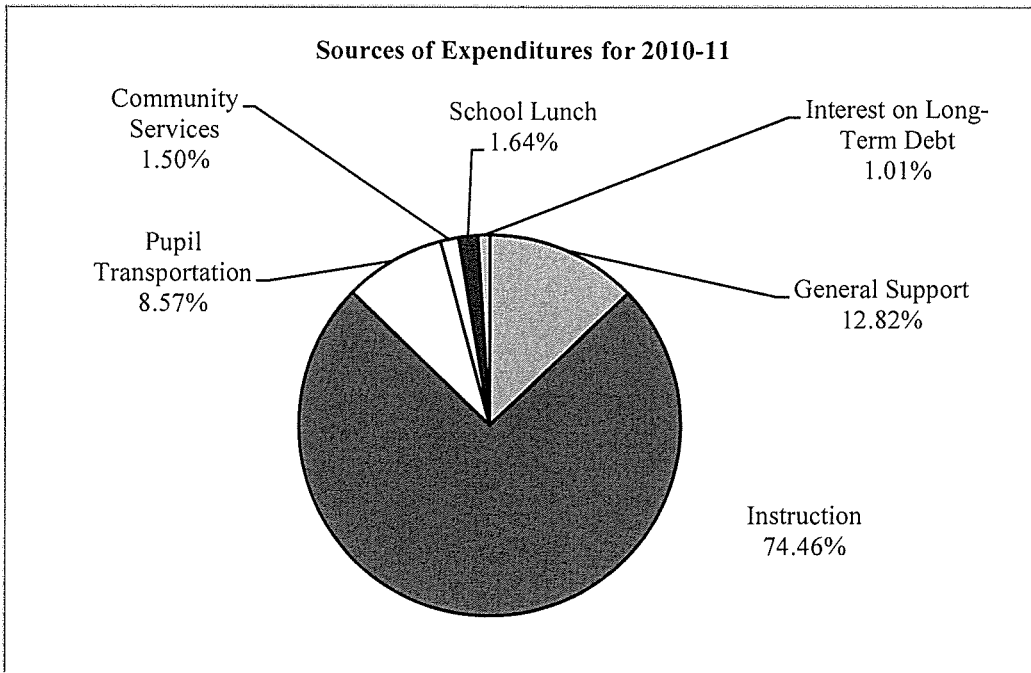
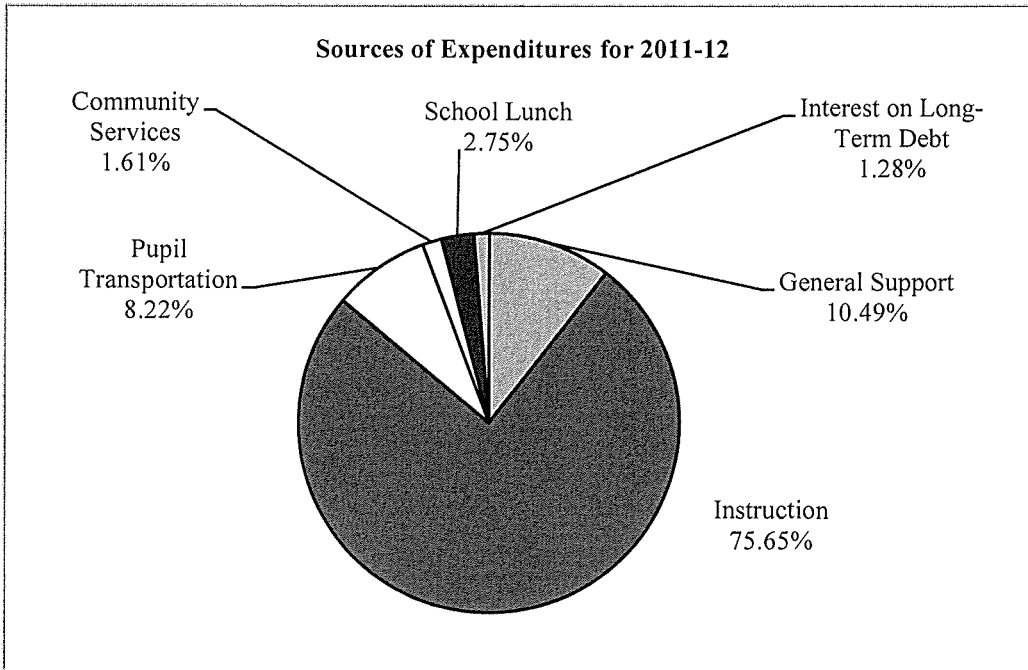
The District's total revenue decreased 2% to \$93,754,239. State and federal aid 36% and property taxes 54% accounted for most of the District's revenue. The remaining 10% of the revenue comes from operating grants, charges for services, non property taxes, investment earnings, compensation for loss, and miscellaneous revenues.

The total cost of all the programs and services decreased 4% to \$97,546,314. The District's expenses are predominately related to education and caring for the students (Instruction) 76%. General support which included expenses associated with the operation, maintenance and administration of the District accounted for 10% of the total costs. See table below:

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2012</u>	<u>2011</u>	<u>Variance</u>
<u>REVENUES:</u>			
<u>Program -</u>			
Charges for Services	\$ 1,116,162	\$ 1,252,262	\$ (136,100)
Operating Grants & Contributions	4,931,840	6,392,009	(1,460,169)
Total Program	<u>\$ 6,048,002</u>	<u>\$ 7,644,271</u>	<u>\$ (1,596,269)</u>
<u>General -</u>			
Property Taxes	\$ 50,354,556	\$ 51,630,977	\$ (1,276,421)
Non Property Taxes	552,461	1,101,356	(548,895)
State and Federal Aid	34,339,413	34,287,727	51,686
Investment Earnings	136,315	178,410	(42,095)
Compensation for Loss	157,850	160,891	(3,041)
Miscellaneous			
	2,165,642	650,827	1,514,815
Total General	<u>\$ 87,706,237</u>	<u>\$ 88,010,188</u>	<u>\$ (303,951)</u>
TOTAL REVENUES	\$ 93,754,239	\$ 95,654,459	\$ (1,900,220)
SPECIAL ITEM -			
Advance Refunding	\$ 25,000	\$ -	\$ 25,000
EXPENSES:			
General Support			
Instruction	\$ 10,237,136	\$ 13,050,127	\$ (2,812,991)
Pupil Transportation	73,782,238	75,770,019	(1,987,781)
Community Services	8,020,319	8,724,023	(703,704)
School Lunch	1,572,991	1,529,158	43,833
Interest on Long-Term Debt	2,687,247	1,666,747	1,020,500
	1,246,383	1,025,735	220,648
TOTAL EXPENSES	\$ 97,546,314	\$ 101,765,809	\$ (4,219,495)
INCREASE IN NET ASSETS	\$ (3,767,075)	\$ (6,111,350)	\$ 2,344,275

Revenue received for services such as school lunch or breakfast
Revenue received from other agencies
Property taxes collected by the District
Sales taxes received from Onondaga County
Aid received from New York State and Federal Government
Earnings on deposits and investments
Revenue received for damage to or loss of District property
Revenue received from various sources which are not explained in other categories
Revenues associated with advance refunding of existing serial bonds
Expenses associated with the operation, maintenance and administration of the District
Expenses associated with providing educational services to students
Expenses associated with providing transportation services to students
Expenses associated with providing community services
Expenses associated with providing lunch and breakfast for the District
Interest paid on serial bonds and BANs





Financial Analysis of the School District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$37,898,766 which is greater than last year's ending fund balance of \$30,328,669. A summary of the General Fund balance classifications is shown below:

<u>General Fund Balances:</u>	<u>Purpose</u>	<u>2012</u>	<u>2011</u>	<u>Variance</u>
Nonspendable	Amounts that are not in a spendable form.	\$ 2,308,189	\$ 2,161,926	\$ 146,263
Restricted (reserves detailed on pg. 39)	Amounts constrained to specific purposes.	21,097,995	20,420,131	677,864
Assigned	Amounts a government intends to use for a specific purpose.	7,935,985	6,878,207	1,057,778
Unassigned	Amounts that are available for school purposes pursuant to any Education Law restrictions.	3,696,648	3,421,107	275,541
Total General Fund Balances		<u>\$ 35,038,817</u>	<u>\$ 32,881,371</u>	<u>\$ 2,157,446</u>

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$638,417. This change is attributable to \$513,417 of carryover encumbrances from the 2010-11 school year and \$125,000 from a grant in aid.

The key factors for budget variances in the general fund are listed below along with explanations for each.

Expenditure Items:	Budget Variance Original Vs. Amended	Explanation for Budget Variance
Programs for Children with Handicapping Conditions	\$180,189	The District amended the budget as OCMBOCES services were higher than originally budgeted.
Employee Benefits	\$202,410	The District transferred money into benefits to pay for retirement incentives.
Revenue Items:	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Real Property Taxes and Tax Items	(\$1,717,108)	Anheuser –Busch went back onto the tax roll for 2011-12 and then we negotiated a pilot agreement with them.
Miscellaneous	\$731,858	County sales tax distribution was higher than anticipated. Other misc. revenues such as Medicaid rose beyond estimates as well.
Federal Sources	(\$1,772,567)	Accounting regulations moved this revenue from our general fund to the federal fund.

