

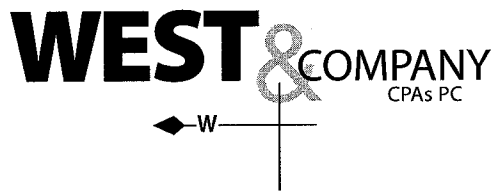
**ONTEORA CENTRAL SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL SCHEDULES**

**JUNE 30, 2011**

## CONTENTS

	<u>PAGE</u>
<b><u>INDEPENDENT AUDITORS' REPORT</u></b> .....	1 – 2
<b><u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u></b> .....	3 – 10
<b><u>BASIC FINANCIAL STATEMENTS</u></b>	
Statement of net assets .....	11
Statement of activities and changes in net assets .....	12
Balance sheet – governmental funds .....	13
Reconciliation of governmental funds balance sheet to statement of net assets .....	14
Statement of revenues, expenditures and changes in fund balances – governmental funds .....	15
Reconciliation of governmental funds statement of revenues, expenditures and changes in fund balances to statement of activities .....	16
Statement of fiduciary net assets and statement of changes in fiduciary net assets .....	17
<b><u>NOTES TO BASIC FINANCIAL STATEMENTS</u></b> .....	18 – 37
<b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>	
Schedule of revenues, expenditures and changes in fund balances – budget (Non-GAAP basis) .....	38 – 39
Schedule of post-employment benefits plan actuarial valuation .....	40
<b><u>SUPPLEMENTARY INFORMATION</u></b>	
Schedule of change from adopted budget to final budget and schedule of use of fund balance – general fund .....	41
Schedule of capital projects fund – project expenditures and financing resources .....	42
Schedule of certain revenues and expenditures compared with ST-3 data .....	43
Investment in capital assets, net of related debt .....	44
<b><u>FEDERAL AWARD PROGRAM INFORMATION</u></b>	
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> .....	46 – 47
Report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133 .....	48 – 49
Schedule of expenditures of federal awards .....	50
Notes to schedule of expenditures of federal awards .....	51
Summary schedule of prior audit findings .....	52
Schedule of findings and questioned costs .....	53
<b><u>EXTRAClassroom Activity Funds</u></b>	
Independent auditors' report .....	55
Statement of assets and liabilities arising from cash transactions .....	56
Statement of revenues collected and expenses paid .....	57
Notes to financial statements .....	58
<b><u>MANAGEMENT LETTER</u></b> .....	59 – 60



## **INDEPENDENT AUDITORS' REPORT**

To the President and the Other Members  
of the Board of Education of the  
Onteora Central School District  
Boiceville, New York

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Onteora Central School District (the "District"), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2011, 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The District's management discussion and analysis and budgetary comparison information on pages 3 through 10 and pages 38 through 39, and the schedule of post-employment benefits plan actuarial valuation on page 40 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information found on pages 41 through 44, as described in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements and has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

WEST & COMPANY CPAs PC

Gloversville, New York  
August 19, 2011

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

---

*The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2011. The section is a summary of the School District's financial activities based on currently known facts, decisions or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's basic financial statements, which immediately follow this section.*

**FINANCIAL HIGHLIGHT**

- Net District-wide assets of the School District were \$19,482,833, an increase of \$360,560 for the year ended June 30, 2011.
- The District taxpayers approved the General Fund Budget.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: Management's Discussion and Analysis (MD&A) (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements are *District-wide* financial statements that provide both *short-term* and *long-term* information about the School District's *overall* financial status.
- The remaining statements are *fund* financial statements that focus on individual parts of the School District, reporting the School District's operations in *more detail* than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term*, as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships, in which the School District acts solely as a *trustee* or agent for the benefit of others.

The basic financial statements also include notes that provide additional information about the basic financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the basic financial statements with a comparison of the School District's budget for the year.

**Figure A-1**

Summary of the major features of the School District's basic financial statements, including the portion of the School District's activities that they cover and the types of information that they contain is in A-1. The remainder of this overview section highlights the structure and contents of each statement.

**Figure A-1****Major Features of the District-wide and Fund Financial Statements**

	<b>District-Wide</b>	<b>Fund Financial Statements</b>	
		<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire District (except fiduciary funds)	The daily operating activities of the School District, such as instruction and special education	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**District-Wide Statements**

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

The two District-wide statements report the School District's *net assets* and how they have changed. Net assets – the difference between the School District's assets and liabilities – is one way to measure the School District's financial health or *position*.

- Over time, increases or decreases in the School District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the School District, additional nonfinancial factors such as changes in the property tax bases and the condition of buildings and other facilities should be considered.

In the District-wide financial statements, the School District's activities are shown as *Governmental Activities*. Most of the School District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and State formula aid finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the School District's funds – not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by bond covenants.
- The School District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund and the capital project fund. Required financial statements are the balance sheet and the statement of revenues, expenditures and changes in fund balances.
- **Fiduciary Fund:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net assets and changes in net assets.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Figure A-2 – Condensed Statement of Net Assets**

	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2010</u>	<u>Percentage Change (Incr.;-Decr.)</u>
Current and other assets	\$ 19,825,078	\$ 18,259,016	8.6%
Capital assets	<u>19,872,949</u>	<u>20,297,530</u>	-2.1%
<b>Total assets</b>	<u>39,698,027</u>	<u>38,556,546</u>	3.0%
Current liabilities	775,510	1,684,237	-54.0%
Long-term liabilities	<u>19,439,684</u>	<u>17,760,280</u>	9.5%
<b>Total liabilities</b>	<u>20,215,194</u>	<u>19,444,517</u>	4.0%
Net assets			
Invested in capital assets, net of related debt	15,264,349	14,935,530	2.2%
Nonspendable	11,750	16,687	30.6%
Restricted	11,130,423	9,714,646	14.6%
Assigned	4,131,313	2,095,384	97.2%
Unassigned	<u>(11,055,002)</u>	<u>(7,650,218)</u>	-44.5%
<b>Total net assets</b>	<u>\$ 19,482,833</u>	<u>\$ 19,112,029</u>	1.9%

## Changes in Net Assets

The School District's 2011 revenue was \$50,116,030 (see Figure A-3). Property taxes and New York State aid accounted for the majority of revenue by contributing 72.7% and 15.8% of the total revenue raised (see Figure A-4). The remainder of revenue came from fees for services, use of money and property, operating grants and other miscellaneous sources.

The total cost of all programs and services totaled \$49,755,470 for 2011. These expenses are predominantly for the education, supervision, and transportation of students (see Figure A-5).

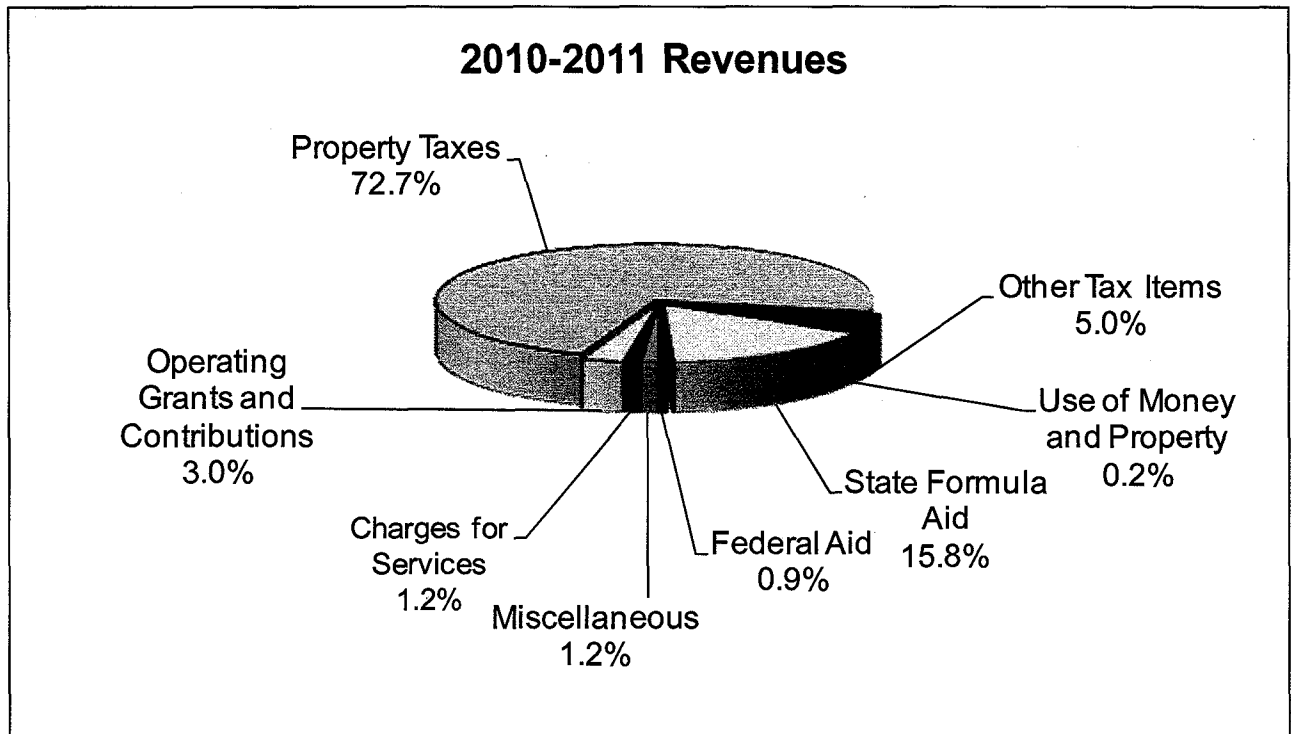
Net assets increased during the year by \$360,560.

