

BARKER CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2015

BARKER CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Barker Central School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Barker Central School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As described in Note 2 to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this item.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

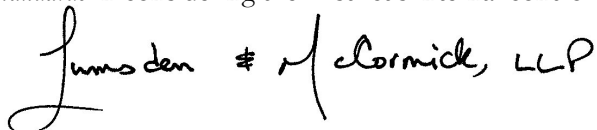
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information including the schedule of expenditures of federal awards is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information including the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Jameson & McCormick, LLP". The signature is written in a cursive, flowing style.

September 14, 2015

Barker Central School District
Management's Discussion and Analysis
June 30, 2015
(Unaudited)

Introduction

Management's Discussion and Analysis (MD&A) of Barker Central School District (the District) provides an overview of the District's financial activities and performance for the year ended June 30, 2015. The information contained in the MD&A should be considered in conjunction with the information presented as part of the District's financial statements that follow. This MD&A, the financial statements and notes thereto are essential to a full understanding of the District's financial position and results of operations. The District's financial statements have the following components: (1) government-wide financial statements; (2) governmental fund financial statements; (3) reconciliations between the government-wide and governmental fund financial statements; (4) agency fund statements; (5) notes to the financial statements; and (6) supplementary information.

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. In 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements require the District to recognize its proportionate share of the net pension asset or liability, deferred outflows and deferred inflows of resources, and related expenses from its participation in the New York State Retirement Systems. The results of these statements include recognizing a net pension asset and a net pension liability for the two defined benefit plans and related deferred outflows and deferred inflows of resources. The cumulative effect of implementing these statements resulted in a restatement of beginning net position as detailed in Note 2 to the financial statements.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the net difference reported as net position. The statement of activities presents information showing how the District's net position changed during each year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about the District as a whole. All of the activities of the District are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the year. Such information may be useful in evaluating the District's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. The reconciliation portion of the financial statements facilitates the comparison between governmental funds and governmental activities.

Agency funds are used to account for resources held for the benefit of parties outside the District. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's programs. The notes to the financial statements provide additional information that is essential for a full understanding of the government-wide and governmental fund financial statements.

Supplementary information further explains and supports the financial statements and includes information required by generally accepted accounting principles and the New York State Department of Education.

Condensed Statement of Net Position	2015	2014	Change	
			\$	%
Current assets	\$ 21,749,000	\$ 23,533,000	\$ (1,784,000)	-7.6%
Net pension asset	5,060,000	-	5,060,000	100.0%
Capital assets	15,925,000	16,727,000	(802,000)	-4.8%
Total assets	42,734,000	40,260,000	2,474,000	6.1%
Deferred outflows of resources	1,346,000	24,000	1,322,000	5508.3%
Long-term liabilities outstanding	7,433,000	8,381,000	(948,000)	-11.3%
Other liabilities	1,765,000	1,698,000	67,000	3.9%
Net pension liability	150,000	-	150,000	100.0%
Total liabilities	9,348,000	10,079,000	(731,000)	-7.3%
Deferred inflows of resources	3,724,000	252,000	3,472,000	1377.8%
Net position				
Net investment in capital assets	12,173,000	11,953,000	220,000	1.8%
Restricted	9,500,000	9,933,000	(433,000)	-4.4%
Unrestricted	9,335,000	8,067,000	1,268,000	15.7%
Total net position	\$ 31,008,000	\$ 29,953,000	\$ 1,055,000	3.5%

The District's net position at June 30, 2015 and 2014 was \$31,008,000 and \$29,953,000. The largest portion of the District's net position reflects its investment in capital assets consisting of land, buildings and improvements, and furniture and equipment, less the related bonds used to acquire those assets that are still outstanding. The District uses capital assets to provide services to students; consequently, these assets are not available for future spending.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. These reserves are set aside for specific purposes governed by statutory law and Commissioner's regulations and include the capital projects reserve, which is set aside to pay for future buses, facilities, technology and equipment purchases; and the employee benefit accrued liability reserve, which is restricted to pay for future accumulated sick and vacation time. Other restricted resources include the retirement contribution, unemployment insurance, property loss and liability reserves.

Total assets increased by \$2,474,000 (\$1,500,000 decrease in 2014) as a result of recognizing the net pension asset related to the District's proportionate share of the New York State Teachers' Retirement System, as required by GASB 68 which amounted to \$5,060,000. Also, cash decreased by \$2,008,000 due to operating results creating an overall net deficit of \$1,856,000. Capital assets decreased \$802,000 due to current year depreciation expense in excess of current year additions. Other current assets remained consistent with the prior year.

Long-term liabilities outstanding decreased by \$948,000 (decrease of \$536,000 in 2014) as a result of bond payments of 1,010,000. Long-term liabilities outstanding include \$109,000 and \$93,000 as of June 30, 2015 and 2014 for the postemployment obligation required under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*. The unfunded actuarial accrued liability measured at January 1, 2015 is estimated to be \$2,047,000, an increase of \$1,559,000 due to a change in the actuarial methods related to community-rated plans, and assumption changes that include health insurance costs and mortality rates. Other liabilities reflect the timing of cash flows and higher amounts owed to state retirement systems.

The net pension liability is the District's proportionate share of the New York State and Local Employees' Retirement System as required by GASB 68.

Condensed Statement of Activities	2015	2014	Change	
			\$	%
Revenues				
Program revenues				
Charges for services	\$ 441,000	\$ 325,000	\$ 116,000	35.7%
Operating grants and contributions	1,166,000	1,200,000	(34,000)	-2.8%
General revenues				
Taxes and related items	7,039,000	8,474,000	(1,435,000)	-16.9%
State aid	7,413,000	6,563,000	850,000	13.0%
Other	164,000	150,000	14,000	9.3%
Total revenue	16,223,000	16,712,000	(489,000)	-2.9%
Expenses				
Instruction	12,309,000	13,262,000	(953,000)	-7.2%
Support services				
General support	2,598,000	2,826,000	(228,000)	-8.1%
Pupil transportation	994,000	1,022,000	(28,000)	-2.7%
Food service	388,000	390,000	(2,000)	-0.5%
Interest and other	153,000	187,000	(34,000)	-18.2%
Total expenses	16,442,000	17,687,000	(1,245,000)	-7.0%
Change in net position	(219,000)	(975,000)	756,000	-77.5%
Net position - beginning	29,953,000	30,928,000	(975,000)	-3.2%
Restatement - GASB 68	1,274,000			
Net position - ending	\$ 31,008,000	\$ 29,953,000	\$ 1,055,000	3.5%

District revenues decreased 2.9% or \$489,000 over 2014 (decrease of 14.5% or \$2,841,000 in 2014). The decrease in revenues was generated largely due to a decrease in PILOT payments from AES, a power company located within the District. In 2015, PILOT payments received amounted to \$3,034,000, which is a \$1,517,000 decrease from 2014. State aid increased 13.0% due in part to increased basic formula aid components including a \$292,000 increase in building aid and a further reduction of \$250,000 in the GAP elimination adjustment.