Expenditure Items:	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Central Services	\$1,346,266	The District overestimated expenses in this budget area due to concerns in rising energy costs.
Special Items	\$162,080	The District overestimated expenses in this budget area.
Instruction, Administration and Improvement	\$727,292	The District overestimated expenses in this budget area.
Teaching-Regular School	\$1,597,654	The District overestimated expenses in this budget area.
Programs for Children with Handicapping Conditions	\$430,414	The District overestimated expenses in this budget area to protect the budget should more special education students move into the District during the school year.
Pupil Services	\$653,205	The District overestimated expenses in this budget area.
Pupil Transportation	\$385,715	The District overestimated expenses in this budget area to protect the budget due to risks in increased fuel costs.
Employee Benefits	\$4,418,536	The District overestimated expenses in this budget area to protect the budget due to risks in increased health costs.

Capital Asset and Debt Administration

Capital Assets

By the end of the 2011-12 fiscal year, the District had invested \$76,674,486 in a broad range of capital assets, including land, buildings and improvements, and machinery and equipment. The change in capital assets, net of accumulated depreciation, is reflected below:

	<u>2012</u>	<u>2011</u>
Land	\$ 1,833,691	\$ 1,833,691
Buildings and Improvements	70,879,112	65,120,174
Machinery and Equipment	3,961,683	4,190,963
Total	<u>\$ 76,674,486</u>	<u>\$ 71,144,828</u>

Long-Term Debt

At year end, the District had \$75,737,733 in general obligation bonds and other long-term debt outstanding as follows:

<u>Type</u>	<u>Purpose</u>	<u>2012</u>	<u>2011</u>
Serial Bonds	To finance the District's capital improvements.	\$ 31,316,108	\$ 24,150,000
OPEB Liability	To account for health insurance benefits provided to employees upon retirement	42,285,309	32,184,079
Compensated Absences	To report the liability of the District's value of accumulated leave, such as vacation leave and sick leave, that is to be paid when employment is terminated.	2,136,316	2,799,160
Total Long-Term Obligations		<u>\$ 75,737,733</u>	<u>\$ 59,133,239</u>

Factors Bearing on the District's Future

Although the District is in a good cash position and did finish the 2011-12 fiscal year with a surplus of \$2.1 million dollars in our General Fund there remain challenges for the future. The New York state economy is in the doldrums. Taxes collected by the state are flat and as of Sept 15, 2012 the state is projecting a deficit accumulation of \$8 billion within the next three (3) years. This means that our state aid to school districts will remain flat at best, with the real probability of further aid cuts in the next few years. The state has also chosen to limit local governments' ability to raise taxes through a 2% tax cap. For Baldwinsville CSD 2% is approximately \$1 million dollars. While we see future expenses growing at multiples of this \$1 million our future budget challenges are obvious. The District, unlike state and local municipalities must face their voters every year at budget time each May. We need to provide educational programing that our community will support. We provide an excellent program that encourages families to move into our community. Our demographic losses have been lower than many other communities in Central New York. One reason is the quality of the schooling. For this reason the District is committed to using fund balance to fund part of our educational program. While some would argue doing this over the long term is not healthy; we do not see an alternative at present.

We continue to struggle financially with the many mandates we operate under. A startling recent example of this is occurring in School Lunch. We are faced with new burdensome federal regulations on all manner of things: portion size, salt, protein and a total ban on white bread. This is being done under the guise of fighting obesity. All of this for a group of customers who only eat 16% of their annual meals at school. We expect to begin to see an erosion of our revenues in School Lunch due to these regulations. We will continue to work with our elected representatives to bring real mandate relief to school districts in New York State.

We have been aggressively studying ways to reduce expenses including: closing an elementary school building and transferring students to the remaining schools; we are looking at the distances within which we transport students looking for economies; we became self-insured for health insurance a couple of years ago; we are members of consortiums for purchase of fuel, natural gas, electricity and worker's compensation insurance. We have been meeting with other local governments to share costs and perhaps facilities. These types of expense reduction efforts will continue.

The District remains committed to being a force in the community and region for educational excellence and prudent management.

Contacting the School District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the following:

Baldwinsville Central School District
29 East Oneida Street Complex
Baldwinsville, New York 13027
Attn: Mr. James J. Rodems
Assistant Superintendent for Management Services

BALDWINVILLE CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Net Assets

June 30, 2012

	Governmental <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 45,687,598
Accounts receivable	7,414,586
Inventories	54,548
Deferred expenditures	489,400
Capital Assets:	
Land	1,833,691
Other capital assets (net of depreciation)	74,840,795
TOTAL ASSETS	\$ 130,320,618
 LIABILITIES	
Accounts payable	\$ 1,147,634
Accrued liabilities	4,253,348
Deferred revenue	131,671
Due to other governments	1,686
Due to teachers' retirement system	4,056,669
Due to employees' retirement system	531,502
Bond anticipation notes payable	6,000,000
Long-Term Obligations:	
Due in one year	4,086,108
Due in more than one year	71,651,625
TOTAL LIABILITIES	\$ 91,860,243
 NET ASSETS	
Invested in capital assets, net of related debt	\$ 46,883,236
Restricted For:	
Debt service	164,457
Capital reserves	2,245,919
Other purposes	18,852,076
Unrestricted	(29,685,313)
TOTAL NET ASSETS	\$ 38,460,375

BALDWINSVILLE CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Activities

For Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Assets</u>
<u>Primary Government -</u>				<u>Governmental</u>
				<u>Activities</u>
General support	\$ 10,237,136	\$ -	\$ -	\$ (10,237,136)
Instruction	73,782,238	79,416	4,328,111	(69,374,711)
Pupil transportation	8,020,319	-	-	(8,020,319)
Community services	1,572,991	37,953	-	(1,535,038)
School lunch	2,687,247	998,793	603,729	(1,084,725)
Interest	1,246,383	-	-	(1,246,383)
Total Primary Government	<u>\$ 97,546,314</u>	<u>\$ 1,116,162</u>	<u>\$ 4,931,840</u>	<u>\$ (91,498,312)</u>

General Revenues:

Property taxes	\$ 50,354,556
Non property taxes	552,461
State and federal aid	34,339,413
Investment earnings	136,315
Compensation for loss	157,850
Miscellaneous	2,165,642
Total General Revenues	<u>\$ 87,706,237</u>

Special Item:

Advance refunding	\$ 25,000
Total General Revenues and Special Item	<u>\$ 87,731,237</u>
Changes in Net Assets	\$ (3,767,075)
Net Assets, Beginning of Year	42,227,450
Net Assets, End of Year	<u>\$ 38,460,375</u>

BALDWINSVILLE CENTRAL SCHOOL DISTRICT, NEW YORK

Balance Sheet

Governmental Funds

June 30, 2012

			2008-09		
	General	Debt	Renovation	Nonmajor	Total
	<u>Fund</u>	<u>Service</u>	<u>Capital</u>	<u>Governmental</u>	<u>Governmental</u>
ASSETS		<u>Fund</u>	<u>Project</u>	<u>Funds</u>	<u>Funds</u>
Cash and cash equivalents	\$ 35,924,148	\$ -	\$ 8,642,100	\$ 1,121,350	\$ 45,687,598
Receivables	5,684,765	-	-	1,729,821	7,414,586
Inventories	-	-	-	54,548	54,548
Due from other funds	1,667,808	164,457	-	149,275	1,981,540
Deferred expenditures	489,400	-	-	-	489,400
TOTAL ASSETS	<u>\$ 43,766,121</u>	<u>\$ 164,457</u>	<u>\$ 8,642,100</u>	<u>\$ 3,054,994</u>	<u>\$ 55,627,672</u>
LIABILITIES AND FUND BALANCE					
<u>Liabilities -</u>					
Accounts payable	\$ 95,474	\$ -	\$ 981,282	\$ 70,878	\$ 1,147,634
Accrued liabilities	3,840,223	-	-	37,981	3,878,204
Notes payable - bond anticipation notes	-	-	6,000,000	-	6,000,000
Due to other funds	121,249	-	135,960	1,724,331	1,981,540
Due to other governments	-	-	-	1,686	1,686
Due to TRS	4,056,669	-	-	-	4,056,669
Due to ERS	531,502	-	-	-	531,502
Deferred revenues	82,187	-	-	49,484	131,671
TOTAL LIABILITIES	<u>\$ 8,727,304</u>	<u>\$ -</u>	<u>\$ 7,117,242</u>	<u>\$ 1,884,360</u>	<u>\$ 17,728,906</u>
<u>Fund Balances -</u>					
Nonspendable	\$ 2,308,189	\$ -	\$ -	\$ 54,548	\$ 2,362,737
Restricted	21,097,995	164,457	1,524,858	-	22,787,310
Assigned	7,935,985	-	-	1,116,086	9,052,071
Unassigned	3,696,648	-	-	-	3,696,648
TOTAL FUND BALANCE	<u>\$ 35,038,817</u>	<u>\$ 164,457</u>	<u>\$ 1,524,858</u>	<u>\$ 1,170,634</u>	<u>\$ 37,898,766</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 43,766,121</u>	<u>\$ 164,457</u>	<u>\$ 8,642,100</u>	<u>\$ 3,054,994</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	\$ 76,674,486
Interest is accrued on outstanding bonds in the statement of net assets but not in the funds.	(375,144)
The following long-term obligations are not due and payable in the current period and therefore are not reported in the governmental funds:	
Serial bonds payable	(31,316,108)
OPEB	(42,285,309)
Compensated absences	(2,136,316)
Net Assets of Governmental Activities	<u>\$ 38,460,375</u>