**Figure A-3 – Changes in Net Assets from Operating Results**

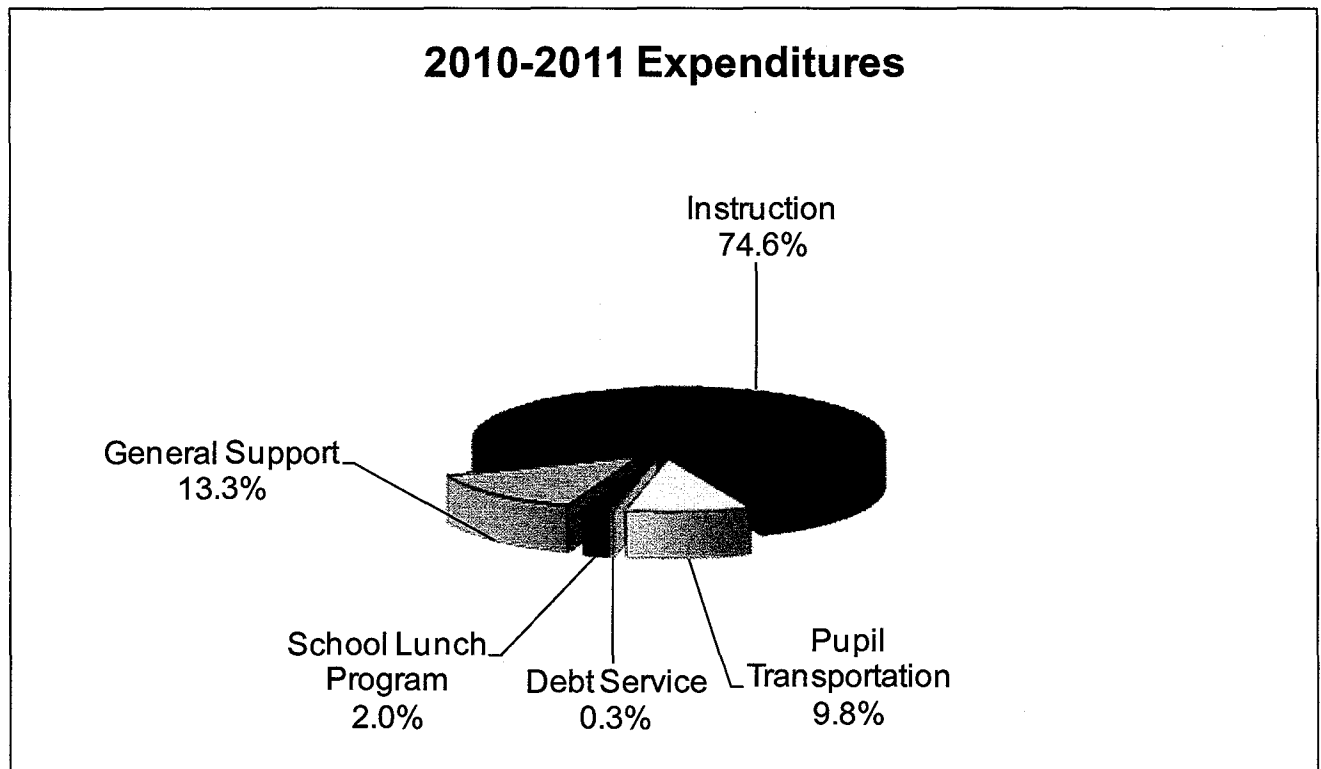
	<b>Fiscal Year 2011</b>	<b>Fiscal Year 2010</b>	<b>Percentage Change (Incr.;-Decr.)</b>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 605,175	\$ 545,378	11.0%
Operating grants and contributions	1,517,774	1,723,100	-11.9%
General revenues:			
Property taxes	36,411,118	35,063,803	3.8%
Other tax items	2,523,484	2,531,736	-0.3%
Use of money and property	116,838	110,246	6.0%
Sale of property and compensation for loss	1,369	9,983	-86.3%
State formula aid	7,906,560	8,819,043	-10.3%
Federal aid	434,643	1,065,204	-59.2%
Miscellaneous	599,069	938,699	-36.2%
<b>Total revenues</b>	<u>50,116,030</u>	<u>50,807,192</u>	-1.4%
<b>Expenses</b>			
General support	6,640,762	6,495,590	2.2%
Instruction	37,109,304	39,278,299	-5.5%
Transportation	4,876,441	5,307,718	-8.1%
Debt service	158,596	246,316	-35.6%
School lunch program	970,367	931,230	4.2%
<b>Total expenses</b>	<u>49,755,470</u>	<u>52,259,153</u>	-4.8%
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>\$ 360,560</u>	<u>\$ (1,451,961)</u>	-124.8%



**Figure A-4 – Revenue Sources for 2011 – Total Governmental Activities**



**Figure A-5 – Expenses for 2011 – Total Governmental Activities**



## Governmental Activities

Revenue for the School District's governmental activities totaled \$50,116,030 while total expenses were \$49,755,470. Accordingly, net assets increased by \$360,560. The continuation of the School District's solid financial condition can be contributed to:

- Effective leadership by the Board of Education.
- Community support for the School District's annual budget.
- Continued State and federal aid.
- Strategic use of services from BOCES.

**Figure A-6** presents the cost of several of the School District's major activities. The table also shows each activity's net cost (total cost less fees generated by the activity and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the School District's taxpayers by each of these functions.

**Figure A-6 – Net Cost of Governmental Activities**

	<b>Total Cost of Services</b>		<b>Percentage Change</b>	<b>Net Cost of Services</b>		<b>Percentage Change</b>
	<b>2011</b>	<b>2010</b>	<b>(Incr.;-Decr.)</b>	<b>2011</b>	<b>2010</b>	<b>(Incr.;-Decr.)</b>
General support	\$ 6,640,762	\$ 6,495,590	2.2%	\$ 6,640,762	\$ 6,495,590	2.2%
Instruction	37,109,304	39,278,299	-5.5%	35,717,007	37,717,071	-5.3%
Pupil transportation	4,876,441	5,307,718	-8.1%	4,832,298	5,263,034	-8.2%
Debt service	158,596	246,316	-35.6%	158,596	246,316	-35.6%
School lunch program	970,367	931,230	4.2%	283,858	268,664	5.7%
Totals	<u>\$ 49,755,470</u>	<u>\$ 52,259,153</u>	-4.8%	<u>\$ 47,632,521</u>	<u>\$ 49,990,675</u>	-4.7%

- The cost of all governmental activities for the year was \$49,755,470.
- The users of the School District's programs financed \$605,175 of the costs.
- The federal and State government grants financed \$1,517,774.
- The majority of costs were financed by the School District's taxpayers and State aid.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported combined fund balance of \$17,175,681. Variances between years for the governmental fund financial statements are not the same as variances between years for the District-wide financial statements. The School District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of presentation, governmental funds do not include long-term liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include proceeds from the issuance of debt, the current payments for capital assets, and the current payments for debt, including the principal and interest payment.