Total expenses decreased \$1,245,000 or 7.0% (decrease of \$451,000 or 2.5% in 2014). It is important to understand that the year to year comparison is skewed by the District's required adoption of GASB 68 in 2015. TRS is overfunded on an actuarial basis. As a result, the contribution accrued by the District for TRS, which is typically expensed under both accounting methods (government-wide and governmental funds) is recognized as a deferred outflow of resources on the government-wide statement of net position. In essence it is considered a prepaid item which will be added to the net pension asset in future periods. The 2014 results include the TRS expense of \$1,090,000. As a result, the applicable functional expense lines have not been allocated TRS expense, and in fact have allocated pension income, for 2015. ERS also contributed to the change, but did not have the same impact as TRS. The GASB 68 impact was offset by District wide salary increases of \$271,000 in 2015 (decrease of \$300,000 in 2014).

Financial Analysis of the District's Funds

Total fund balances for the governmental funds decreased from \$21,619,000 to \$19,763,000. Expenditures of \$18,079,000 exceeded revenues of \$16,223,000, resulting in the decrease of \$1,856,000. Despite anticipated reduction in revenue due to the PILOT payment, general fund expenses were \$557,000 higher than 2014.

- Total fund revenue decreased \$489,000 or 2.9% (decrease of \$2,926,000 or 14.9% in 2014) and total fund expenditures decreased \$1,468,000 or 7.5% (increase of \$1,069,000 or 5.8% in 2014). The overall revenue decrease is attributable to PILOT payments as previously noted, offset by increases in state aid (\$801,000). The overall decrease in expenditures is due to a decrease in capital outlays of \$2,016,000.
- The general fund experienced a decrease in fund balance of \$1,799,000 during 2015 compared to a \$548,000 decrease for 2014.
- A \$17,000 decrease in fund balance in the school lunch fund was realized due to reductions of \$18,000 in sales. State and federal aid was consistent with 2014, as well as overall expenditures. At June 30, 2015, there is a \$27,000 deficit fund balance.
- The capital projects fund was closed in 2015 as \$39,000 of residual funds were transferred back to the general fund.

General Fund Budgetary Highlights

Total revenue of \$14,956,000 was more than budgeted revenue by \$377,000. The total original and final expenditure and other uses budget for fiscal year 2015 was \$18,590,000. There were no budget adjustments affecting the total budget but individual line items changed on a recurring basis throughout the year.

Actual expenditures and carryover encumbrances were less than the final amended budget by \$1,782,000 or 9.6%. The difference is attributable to many factors and many unknown items when the budget is prepared. Because of the uncertainty of educational funding at the State, the District cautiously managed its budget to generate savings in central services, teaching – regular school, programs for children with handicapping conditions, and employee benefits.

Capital Assets

	2015	2014
Land and land improvements	\$ 1,137,000	\$ 1,137,000
Buildings and improvements	33,010,000	33,010,000
Furniture and fixtures	2,745,000	2,738,000
Vehicles	175,000	175,000
	37,067,000	37,060,000
Accumulated depreciation	(21,142,000)	(20,333,000)
	\$ 15,925,000	\$ 16,727,000

Current year additions of \$7,000 were offset by depreciation of \$809,000.

Debt Administration

At June 30, 2015 the District had \$3,730,000 in bonds outstanding with \$1,035,000 due within one year (\$4,740,000 outstanding at June 30, 2014). Outstanding compensated absences payable were \$3,557,000, with \$729,000 expected to be paid within one year (\$3,490,000 outstanding at June 30, 2014).

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

Current Financial Issues and Concerns

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

Despite financial markets vastly improving since "The Great Recession," contribution rates to TRS and ERS remain high. As shown by the recent full accrual actuarial analysis required by GASB 68, TRS reflected a current valuation of assets exceeding liabilities and ERS is nearly 100% funded. The higher than perhaps required funding rates put a strain on budgets and monies available for educational needs.

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

Contacting the School District's Financial Management

This financial report is designed to provide our District residents, taxpayers, parents, students, investors and creditors with a general overview of the District's finances, and to show the District's accountability for the money it receives. For more detailed information, questions may be directed to Dr. Roger J. Klatt, Superintendent, Barker Central School District, 1628 Quaker Road, Barker, New York 14012.

BARKER CENTRAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

Assets

Cash	\$ 20,748,555
Due from other governments	326,703
State and federal aid receivable	661,088
Due from fiduciary funds	15
Inventory	12,697
Net pension asset	5,059,893
Capital assets (Note 6)	37,067,044
Accumulated depreciation	(21,142,529)
Total assets	42,733,466

Deferred Outflows of Resources

Defeasance loss	14,827
Deferred outflows of resources from pensions	1,331,613
Total deferred outflows of resources	1,346,440

Liabilities

Accounts payable	37,718
Accrued liabilities	401,276
Due to retirement systems	1,312,326
Unearned revenue	14,065
Long-term liabilities	
Due within one year:	
Bonds	1,035,000
Compensated absences	729,000
Due beyond one year:	
Bonds	2,731,353
Compensated absences	2,828,000
Other postemployment benefits	109,179
Net pension liability	150,233
Total liabilities	9,348,150

Deferred Inflows of Resources

Deferred inflows of resources from pensions	3,472,260
PILOT payments received in advance	251,789
Total deferred inflows of resources	3,724,049

Net Position

Net investment in capital assets	12,172,989
Restricted	9,499,487
Unrestricted	9,335,231
Total net position	\$ 31,007,707

See accompanying notes.

BARKER CENTRAL SCHOOL DISTRICT

Statement of Activities

For the year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
General support	\$ 2,598,558	\$ -	\$ -	\$ (2,598,558)
Instruction	12,308,573	318,187	918,753	(11,071,633)
Pupil transportation	994,000	-	-	(994,000)
Community service	27,222	-	-	(27,222)
Interest expense	126,138	-	-	(126,138)
School food service	387,782	122,908	247,625	(17,249)
	<u>\$ 16,442,273</u>	<u>\$ 441,095</u>	<u>\$ 1,166,378</u>	<u>(14,834,800)</u>
General revenues				
Real property taxes				7,038,988
Interest income				12,628
Miscellaneous				151,304
State aid				<u>7,412,684</u>
Total general revenues				<u>14,615,604</u>
Change in net position				(219,196)
Net position - beginning, as restated (Note 2)				<u>31,226,903</u>
Net position - ending				<u>\$ 31,007,707</u>

See accompanying notes.