BALDWINSVILLE CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For Year Ended June 30, 2012

	General Fund	Debt Service Fund	2008-09 Renovation Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Real property taxes and tax items	\$ 49,055,129	\$ -	\$ -	\$ 1,299,427	\$ 50,354,556
Non-property taxes	552,461	-	-	-	552,461
Charges for services	79,416	-	-	37,953	117,369
Use of money and property	135,347	-	-	968	136,315
Sale of property and compensation for loss	157,850	-	-	-	157,850
Miscellaneous	911,858	-	-	95,848	1,007,706
State sources	32,821,214	-	1,276,000	400,889	34,498,103
Federal sources	127,433	-	-	4,617,132	4,744,565
Sales	-	-	-	998,793	998,793
Premium on obligations issued	-	1,050,890	1,075,000	-	2,125,890
TOTAL REVENUES	\$ 83,840,708	\$ 1,050,890	\$ 2,351,000	\$ 7,451,010	\$ 94,693,608
EXPENDITURES					
General support	\$ 7,428,926	\$ 113,885	\$ -	\$ -	\$ 7,542,811
Instruction	43,708,441	-	-	3,861,259	47,569,700
Pupil transportation	5,265,026	-	-	85,606	5,350,632
Community services	-	-	-	1,286,737	1,286,737
Employee benefits	20,111,570	-	-	903,794	21,015,364
Debt service - principal	-	4,115,000	-	-	4,115,000
Debt service - interest	-	984,047	-	-	984,047
Cost of sales	-	-	-	759,199	759,199
Other expenses	-	-	-	644,408	644,408
Capital outlay	-	-	7,483,778	852,459	8,336,237
TOTAL EXPENDITURES	\$ 76,513,963	\$ 5,212,932	\$ 7,483,778	\$ 8,393,462	\$ 97,604,135
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 7,326,745	\$ (4,162,042)	\$ (5,132,778)	\$ (942,452)	\$ (2,910,527)
OTHER FINANCING SOURCES (USES)					
Operating transfers - in	\$ -	\$ 5,124,543	\$ -	\$ 98,312	\$ 5,222,855
Operating transfers - out	(5,169,299)	-	-	(53,556)	(5,222,855)
Proceeds from obligations	-	-	10,425,000	881,108	11,306,108
Payment to refunded bond escrow agent	-	(9,535,484)	-	-	(9,535,484)
Proceeds from advanced refunding	-	8,710,000	-	-	8,710,000
TOTAL OTHER FINANCING SOURCES (USES)	\$ (5,169,299)	\$ 4,299,059	\$ 10,425,000	\$ 925,864	\$ 10,480,624
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 2,157,446	\$ 137,017	\$ 5,292,222	\$ (16,588)	\$ 7,570,097
FUND BALANCE, BEGINNING OF YEAR	32,881,371	27,440	(3,767,364)	1,187,222	30,328,669
FUND BALANCE, END OF YEAR	\$ 35,038,817	\$ 164,457	\$ 1,524,858	\$ 1,170,634	\$ 37,898,766

(See accompanying notes to financial statements)

BALDWINVILLE CENTRAL SCHOOL DISTRICT, NEW YORK

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

For Year Ended June 30, 2012

**NET CHANGE IN FUND BALANCES -
TOTAL GOVERNMENTAL FUNDS**

\$ 7,570,097

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following are the amounts by which capital outlays and additions of assets exceeded depreciation in the current period:

Capital Outlay	\$ 8,336,237	
Addition of Assets, Net	11,503	
Depreciation	<u>(2,818,082)</u>	
		5,529,658

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Assets.

The following details these items as they effect the governmental activities:

Debt Repayments	\$ 4,115,000	
Proceeds from Advanced Refunding	(8,710,000)	
Payments to Refunded Bond eEcrow	8,735,000	
Proceeds of Bond Issuance	<u>(11,306,108)</u>	
		(7,166,108)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (262,336)

The net OPEB liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (10,101,230)

In the Statement of Activities, vacation pay, teachers' retirement incentives and judgments and claims are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are measured by the amount actually paid. The following provides the differences of these items as presented in the governmental activities:

Compensated Absences		<u>662,844</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ (3,767,075)

BALDWINSVILLE CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

	<u>Scholarship Trust</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 121,706	\$ 2,964,522
Receivable from general fund	-	12,837
TOTAL ASSETS	<u>\$ 121,706</u>	<u>\$ 2,977,359</u>
LIABILITIES		
Accounts payable	\$ 31	\$ 2,112,513
Extraclassroom activity balances	-	231,587
Other liabilities	-	633,259
TOTAL LIABILITIES	<u>\$ 31</u>	<u>\$ 2,977,359</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 121,675</u>	
TOTAL NET ASSETS	<u>\$ 121,675</u>	

BALDWINVILLE CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For Year Ended June 30, 2012

	Scholarship Trust
ADDITIONS	
Miscellaneous	\$ 178,916
TOTAL ADDITIONS	\$ 178,916
DEDUCTIONS	
Scholarships and donations	\$ 139,361
TOTAL DEDUCTIONS	\$ 139,361
CHANGE IN NET ASSETS	\$ 39,555
NET ASSETS, BEGINNING OF YEAR	82,120
NET ASSETS, END OF YEAR	\$ 121,675

BALDWINSVILLE CENTRAL SCHOOL DISTRICT, NEW YORK

Notes To The Basic Financial Statements

June 30, 2012

I. Summary of Significant Accounting Policies:

The financial statements of the Baldwinsville Central School District, New York (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.

A. Reporting Entity

The Baldwinsville Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of nine members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and have primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the District's reporting entity.

1. Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions, and the designation of student management. The cash and investment balances are reported in the Statement of Fiduciary Net Assets – Agency Funds of the District. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the District's business office.

2. Public Library

The Public Library jointly shares the services of the District Treasurer, appoints trustees for library purposes, and has title to real property used by the Library.

(I.) (Continued)

B. Joint Venture

The District is a component of the Onondaga, Cortland-Madison Counties Board of Cooperative Educational Services (BOCES). The BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year, the District was billed \$7,315,227 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$3,250,806.

Financial statements for the BOCES are available from the BOCES administrative office.

C. Basic Financial Statements

1. Districtwide Statements

The Statement of Net Assets and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital specific grants.

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 and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas.

(I.) (Continued)

2. **Fund Financial Statements**

The fund 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 fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following funds:

a. **Major Governmental Funds**

General Fund - This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Debt Service Fund - This fund accounts for the accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.

2008-09 Renovation Capital Project - Used to account for the acquisition construction or major repair of capital facilities.

b. **Nonmajor Governmental** - The other funds which are not considered major are aggregated and reported as nonmajor governmental funds as follows:

School Lunch Fund - Used to account for transactions of the District's lunch, breakfast and milk programs.

Special Aid Fund - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

Public Library Fund - Used to account for transactions of a library governed by a library Board of Trustees and supported by the general tax levy.

Other Capital Projects - Used to account for the acquisition construction or major repair of capital facilities.

c. **Fiduciary** - Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

(I.) (Continued)

Private Purpose Trust Funds - These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

Agency Funds - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the time of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property and sales taxes together with state and federal aid and tuition are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

E. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents / Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

New York State Law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

(I.) (Continued)

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC 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 Districts.

2. **Receivables**

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

3. **Inventory and Prepaid Items**

Inventories of food and/or supplies for school lunch are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items for other purposes are recorded as expenditures at the time of purchase.

Prepaid items represent payments made by the District for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as assets on the statement of net assets or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

4. **Capital Assets - Property, Plant and Equipment**

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations and whether they are reported in the district-wide or fund financial statements.

a. **Government-Wide Statements**

In the district-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets. The range of estimated useful lives by type of assets is as follows:

<u>Class</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 50,000	SL	15-50 Years
Machinery and Equipment	\$ 5,000	SL	5-25 Years

(I.) (Continued)

b. Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

5. Deferred Revenue

The District reports deferred revenue in its basic financial statements. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to resources, the liability for deferred revenue is removed and revenue is recognized.

6. Short-Term Debt

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that a BAN issued for capital purposes be converted to long-term financing within five years after the original issue date.

7. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, other post-employment benefits payable and compensated absences that will be paid from governmental funds are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Assets.

8. Compensated Absences

The District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts.

Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

(I.) (Continued)

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

In the funds statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you-go basis.

9. **Other Benefits**

District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

In addition to providing pension benefits, the District provides post-employment health coverage to retired employees in accordance with the provision of various employment contracts in effect at the time of retirement. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

10. **Encumbrances**

For financial reporting purposes encumbrances have been reclassified to assigned fund balance on the governmental funds for general and school lunch funds and restricted fund balance in the capital fund. Encumbrance accounting, under which purchase orders, contracts or other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the general, district-wide capital improvement project and nonmajor funds.