No significant variances were reflected in the governmental fund financial statements for 2011.

## General Fund Budgetary Highlights

This section presents an analysis of variances between original and final budget amounts and between final budget amounts and actual results for the General Fund.

	<u>Results vs. Budget</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Local sources	\$ 39,577,392	\$ 39,591,326	\$ 39,829,913	\$ 238,587
State sources	7,944,991	7,944,991	7,906,560	(38,431)
Federal sources	484,643	484,643	434,643	(50,000)
Other uses	15,000	15,000	21,038	6,038
<b>Totals</b>	<u>48,022,026</u>	<u>48,035,960</u>	<u>48,192,154</u>	<u>156,194</u>
<b>Expenses:</b>				
General support	4,823,022	4,863,338	4,691,183	172,155
Instruction	25,924,121	26,781,409	24,913,981	1,867,428
Transportation	3,709,488	3,796,637	3,323,340	473,297
Employee benefits	14,018,726	12,888,726	11,844,753	1,043,973
Debt service	948,532	948,532	939,432	9,100
Other uses	598,136	980,636	845,293	135,343
<b>Totals</b>	<u>50,022,025</u>	<u>50,259,278</u>	<u>46,557,982</u>	<u>3,701,296</u>
<b>Revenues (Under) Expenses</b>	<u>\$ (1,999,999)</u>	<u>\$ (2,223,318)</u>	1,634,172	<u>\$ 3,857,490</u>
Beginning fund balance			13,810,030	
Other change in fund balance			152,581	
Outstanding encumbrances			(462,526)	
Appropriated against current tax levy			(2,000,000)	
School District restricted:				
Tax certiorari			(4,886,244)	
Capital reserve			(1,000,000)	
Retirement contributions			(402,000)	
Unemployment insurance			(502,500)	
Employee benefit accrued liability			(1,402,109)	
Repairs			(2,937,570)	
Ending unassigned fund balance			<u>\$ 2,003,834</u>	

The General Fund is the only fund for which a budget is legally adopted.

## CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2011, the School District had \$19,872,949 invested in a broad range of capital assets including land, buildings, buses, athletic facilities, computers and other educational equipment.

### Capital Assets

**Figure A-7 – Capital Assets (Net of Depreciation)**

	<u>Governmental Activities and Total School District</u>		<u>Percentage Change (Incr.;-Decr.)</u>
	<u>2011</u>	<u>2010</u>	
Land	\$ 20,626	\$ 20,626	0.0
Construction in progress	1,568,626	1,568,626	0.0
Buildings, furniture and equipment	18,283,697	18,708,278	-2.3
<b>Totals</b>	<u>\$ 19,872,949</u>	<u>\$ 20,297,530</u>	-2.1

The District's capital assets were less on June 30, 2011, than they were the year before, decreasing by \$424,581 (see Figure A-7 total). This change in the Capital Assets occurred due to depreciation exceeding new asset additions.

### Long-Term Debt

As of June 30, 2011, the School District had \$17,548,923 in general obligation and other long-term debt outstanding. More detailed information about the School District's long-term debt is included in the notes to the basic financial statements.

**Figure A-8 – Outstanding Long-Term Debt**

	<b>Total School District</b>		<b>Percentage Change (Incr.; -Decr.)</b>
	<b>2011</b>	<b>2010</b>	
General obligation bonds (financed with property taxes)	\$ 4,608,600	\$ 5,362,000	-14.1
Other debt	12,940,323	10,796,179	19.9
<b>Totals</b>	<b>\$ 17,548,923</b>	<b>\$ 16,158,179</b>	<b>8.6</b>

During 2011, the School District paid down its debt by retiring \$753,400 of outstanding bonds. Other debt represented judgment and claims, compensated absences and other post-employment benefits.

### FACTORS BEARING ON THE FUTURE OF THE DISTRICT

- Increased land and property values are driving a reduction of District State Aid.
- Increased fuel and energy costs.
- Costs for employee benefits, such as health benefits and teachers' and employees' retirement, continue to rise.
- The District is facing aging infrastructure.
- The District continues to face declining enrollment which has already resulted in one campus being unoccupied.
- New York State is experiencing fiscal distress.

### CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Victoria McLaren  
Assistant Superintendent for Business  
Onteora Central School District  
Route 28  
Boiceville, New York 12412

# ONTEORA CENTRAL SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2011

<b>ASSETS</b>	
Cash	
Unrestricted	\$ 6,669,413
Restricted	11,130,423
Receivables	
State and Federal aid	1,219,236
Due from fiduciary funds	18
Prepaid expenditure	794,238
Inventories	11,750
Capital assets, net	<u>19,872,949</u>
<b>Total Assets</b>	<u><b>39,698,027</b></u>
<b>LIABILITIES</b>	
Payables	
Accounts payable	399,253
Accrued liabilities	285,149
Due to other governments	4,108
Due to fiduciary funds	87,000
Long-term liabilities	
Due and payable within one year	
Bonds payable	363,400
Due to Employees' Retirement System	166,458
Due to Teachers' Retirement System	1,724,303
Due and payable after one year	
Bonds payable	4,245,200
Judgement and claims payable	186,270
Other post-employment benefits program	11,351,944
Compensated absences payable	<u>1,402,109</u>
<b>Total Liabilities</b>	<u><b>20,215,194</b></u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	15,264,349
Non-spendable inventory	11,750
Restricted	
Tax certiorari	4,886,244
Capital reserve	1,000,000
Retirement contributions	402,000
Unemployment insurance	502,500
Employee benefit accrued liability	1,402,109
Repairs	2,937,570
Assigned	4,131,313
Unassigned	<u>(11,055,002)</u>
<b>Total Net Assets</b>	<u><b>\$ 19,482,833</b></u>

See notes to basic financial statements.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

		<b>Program Revenues</b>		<b>Net (Expense)</b>
	<b>Expenses</b>	<b>Charges for</b>	<b>Operating</b>	<b>Revenue and</b>
		<b>Services</b>	<b>Grants</b>	<b>Changes in</b>
				<b>Net Assets</b>
<b>FUNCTIONS/PROGRAMS</b>				
General support	\$ 6,640,762	\$ 0	\$ 0	\$ (6,640,762)
Instruction	37,109,304	178,035	1,214,262	(35,717,007)
Pupil transportation	4,876,441	0	44,143	(4,832,298)
Debt service	158,596	0	0	(158,596)
School lunch program	970,367	427,140	259,369	(283,858)
<b>Total Functions and Programs</b>	<b>\$ 49,755,470</b>	<b>\$ 605,175</b>	<b>\$ 1,517,774</b>	<b>(47,632,521)</b>
<b>GENERAL REVENUES</b>				
Real property taxes				36,411,118
Other tax items				2,523,484
Use of money and property				116,838
Sale of property and compensation for loss				1,369
Miscellaneous				599,069
State sources				7,906,560
Federal sources				434,643
<b>Total General Revenues</b>				<b>47,993,081</b>
<b>CHANGES IN NET ASSETS</b>				<b>360,560</b>
<b>TOTAL NET ASSETS - BEGINNING OF YEAR</b>				<b>19,112,029</b>
<b>OTHER CHANGE IN FUND BALANCE</b>				<b>10,244</b>
<b>TOTAL NET ASSETS - END OF YEAR</b>				<b>\$ 19,482,833</b>

See notes to basic financial statements.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2011