BARKER CENTRAL SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2015

(With summarized comparative totals as of June 30, 2014)

					Total	
	General	Special Aid	Capital Projects	School Lunch	Governmental Funds	
					2015	2014
Assets						
Cash	\$ 20,628,711	\$ 876	\$ 38,820	\$ 80,148	\$ 20,748,555	\$ 22,756,708
Due from other governments	325,895	-	-	808	326,703	309,462
State and federal aid receivable	387,758	260,163	-	13,167	661,088	452,743
Due from other funds, net	417,249	-	-	-	417,249	466,544
Inventory	-	-	-	12,697	12,697	13,495
Total assets	\$ 21,759,613	\$ 261,039	\$ 38,820	\$ 106,820	\$ 22,166,292	\$ 23,998,952
Liabilities						
Accounts payable	\$ 37,474	\$ -	\$ -	\$ 244	\$ 37,718	\$ 198,936
Accrued liabilities	368,423	-	-	1,853	370,276	249,071
Due to retirement systems	1,312,326	-	-	-	1,312,326	1,199,414
Unearned revenue	-	14,065	-	-	14,065	14,869
Due to other funds, net	-	246,974	38,820	131,440	417,234	466,252
Total liabilities	1,718,223	261,039	38,820	133,537	2,151,619	2,128,542
Deferred Inflows of Resources						
PILOT payments received in advance	251,789	-	-	-	251,789	251,789
Fund Balances						
Nonspendable:						
Inventory	-	-	-	12,697	12,697	13,495
Restricted:						
Capital projects	5,945,858	-	-	-	5,945,858	5,982,537
Retirement contribution	12,511	-	-	-	12,511	226,678
Unemployment insurance	24,005	-	-	-	24,005	24,669
Employee benefit accrued liability	3,199,898	-	-	-	3,199,898	3,322,379
Property loss and liability	317,215	-	-	-	317,215	317,113
Workers' compensation	-	-	-	-	-	59,530
Assigned:						
Designated for subsequent year's expenditures	3,039,426	-	-	-	3,039,426	350,000
Designated for future tax proceedings	6,515,161	-	-	-	6,515,161	10,577,798
Other purposes	2,912	-	-	-	2,912	46,284
Unassigned	732,615	-	-	(39,414)	693,201	698,138
Total fund balances (deficit)	19,789,601	-	-	(26,717)	19,762,884	21,618,621
Total liabilities, deferred inflows, and fund balances	\$ 21,759,613	\$ 261,039	\$ 38,820	\$ 106,820	\$ 22,166,292	\$ 23,998,952

See accompanying notes.

BARKER CENTRAL SCHOOL DISTRICT

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

June 30, 2015

Total fund balances - governmental funds \$ 19,762,884

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

Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds. 15,924,515

The District's proportionate share of net pension assets and liabilities as well as pension-related deferred outflows and deferred inflows of resources are recognized on the government-wide statements and include:

Net pension asset	5,059,893	
Deferred outflows of resources from pensions	1,331,613	
Net pension liability	(150,233)	
Deferred inflows of resources from pensions	<u>(3,472,260)</u>	2,769,013

Defeasance losses associated with bond refundings are recognized as deferred outflows of resources in the government-wide statements. 14,827

Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:

Bonds and premiums	3,766,353	
Accrued interest	31,000	
Compensated absences	3,557,000	
Other postemployment benefits	<u>109,179</u>	(7,463,532)

Net position - governmental activities **\$ 31,007,707**

BARKER CENTRAL SCHOOL DISTRICT

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

For the year ended June 30, 2015

(With summarized comparative totals for June 30, 2014)

	General	Special Aid	Capital Projects	School Lunch	Total Governmental Funds	
					2015	2014
Revenues						
Real property taxes	\$ 3,126,732	\$ -	\$ -	\$ -	\$ 3,126,732	\$ 3,063,308
Real property tax items	3,912,256	-	-	-	3,912,256	5,410,892
Charges for services	318,187	-	-	-	318,187	184,191
Use of money and property	12,628	-	-	-	12,628	25,175
Sale of property and compensation for loss	908	-	-	-	908	1,489
Miscellaneous	151,365	64,263	-	-	215,628	156,021
State sources	7,412,684	374,674	-	8,927	7,796,285	6,995,391
Federal sources	21,667	457,180	-	238,698	717,545	734,990
Sales	-	-	-	122,908	122,908	140,673
Total revenues	14,956,427	896,117	-	370,533	16,223,077	16,712,130
Expenditures						
General support	1,958,335	-	-	126,573	2,084,908	2,050,505
Instruction	8,696,732	946,880	-	-	9,643,612	9,281,695
Pupil transportation	962,624	28,283	-	-	990,907	1,003,173
Community service	27,222	-	-	-	27,222	21,847
Employee benefits	3,916,225	-	-	116,322	4,032,547	3,843,258
Debt service						
Principal	1,010,000	-	-	-	1,010,000	996,200
Interest	143,738	-	-	-	143,738	182,426
Cost of sales	-	-	-	144,887	144,887	150,761
Capital outlay	-	-	993	-	993	2,017,053
Total expenditures	16,714,876	975,163	993	387,782	18,078,814	19,546,918
Excess expenditures	(1,758,449)	(79,046)	(993)	(17,249)	(1,855,737)	(2,834,788)
Other financing sources (uses)						
Operating transfers, net	(40,209)	79,046	(38,837)	-	-	-
Net change in fund balances	(1,798,658)	-	(39,830)	(17,249)	(1,855,737)	(2,834,788)
Fund balances (deficit) - beginning	21,588,259	-	39,830	(9,468)	21,618,621	24,453,409
Fund balances (deficit) - ending	\$ 19,789,601	\$ -	\$ -	\$ (26,717)	\$ 19,762,884	\$ 21,618,621

See accompanying notes.

BARKER CENTRAL SCHOOL DISTRICT

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

For the year ended June 30, 2015

Total net change in fund balances - governmental funds \$ (1,855,737)

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

Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation expense exceeds capital outlays. (802,821)

Net differences between pension system contributions recognized on the fund statement of revenues, expenditures, and changes in fund balances and the statement of activities.

2015 TRS and ERS contributions	1,442,335	
2015 ERS accrued contribution	75,976	
2014 ERS accrued contribution	(80,100)	
2015 TRS net pension revenue	197,724	
2015 ERS net pension expense	<u>(140,890)</u>	1,495,045

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

1,010,000

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

Other postemployment benefits	(16,283)	
Amortization of bond premium	21,280	
Amortization of defeasance loss	(8,680)	
Compensated absences	(67,000)	
Interest	<u>5,000</u>	(65,683)

Change in net position - governmental activities \$ (219,196)