11. **Equity Classifications**

a. **District-Wide Statements**

Equity is classified as net assets and displayed in three components:

1. **Invested in capital assets, net of related debt** - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. **Restricted net assets** - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. **Unrestricted net assets** - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

(I.) (Continued)

b. **Financial Statements – Fund Balance**

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

1. **Nonspendable fund balance** – Amounts that are not in a spendable form (i.e. inventory or prepaids) or are legally or contractually required to be maintained intact.
2. **Restricted fund balance** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
3. **Assigned fund balance** – Amounts a government intends to use for a specific purpose; intent can be expressed by the Board of Education or by an official or body to which the Board delegates the authority.
4. **Unassigned fund balance** – Amounts that have not been assigned to another fund or are not restricted, committed or assigned to specific purposes within the General Fund.

c. The District has adopted the following policies:

1. **Assigned fund balance** – The purchasing agent is responsible for all of the purchasing activities of the District and therefore, is designated as having the authority to assign amounts intended to be used for a specific purpose. (At year end, open purchase orders will therefore be designated as a component of the assigned fund balance.)
2. **Order of fund balance** – When fund balance resources are available for a specific purpose in more than one classification, it is the District's practice to use the most restrictive funds first in the following order: restricted, assigned, and unassigned as they are needed.

F. **Revenues, Expenditures/Expenses**

1. **Revenues**

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 27, 2011. Taxes were collected during the period September 4, through November 1, 2011.

Uncollected real property taxes are subsequently enforced by the County of Onondaga (the County), in which the District is located. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the District no later than the forthcoming April 1.

(I.) (Continued)

Amounts reported as *program revenues* include 1) Charges for tuition for non-resident students 2) Charges for school lunches 3) State, federal, and local revenues in support of the school lunch program and the programs reported in the Special Aid Fund.

General revenues are those items without specific restrictions that are available to support overall operations of the District, including all taxes and general operating state and federal aids.

2. **Expenditures/Expenses**

In the district-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character: Current (further classified by function)
 Debt Service
 Capital outlay

In the fund financial statements, governmental funds report expenditures of financial resources. District-wide financial statements report expenses relating to use of economic resources.

G. **Internal and Interfund Balances and Activities**

In the process of aggregating the financial information for the district-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified. Advances between funds, as reported in the fund financial statements, can be offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

1. **Fund Financial Statements**

Interfund activity, if any, within and among the governmental fund categories is reported as follows in the fund financial statements:

- a. **Interfund loan** – amounts provided with a requirement for repayment are reported as interfund receivables and payables.
- b. **Interfund transfers** – flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

2. **District-Wide Financial Statements**

Interfund activity and balances, if any, are eliminated or reclassified in the district-wide financial statements as follows:

- a. **Internal balances** – amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental columns of the Statement of Net Assets, except for the net residual amounts due between governmental funds.

(I.) (Continued)

b. **Internal activities** – amounts reported as interfund transfers in the fund financial statements are eliminated in the district-wide Statement of Activities.

H. **Use of 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 reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

II. **Stewardship, Compliance and Accountability:**

By its nature as a local government unit, the District is subject to various federal, state and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows.

A. **Budgetary Information**

The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.

The voters of the District approved the proposed appropriation budget.

Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restriction, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. During the 2011-12 fiscal year, the budget was increased by \$125,000 for a grant in aid the District received.

Budgets are established and used for individual capital projects fund expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

New York State Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the school district's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

(II.) (Continued)

Budget(s) are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

III. Detail Notes on All Funds and Account Groups:

A. Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District’s investment policies, as discussed previously in these notes.

The District’s aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year end, collateralized as follows:

Uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution	2,314,450
Collateralized within Trust department or agent	46,728,345
Total	<u><u>\$ 49,042,795</u></u>

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end included \$27,416,922 within the governmental funds and \$121,706 in the fiduciary funds.

B. Receivables

Receivables at June 30, 2012 for individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

<u>Description</u>	<u>Governmental Activities</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Nonmajor Funds</u>	
Accounts Receivable	\$ 2,201,468	\$ -	\$ 2,345	\$ 2,203,813
Due From State and Federal	921,557	1,626,407	42,068	2,590,032
Due From Other Governments	2,561,740	59,001	-	2,620,741
Total	<u><u>\$ 5,684,765</u></u>	<u><u>\$ 1,685,408</u></u>	<u><u>\$ 44,413</u></u>	<u><u>\$ 7,414,586</u></u>

District management has deemed the amounts to be fully collectible.

(III.) (Continued)

C. Interfund Receivables, Payables, Revenues and Expenditures

Interfund Receivables, Payables, Revenues and Expenditures at June 30, 2012 were as follows:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 1,667,808	\$ 121,249	\$ -	\$ 5,169,299
Special Aid Fund	-	1,672,395	97,692	-
Library Fund	13	-	-	620
School Lunch Fund	149,262	-	-	-
Debt Service Fund	164,457	-	5,124,543	-
Capital Fund	-	187,896	620	52,936
Total government activities	\$ 1,981,540	\$ 1,981,540	\$ 5,222,855	\$ 5,222,855

Interfund receivables and payables between governmental activities are eliminated on the Statement of Net Assets.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are not necessarily expected to be repaid within one year.

D. Changes In Capital Assets

A summary of changes in capital assets follows:

<u>Type</u>	<u>Balance</u> <u>7/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2012</u>
<u>Governmental Activities:</u>				
<u>Capital assets that are not depreciated -</u>				
Land	\$ 1,833,691	\$ -	\$ -	\$ 1,833,691
<i>Total Nondepreciable</i>	<u>\$ 1,833,691</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,833,691</u>
<u>Capital assets that are depreciated -</u>				
Buildings and improvements	\$ 95,263,674	\$ 7,546,330	\$ -	\$ 102,810,004
Machinery and equipment	12,456,556	801,410	(712,190)	12,545,776
<i>Total Depreciable</i>	<u>\$ 107,720,230</u>	<u>\$ 8,347,740</u>	<u>\$ (712,190)</u>	<u>\$ 115,355,780</u>
<u>Less accumulated depreciation -</u>				
Buildings and improvements	\$ 30,143,500	\$ 1,787,392	\$ -	\$ 31,930,892
Machinery and equipment	8,265,593	1,030,690	(712,190)	8,584,093
<i>Total accumulated depreciation</i>	<u>\$ 38,409,093</u>	<u>\$ 2,818,082</u>	<u>\$ (712,190)</u>	<u>\$ 40,514,985</u>
<i>Total capital assets depreciated, net of accumulated depreciation</i>	<u>\$ 69,311,137</u>	<u>\$ 5,529,658</u>	<u>\$ -</u>	<u>\$ 74,840,795</u>
Total Capital Assets	<u>\$ 71,144,828</u>	<u>\$ 5,529,658</u>	<u>\$ -</u>	<u>\$ 76,674,486</u>

(III.) (Continued)

Depreciation expense for the period was charged to functions/programs as follows:

Governmental Activities:

General government support	186,527
Instruction	1,670,259
Pupil transportation	7,069
School lunch	954,227
Total Depreciation Expense	<u><u>\$ 2,818,082</u></u>

E. Short-Term Debt

1. Bond Anticipation Notes

Liabilities for bond anticipation notes (BAN) are generally accounted for in the capital projects fund. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter.

State law requires that a BAN issued for capital purposes be retired or converted to a long-term obligation within five years after the original issue date. However, a BAN issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

2. Interest Reconciliation

A summary of the short-term interest expense as of June 30, 2012 is as follows:

Interest paid	\$ 70,000
<u>Less: interest accrued in the prior year</u>	<u>(28,700)</u>
<u>Plus: interest accrued in the current year</u>	<u>122,093</u>
Total interest expense	<u><u>\$ 163,393</u></u>

3. Transactions in short-term debt for the year are summarized below:

	<u>Balance</u> <u>7/1/2011</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>6/30/2012</u>
BAN maturing 10/14/2011 at 1.00%	\$ 7,000,000	\$ -	\$ 7,000,000	\$ -
BAN maturing 7/26/2012 at 1.25%	-	17,500,000	11,500,000	6,000,000
Total Short-Term Debt	<u><u>\$ 7,000,000</u></u>	<u><u>\$ 17,500,000</u></u>	<u><u>\$ 18,500,000</u></u>	<u><u>\$ 6,000,000</u></u>

(III.) (Continued)

F. Long-Term Debt

At June 30, 2012 the total outstanding obligations of the District aggregated \$75,737,733 as follows:

1. Serial Bonds

The District, borrows money in order to acquire land, high cost equipment, to construct buildings and improvements, and for infrastructure development and maintenance. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are supported by the full faith and credit debt of the District. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

2. Interest Reconciliation

A summary of the long-term interest expense as of June 30, 2012 is as follows:

Interest paid	\$ 914,047
<u>Less:</u> interest accrued in the prior year	(84,108)
<u>Plus:</u> interest accrued in the current year	253,051
Total interest expense	<u><u>\$ 1,082,990</u></u>

3. Other Long-Term Obligations

In addition to long-term bonded debt the District had the following other obligations:

Compensated Absences - represents the value of earned and unused vacation leave and compensatory time.

OPEB Liability- represents health insurance benefits provided to employees upon retirement.

(III.) (Continued)

4. Summary of Debt

The following is a summary of obligations outstanding at June 30, 2012:

<u>Governmental Activities:</u>	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>Due Within</u>	<u>Due Within</u>
<u>Bonds and Notes Payable -</u>	<u>7/1/2011</u>			<u>6/30/2012</u>	<u>One Year</u>	<u>More Than</u>
<u>Other Liabilities -</u>					<u>One Year</u>	
Serial Bonds	\$ 24,150,000	\$ 20,016,108	\$ 12,850,000	\$ 31,316,108	\$ 4,086,108	\$ 27,230,000
Compensated Absences	\$ 2,799,160	\$ -	\$ 662,844	\$ 2,136,316	\$ -	\$ 2,136,316
OPEB	32,184,079	10,101,230	-	42,285,309	-	42,285,309
Total Long-Term Obligations	\$ 59,133,239	\$ 30,117,338	\$ 13,512,844	\$ 75,737,733	\$ 4,086,108	\$ 71,651,625

The General fund has typically been used to liquidate long-term liabilities such as compensated absences.