	General	Special Aid	School Lunch	Capital Project	Total Governmental Funds
<b>ASSETS</b>					
Cash					
Unrestricted	\$ 5,264,881	\$ (19,752)	\$ 889	\$ 1,423,395	\$ 6,669,413
Restricted	11,130,423	0	0	0	11,130,423
Due from other funds	643,659	0	0	332,696	976,355
Due from fiduciary funds	18	0	0	0	18
State and Federal aid receivable	662,258	539,340	17,638	0	1,219,236
Prepaid expenditures	794,238	0	0	0	794,238
Inventories	0	0	11,750	0	11,750
<b>TOTAL ASSETS</b>	<b>\$ 18,495,477</b>	<b>\$ 519,588</b>	<b>\$ 30,277</b>	<b>\$ 1,756,091</b>	<b>\$ 20,801,433</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 372,003	\$ 24,438	\$ 2,812	\$ 0	\$ 399,253
Accrued liabilities	258,234	3,750	6,291	0	268,275
Due to fiduciary funds	45,000	42,000	0	0	87,000
Due to other funds	332,696	445,615	28,500	169,544	976,355
Due to other governments	0	3,785	323	0	4,108
Due to Employees' Retirement System	166,458	0	0	0	166,458
Due to Teachers' Retirement System	1,724,303	0	0	0	1,724,303
<b>Total Liabilities</b>	<b>2,898,694</b>	<b>519,588</b>	<b>37,926</b>	<b>169,544</b>	<b>3,625,752</b>
<b>FUND BALANCE</b>					
Non-spendable inventory	0	0	11,750	0	11,750
Restricted					
Tax certiorari	4,886,244	0	0	0	4,886,244
Capital reserve	1,000,000	0	0	0	1,000,000
Retirement contributions	402,000	0	0	0	402,000
Unemployment insurance	502,500	0	0	0	502,500
Employee benefit accrued liability	1,402,109	0	0	0	1,402,109
Repairs	2,937,570	0	0	0	2,937,570
Assigned	2,462,526	82,240	0	1,586,547	4,131,313
Unassigned	2,003,834	(82,240)	(19,399)	0	1,902,195
<b>Total Fund Balance</b>	<b>15,596,783</b>	<b>0</b>	<b>(7,649)</b>	<b>1,586,547</b>	<b>17,175,681</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 18,495,477</b>	<b>\$ 519,588</b>	<b>\$ 30,277</b>	<b>\$ 1,756,091</b>	<b>\$ 20,801,433</b>

See notes to basic financial statements.

ONTEORA CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET ASSETS

JUNE 30, 2011

---

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS (PAGE 13)		\$ 17,175,681
ADD:		
Capital assets (net of accumulated depreciation)		19,872,949
DEDUCT:		
Accrued interest	\$ 16,874	
Long and short-term debt	4,608,600	
Liability for judgement and claims	186,270	
Other post-employment benefits program	11,351,944	
Liability for compensated absences	<u>1,402,109</u>	<u>(17,565,797)</u>
NET ASSETS, GOVERNMENTAL ACTIVITIES		<u>\$ 19,482,833</u>

See notes to basic financial statements.



**ONTEORA CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	General	Special Aid	School Lunch	Capital Project	Total Governmental Funds
<b>REVENUES</b>					
Real property taxes	\$ 36,411,118	\$ 0	\$ 0	\$ 0	\$ 36,411,118
Other tax items	2,523,484	0	0	0	2,523,484
Charges for services	178,035	0	0	0	178,035
Use of money and property	116,838	0	0	0	116,838
Sale of property and compensation for loss	1,369	0	0	0	1,369
Miscellaneous	599,069	47,655	0	0	646,724
State sources	7,906,560	227,864	19,113	0	8,153,537
Federal sources	434,643	982,886	210,397	0	1,627,926
Surplus food	0	0	29,859	0	29,859
Sales - school lunch	0	0	427,140	0	427,140
<b>Total Revenues</b>	<b>48,171,116</b>	<b>1,258,405</b>	<b>686,509</b>	<b>0</b>	<b>50,116,030</b>
<b>EXPENDITURES</b>					
General support	4,691,183	0	440,811	0	5,131,994
Instruction	24,913,981	1,047,680	0	0	25,961,661
Pupil transportation	3,323,340	44,143	0	0	3,367,483
Employee benefits	11,844,753	192,701	169,912	0	12,207,366
Debt service					
Principal	753,400	0	0	0	753,400
Interest	186,032	0	0	0	186,032
Cost of sales	0	0	359,644	0	359,644
<b>Total Expenditures</b>	<b>45,712,689</b>	<b>1,284,524</b>	<b>970,367</b>	<b>0</b>	<b>47,967,580</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,458,427</b>	<b>(26,119)</b>	<b>(283,858)</b>	<b>0</b>	<b>2,148,450</b>
<b>OTHER FINANCING SOURCES AND USES</b>					
Operating transfers in	21,038	47,157	248,136	550,000	866,331
Operating transfers (out)	(845,293)	(21,038)	0	0	(866,331)
<b>Total Other Sources (Uses)</b>	<b>(824,255)</b>	<b>26,119</b>	<b>248,136</b>	<b>550,000</b>	<b>0</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND (USES)</b>	<b>1,634,172</b>	<b>0</b>	<b>(35,722)</b>	<b>550,000</b>	<b>2,148,450</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>13,810,030</b>	<b>0</b>	<b>28,073</b>	<b>1,178,884</b>	<b>15,016,987</b>
<b>CHANGE IN FUND BALANCE</b>	<b>152,581</b>	<b>0</b>	<b>0</b>	<b>(142,337)</b>	<b>10,244</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 15,596,783</b>	<b>\$ 0</b>	<b>\$ (7,649)</b>	<b>\$ 1,586,547</b>	<b>\$ 17,175,681</b>

See notes to basic financial statements.

**ONTEORA CENTRAL SCHOL DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2011**

---

**REVENUES**

Governmental funds and statement of activities	\$ 50,116,030
--	---------------

**EXPENDITURES - GOVERNMENTAL FUNDS**

\$ 47,967,580

Add:

Increase in other post-employment benefits	2,164,478
--	-----------

Change in compensated absence liability	56,330
---	--------

Depreciation expense	809,227
----------------------	---------

50,997,615

Deduct:

Principal paid on long-term debt	753,400
----------------------------------	---------

Increase in capital assets	384,646
----------------------------	---------

Decrease in judgement and claims	76,664
----------------------------------	--------

Decrease in accrued interest	27,435
------------------------------	--------

1,242,145

**EXPENDITURES - STATEMENT OF ACTIVITIES**

49,755,470

**CHANGE IN NET ASSETS**

\$ 360,560

See notes to basic financial statements.

**ONTEORA CENTRAL SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET ASSETS**

**JUNE 30, 2011**

---

	<b>Private Purpose Trusts</b>	<b>Agency</b>
	<hr/>	<hr/>
<b>ASSETS</b>		
Cash	\$ 137,866	\$ 105,532
Due to other funds	0	87,000
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 137,866</b>	<b>\$ 192,532</b>
	<hr/>	<hr/>
<b>LIABILITIES</b>		
Extraclassroom activity balances	\$ 0	\$ 104,746
Due to other funds	0	18
Other liabilities	0	87,768
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>0</b>	<b>\$ 192,532</b>
	<hr/>	<hr/>
<b>NET ASSETS</b>		
Reserved for scholarships	<u>\$ 137,866</u>	

---

**STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2011**

---

	<b>Private Purpose Trusts</b>
	<hr/>
<b>ADDITIONS</b>	
Gifts and contributions	\$ 33,100
Investment earnings	689
	<hr/>
<b>Total Additions</b>	<b>33,789</b>
<b>DEDUCTIONS</b>	
Scholarships and awards	33,665
	<hr/>
<b>Change in Net Assets</b>	<b>124</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>137,742</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 137,866</u></u>

---

See notes to basic financial statements.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

**NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of Onteora Central School District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as apply to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the District are described below:

**A) Reporting Entity**

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

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

The accompanying basic financial statements present the activities of the District and other organizational entities determined to be includable in the District’s financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District’s reporting entity is based on several criteria including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District’s reporting entity.

**i) Extraclassroom Activity Funds**

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found included with these basic financial statements. The District accounts for assets held as an agent for various student organizations in an agency fund.

**B) Joint Venture**

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

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

**NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**B) Joint Venture – (Continued)**

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

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

During the year, the District was billed \$4,493,424 for BOCES administrative and program costs. Participating school districts issue debt on behalf of BOCES. During the year, the District issued no serial bonds on behalf of BOCES. As of year end, the District had no outstanding BOCES debt.

The District's share of BOCES aid amounted to \$676,546.

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

**C) Basis of Presentation**

**1) District-Wide Statements**

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**2) Fund Statements**

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

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

**NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**C) Basis of Presentation – (Continued)**

**2) Fund Statements – (Continued)**

The District reports the following major governmental funds:

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

**Special Revenue Funds:** These funds account for the proceeds of specific revenue sources, such as federal and State grants, that are legally restricted to expenditures for specified purposes, school lunch operations and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

**Capital Projects Funds:** These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

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

- i) Private Purpose Trust Funds:** These funds are used to account for trust arrangements in which principal and income benefits annual third-party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.
- ii) Agency Funds:** These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

**D) Measurement Focus and Basis of Accounting**

The District-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 transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements 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.