BARKER CENTRAL SCHOOL DISTRICT

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

For the year ended June 30, 2015

	Budgeted Amounts		Actual		Variance with
	Original	Final	(Budgetary Basis)	Encumbrances	Final Budget Over/(Under)
Revenues					
Local sources					
Real property taxes	\$ 3,992,689	\$ 3,992,689	\$ 3,126,732		\$ (865,957)
Real property tax items	3,039,600	3,039,600	3,912,256		872,656
Charges for services	39,000	39,000	318,187		279,187
Use of money and property	30,000	30,000	12,628		(17,372)
Sale of property and compensation for loss	-	-	908		908
Miscellaneous	76,000	76,000	151,365		75,365
State sources	7,401,922	7,401,922	7,412,684		10,762
Federal sources	-	-	21,667		21,667
Total revenues	14,579,211	14,579,211	14,956,427		377,216
Expenditures					
General Support					
Board of education	34,910	42,695	35,505	400	(6,790)
Central administration	263,600	277,280	273,101	-	(4,179)
Finance	169,943	202,458	196,467	-	(5,991)
Staff	118,600	105,790	37,496	-	(68,294)
Central services	1,718,834	1,698,334	1,205,618	515	(492,201)
Special items	216,650	218,700	210,148	-	(8,552)
Instruction					
Instruction, administration and improvement	540,885	580,385	540,917	-	(39,468)
Teaching - regular school	5,415,069	5,362,960	4,958,691	60	(404,209)
Programs for children with handicapping conditions	1,821,573	1,794,973	1,538,222	-	(256,751)
Occupational education	385,000	355,175	335,720	-	(19,455)
Teaching - special schools	29,140	29,940	15,514	-	(14,426)
Instructional media	473,829	531,022	494,149	47	(36,826)
Pupil services	887,128	875,308	813,519	1,890	(59,899)
Pupil transportation	1,111,896	1,112,036	962,624	-	(149,412)
Community service	40,922	40,923	27,222	-	(13,701)
Employee benefits	4,158,354	4,118,554	3,916,225	-	(202,329)
Debt service					
Principal	1,010,000	1,010,000	1,010,000	-	-
Interest	143,738	143,738	143,738	-	-
Total expenditures	18,540,071	18,500,271	16,714,876	2,912	(1,782,483)
Excess expenditures	(3,960,860)	(3,921,060)	(1,758,449)	(2,912)	2,159,699
Other financing sources (uses)					
Operating transfers out	(50,000)	(89,800)	(79,046)		(10,754)
Operating transfers in	-	-	38,837		38,837
Appropriated fund balance, reserves, and carryover encumbrances	4,010,860	4,010,860	-		(4,010,860)
Total other financing sources (uses)	3,960,860	3,921,060	(40,209)		(3,961,269)
Excess expenditures and other financing sources (uses)	\$ -	\$ -	\$ (1,798,658)	\$ (2,912)	\$ (1,801,570)

See accompanying notes.

BARKER CENTRAL SCHOOL DISTRICT

Statement of Fiduciary Net Position**June 30, 2015**

	Private-Purpose Trusts	Agency
Assets		
Cash	\$ 63,305	\$ 137,943
Liabilities		
Extraclassroom activities balances	-	\$ 66,458
Due to governmental funds	-	15
Agency liabilities	-	71,470
Total liabilities	-	\$ 137,943
Net Position		
Restricted for scholarships	\$ 63,305	

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BARKER CENTRAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position**For the year ended June 30, 2015**

	Private-Purpose Trusts
Additions	
Gifts and donations	\$ 500
Interest and earnings	12
	512
Deductions	
Scholarship awards	1,150
Change in net position	(638)
Net position - beginning	63,943
Net position - ending	\$ 63,305

BARKER CENTRAL SCHOOL DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

Barker Central School District (the District) is governed by Education and other laws of the State of New York (the State). The District's Board of Education has responsibility and control over all activities related to public school education within the District. The District's Superintendent is the chief executive officer and the President of the Board serves as the chief fiscal officer. The Board members are elected by the public and have decision-making authority, the power to designate management, the ability to influence operations, and the primary accountability for fiscal matters.

The District provides education and support services such as administration, transportation, and plant maintenance. The District receives funding from local, state, and federal sources and must comply with requirements of these funding sources. However, the District is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America, nor does it contain any component units.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Joint Venture

The District is one of thirteen participating school districts in the Orleans/Niagara Board of Cooperative Educational Services (BOCES). Formed under §1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that shares planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES.

The component school district boards elect the members of the BOCES governing body. There are no equity interests and no single participant controls the financial or operating policies. BOCES may also contract with other municipalities on a cooperative basis under State General Municipal Law.

A BOCES' budget is comprised of separate spending plans for administrative, program, and capital costs. Each component school district shares in administrative and capital costs determined by its enrollment. Participating districts are charged a service fee for programs in which students participate, and for other shared contracted administrative services. Participating districts may also issue debt on behalf of BOCES. As of year end there was no such debt issued by the District.

During the year ended June 30, 2015, the District was billed \$1,504,000 for BOCES administrative and program costs and recognized revenue of \$45,000 as a refund from prior year expenditures paid to BOCES. Audited financial statements are available from BOCES' administrative offices.

Public Entity Risk Pools

The District participates in the Orleans/Niagara School Health Plan and the Orleans/Niagara Schools Workers' Compensation Plan, which are public entity risk pools. These plans are designed to provide health insurance and workers' compensation coverage for participating entities. These activities are further discussed in Note 10.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. These statements are required to distinguish between *governmental* and *business-type* activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The District does not maintain any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities.

- Direct expenses are those that are specifically associated with a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the District's programs, including personnel, overall administration and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state aid, are presented as general revenues.

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

The District reports the following major funds:

- *General fund.* This is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Special aid fund.* This fund is used to account for the proceeds of specific revenue sources – other than expendable trusts or major capital projects – such as federal, state, and local grants and awards that are restricted or committed to expenditures for specific purposes. Either governments or other third parties providing the grant funds impose these restrictions.

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

- *Capital projects fund.* This fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- *School lunch fund.* This fund is a special revenue fund whose specific revenue sources, including free and reduced meal subsidies received from state and federal programs, are assigned to the operation of the District's breakfast and lunch programs.

The District reports the following fiduciary funds:

- *Private-purpose trust fund.* This fund reports trust arrangements under which principal and income benefit various third party scholarship arrangements.
- *Agency fund.* This fund accounts for assets held by the District as agent for various student groups and clubs, payroll, and employee third party withholdings. The agency fund is custodial in nature and does not involve measurement of results of operations.

The governmental fund financial statements include certain prior year summarized comparative information in total but not by major funds. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Basis of Accounting and Measurement Focus

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District receives value directly without giving equal value in exchange, include property taxes, grants, and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within ninety days after year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset purchases are reported as expenditures in governmental funds. Proceeds of long-term liabilities and equipment and property purchased under capital leases are reported as other financing sources.

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Amounts received in advance of the expenditures are considered unearned and reported as revenue when the expense is incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Property Tax Calendar

The District levies real property taxes no later than September 1. For the year ended June 30, 2015, the tax lien was issued on August 18, 2014 for collection from September 1, 2014 through October 31, 2014. Thereafter, uncollected amounts became the responsibility of Niagara and Orleans Counties. Such amounts were submitted to the District by April 1st of the following year as required by law.

Budget Process, Amendments and Encumbrances

District administration prepares a proposed budget for the general fund requiring approval by the Board. A public hearing is held upon completion and filing of the tentative budget. Subsequently, the budget is adopted by the Board. The proposed budget is then presented to voters of the District. The budget for the fiscal year beginning July 1, 2014 was approved by a majority of the voters in a general election held on May 20, 2014.

Annual appropriations are adopted and employed for control of the general fund. These budgets are adopted on a GAAP basis under the modified accrual basis of accounting. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations authorized for the current year may be increased by the planned use of specific restricted, committed and assigned fund balances and subsequent budget amendments approved by the Board as a result of new revenue sources not included in the original budget.

Major capital expenditures are subject to individual project budgets based on the cost of the project and external financing rather than annual appropriations. For the capital projects fund, these budgets do not lapse at year end and are carried over to the completion of the project.