5. Debt Maturity Schedule

The following is a statement of bonds with corresponding maturity schedules:

<u>Serial Bonds -</u>	<u>Purpose</u>	<u>Issue</u>	<u>Final</u>	<u>Interest</u>	<u>Amount</u>
		<u>Date</u>	<u>Maturity</u>	<u>Rate</u>	<u>Outstanding</u>
					<u>6/30/2012</u>
Construction	Construction	2004	2014	2.50%-3.50%	\$ 375,000
Construction	Construction	2002	2014	2.25%-4.37%	1,845,000
Construction	Construction	2003	2014	3.375%-4.000%	1,700,000
Construction	Construction	2004	2015	3.00%-5.00%	2,495,000
Refunding	Refunding	2010	2018	2.50%-5.00%	4,890,000
Refunding	Refunding	2012	2019	2.00%-4.00%	8,705,000
Buses	Buses	2012	2016	1.25%-2.00%	881,108
Construction	Construction	2012	2026	2.00%-5.00%	10,425,000
Total Serial Bonds					\$ 31,316,108

(III.) (Continued)

6. The following table summarizes the District's future debt service requirements as of June 30, 2012:

<u>Year</u>	<u>Serial Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2012-13	\$ 4,086,108	\$ 1,332,957
2013-14	4,370,000	1,064,168
2014-15	3,375,000	900,237
2015-16	3,510,000	784,275
2016-17	3,635,000	672,275
2017-22	8,655,000	1,630,950
2022-26	3,685,000	379,875
Total	\$ 31,316,108	\$ 6,764,737

On December 7, 2011, the District issued \$8,710,000 in general obligation bonds with an average interest rate of 3.0% to advance refund \$9,535,483 of outstanding serial bonds with an average interest rate of 3.74%. The net proceeds of \$10,360,966 (after payment of \$113,886 in underwriting fees, insurance and other issuance costs and including a premium of \$939,369) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the District's financial statements. The District advance refunded the bonds to revise its payment schedules due to changes in New York State's aid payment schedules. The economic gain on the transaction (the difference between the present value of the debt service payments on the old and new debt) is approximately \$350,824.

On June 18, 2012 the District issued \$10,425,000 in general obligation bonds with an average interest rate of 3.93% to advance refund \$11,500,000 of outstanding Bond Anticipation Notes (BANs) with an interest rate of 1.25%. The net proceeds of \$11,500,000 (including a premium of \$1,075,000) were deposited in an irrevocable trust with an escrow agent to accommodate the debt service payments on the BANs. As a result, the BANs are considered to be defeased, and the liability for those BANs has been removed from the District's financial statements.

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$5,410,000 of bonds outstanding are considered defeased.

(III.) (Continued)

H. Fund Balances/Net Assets

1. Fund Balances

a. Nonspendable

The District has the following nonspendable funds:

Nonspendable Inventory - is used to restrict that portion of fund balance which is not available for appropriation because the funds are in nonspendable form.

Nonspendable Prepaid Items - The District has prepaid various items and the cash is no longer available therefore those funds are nonspendable.

Nonspendable Long-Term Receivable – The District has loaned funds to the school lunch for operations. It is unlikely that those funds will be repaid in this next fiscal year therefore those funds are considered to be nonspendable.

b. Restricted

Currently, New York State laws still use the terminology reserves and Districts are only allowed to use reserves authorized by law. The District currently utilizes the following reserves which are classified as restricted funds:

Capital Reserve - The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. The Reserve is accounted for in the General Fund.

- A. Established pursuant to voter authorization in May 2000 with a probable term of twenty years and ultimate funding which shall not exceed \$4,000,000. The ultimate funding was increased by the voters in May 2003 to \$5,000,000. As of June 30, 2012 the District has fully funded this reserve. The reserve is accounted for in the General Fund. The balance at June 30, 2012 is \$2,245,919 (inclusive of interest).

(III.) (Continued)

Workers' Compensation Reserve - as allowed by General Municipal Law Section 6-j, is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the General Fund.

Unemployment Insurance Reserve - as allowed by General Municipal Law Section 6-m, is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

Retirement Contribution Reserve - as allowed by General Municipal Law Section 6-ris used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the fund must be provided to the Board.

Tax Certiorari Reserve - as allowed by Education Law Section 3651.1-a is used to establish a reserve fund for tax certiorari claims and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceeding in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the General Fund.

Reserve for Debt - as allowed by General Municipal Law Section 6-l, is used for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The reserve is accounted for in the Debt Service Fund.

(III.) (Continued)

Liability Reserve - as allowed by Education Law Sections 1709.8-c and 1950.4cc, is used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and this reserve may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except a city school district with a population greater than 125,000. This reserve is accounted for in the General Fund.

Employee Benefit Accrued Liability Reserve - as allowed by General Municipal Law Section 6-p, is used to reserve funds for the payment of accrued employee benefits due to an employee upon termination of the employee's service. This reserve may be 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. The reserve is accounted for in the General Fund.

c. **Assigned**

The District has the following assigned funds:

- General Fund –
 - 1. Appropriated for Taxes
 - 2. Encumbrances
- School Lunch Fund –
 - 1. Year End Equity
- Library Fund –
 - 1. Year End Equity

Encumbrances represent purchase commitments made by the District's purchasing agent through their authorization of a purchase order prior to year end. The District assignment is based on the functional level of expenditures.

Significant encumbrances for the general fund, management has determined that amounts in excess of \$50,000 are considered significant and are summarized below:

- Running track re-surfacing at \$129,500 and diesel fuel at \$84,000.

The remaining funds do not have encumbrances that are considered significant.

d. **Unassigned**

Unassigned funds include the residual classification for the District's general fund and all spendable amounts not contained in other classifications.

(III.) (Continued)

The following table summarizes the District's fund balance according to the descriptions above:

	<u>General Fund</u>	<u>2008-09 Renovation Capital Project</u>	<u>Debt Service Fund</u>	<u>School Lunch Fund</u>	<u>Library Fund</u>	<u>Total</u>
FUND BALANCE:						
<u>Nonspendable -</u>						
Inventory	\$ -	\$ -	\$ -	\$ 54,548	\$ -	\$ 54,548
Prepaid Items	489,400	-	-	-	-	489,400
Long-Term Receivable	1,818,789	-	-	-	-	1,818,789
Total Nonspendable	\$ 2,308,189	\$ -	\$ -	\$ 54,548	\$ -	\$ 2,362,737
<u>Restricted -</u>						
Construction of						
Capital Assets	\$ 2,245,919	\$ 1,524,858	\$ -	\$ -	\$ -	\$ 3,770,777
Workers' Compensation	681,986	-	-	-	-	681,986
Unemployment Costs	1,504,816	-	-	-	-	1,504,816
Retirement Contribution	8,309,981	-	-	-	-	8,309,981
Tax certiorari	739,976	-	-	-	-	739,976
Debt	-	-	164,457	-	-	164,457
Liability	2,811,131	-	-	-	-	2,811,131
Employee Benefits						
Accrued Liability	4,804,186	-	-	-	-	4,804,186
Total Restricted	\$ 21,097,995	\$ 1,524,858	\$ 164,457	\$ -	\$ -	\$ 22,787,310
<u>Assigned -</u>						
Appropriated for Taxes	\$ 6,946,757	\$ -	\$ -	\$ -	\$ -	\$ 6,946,757
Board of Education	577	-	-	-	-	577
Central Administration	787	-	-	-	-	787
Finance	5,480	-	-	-	-	5,480
Staff	28,209	-	-	-	-	28,209
Central Services	285,879	-	-	-	-	285,879
Special Items	7,837	-	-	-	-	7,837
Instruction, Administration, and Improvement	9,467	-	-	-	-	9,467
Teaching-Regular School	238,718	-	-	-	-	238,718
Programs for Children with Handicapped Conditions	54,161	-	-	-	-	54,161
Occupational Education	1,250	-	-	-	-	1,250
Teaching-Special Schools	9,785	-	-	-	-	9,785
Instructional Media	134,681	-	-	-	-	134,681
Pupil Services	49,650	-	-	-	-	49,650
Pupil Transportation	147,957	-	-	-	-	147,957
Benefits	14,790	-	-	-	-	14,790
Library	-	-	-	-	526,377	526,377
School Lunch	-	-	-	589,709	-	589,709
Total Assigned	\$ 7,935,985	\$ -	\$ -	\$ 589,709	\$ 526,377	\$ 9,052,071
<u>Unassigned -</u>	\$ 3,696,648	\$ -	\$ -	\$ -	\$ -	\$ 3,696,648
TOTAL FUND BALANCE	\$ 35,038,817	\$ 1,524,858	\$ 164,457	\$ 644,257	\$ 526,377	\$ 37,898,766

(III.) (Continued)

2. **Net Assets - Restricted for Other Purposes**

Represents those amounts which have been restricted by enabling legislation or Board of Education Resolutions.

	<u>Total</u>
Unemployment Costs	\$ 1,504,816
Workers' Compensation	681,986
Retirement Contribution	8,309,981
Tax Certiorari	739,976
Liability	2,811,131
Employee Benefits Accrued Liability	4,804,186
Total Net Assets - Restricted for Other Purposes	<u>\$ 18,852,076</u>

The District appropriated \$5,446,757 from the above reserves for the 2012-13 budget.