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. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

**NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**E) Property Taxes**

Real property taxes are levied annually by the Board of Education no later than September 1 and become a lien on September 1. Taxes are collected during the period September 1 to November 1.

Uncollected real property taxes are subsequently enforced by the county in which the District is located. The county pays an amount representing uncollected real property taxes transmitted to the county for enforcement to the District no later than the following April 1.

**F) Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

**G) Interfund Transactions**

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the District-wide statements, the amounts reported on the Statement of Net Assets 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 the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

**H) Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

**NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**I) Cash (and Cash Equivalents)/Investments**

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

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

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

Investments are stated at fair value.

**J) Receivables**

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

**K) Inventories and Prepaid Items**

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

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

A reserve for these nonliquid assets (inventories) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

**L) Capital Assets**

Capital assets are reported at actual cost or estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<b><u>Capitalization Threshold</u></b>	<b><u>Depreciation Method</u></b>	<b><u>Estimated Useful Life</u></b>
Buildings	\$ 5,000	Straight-line	40
Building improvements	5,000	Straight-line	20
Furniture and equipment	5,000	Straight-line	5-15



**ONTEORA CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

**NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**M) Deferred Revenue**

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

**N) Vested Employee Benefits**

**Compensated Absences**

Compensated absences consist of unpaid accumulated annual sick leave, vacation and sabbatical time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

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

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

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

**O) Other Benefits**

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

**NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**P) Short-Term Debt**

The District may issue Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

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

**Q) Accrued Liabilities and Long-Term Obligations**

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

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

**R) Equity Classifications**

**District-Wide Statements**

In the District-wide statements, there are three classes of net assets:

**i) Invested in Capital Assets, Net of Related Debt**

Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

**ii) Restricted Net Assets**

Reports net assets when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

**NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**R) Equity Classifications – (Continued)**

**iii) Unrestricted Net Assets**

Reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

**Fund Statements**

Unrestricted fund balance consists of three classifications; committed, assigned and unassigned. Committed fund balance is not applicable to School District's. Assigned fund balance is comprised of encumbrances, reserves for insurance recovery and the planned use of resources in the subsequent years' budget. The unassigned portion reports remaining fund balance. New York State Real Property Tax Law §1318 restricts the unassigned fund balance, less the reserve for tax reduction, of the General Fund to an amount not greater than 4% of the District's budget for the ensuing fiscal year.

**Fund Balance**

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB-54), that defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB-54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

**1. Nonspendable**

Includes amounts that cannot be spent because they are either:

- (a) not in spendable form or
- (b) legally or contractually required to be maintained intact.

This would include fund balance related to inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).

**2. Restricted**

Includes amounts with constraints placed on the use of resources either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation (authorizes the District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation).

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

**NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**R) Equity Classifications – (Continued)**

**2. Restricted – (continued)**

Most of the reserves of fund balance allowed by law meet this criteria including fund balance previously reserved for: capital, debt service, employee benefits accrued liabilities, insurance, liability and property loss, repairs, retirement contributions, tax certiorari, taxes raised outside of tax limit (cities over 125,000), uncollected taxes in a city school district, unemployment insurance, and workers' compensation.

Currently, New York State laws still use the terminology reserves and Districts are only allowed to use reserves authorized by law. For the reserves included above, the following describes what they can be used for:

**Currently Utilized by the District:**

**Employee Benefit Accrued Liability**

According to General Municipal Law §6-l, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund under Restricted Fund Balance.

**Liability Claims and Property Loss**

According to Education Law §1709(8) (c)), must be used to pay for liability claims and property loss incurred. Separate funds for liability claims and property loss are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the General Fund under Restricted Fund Balance.

**Repairs**

According to General Municipal Law §6-d), must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the General Fund under Restricted Fund Balance.

**Retirement Contributions**

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund under Restricted Fund Balance.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

**NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**R) Equity Classifications – (Continued)**

**2. Restricted – (continued)**

**Tax Certiorari**

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

**Unemployment Insurance**

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

**3. Assigned**

Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed, except for stabilization arrangements. The Board of Education is not required to impose or remove the constraint. Assignments of fund balance cannot be made if it would result in a negative unassigned fund balance.

**4. Unassigned**

Includes the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications.

**Order of Use of Fund Balance**

The District's policy is to annually determine the appropriate use of fund balance upon recommendation of the Superintendent and Board of Education.

**Encumbrances**

All encumbrances are classified as Assigned Fund Balance. There were no significant encumbrances as of June 30, 2011.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

**NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

**A) Total Fund Balance of Governmental Funds vs. Net Assets of Governmental Activities**

Total fund balance of the District's governmental funds differs from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental fund Balance Sheets.

**B) Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities**

Differences between the governmental funds' Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into one of three broad categories. The amounts shown below represent:

**i) Long-Term Revenue Differences**

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

**ii) Capital Related Differences**

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

**iii) Long-Term Debt Transaction Differences**

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Assets.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets**

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted.

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Supplemental appropriations occurred during the year, as follows:

	<b><u>Appropriation</u></b>
Various donations	\$ 14,084
Total Approved Appropriations	<u>\$ 14,084</u>

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

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

**Encumbrances**

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

**NOTE 4 – CASH (AND CASH EQUIVALENTS), CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS**

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

As of June 30, 2011, all District bank balances were collateralized with a third-party bank with the collateral held in the District's name.

The District does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk.

The District does not typically purchase investments denominated in foreign currency, and is not exposed to foreign currency risk.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end includes \$11,130,423 within the governmental funds.

**NOTE 5 – INVESTMENT POOL**

The District participates in multi-municipal cooperation investment pool agreements pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2011, the School District held \$41,771 in investments consisting of various investments in securities issued by the United States and its agencies. The investments are highly liquid and considered to be cash equivalents. The following amounts are included as unrestricted cash:

<b><u>Fund</u></b>	<b><u>Amount</u></b>
General	\$ 41,771

The above amount represents the cost of the investment pool shares and is considered to approximate fair value. The investment pools are SEC registered and categorically exempt from the New York State collateralization requirements.



**ONTEORA CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 6 – CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2011, were as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Retirements/ Reclassifications</u></b>	<b><u>Ending Balance</u></b>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 20,626	\$ 0	\$ 0	\$ 20,626
Construction in progress	1,568,626	0	0	1,568,626
Total nondepreciable historical cost	1,589,252	0	0	1,589,252
Capital assets that are depreciated:				
Land improvements	95,297	0	0	95,297
Buildings and improvements	27,627,501	135,448	0	27,762,949
Furniture and equipment	4,585,044	249,198	0	4,834,242
Total depreciable historical cost	32,307,842	384,646	0	32,692,488
Less accumulated depreciation:				
Buildings, furniture and equipment	13,599,564	809,227	0	14,408,791
Total depreciable historical cost, net	18,708,278	(424,581)	0	18,283,697
<b>Grand total – net</b>	<b>\$ 20,297,530</b>	<b>\$ (424,581)</b>	<b>\$ 0</b>	<b>\$ 19,872,949</b>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 129,476
Instruction	574,551
Pupil transportation	105,200
<b>Total depreciation</b>	<b>\$ 809,227</b>

**NOTE 7 – SHORT-TERM DEBT**

The District had no short-term debt for year ending June 30, 2011.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 8 – LONG-TERM DEBT**

Interest on long-term debt for the year was composed of:

Interest paid	\$ 186,031
Less interest accrued in the prior year	(44,309)
Add interest accrued in the current year	<u>16,874</u>
<b>TOTAL</b>	<b><u>\$ 158,596</u></b>

Long-term liability balances and activity for the year are summarized below:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Government activities:					
Bonds and notes payable	\$ 5,362,000	\$ 0	\$ 753,400	\$ 4,608,600	\$ 363,400
Other liabilities:					
Judgement and claims	262,934	0	76,664	186,270	0
Other post-employment benefits program	9,187,466	2,164,478	0	11,351,944	0
Compensated absences	<u>1,345,779</u>	<u>56,330</u>	<u>0</u>	<u>1,402,109</u>	<u>0</u>
<b>Total long-term liabilities</b>	<b><u>\$16,158,179</u></b>	<b><u>\$ 2,220,808</u></b>	<b><u>\$ 830,064</u></b>	<b><u>\$17,548,923</u></b>	<b><u>\$ 363,400</u></b>

The following is a summary of the maturity of long-term indebtedness:

<u>Description of issue</u>	<u>Date</u>	<u>Maturity</u>	<u>Rate</u>	<u>Outstanding at June 30, 2011</u>
Serial Bond	2003	2022	3.448%	\$ 4,495,000
Serial Bond	2009	2014	3.750%	<u>113,600</u>
<b>Totals</b>				<b><u>\$ 4,608,600</u></b>

The following is a summary of maturing debt service requirements:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30:			
2012	\$ 363,400	\$ 162,016	\$ 525,416
2013	383,400	150,064	533,464
2014	393,400	138,349	531,749
2015	408,400	125,878	534,278
2016	395,000	112,463	507,463
Thereafter	<u>2,665,000</u>	<u>365,844</u>	<u>3,030,844</u>
<b>Totals</b>	<b><u>\$ 4,608,600</u></b>	<b><u>\$1,054,614</u></b>	<b><u>\$ 5,663,214</u></b>

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENT FUNDS**

	<b>Interfund</b>		<b>Interfund</b>	
	<b>Receivables</b>	<b>Payables</b>	<b>Revenues</b>	<b>Expenditures</b>
General Fund	\$ 643,659	\$ 377,696	\$ 21,038	\$ 845,293
Special Aid Funds	0	487,615	47,157	21,038
School Lunch Fund	0	28,500	248,136	0
Capital Funds	332,696	169,544	550,000	0
Total government activities	976,355	1,063,355	866,331	866,331
Fiduciary Agency Fund	87,000	0	0	0
<b>Totals</b>	<b>\$ 1,063,355</b>	<b>\$ 1,063,355</b>	<b>\$ 866,331</b>	<b>\$ 866,331</b>

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

All interfund payables are expected to be repaid within one year.

**Interfund Revenues and Expenditures**

Capital Fund revenue for local share of various projects.

General Fund revenue is for indirect costs associated with the Special Aid Fund.

School Lunch Fund revenue is for the operation of the Food Program.

Special Aid Fund revenue is for the General Fund required portion of the 4408 program.

General Fund expenditures are for transfer of capital reserve, food operation and local share of 4408 costs.

Special Aid Fund expenditures are to reimburse General Fund for indirect costs associated with various grants.

**NOTE 10 – PENSION PLANS**

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

**Provisions and Administration**

The New York State Teachers' Retirement Board administers NYSTRS. The System provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

**NOTE 10 – PENSION PLANS – (CONTINUED)**

**Provisions and Administration – (Continued)**

NYSERS 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 benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

**Funding Policies**

The Systems are noncontributory, except for employees who joined the Systems after July 27, 1976, who contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The District is required to contribute at an actuarially determined rate. The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	<u>NYSTRS</u>	<u>NYSERS</u>
2010-2011	\$ 1,469,918	\$ 349,355
2009-2010	1,129,424	382,005
2008-2009	1,335,294	282,913

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis.

**NOTE 11 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS**

The District provides post-employment health insurance coverage to retired employees in accordance with the provisions of various employment contracts.

The District implemented GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, in the school year ended June 30, 2010. This required the District to calculate and record a net other post-employment benefit obligation at year end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2011, the District recognized \$3,381,999 for its share of insurance premiums for currently enrolled retirees.

**Plan Description**

Onteora Central School District provides medical and prescription drug insurance benefits for retirees, spouses and their covered dependents while contributing a portion of the expenses. Such post-employment benefits are an included value in the exchange of salaries and benefits for employee services rendered. An employee's total compensation package includes not only the salaries and benefits received during active service, but all compensation and benefits received for their services during post-employment. Nevertheless, both types of benefits constitute compensation for employee services.

The District issues a publicly available financial report that includes financial statements and required supplementary information.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 11 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)**

**Funding Policy**

The contribution requirements of plan members and the District are established by the Board of Education. The required contribution is based on projected pay-as-you-go financing requirements.

For the fiscal year ended June 30, 2011, the District contributed \$5,431,217 to the employee health insurance.

**Annual Other Post-employment Benefit (OPEB) Cost and Net OPEB Obligation**

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the District's net OPEB obligation to the healthcare plan:

Annual required contribution	\$ 5,431,217.00
Interest on net OPEB obligation	459,373
Adjustment to annual required contribution	<u>(344,113)</u>
Annual OPEB cost (expense)	5,546,477
Contributions made	<u>3,381,999</u>
Increase in net OPEB obligation	2,164,478
Net OPEB obligation - beginning of year	<u>9,187,466</u>
Net OPEB obligation - end of year	<u><u>\$ 11,351,944</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011 and the two preceding years were as follows:

<b><u>Fiscal Year Ended</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>Percentage of Annual OPEB Cost Contributed</u></b>	<b><u>Net OPEB Obligation</u></b>
June 30, 2011	\$ 5,546,477	61.0%	\$ 11,351,944
June 30, 2010	7,653,675	41.9%	9,187,466
June 30, 2009	7,204,700	34.1%	4,745,941

**Funding Status and Funding Progress**

As of July 1, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial liability for benefits was \$77,094,269 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$77,094,269. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

**NOTE 11 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)**

**Actuarial Methods and Assumptions**

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

In the July 1, 2010, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 5% investment rate of return (net of administrative expenses), which is based on the expected earnings of the District's General Fund investments at the valuation date and an annual healthcare cost trend rate of 9.5% initially, reduced by decrements to an ultimate rate of 5% after 30 years. Both rates included a 5% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011, was 27 years.

**NOTE 12 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage.

The District participates in Workers' Compensation Alliance, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The District's share of the liability for unbilled and open claims is \$186,270.

**NOTE 13 – DONOR-RESTRICTED ENDOWMENTS**

The District administers endowment funds, which are restricted by the donor for the purposes of scholarships.

The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

**NOTE 14 – CONTINGENCIES AND COMMITMENTS**

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

New York City has filed additional tax certiorari proceedings against the Town of Hurley with regards to this property for 2007 through 2011, in which it is seeking reduction of assessments. We anticipate that the Court's decision, if favorable to the City, would make the District liable for approximately similar amounts in each year.

New York City has filed a tax certiorari proceeding against the Town of Shandaken with regards to this property for 2010 and 2011, in which it is seeking reduction of assessment of sewer distribution lines servicing the City's sewer treatment plant.

Estimates of the possible loss or range of loss could not be made for the above contingencies unless otherwise noted above.

**NOTE 15 – OTHER CHANGES IN NET ASSETS**

**General Fund**

Increase fund balance by \$152,581, as a result of transfer from Capital Fund to General Fund for projects that were closed.

**Capital Fund**

Decrease fund balance by \$142,337, as a result of projects that were closed.

**Statement of Activities**

Increase Net Assets by \$10,244, to provide for prior-year accounts payable and subsequent expense.

Net Adjustment:

General Fund (above)	\$ 152,581
Capital Fund (above)	<u>(142,337)</u>
Net Increase	<u>\$ 10,244</u>

**NOTE 16 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 19, 2011, the date of the issuance of the audit report. There were no issues to report that would have a material effect on the financial statements.

**ONTEORA CENTRAL SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET (NON-GAAP BASIS)**

**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Revenues</b>	<b>Final Budget Variance with Budgetary Actual Over (Under)</b>
<b>REVENUES:</b>				
<b>Local Sources</b>				
Real property taxes	\$ 38,942,392	\$ 36,523,883	\$ 36,411,118	\$ (112,765)
Real property tax items	100,000	2,518,509	2,523,484	4,975
Charges for services	125,000	125,000	178,035	53,035
Use of money and property	100,000	100,000	116,838	16,838
Sale of property and compensation for loss	0	0	1,369	1,369
Miscellaneous	310,000	323,934	599,069	275,135
<b>State Sources</b>	7,944,991	7,944,991	7,906,560	(38,431)
<b>Federal Sources</b>				
Medicaid reimbursement	50,000	50,000	0	(50,000)
ARRA fiscal stabilization	434,643	434,643	434,643	0
<b>Other Uses</b>				
Transfers in	15,000	15,000	21,038	6,038
<b>Total Revenues</b>	48,022,026	48,035,960	48,192,154	\$ 156,194

See paragraph on supplemental schedules included in independent auditors' report.