Encumbrance accounting is used to assure budgetary control over commitments related to unperformed (executory) contracts for goods or services outstanding at the end of each year. Encumbrances are budgetary expenditures in the year committed and again in the subsequent period when the expenditure is paid. All budget appropriations that are unencumbered lapse at the end of the fiscal year. Encumbrances outstanding at year end are presented for GAAP-related purposes as committed or assigned fund balances and do not constitute expenditures or liabilities. At July 1, encumbrances carried forward from the prior year are reestablished as budgeted appropriations.

Inventory

Inventory consists of food and similar food service goods related to school lunch operations and is recorded at cost on a first-in, first-out basis. Donated commodities are stated at values which approximate market.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals. Contributed assets are recorded at fair value at the time received. Depreciation is provided in the government-wide statements over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization Policy	Estimated Useful Life
Land improvements	\$ 5,000	20
Buildings and improvements	\$ 5,000	20-40
Furniture and fixtures	\$ 5,000	5-20
Vehicles	\$ 5,000	8-15

Bond Premiums

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

Bond Defeasances

In the government-wide financial statements, gains or losses on bond refundings represent the difference between the price required to repay previously issued debt and the net carrying amount of the retired debt, and are recorded as either a deferred outflow or deferred inflow of resources. In subsequent years, these amounts are amortized on a straight-line basis as a component of interest expense over the shorter of the life of the old or new debt.

Pensions

The District uses GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) on the government-wide statements to recognize the net pension asset (liability), deferred outflows and deferred inflows of resources, pension expense (revenue), and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans. The District's participation in the plans is mandated by State law and includes the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS) (the Systems). The Systems recognize benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value. More information on pension activity for the Systems is included in Note 8.

Payments Received in Advance

PILOT (payment in lieu of taxes) payments received in advance of the applicable tax year are presented as a deferred inflow of resources and recognized in the following year in both the government-wide and governmental fund financial statements.

Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid accumulated sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and those expected to become eligible to receive such payments are included. Sick pay is accrued on the basis of negotiated contracts with administrative and employee groups which provide for the payment of accumulated sick time at retirement or the option of converting this vested amount to provide for the payment of health insurance until exhausted.

The government-wide financial statements reflect the entire liability, while in the governmental funds financial statements, only the amount of matured liabilities is accrued based on expendable available financial resources.

Equity Classifications

Government-Wide Statements

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

Governmental Fund Statements

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

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

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

Fund balance and net position restrictions consist of the following reserves:

- *Capital projects* – is used to accumulate funds to finance all or a portion of future capital projects for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and payments from the reserve. In April 2009, the voters approved a capital reserve for funding up to \$3,500,000 plus interest earnings. In 2011, a separate reserve was approved with maximum funding of \$3,700,000 plus interest earnings. The 2009 authorization has been fully funded and the 2011 reserve has been funded \$2,557,000 to date.
- *Retirement contribution* - is used to finance retirement contributions payable to ERS.
- *Unemployment insurance* – is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants as the District has elected to use the benefit reimbursement method.
- *Employee benefit accrued liability* – is used to account for the payment of accumulated vacation and sick time due upon termination of an employee's services. It is established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

- *Property loss and liability* – is used to pay property loss and liability claims incurred. Separate funds for property loss and liability claims are required. These reserves may not separately exceed 3% of the annual budget or \$15,000, whichever is greater.
- *Workers' compensation* – is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this program.

Fund balance assignments designated for future tax proceedings are authorized by the Board and are related to the uncertainty of future PILOT payments required by the District's largest taxpayer.

Interfund Balances

The operations of the District include transactions between funds including resources for cash flow purposes. These interfund receivables and payables are repaid within one year. Permanent transfers of funds provide financing or other services.

In the government-wide statements, the amounts reported on the statement of net position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to fiduciary funds.

Interfund receivables and payables are netted on the accompanying governmental funds balance sheet as the right of legal offset exists. It is the District's practice to settle these amounts at the net balances due between funds.

2. Change in Accounting Principle

Effective July 1, 2014, the District adopted GASB 68 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements address accounting and financial reporting for pensions provided to District employees that are administered by the Systems. The statements also require various note disclosures (Note 8) and required supplementary information. As a result, beginning of year net position has been restated as follows:

Net position previously reported, July 1, 2014	\$ 29,952,935
Net pension asset - TRS	304,489
Net pension liability - ERS	(200,956)
Deferred outflows of resources for contributions made subsequent to the measurement date	1,170,435
Net position as restated	<u>\$ 31,226,903</u>

3. Stewardship and Compliance

The deficit fund balance of \$26,717 in the school lunch fund will be funded in future years as operations improve or prices increase to provide revenues in excess of expenditures.

4. Cash

Cash management is governed by State laws and as established in the District's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Policies permit the Treasurer to use demand accounts and certificates of deposit. Invested resources are limited to obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. At June 30, 2015, the District's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institution's agents in the District's name.

5. Interfund Transactions – Fund Financial Statements

Fund	Receivable	Payable	Transfers	
			In	Out
General	\$ 417,249	\$ -	\$ 38,837	\$ 79,046
Special aid	-	246,974	79,046	-
Capital projects	-	38,820	-	38,837
School lunch	-	131,440	-	-
Fiduciary funds	-	15	-	-
	\$ 417,249	\$ 417,249	\$ 117,883	\$ 117,883

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

6. Capital Assets

	Balance July 1, 2014	Increases	Retirements/ Reclassifications	Balance June 30, 2015
Non-depreciable capital assets:				
Land	\$ 104,102	\$ -	\$ -	\$ 104,102
Depreciable capital assets:				
Land improvements	1,033,677	-	-	1,033,677
Buildings and improvements	33,009,803	-	-	33,009,803
Furniture and fixtures	2,737,980	6,599	-	2,744,579
Vehicles	174,883	-	-	174,883
Total depreciable assets	36,956,343	6,599	-	36,962,942
Less accumulated depreciation:				
Land improvements	918,524	44,934	-	963,458
Buildings and improvements	17,082,725	667,014	-	17,749,739
Furniture and fixtures	2,176,706	89,979	-	2,266,685
Vehicles	155,154	7,493	-	162,647
Total accumulated depreciation	20,333,109	809,420	-	21,142,529
Total depreciable assets, net	16,623,234	(802,821)	-	15,820,413
	\$ 16,727,336	\$ (802,821)	\$ -	\$ 15,924,515

Depreciation expense has been allocated to the following functions: general support \$157,987, instruction \$650,677, and transportation \$756.