IV. **Other Notes:**

A. **Employee Pension and Other Benefit Plans**

1. **Pension Plans**

a. **General Information**

The District participates in the New York State and Local Employees' Retirement System (NYSERS), and the New York State Teachers' Retirement System (NYSTRS). These Systems are cost sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

b. **Provisions and Administration**

The New York State Teachers' Retirement Board administers NYSTRS. The System 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. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYSTRS, 10 Corporate Woods, Albany, NY 12211-2395.

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

(IV.) (Continued)

c. Funding Policies

The Systems are noncontributory for the employee, except for those who joined the systems after July 27, 1976 and before January 1, 2010 with less than ten years membership, who contribute 3% of their salary. Those joining on or after January 1, 2010 are required to contribute 3.5% of their annual salary for their entire career. For NYSERS the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The District is required to contribute at an actuarially determined rate, currently 11.11% of the annual covered payroll for the fiscal year ended June 30, 2012. Rates applicable to the fiscal years ended June 30, 2011 and 2010 were respectively 8.62% and 6.19%. The District contributions made to the Systems were equal to 100 percent of the contributions required for each year. The required contributions for the current year and two preceding years were:

	<u>NYSTRS</u>	<u>NYSERS</u>
2012	\$ 3,766,993	\$ 1,794,240
2011	\$ 3,094,436	\$ 1,301,401
2010	\$ 2,249,700	\$ 889,340

2. Other Postemployment Benefits – District-Wide

Plan Description

In addition to providing pension benefits described in Note IV, the District provides post-employment medical and prescription drug benefits (OPEB) for retirees, spouses, and their covered dependents through the District's Postemployment Health Care Benefits Program (Plan). The benefits, benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through its union contracts. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan.

Funding Policy

The District currently pays for health care benefits on a pay-as-you-go basis. Once New York State Law allows for the establishment of a trust to fund and invest assets necessary to pay for the accumulated liability, the District will study the establishment of such a trust. These financial statements assume that pay-as-you-go funding will continue.

(IV.) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation by governmental activities:

Annual required contribution	\$ 14,826,768
Interest on net OPEB obligation	1,287,363
Adjustment to annual required contribution	<u>(1,895,102)</u>
Annual OPEB cost (expense)	\$ 14,219,029
Contributions made	<u>4,117,799</u>
Increase in net OPEB obligation	\$ 10,101,230
Net OPEB obligation - beginning of year	<u>32,184,079</u>
Net OPEB obligation - end of year	<u><u>\$ 42,285,309</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year end 2012 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 13,439,725	17.50%	\$ 11,109,769
6/30/2010	\$ 14,164,392	20.15%	\$ 22,420,714
6/30/2011	\$ 13,560,782	28.00%	\$ 32,184,079
6/30/2012	\$ 14,219,029	28.95%	\$ 42,285,309

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$137,318,193, and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability of \$137,318,193. The covered payroll (annual payroll of active employees covered by the plan) was \$47,663,668, and the ratio of the UAAL to the covered payroll was 288.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented as required supplemental information following the notes to the financial statements.

(IV.) (Continued)

Actuarial Methods and Assumptions

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

In the June 30, 2012 actuarial valuation, the projected unit credit method was used. The discount rate used was 4%. Because the plan is unfunded, reference to the general assets was considered in the selections of the four percent rate. The valuation assumes a 7% medical cost trend, reduced by decrements to an ultimate rate of 4.20%. The remaining amortization period at June 30, 2012 was twenty-six years.

B. Risk Management

1. General Information

The District is exposed to various risks of loss related to injuries to employees, theft, damages, natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

2. Workers' Compensation

The District is a member of the Onondaga Cortland-Madison Workers' Compensation Consortium (the Plan). Current membership of the Plan includes participants from various municipal entities. The Plan is administered by Onondaga Cortland-Madison BOCES and utilizes a third party administrator who is responsible for processing claims, estimating liabilities and providing actuarial services. The Plan participants are charged an annual assessment which is allocated in light of comparative experience and relative exposure based on the estimated total liability of the participating members actuarially computed each year.

The Plan purchases, on an annual basis, stop-loss insurance to limit exposure for claims paid.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the period in which they are made. During the year ended June 30, 2012, the District incurred premiums or contribution expenditures totaling \$89,590.

(IV.) (Continued)

3. Major Medical

The District self insures for major medical coverage for its employees. The District uses a third party administrator who is responsible for processing claims and estimating liabilities. They have also purchased stop-loss insurance for any major medical claims which exceed 125% of expected total claims. Liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR's). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic social factors.

A reconciliation of the claims recorded for 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Beginning liabilities	\$ 2,850,000	\$ -
Incurred claims	10,949,850	8,798,050
Claims payments	<u>(10,408,298)</u>	<u>(5,948,050)</u>
Ending liabilities	<u>\$ 3,391,552</u>	<u>\$ 2,850,000</u>

The following statistical information is presented:

<u>Year</u>	<u>Contribution Revenue</u>	<u>Actual Claim Expense</u>
2012	\$ 10,949,850	\$ 10,408,298
2011	\$ 8,798,050	\$ 5,948,050

4. Unemployment

District employees are entitled to coverage under the New York State Unemployment Insurance Law. The District has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The District has established a self insurance fund to pay these claims. The claim and judgment expenditures of this program for the 2011-12 fiscal year totaled \$89,590. The balance of the fund at June 30, 2012 was \$737,752 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2012, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

C. Commitments and Contingencies

1. Litigation

There are tax certiorari claims requesting reduction of assessments pending. The outcome of the tax certiorari claims are undeterminable at this time.

(IV.) (Continued)

2. Grants

The District has received grants, which are subject to audit by agencies of the State and Federal Governments. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the District's administration believes disallowances, if any, will be immaterial.

V. Pending GASB Statements:

The GASB has issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which will be effective for the year ending June 30, 2013.

The GASB has issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, which will be effective for the year ending June 30, 2013.

The GASB has issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which will be effective for the year ending June 30, 2013.

The GASB has issued Statement No. 63, *Financial Reporting of deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which will be effective for the year ending June 30, 2013.

The GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which will be effective for the year ending June 30, 2014.

The GASB has issued Statement No. 66, *Technical Corrections – an Amendment of GASB Statements No. 10 and No. 62*, which will be effective for the year ending June 30, 2014.

The District is currently studying these statements and plans on adoption as required.

Required Supplemental Information
BALDWINSVILLE CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
(Unaudited)
For Year Ended June 30, 2012

	Original	Amended	Current	Over (Under)
	<u>Budget</u>	<u>Budget</u>	<u>Year's</u>	<u>Revised</u>
			<u>Revenues</u>	<u>Budget</u>
REVENUES				
Local Sources -				
Real property taxes	\$ 40,618,523	\$ 40,618,523	\$ 40,699,099	\$ 80,576
Real property tax items	10,153,714	10,153,714	8,356,030	(1,797,684)
Non-property taxes	446,875	446,875	552,461	105,586
Charges for services	118,500	118,500	79,416	(39,084)
Use of money and property	140,000	140,000	135,347	(4,653)
Sale of property and compensation for loss	8,000	8,000	157,850	149,850
Miscellaneous	180,000	180,000	911,858	731,858
State Sources -				
Basic formula	29,005,454	29,005,454	21,490,477	(7,514,977)
Lottery aid	-	-	7,226,569	7,226,569
BOCES	3,149,645	3,149,645	3,250,806	101,161
Textbooks	482,363	482,363	355,617	(126,746)
All Other Aid -				
Computer software	77,969	77,969	200,696	122,727
Library loan	33,416	33,416	37,262	3,846
Handicapped students	-	-	118,044	118,044
Other aid	-	125,000	141,743	16,743
Federal Sources	<u>1,900,000</u>	<u>1,900,000</u>	<u>127,433</u>	<u>(1,772,567)</u>
TOTAL REVENUES	<u>\$ 86,314,459</u>	<u>\$ 86,439,459</u>	<u>\$ 83,840,708</u>	<u>\$ (2,598,751)</u>
Appropriated Fund Balance	<u>\$ 6,364,790</u>	<u>\$ 6,878,207</u>		
TOTAL REVENUES AND				
APPROPRIATED FUND BALANCE	<u><u>\$ 92,679,249</u></u>	<u><u>\$ 93,317,666</u></u>		

Required Supplemental Information
BALDWINSVILLE CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
(Unaudited)
For Year Ended June 30, 2012