**ONTEORA CENTRAL SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – BUDGET (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Year End Encumbrances</u>	<u>Final Budget Variance With Budgetary Actual and Encumbrances (Over) Under</u>
<b>EXPENDITURES</b>					
<b>General Support</b>					
Board of Education	64,867	66,867	47,608	\$ 570	\$ 18,689
Central administration	217,525	219,493	196,894	320	22,279
Finance	561,780	574,704	527,794	15,300	31,610
Staff	258,675	497,617	463,378	0	34,239
Central services	3,275,735	3,367,187	2,708,799	144,704	513,684
Special items	444,440	137,470	746,710	0	(609,240)
<b>Instructional</b>					
Instruction, administration and improvements	1,573,133	1,592,039	1,570,304	4,762	16,973
Teaching – regular school	12,763,035	13,362,839	12,598,673	32,262	731,904
Programs for children with handicapping conditions	7,284,570	7,456,671	6,800,458	156,240	499,973
Occupational education	1,110,280	1,067,454	1,058,493	0	8,961
Teaching – special school	4,757	4,757	0	0	4,757
Instructional media	694,072	873,148	708,694	39,019	125,435
Pupil services	2,494,274	2,424,501	2,177,359	9,834	237,308
<b>Pupil Transportation</b>	3,709,488	3,796,637	3,323,340	59,515	413,782
<b>Employee Benefits</b>	14,018,726	12,888,726	11,844,753	0	1,043,973
<b>Debt Service</b>					
Debt service – principal	762,500	762,500	753,400	0	9,100
Debt service – interest	186,032	186,032	186,032	0	0
<b>Other Uses</b>					
Transfers Out	598,136	980,636	845,293	0	135,343
<b>TOTAL EXPENDITURES</b>	<u>50,022,025</u>	<u>50,259,278</u>	<u>46,557,982</u>	<u>\$ 462,526</u>	<u>\$ 3,238,770</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,999,999)	(2,223,318)	1,634,172		
<b>FUND BALANCE – BEGINNING</b>	13,810,030	13,810,030	13,810,030		
<b>CHANGE IN FUND BALANCE</b>	<u>0</u>	<u>0</u>	<u>152,581</u>		
<b>FUND BALANCE – ENDING</b>	<u>\$ 11,810,031</u>	<u>\$ 11,586,712</u>	<u>\$ 15,596,783</u>		

See paragraph on supplemental schedules included in independent auditors' report.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF POST-EMPLOYMENT BENEFITS PLAN ACTUARIAL VALUATION**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

Actuarial value of assets	\$ 0
Actuarial accrued liability (AAL)	77,094,269
Unfunded AAL	77,094,269
Funded ratio	0%
Covered payroll	22,391,631
UAAL as a percentage of covered payroll	344%

See paragraph on supplemental schedules included in independent auditors' report.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET – GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

<b>ADOPTED BUDGET</b>		\$ 50,022,025
<b>ADDITIONS:</b>		
Budget revisions	\$ 14,084	
Prior year's encumbrances	<u>223,169</u>	
<b>Total Additions</b>		<u>237,253</u>
<b>FINAL BUDGET</b>		<u><u>\$ 50,259,278</u></u>

---

**SCHEDULE OF USE OF FUND BALANCE – GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

<b>UNASSIGNED FUND BALANCE AS OF BEGINNING OF YEAR</b>	\$ 4,095,384
<b>LESS:</b>	
Designated fund balance used for the levy of taxes - adopted budget	<u>2,095,384</u>
<b>UNASSIGNED FUND BALANCE AS OF BEGINNING OF YEAR</b>	<u><u>\$ 2,000,000</u></u>

See paragraph on supplemental schedules included in independent auditors' report.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance</u>	<u>Methods of Financing</u>			<u>Fund Balance June 30, 2011</u>
			<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>	<u>Proceeds of Obligations</u>	<u>Local Sources</u>	<u>Total</u>	
High School Construction Project	\$ 6,499,990	\$ 6,500,000	\$ 6,490,181	\$ 0	\$ 6,490,181	\$ 9,819	\$ 0	\$ 6,500,000	\$ 9,819
District-wide Projects, 99/00	2,487,362	2,856,118	1,868,447	0	1,868,447	987,671	2,023,763	2,023,763	155,316
Bennett Building Project	5,720,000	5,720,000	5,678,048	0	5,678,048	41,952	0	5,720,000	41,952
District Roof Project, 01/02	1,100,000	1,100,000	1,001,880	0	1,001,880	98,120	0	1,100,000	98,120
Roof/Technology/Paving	1,800,000	1,800,000	1,068,660	0	1,068,660	731,340	1,800,000	1,800,000	731,340
Bus Garage/Fire Alarm Systems	550,000	550,000	0	0	0	550,000	550,000	550,000	550,000
<b>TOTALS</b>	<b>\$ 18,157,352</b>	<b>\$ 18,526,118</b>	<b>\$ 16,107,216</b>	<b>\$ 0</b>	<b>\$ 16,107,216</b>	<b>\$ 2,418,902</b>	<b>\$ 4,373,763</b>	<b>\$ 17,693,763</b>	<b>\$ 1,586,547</b>

See paragraph on supplemental schedules included in independent auditors' report

ONTEORA CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES COMPARED WITH ST-3 DATA

FOR THE YEAR ENDED JUNE 30, 2011

---

	<u>Account Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
<b>REVENUES:</b>			
Property taxes	A-1001	\$ 36,411,118	\$ 36,411,118
State aid	AT-3999	7,906,560	7,906,560
Federal aid	AT-4999	434,643	434,643
Total revenues and other funding sources	AT-5999	48,192,154	48,192,154
<b>EXPENDITURES:</b>			
General support	AT-1999	4,691,183	4,691,183
Pupil transportation	AT-5599	3,323,340	3,323,340
Debt service – principal	AT-9798.6	753,400	753,400
Debt service – interest	AT-9798.7	186,032	186,032
Total expenditures and other uses	AT-9999	46,557,982	46,557,982

See paragraph on supplemental schedules included in independent auditors' report.

**ONTEORA CENTRAL SCHOOL DISTRICT**

**SUPPLEMENTARY INFORMATION**

**INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT**

**JUNE 30, 2011**

---

<b>CAPITAL ASSETS, NET</b>			<b>\$ 19,872,949</b>
<b>DEDUCT:</b>			
Short-term portion of bonds payable	\$	363,400	
Long-term portion of bonds payable		<u>4,245,200</u>	<u>4,608,600</u>
<b>INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT</b>			<b><u>\$ 15,264,349</u></b>

See paragraph on supplemental schedules included in independent auditors' report.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**FEDERAL AWARD PROGRAM INFORMATION**  
**SINGLE AUDIT**  
**(OMB CIRCULAR A-133)**

**JUNE 30, 2011**



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

To the President and the Other Members  
of the Board of Education of the  
Onteora Central School District  
Boiceville, New York

We have audited the financial statements of Onteora Central School District, as of and for the year ended June 30, 2011, and have issued our report thereon dated August 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

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

**Compliance and Other Matters**

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

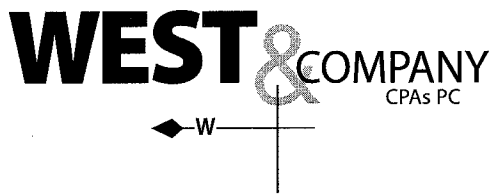


We noted certain matters that we reported to management of Onteora Central School District, in a separate letter dated August 19, 2011.

This report is intended solely for the information and use of management, the Board of Education and others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

WEST & COMPANY CPAs PC

Gloversville, New York  
August 19, 2011



**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the President and the Other Members  
of the Board of Education of the  
Onteora Central School District  
Boiceville, New York

**Compliance**

We have audited Onteora Central School District's 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 Onteora Central School District's major federal programs for the year ended June 30, 2011. Onteora Central School District's major federal programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Onteora Central School District's management. Our responsibility is to express an opinion on Onteora Central School District's compliance based on our audit.

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 Onteora Central School 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. Our audit does not provide a legal determination of Onteora Central School District's compliance with those requirements.

In our opinion, Onteora Central School District, complied, in all material respects, with the 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, 2011.