As of June 30, 2015, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	\$ 15,924,515
Bonds and premiums	(3,766,353)
Defeasance loss	14,827
	<u>\$12,172,989</u>

7. Long-Term Liabilities

	July 1, 2014	Increases	Decreases	June 30, 2015	Amount Due in One Year
Bonds	\$ 4,740,000	\$ -	\$ 1,010,000	\$ 3,730,000	\$ 1,035,000
Premium on 2013 issuance	57,633	-	21,280	36,353	-
Compensated absences	3,490,000	67,000	-	3,557,000	729,000
Other postemployment benefits	92,896	139,005	122,722	109,179	-
	<u>\$ 8,380,529</u>	<u>\$ 206,005</u>	<u>\$ 1,154,002</u>	<u>\$ 7,432,532</u>	<u>\$ 1,764,000</u>

Existing Obligations

Description	Maturity	Rate	Balance
Serial Bonds - 2005	June 2020	3.625%-4.0%	\$ 975,000
Serial Bonds - 2007	Jan. 2023	4.3% - 4.5%	1,275,000
Refunding Bonds - 2013	Dec. 2016	2.0%	1,480,000
			<u>\$3,730,000</u>

Debt Service Requirements

Years ending June 30,	Bonds	
	Principal	Interest
2016	\$ 1,035,000	\$ 116,913
2017	1,105,000	89,025
2018	350,000	67,500
2019	365,000	53,213
2020	375,000	38,325
2021-2023	500,000	45,225
	<u>\$ 3,730,000</u>	<u>\$ 410,201</u>

Advance Refunding of Debt

The District previously defeased certain serial bonds by placing the proceeds of the new issuance in an irrevocable trust to provide for all future debt service payments on the original bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2015, remaining principal of the defeased debt was \$1,495,000.

8. Pension Plans

Plan Descriptions

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

- TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from the New York State Teachers' Retirement System at www.nystrs.org.
- ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

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

Contribution Requirements: No employee contribution is required for those hired prior to July 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% (TRS) or 3% (ERS) of compensation throughout their active membership in the Systems. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually for TRS by the New York State Teachers' Retirement Board. This rate was 17.53% for 2015. For ERS, the Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the District to the pension accumulation fund. For 2015, these rates ranged from 11.0% - 20.4%.

The amount outstanding and payable to TRS for the year ended June 30, 2015 was \$1,200,108. A liability to ERS of \$75,976 is accrued based on the District's legally required contribution for employee services rendered from April 1, 2015 through June 30, 2015.

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

At June 30, 2015, the District reported an asset of \$5,059,893 for its proportionate share of the TRS net pension asset and a liability of \$150,233 for its proportionate share of the ERS net pension liability.

The TRS net pension asset was measured as of June 30, 2014, and the total pension liability was determined by an actuarial valuation as of June 30, 2013, with update procedures applied to roll forward the net pension position to June 30, 2014. The District's proportion of the net pension asset was based on the ratio of its actuarially determined employer contribution to TRS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At June 30, 2014, the District's proportion was 0.045423%, a decrease of 0.000834% from its proportion measured as of June 30, 2013.

The ERS net pension liability was measured as of March 31, 2015, and the total pension liability was determined by an actuarial valuation as of April 1, 2014. The District's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contribution for the fiscal year ended on the measurement date. At the March 31, 2015 measurement date, the District's proportion was 0.0044471%.

For the year ended June 30, 2015, the District recognized net pension expense of \$56,834 on the government-wide statements (income from TRS of \$197,724 and expense from ERS of \$140,890). At June 30, 2015, the District reported deferred outflows and deferred inflows of resources as follows:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 73,992	\$ 4,809	\$ -
Net difference between projected and actual earnings on pension plan investments	-	3,398,268	26,093	-
Changes in proportion and differences between District contributions and proportionate share of contributions	4,916	-	19,711	-
District contributions subsequent to the measurement date	1,200,108	-	75,976	-
	\$ 1,205,024	\$ 3,472,260	\$ 126,589	\$ -

District contributions subsequent to the measurement date will be recognized as an addition to (reduction of) the net pension asset (liability) in the year ending June 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30,	Deferred Outflows of Resources	Net Amount Deferred Outflows & Inflows of Resources
2016	\$ 12,653	\$ 857,599
2017	12,653	857,599
2018	12,653	857,599
2019	12,654	857,599
2020	-	8,032
Thereafter	-	28,916
	\$ 50,613	\$ 3,467,344

Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2013 valuation, with update procedures used to roll forward the total pension liability to June 30, 2014, were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010. These assumptions are:

Inflation – 3.0%

Salary increases – Based on TRS member experience, dependent on age and gender, ranging from 4.0-10.9%

Projected Cost of Living Adjustments (COLAs) – 1.625% compounded annually

Investment rate of return – 8.0% compounded annually, net of investment expense, including inflation

Mortality – Based on TRS member experience, with adjustments for mortality improvements based on Society of Actuaries Scale AA

Discount rate – 8.0%

For ERS, the actuarial assumptions used in the April 1, 2014 valuation, with update procedures used to roll forward the total pension liability to March 31, 2015, were based on the results of an actuarial experience study for the period April 1, 2005 to March 31, 2010. These assumptions are:

Inflation – 2.7%

Salary increases – 4.9%

Investment rate of return – 7.5% compounded annually, net of investment expense, including inflation

Mortality – Based on ERS experience from April 1, 2005 – March 31, 2010 with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014

Discount rate – 7.5%

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

Investment Asset Allocation

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

Asset Class	TRS		ERS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	37%	7.3%	38%	7.3%
International equities	18%	8.5%	13%	8.5%
Private equities	-	-	10%	11.0%
Real estate	10%	5.0%	8%	8.3%
Alternative investments	7%	11.0%	-	-
Domestic fixed income securities	18%	1.5%	2%	4.0%
Global fixed income securities	2%	1.4%	-	-
Bonds and mortgages	8%	3.4%	18%	4.0%
Short-term	-	0.8%	2%	2.3%
Other	-	-	9%	6.8%-8.6%
	100%		100%	

Discount Rate

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

The following presents the District's proportionate share of its net pension asset and liability calculated using the discount rate of 8.0% (TRS) and 7.5% (ERS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

	1.0% Decrease	Discount Rate	1.0% Increase
District's proportionate share of the TRS net pension asset	\$ 109,149	\$ 5,059,893	\$ 9,278,615
District's proportionate share of the ERS net pension asset (liability)	\$ (1,001,365)	\$ (150,233)	\$ 568,334

9. Postemployment Healthcare Benefits

The District maintains a single-employer defined benefit healthcare plan (the Plan) providing for continuation of medical insurance and dental benefits for certain District retirees and spouses. The Plan covers 8 retirees with legacy agreements and is closed to new entrants. Other employees are permitted coverage through the conversion of sick time. Thereby, the District provides an implicit rate subsidy on behalf of eligible employees.

Benefit provisions are based on individual contracts with the District, as negotiated from time to time. The Plan does not issue a publicly available financial report. Eligibility is based on covered employees who retired from the District (and the current superintendent) over the age of 55 and have met vesting requirements. The Plan pays 100% of the cost of coverage for 15 years and provides for surviving spouse benefits.

The required contribution is based on projected pay-as-you-go financing requirements, with no current funding of actuarially determined liabilities. For the year ended June 30, 2015 the District contributed \$122,722 for plan benefits.

The District's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution (ARC) of the District. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial liabilities over 30 years. OPEB expense is also calculated based upon the following components:

- Amortization of the unfunded actuarial accrued liability (UAAL) for the current year, which is the actuarially-determined, unfunded present value of all future OPEB costs associated with current employees and retirees at the beginning of the year.
- Normal cost which is the actuarially-determined cost of future OPEB earned in the current year.