	<u>Original</u> <u>Budget</u>	<u>Amended</u> <u>Budget</u>	<u>Current</u> <u>Year's</u> <u>Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered</u> <u>Balances</u>
EXPENDITURES					
General Support					
Board of education	\$ 31,900	\$ 43,230	\$ 38,282	\$ 577	\$ 4,371
Central administration	249,318	251,088	243,131	787	7,170
Finance	844,968	849,771	833,684	5,480	10,607
Staff	713,095	687,171	636,454	28,209	22,508
Central services	6,633,345	6,702,738	5,070,593	285,879	1,346,266
Special items	772,705	776,699	606,782	7,837	162,080
Instructional					
Instruction, administration and improvement	3,551,776	3,551,301	2,814,542	9,467	727,292
Teaching - regular school	28,154,139	28,157,507	26,321,135	238,718	1,597,654
Programs for children with handicapping conditions	8,551,154	8,731,343	8,246,768	54,161	430,414
Occupational education	815,379	816,629	808,616	1,250	6,763
Teaching - special schools	127,021	127,021	91,764	9,785	25,472
Instructional media	2,101,448	2,174,673	1,884,238	134,681	155,754
Pupil services	4,148,979	4,244,233	3,541,378	49,650	653,205
Pupil Transportation	5,780,868	5,798,698	5,265,026	147,957	385,715
Employee Benefits	24,342,487	24,544,897	20,111,570	14,791	4,418,536
Debt service - interest	100,000	100,000	-	-	100,000
TOTAL EXPENDITURES	<u>\$ 86,918,582</u>	<u>\$ 87,556,999</u>	<u>\$ 76,513,963</u>	<u>\$ 989,229</u>	<u>\$ 10,053,807</u>
Other Uses					
Interfund transfers - out	\$ 5,760,667	\$ 5,760,667	\$ 5,169,299	\$ -	\$ 591,368
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 92,679,249</u>	<u>\$ 93,317,666</u>	<u>\$ 81,683,262</u>	<u>\$ 989,229</u>	<u>\$ 10,645,175</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES					
	\$ -	\$ -	\$ 2,157,446		
FUND BALANCE, BEGINNING OF YEAR	<u>32,881,371</u>	<u>32,881,371</u>	<u>32,881,371</u>		
FUND BALANCE, END OF YEAR	<u>\$ 32,881,371</u>	<u>\$ 32,881,371</u>	<u>\$ 35,038,817</u>		

Required Supplemental Information
BALDWINSVILLE CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Funding Progress
of Post Employment Benefit Plan
(Unaudited)
For Year Ended June 30, 2012

Actuarial Valuation Date June 30,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Active Members Covered Payroll	(6) UAAL As a Percentage of Covered Payroll (4) / (5)
2009	\$ -	\$ 119,173,175	0.00%	\$ 119,173,175	\$ 48,957,042	243.42%
2010	\$ -	\$ 127,997,176	0.00%	\$ 127,997,176	\$ 49,476,187	258.70%
2011	\$ -	\$ 129,754,652	0.00%	\$ 129,754,652	\$ 48,366,213	268.28%
2012	\$ -	\$ 137,318,193	0.00%	\$ 137,318,193	\$ 47,663,668	288.10%

BALDWINVILLE CENTRAL SCHOOL DISTRICT, NEW YORK

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2012

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Special Aid Fund	School Lunch Fund	Library Fund	Other Capital Projects	
ASSETS					
Cash and cash equivalents	\$ 1,093	\$ 448,804	\$ 619,517	\$ 51,936	\$ 1,121,350
Receivables	1,685,408	44,413	-	-	1,729,821
Inventories	-	54,548	-	-	54,548
Due from other funds	-	149,262	13	-	149,275
TOTAL ASSETS	\$ 1,686,501	\$ 697,027	\$ 619,530	\$ 51,936	\$ 3,054,994
LIABILITIES AND FUND BALANCE					
<u>Liabilities</u> -					
Accounts payable	\$ 3,775	\$ 10,060	\$ 57,043	\$ -	\$ 70,878
Accrued liabilities	4,681	10,983	22,317	-	37,981
Due to other funds	1,672,395	-	-	51,936	1,724,331
Due to other governments	-	1,686	-	-	1,686
Deferred revenues	5,650	30,041	13,793	-	49,484
TOTAL LIABILITIES	\$ 1,686,501	\$ 52,770	\$ 93,153	\$ 51,936	\$ 1,884,360
<u>Fund Balances</u> -					
Nonspendable	\$ -	\$ 54,548	\$ -	\$ -	\$ 54,548
Assigned	-	589,709	526,377	-	1,116,086
TOTAL FUND BALANCE	\$ -	\$ 644,257	\$ 526,377	\$ -	\$ 1,170,634
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,686,501	\$ 697,027	\$ 619,530	\$ 51,936	\$ 3,054,994

BALDWINVILLE CENTRAL SCHOOL DISTRICT, NEW YORK
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For Year Ended June 30, 2012

	<u>Special Revenue Funds</u>			Other Capital Projects	Total Nonmajor Governmental Funds
	Special Aid Fund	School Lunch Fund	Library Fund		
REVENUES					
Real property taxes and tax items	\$ -	\$ -	\$ 1,299,427	\$ -	\$ 1,299,427
Charges for services	-	-	37,953	-	37,953
Use of money and property	-	390	578	-	968
Miscellaneous	28,585	20,294	46,969	-	95,848
State sources	369,645	31,244	-	-	400,889
Federal sources	3,929,881	572,485	114,766	-	4,617,132
Sales	-	998,793	-	-	998,793
TOTAL REVENUES	\$ 4,328,111	\$ 1,623,206	\$ 1,499,693	\$ -	\$ 7,451,010
EXPENDITURES					
Instruction	\$ 3,861,259	\$ -	-	\$ -	\$ 3,861,259
Pupil transportation	85,606	-	-	-	85,606
Community services	-	-	1,286,737	-	1,286,737
Employee benefits	478,938	227,320	197,536	-	903,794
Cost of sales	-	759,199	-	-	759,199
Other expenses	-	644,408	-	-	644,408
Capital outlay	-	-	-	852,459	852,459
TOTAL EXPENDITURES	\$ 4,425,803	\$ 1,630,927	\$ 1,484,273	\$ 852,459	\$ 8,393,462
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (97,692)	\$ (7,721)	\$ 15,420	\$ (852,459)	\$ (942,452)
OTHER FINANCING SOURCES (USES)					
Operating transfers - in	\$ 97,692	\$ -	\$ -	\$ 620	\$ 98,312
Operating transfers - out	-	-	(620)	(52,936)	(53,556)
Proceeds from obligations	-	-	-	881,108	881,108
TOTAL OTHER FINANCING SOURCES (USES)	\$ 97,692	\$ -	\$ (620)	\$ 828,792	\$ 925,864
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ (7,721)	\$ 14,800	\$ (23,667)	\$ (16,588)
FUND BALANCE, BEGINNING OF YEAR	-	651,978	511,577	23,667	1,187,222
FUND BALANCE, END OF YEAR	\$ -	\$ 644,257	\$ 526,377	\$ -	\$ 1,170,634

BALDWINVILLE CENTRAL SCHOOL DISTRICT, NEW YORK

GENERAL FUND

Analysis of Change from Original Budget to Revised Budget

For Year Ended June 30, 2012

Original Budget		\$ 92,679,249
Additions:		
Budget revisions	\$ 125,000	
Encumbrances	<u>513,417</u>	
Total Additions		<u>638,417</u>
Revised Budget		<u><u>\$ 93,317,666</u></u>

GENERAL FUND

Analysis of Use of Fund Balance as of the

Beginning of Year Ended June 30, 2012

A909 Fund Balance as of Beginning of Year (Unreserved)		\$ 9,785,897
Less:		
A599 appropriated fund balance used for levy of taxes	<u>\$ 6,364,790</u>	
Total A599 Appropriated Fund Balance		<u>6,364,790</u>
Fund Balance (Undesignated)		<u><u>\$ 3,421,107</u></u>

BALDWINSVILLE CENTRAL SCHOOL DISTRICT, NEW YORK
CAPITAL PROJECTS FUND

Schedule of Project Expenditures
June 30, 2012

Project Title	Expenditures			Methods of Financing			Fund Balance				
	Original Appropriation	Revised Appropriation	Prior Year's	Current Year	Total	Unexpended Balance		Obligations	Local Sources	State Sources	Total
Bus Purchase 2011-12	\$ 881,108	\$ 881,108	\$ -	\$ 881,108 (1)	\$ 881,108	\$ -	\$ 881,108	\$ -	\$ -	\$ 881,108	\$ -
2010-11 Library Project	50,000	53,987	53,367	620	53,987	-	-	53,987	-	53,987	-
2008-09 Renovation Project	26,000,000	26,000,000	6,767,364	7,483,778	14,251,142	11,748,858	10,425,000	4,075,000	1,276,000	15,776,000	1,524,858
TOTAL	\$ 26,931,108	\$ 26,935,095	\$ 6,820,731	\$ 8,365,506	\$ 15,186,237	\$ 11,748,858	\$ 11,306,108	\$ 4,128,987	\$ 1,276,000	\$ 16,711,095	\$ 1,524,858

(1) - Balance includes a transfer \$29,269 of unspent bond proceeds to the debt service fund.