The following table summarizes the District's annual OPEB for the year ended June 30, 2015:

Annual required contribution	
Normal cost	\$ 53,951
Amortization of unfunded actuarial accrued liability	85,186
Interest	3,716
ARC adjustment	(3,848)
	<u>139,005</u>
Contributions made	<u>(122,722)</u>
Increase in net OPEB obligation	16,283
Net OPEB obligation - beginning of year	92,896
Net OPEB obligation - end of year	<u>\$ 109,179</u>

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

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 139,005	88.3%	\$ 109,179
2014	48,712	74.9%	92,896
2013	49,206	74.2%	80,667

As of July 1, 2014, the actuarial accrued liability for benefits was \$2,046,585, all of which is unfunded. The annual payroll of employees eligible to be covered by the Plan was \$8,494,967 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 24%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and ARC of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress is presented as required supplementary information and displays multi-year trend information about whether the actuarial value of plan assets (if any) is increasing or decreasing over time relative to actuarial accrued liability for benefits.

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

Retirement age for active employees – based on the 2014 TRS Tier 2-4 retirement rates, separate for males and females, beginning at age 55 with all employees assumed to retire by age 75 (previously historical average with retirement ages from 55 to 70)

Marital status – 70% married, with male spouses assumed to be three years older than female spouses

Mortality – 2014 TRS rates separate for males and females and actives and retirees (previously 2006 TRS rates)

Salary Scale – 3% (previously 4%)

Turnover – 2003 Society of Actuaries small plan withdrawal

Healthcare cost trend rate – initially 7.8% and settling at 4.2% post 2050 (previously initially 5.2% peaking at 10.8% and settling at 4.2%) – Dental rate assumed 5%

Actuarial cost method – Entry age normal method over a level percent of pay

Discount rate – 4.0% (previously 4.5%)

Amortization method – Level percent of pay, open group over 30 years (previously closed group and 13 years)

The combination of changes in assumptions including a change in the actuarial methods related to community-rated plans, decreases in the salary scale and discount rates, and to increase the amortization method to 30 years increased the actuarial accrued liability by approximately \$1,559,000.

10. Risk Management

General Liability

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

Health Insurance

The District participates in the Orleans/Niagara School Health Plan (the Plan). The Plan has been established to administer a health insurance program to lower the costs of such coverage to the ten participating members as of June 30, 2014 (the most recent information available).

The District has transferred partial risk to the Plan. Plan members pay monthly premium equivalents based upon a pro-rata share of expenditures. All funds received are pooled and administered as a common fund. Plan members could be subjected, however, to pro-rata supplemental assessments in the event that the Plan's assets are not adequate to meet claims. No such supplemental assessments have been required in the past three years.

The Plan has published its own financial report for the year ended June 30, 2014, which can be obtained from Orleans/Niagara BOCES, 4232 Shelby Basin Road, Medina, New York, 14103.

Workers' Compensation

The District participates in the Orleans/Niagara Schools Workers' Compensation Plan (the Plan) sponsored by Orleans/Niagara BOCES. The Plan administers a workers' compensation insurance fund pursuant to Article 5 of the Workers' Compensation Law to finance the liability and risk related to workers' compensation claims and to lower the costs of coverage to the participating members. The Plan includes five school districts and the BOCES unit as of June 30, 2014 (the most recent information available).

The District has transferred partial risk to the Plan. Plan members pay an annual premium equivalent based upon a pro-rata share of expenditures. All funds received are pooled and administered as a common fund. Plan members could be subjected, however, to pro-rata supplemental assessments in the event that the Plan's assets are not adequate to meet claims. No such supplemental assessments have been required in the past three years.

The Plan has published its own financial report for the year ended June 30, 2014, which can be obtained from Orleans/Niagara BOCES, 4232 Shelby Basin Road, Medina, New York 14103.

11. Commitments and Contingencies

Grants

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

BARKER CENTRAL SCHOOL DISTRICT

**Required Supplementary Information
Schedule of Funding Progress
Postemployment Benefit Plan****June 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
October 1, 2010	\$ -	\$ 520,823	\$ (520,823)	-	\$ 145,746	357%
July 1, 2011	\$ -	\$ 487,714	\$ (487,714)	-	\$ 150,118	325%
* January 1, 2015	\$ -	\$ 2,046,585	\$ (2,046,585)	-	\$ 8,494,967	24%

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

BARKER CENTRAL SCHOOL DISTRICT

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

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

Data prior to 2013 is unavailable.

BARKER CENTRAL SCHOOL DISTRICT

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

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

Data prior to 2013 is unavailable.

BARKER CENTRAL SCHOOL DISTRICT

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

As of the measurement date of March 31, 2015

District's proportion of the net pension liability	0.0044471%
District's proportionate share of the net pension liability	\$ 150,233
District's covered-employee payroll	\$ 1,338,961
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	11.22%
Plan fiduciary net position as a percentage of the total pension liability	97.90%

Data prior to 2015 is unavailable.

BARKER CENTRAL SCHOOL DISTRICT

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

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

Data prior to 2013 is unavailable.

BARKER CENTRAL SCHOOL DISTRICT

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

For the year ended June 30, 2015

Original expenditure budget	\$ 18,543,787
Encumbrances carried over from prior year	<u>46,284</u>
Revised expenditure budget	<u>\$ 18,590,071</u>

* * *

Unrestricted Fund Balance

Assigned	\$ 9,557,499
Unassigned	<u>732,615</u>
	10,290,114
Encumbrances included in assigned fund balance	(2,912)
Appropriated for future tax proceedings	(6,515,161)
Appropriated fund balance used for tax levy	<u>(3,039,426)</u>
Amount subject to 4% limit pursuant to Real Property Tax Law §1318	<u>\$ 732,615</u>

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

2016 expenditure budget (unaudited)	\$ 18,315,472
4% of budget	<u>732,619</u>
Actual percentage of 2016 expenditure budget	<u>4.0%</u>

BARKER CENTRAL SCHOOL DISTRICT

Supplementary Information Schedule of Capital Project Expenditures

For the year ended June 30, 2015

Project Title	Original Budget	Expenditures			Unexpended Balance
		Prior Years	Current Year	Total	
2011 Capital Improvement	\$ 3,000,000	\$ 2,861,270	\$ 993	\$ 2,862,263	\$ 137,737

BARKER CENTRAL SCHOOL DISTRICT

Supplementary Information Schedule of Expenditures of Federal Awards

For the year ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor Number</u>	<u>Expenditures</u>
U.S. Department of Education:			
Passed Through New York State Department of Education:			
Special Education Cluster:			
Special Education_Grants to States	84.027	0032-15-0614	\$ 199,555
Special Education_Preschool Grants	84.173	0033-15-0614	10,891
Total Special Education Cluster			<u>210,446</u>
Title I Grants to Local Educational Agencies	84.010	0021-15-1985	191,206
Improving Teacher Quality State Grants	84.367	0147-15-1985	47,330
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the- Top Incentive Grants, Recovery Act	84.395	5500-14-1985	8,198
Total U.S. Department of Education			<u>457,180</u>
U.S. Department of Agriculture:			
Passed Through New York State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	50,641
National School Lunch Program	10.555	N/A	159,825
Total Child Nutrition Cluster			<u>210,466</u>
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	28,232
Total U.S. Department of Agriculture			<u>238,698</u>
Total Expenditures of Federal Awards			<u>\$ 695,878</u>

BARKER CENTRAL SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs administered by Barker Central School District (the District), an entity as defined in Note 1 to the District's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule of Expenditures of Federal Awards.

Basis of Accounting

The District uses the modified accrual basis of accounting for each federal program, consistent with the fund basis financial statements.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the District's financial reporting system.

Non-Monetary Federal Program

The District is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2015, the District used \$28,232 worth of commodities under the Child Nutrition Discretionary Grants Limited Availability program (CFDA Number 10.579).

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

The Board of Education
Barker Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of Barker Central School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 14, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

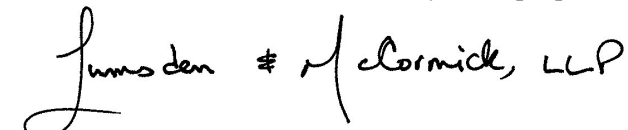
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

The District's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Junsden & McCormick, LLP". The signature is written in a cursive, flowing style.

September 14, 2015

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

The Board of Education
Barker Central School District

Report on Compliance for Each Major Federal Program

We have audited Barker Central School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

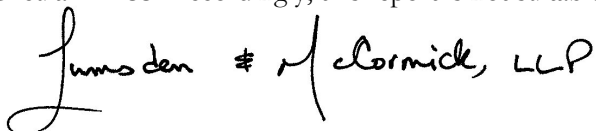
Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

A handwritten signature in black ink that reads "Jameson & McCormick, LLP". The signature is written in a cursive, flowing style.

September 14, 2015

BARKER CENTRAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the year ended June 30, 2015

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA #</u>	<u>Amount</u>
Special Education Cluster:		
Special Education_Grants to States	84.027	\$ 199,555
Special Education_Preschool Grants	84.173	10,891
		<u>\$ 210,446</u>

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

BARKER CENTRAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs (continued)

For the year ended June 30, 2015

Section II. Financial Statement Findings

2007-001	Condition:	Historically, management has requested that its external auditors provide feedback and assistance with entries required by GASB 34 and with the annual financial statements and related disclosures.
	Criteria:	Controls should be in place to ensure proper financial reporting and complete and accurate disclosures, exclusive of the efforts of the external auditor.
	Effect:	The District's financial statements may not be properly presented in accordance with generally accepted accounting principles absent the efforts of the external auditing firm.
	Recommendation:	While possibly impractical, management may wish to consider additional training or other resources to ensure completeness of its reporting process and control system.
	Management's Response:	In order to eliminate this condition, the District would need to devote considerable resources either internally or externally to ensure complete mastery of existing and future accounting principles and disclosure requirements. Management would have to compile the financial statements, including footnotes, and employ separate personnel familiar with all accounting standards, in lieu of the services presently provided by our auditing firm. Based on an evaluation of resources and cost/benefit scenarios, we do not believe this option is practical for the District.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.

BARKER CENTRAL SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

June 30, 2015

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

BARKER CENTRAL SCHOOL DISTRICT

EXTRACLASROOM ACTIVITY

JUNE 30, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Education
Barker Central School District

We have audited the accompanying statement of cash receipts and disbursements of Barker Central School District (the District) Extraclassroom Activity for the year ended June 30, 2015, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of this financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Basis for Qualified Opinion

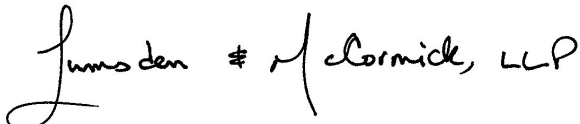
Certain accounting records of Barker Central School District Extraclassroom Activity accounts were not adequate for us to form an opinion regarding the completeness of cash receipts in the accompanying statement of cash receipts and disbursements stated at \$221,452.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash receipts and disbursements of Barker Central School District Extraclassroom Activity for the year ended June 30, 2015, in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

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

A handwritten signature in black ink that reads "Janssen & McCormick, LLP". The signature is written in a cursive, flowing style.

September 14, 2015

BARKER CENTRAL SCHOOL DISTRICT**Extracurricular Activity****Statement of Cash Receipts and Disbursements****For the year ended June 30, 2015**

<u>Activities</u>	<u>July 1, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2015</u>
Class Clubs:				
2014	\$ 385	\$ -	\$ 385	\$ -
2015	3,095	27,605	30,563	137
2016	1,492	9,102	9,406	1,188
2017	2,100	2,895	2,474	2,521
2018	1,200	1,156	1,077	1,279
2019	3,249	19,359	21,004	1,604
2020	-	3,441	1,078	2,363
2021	-	1,679	-	1,679
American Field Service Club	343	7,013	6,173	1,183
Band Club	3,056	25,395	26,554	1,897
Barker Singers Club	1,827	1,049	686	2,190
Baseball Club	2,429	3,889	4,566	1,752
Boys Basketball Club	666	2,260	2,541	385
Cheerleaders Club	662	2,232	2,509	385
Cross Country Club	3,448	15,100	14,807	3,741
Field Hockey Club	3,351	27,005	30,010	346
Football Club	278	5,684	5,923	39
Foreign Language Club	2,574	12,812	15,253	133
Girls Basketball Club	489	3,205	3,507	187
High School Musical Club	9,789	9,857	10,439	9,207
International Exchange Club	-	2,170	1,195	975
Latrator (Yearbook Club)	(354)	18,281	904	17,023
National Academy of Finance Club	-	2,056	1,070	986
Shop Deluxe Club	3,352	411	274	3,489
Soccer Club	911	2,406	2,327	990
Softball Club	2,642	2,308	4,428	522
Student Council Club - High School	3,182	1,422	1,402	3,202
Student Council Club - Middle School	2,398	978	1,402	1,974
Swimming Club	551	4,196	4,201	546
Tennis Club	703	1,092	860	935
Track Club	1,071	841	804	1,108
Varsity Club	512	3,222	2,317	1,417
Wrestling Club	1,548	1,331	1,804	1,075
Totals	\$ 56,949	\$ 221,452	\$ 211,943	\$ 66,458

See accompanying notes.

BARKER CENTRAL SCHOOL DISTRICT
Extraclassroom Activity

Notes to Financial Statement

1. Summary of Significant Accounting Policies

Financial Reporting Entity

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

Basis of Presentation

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

MANAGEMENT LETTER

September 14, 2015

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the remaining fund information of Barker Central School District (the District) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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

1. Financial accounting and external reporting

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

OTHER MATTERS

2. Interfund accounting

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

3. Extraclassroom activity funds

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

INFORMATIONAL POINTS

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

4. Upcoming changes due to GASB Statement No. 75

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

PRIOR YEAR RECOMMENDATIONS

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

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

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

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

Jensen & McCormick, LLP