BALDWINSVILLE CENTRAL SCHOOL DISTRICT, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

<u>Grantor / Pass - Through Agency</u> <u>Federal Award Cluster / Program</u>	<u>CFDA</u> <u>Number</u>	<u>Grantor</u> <u>Number</u>	<u>Pass-Through</u> <u>Agency</u> <u>Number</u>	<u>Total</u> <u>Expenditures</u>
U.S. Department of Education:				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
Race to the Top - ARRA	84.395	N/A	5500-12-2130	\$ 46,361
Education JOBS Fund - ARRA	84.410	N/A	5400-12-2130	1,849,026
Title IV - Drug Free Schools	84.186	N/A	0180-11-2130	1,955
Title IIA - Teacher Training	84.367	N/A	0147-12-2130	73,305
Title IIA - Teacher Training	84.367	N/A	0147-11-2130	60,929
<u>Title I, Part A Cluster -</u>				
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-12-2130	411,992
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-11-2130	56,005
Title I - Grants to Local Educational Agencies - ARRA	84.389	N/A	5021-11-2130	38,290
<u>Special Education Cluster IDEA -</u>				
Special Education - Grants to States (IDEA, Part B)	84.027	N/A	0032-12-0648	1,328,918
Special Education - Grants to States (IDEA, Part B) - ARRA	84.391	N/A	5032-11-0648	7,219
Special Education - Preschool Grants (IDEA Preschool)	84.173	N/A	0033-12-0648	54,494
Special Education - Preschool Grants (IDEA Preschool) - ARRA	84.392	N/A	5033-11-0648	1,387
Total U.S. Department of Education				<u>\$ 3,929,881</u>
U.S. Department of Agriculture:				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department (Child Nutrition Services) -</u>				
<u>Nutrition Cluster -</u>				
National School Lunch Program-Cash Assistance	10.555	N/A	006720	\$ 412,053
National School Lunch Program-Non-Cash Assistance (Commodities)	10.555	N/A	006720	111,811
National School Breakfast Program	10.553	N/A	006720	44,574
Summer Food Service Program	10.559	N/A	006720	4,047
Total U.S. Department of Agriculture				<u>\$ 572,485</u>
U.S. Department of Commerce:				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
Broadband Technology Opportunity Program - ARRA	11.557	N/A	5603-10-1003	\$ 114,766
Total U.S. Department of Commerce				<u>\$ 114,766</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 4,617,132</u>

BALDWINVILLE CENTRAL SCHOOL DISTRICT, NEW YORK

Schedule of Investment in Capital Assets, Net of Related Debt

For Year Ended June 30, 2012

Capital assets, net		\$ 76,674,486
Add:		
Unspent bond proceeds	<u>\$ 1,524,858</u>	1,524,858
Deduct:		
Short-term portion of bonds payable	\$ 4,086,108	
Long-term portion of bonds payable	<u>27,230,000</u>	
		<u>31,316,108</u>
Investment in capital assets, net of related debt		<u><u>\$ 46,883,236</u></u>

BALDWINVILLE CENTRAL SCHOOL DISTRICT, NEW YORK

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

For Year Ended June 30, 2012

	Account	ST-3	Audited
<u>REVENUES</u>	<u>Code</u>	<u>Amount</u>	<u>Amount</u>
Property Taxes	A-1001	\$ 40,699,099	\$ 40,699,099
Non-Property Taxes	AT-1199	\$ 552,461	\$ 552,461
State Sources	AT-3999	\$ 32,821,214	\$ 32,821,214
Federal Sources	AT-4999	\$ 127,433	\$ 127,433
Total Revenues and Other Sources	AT-5999	\$ 83,840,708	\$ 83,840,708
<u>EXPENDITURES</u>			
General Support	AT-1999	\$ 7,428,926	\$ 7,428,926
Pupil Transportation	AT-5599	\$ 5,265,026	\$ 5,265,026
Total Expenditures and Other Uses	AT-9999	\$ 81,683,262	\$ 81,683,262

Raymond F. Wager, CPA, P.C.
Certified Public Accountants

Shareholders:

Raymond F. Wager, CPA
Thomas J. Lauffer, CPA
Thomas C. Zuber, CPA

Members of
American Institute of
Certified Public Accountants
and
New York State Society of
Certified Public Accountants

**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***

To the Board of Education
Baldwinsville Central School District, New York

We have audited the financial statements of the governmental activities, each major fund, and the aggregated remaining fund information of Baldwinsville Central School District, New York as of and for the year ended June 30, 2012, which collectively comprise the Baldwinsville Central School District's basic financial statements, and have issued our report thereon dated October 2, 2012. 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.

Internal Control Over Financial Reporting

The management of Baldwinsville Central School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Baldwinsville Central School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Baldwinsville Central School District's financial statements are free of 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*.

We noted certain other matters that we reported to the management of Baldwinsville Central School District in a separate letter dated October 2, 2012.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and Federal Awarding Agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Raymond F. Wager, CPA, P.C." The signature is written in a cursive style.

October 2, 2012

BALDWINVILLE CENTRAL SCHOOL DISTRICT

NEW YORK

LETTER OF COMMUNICATION

For Year Ended June 30, 2012

Raymond F. Wager, CPA, P.C.
Certified Public Accountants

Shareholders:

Raymond F. Wager, CPA
Thomas J. Lauffer, CPA
Thomas C. Zuber, CPA

Members of
American Institute of
Certified Public Accountants
and
New York State Society of
Certified Public Accountants

October 2, 2012

To the Board of Education
Baldwinsville Central School District, New York

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Baldwinsville Central School District for the year ended June 30, 2012, and have issued our report thereon dated October 2, 2012. Professional standards require that we provide you with the following information related to our audit.

A. Our Responsibility Under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated March 28, 2012, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Baldwinsville Central School District, New York's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Baldwinsville Central School District, New York's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Baldwinsville Central School District, New York's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the Baldwinsville Central School District, New York's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Baldwinsville Central School District, New York's compliance with those requirements.

**To the Board of Education
Baldwinsville Central School District, New York**

B. Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management and the Board in our engagement letter dated March 28, 2012.

C. 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 Baldwinsville Central School District, New York are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

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 sensitive because of their significance to the financial statements and because of the possibility that future events effecting them may differ significantly from those expected. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no individually sensitive disclosures affecting the financial statements.

D. Difficulties Encountered in Performing the Audit

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

E. 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 corrected all such misstatements. 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 the financial statements taken as a whole.

F. Disagreements with Management

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

**To the Board of Education
Baldwinsville Central School District, New York**

G. Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 2, 2012.

H. 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 governmental unit'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.

I. 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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

J. Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, 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, the method of preparing it has not changed from the prior period, 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.

* * *

This information is intended solely for the use of the Board of Education and management of the Baldwinsville Central School District, New York and is not intended to be and should not be used by anyone other than these specified parties.

Raymond F. Weger CPA PC.

October 2, 2012

**BALDWINSVILLE CENTRAL SCHOOL DISTRICT
NEW YORK**

**COMMUNICATING INTERNAL CONTROL
RELATED MATTERS IDENTIFIED IN AN AUDIT**

For Year Ended June 30, 2012

Raymond F. Wager, CPA, P.C.
Certified Public Accountants

Shareholders:

Raymond F. Wager, CPA
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Thomas C. Zuber, CPA

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American Institute of
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October 2, 2012

To the Board of Education
Baldwinsville Central School District, New York

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Baldwinsville Central School District, New York as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Baldwinsville Central School District, New York's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Prior Year Deficiencies Pending Corrective Action:

Library Fund –

During the year, the library made online purchases without utilizing purchase orders. However, we noted that blanket purchase orders were utilized by the end of the year.

We recommend the Administration continue to monitor the above noted item.

Documentation of Procedures –

Our examination revealed the Business Office has continued the process of documenting a written procedures manual for District office personnel. However, it has yet to be completed

We recommend the District complete the process of documenting its' comprehensive review of the existing internal accounting controls.

(Prior Year Deficiencies Pending Corrective Action) (Continued)

Trust and Agency Fund –

During our review of the Trust and Agency Fund accounts, we noted the self-funded dental account has not been routinely reconciled during the year.

We recommend the District continue to review this item and develop the necessary corrective action this next fiscal year.

Billing –

We noted that billing and collection for field trips, building use, and foster student tuition are done by the same person. In addition, bills for the above items are sent out without an independent review to ensure accuracy & completeness.

We recommend the District continue to review the above items to improve the billing and collection process.

School Lunch Fund –

Federal Regulation #7 CFR Part 210.15 recommends the School Lunch Fund balance not exceed three months average expenditures. As of June 30, 2012, the District's School Lunch Fund balance was in excess of three months average expenditures in the amount of approximately \$100,000.

We recommend the District closely monitor the School Lunch program and make every effort to comply with the Federal Regulation.

Current Year Deficiencies Pending Corrective Action:

Online Banking Policy –

During the course of our examination we noted that the District does not have an online banking policy.

We recommend the District develop written procedures for online banking during this next fiscal year and consider a dedicated stand alone computer just for online banking.

Liability Reserve –

The balance in the Liability Reserve fund at June 30, 2012, exceeded 3% of the 2012-13 budget.

We recommend the District review this reserve fund to determine whether the District is in compliance with Section 1709 [8-c] of the Education Law. If necessary, the Board should consider transferring any excess funds to other reserves.

Library Fund –

During the course of our examination of the Library Fund we noted the following:

1. The Library collects money for small items sold on behalf of the "Friends of the Baldwinsville Library." The funds collected for this organization are comingled with daily library receipts.
2. The library does not have a process whereby the daily cash receipts are reconciled to the Point-of-Sale system.

We recommend the Administration review these items and take any necessary corrective action.

Prior Year Recommendations:

We are pleased to report the following prior year recommendations have been implemented to our satisfaction:

1. The Library is now depositing cash receipts twice a week.
2. The miscellaneous fund balance in the Trust and Agency Fund has been transferred to the General Fund.
3. The collection of fuel billings is now segregated from the individual who bills fuel usage.
4. During the year, the District eliminated the liability that it had established for the initial funding of the GASB #45 OPEB liability.

This communication is intended solely for the information and use of management, the Board, audit committee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

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We wish to express our appreciation to the business office staff for all the courtesies extended to us during the course of our examination.



October 2, 2012