**Internal Control over Compliance**

Management of Onteora Central School District, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Onteora Central School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Onteora Central School 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Education and others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

WEST & COMPANY CPAs PC

Gloversville, New York  
August 19, 2011

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>		
<b>Passed Through NYS Education Department:</b>		
Title I	84.010A	\$ 261,577
Title I ARRA	84.389	5,300
IDEA 611	84.027A	417,706
IDEA 611 ARRA	84.391A	195,305
IDEA 619	84.173A	14,489
IDEA 619 ARRA	84.392	9,164
Title IV	84.186A	2,085
Title III	84.031A	11,305
Title II D	84.318X	374
Title II A	84.367A	65,590
ARRA Stabilization	84.394	434,634
<b>Total U.S Department of Education</b>		<b><u>1,417,529</u></b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>		
<b>Direct:</b>		
Food Distribution	10.555	29,859
<b>Passed Through NYS Education Department:</b>		
National School Breakfast	10.553	42,371
National School Lunch	10.555	168,026
<b>Total U.S Department of Argriculture</b>		<b><u>240,256</u></b>
<b>TOTAL FEDERAL AWARDS</b>		<b><u>\$ 1,657,785</u></b>

See notes to schedule of expenditures of federal awards.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards is a summary of the District's federal award programs presented on the accrual basis of accounting, as required by accounting principles generally accepted in the United States of America.

**NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2011, the District had food commodities totaling \$2,823 in inventory.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

Finding 2010-01 has been corrected and removed from Part C – Findings and Questioned Costs – Major Federal Award Program.

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

**A. SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' opinion issued:		<u>Unqualified</u>
Internal control over financial reporting:		
Material weakness identified?	___ yes	<u>X</u> no
Significant deficiencies identified that are not considered to be material weakness?	___ yes	<u>X</u> none reported
Noncompliance material to financial statements noted?	___ yes	<u>X</u> no

**FEDERAL AWARDS**

Internal control over major programs:		
Material weakness identified?	___ yes	<u>X</u> no
Significant deficiencies identified that are not considered to be material weakness?	___ yes	<u>X</u> none reported
Type of auditors' opinion(s) issued on compliance for major programs:		<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 501(a) of Circular A-133?	___ yes	<u>X</u> no

Identification of major programs:

**Name of Federal Program**

**CFDA Number**

ARRA Stabilization	84.394
IDEA 611	84.027
IDEA 619	84.173
IDEA 611 - ARRA	84.391
IDEA 619 - ARRA	84.392

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$300,000</u>
---	------------------

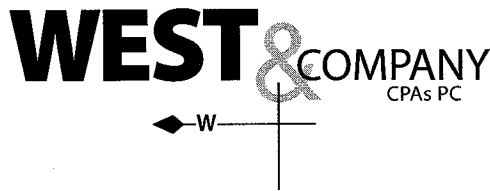
Auditee qualified as low risk?	<u>X</u> yes	___ no
--------------------------------	--------------	--------

**B. BASIC FINANCIAL STATEMENTS FINDINGS**

None

**ONTEORA CENTRAL SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**





## **INDEPENDENT AUDITORS' REPORT**

To the President and the Other Members  
of the Board of Education of the  
Onteora Central School District  
Boiceville, New York

We have audited the statement of assets and liabilities arising from cash transactions of the Extraclassroom Activity Funds of the Onteora Central School District as of June 30, 2011, and the accompanying statement of revenues collected and expenses paid for the year then ended. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

Except as discussed in the following paragraph, 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Insufficient accounting controls are exercised over cash receipts at the point of collection to the time of submission to the Central Treasurer. Accordingly, it was impracticable to extend our audit of such receipts beyond the amounts recorded.

As described in Note 1, the school prepares its financial statements on the cash basis of accounting. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the cash receipts, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of the Extraclassroom Activity Funds of the Onteora Central School District as of June 30, 2011, and the revenues collected and expenses paid for the year then ended, on the basis of accounting described in Note 1.

*WEST & COMPANY CPAs PC*

Gloversville, New York  
August 19, 2011

**ONTEORA CENTRAL SCHOOL DISTRICT**

**EXTRACLASSROOM ACTIVITY FUNDS**

**STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS**

**JUNE 30, 2011**

---

**ASSETS**

Cash	<u>\$ 104,746</u>
------	-------------------

<b>TOTAL ASSETS</b>	<u><u>\$ 104,746</u></u>
---------------------	--------------------------

**CLUB BALANCES**

Club balances	\$ 102,789
---------------	------------

Sales tax	<u>1,957</u>
-----------	--------------

<b>TOTAL CLUB BALANCES</b>	<u><u>\$ 104,746</u></u>
----------------------------	--------------------------

See notes to financial statements.

**ONTEORA CENTRAL SCHOOL DISTRICT**

**EXTRACLASSROOM ACTIVITY FUNDS**

**STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID**

**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Beginning of Year</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>End of Year</u>
Class of 2011	\$ 7,600	\$ 12,357	\$ 17,319	\$ 2,638
Class of 2012	5,829	4,870	1,814	8,885
Class of 2013	5,829	0	0	5,829
Class of 2014	6,118	0	0	6,118
Class of 2015	300	2,954	2,571	683
Class of 2016	0	41,536	37,541	3,995
Art Club	0	1,201	728	473
Belleayre Bash	0	12,344	10,386	1,958
Bookstore	3,263	9,990	9,196	4,057
Computer Club	0	679	0	679
DECA	1,942	19,543	17,396	4,089
Diversity Club	514	142	0	656
M.S. Yearbook	1,223	3,903	4,426	700
German Club	15	36,014	36,029	0
GSA	0	1,000	75	925
Theatre	12,300	7,953	6,829	13,424
Tomahawk Yearbook	0	16,863	13,470	3,393
Student Activities	5,658	541	1,883	4,316
French Club	3,296	27,261	23,976	6,581
Honor Society	442	623	475	590
FCCLA	343	0	342	1
SADD	3,042	1,000	3,250	792
Model Congress	644	7,490	7,380	754
Woodstock Student Council	3,224	7,860	9,241	1,843
Bennet Student Council	17,553	15,918	4,795	28,676
Phoenicia Student Council	833	6,014	6,113	734
Sales tax	918	3,141	2,102	1,957
<b>TOTALS</b>	<u>\$ 80,886</u>	<u>\$ 241,197</u>	<u>\$ 217,337</u>	<u>\$ 104,746</u>

See notes to financial statements.

**ONTEORA CENTRAL SCHOOL DISTRICT**

**EXTRAClassroom Activity Funds**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

---

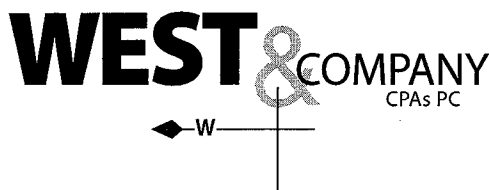
**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Extraclassroom Activity Funds of the Onteora Central School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions, and the designation of student management. However, since the Board of Education does exercise general oversight, these funds and their corresponding cash accounts are reflected in the Trust and Agency Funds of the basic financial statements of the District.

The books and records of the Onteora Central School District's Extraclassroom Activities Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenditures are recognized when cash is disbursed.

**NOTE 2 – MANAGEMENT LETTER**

Management letter items associated with the Extraclassroom Activity Funds are included in the management letter accompanying the District's basic financial statements.



August 19, 2011

To the President and the Other Members  
of the Board of Education of the  
Onteora Central School District  
Boiceville, New York

In planning and performing our audit of the financial statements of the Onteora Central School District for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and improving operating efficiency. We previously reported on the District's internal control in our report dated August 19, 2011. A separate report dated August 19, 2011, contains our report on significant deficiencies or material weaknesses in the District's internal control. This letter does not affect our report dated August 19, 2011, on the financial statements of Onteora Central School District.

Our comments and recommendations for the year ended June 30, 2011, are as follows:

### **Prior-Year Findings**

#### **1. Fiduciary Funds**

##### **Extraclassroom Activity Funds**

- a. **Prior Condition:** Operational Procedures – We noted several instances where adherence to proper documentation and authorization procedures were not followed.
- b. **Prior Condition:** Accounting Procedures – We noted that there is a poor segregation of duties and monthly accounting procedures are not being completed.
- c. **Prior Condition:** We noted that the bookstore is filing a separate sales tax return from the rest of the clubs.

**Status:** The District has taken steps to improve Extraclassroom Activity accounts. Continuation is needed to correct conditions.

**Recommendation:** In both conditions, a. and b., we recommend that the District review proper accounting and record keeping procedures with all faculty members involved in extraclassroom activities. These procedures can be found in *The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds, Finance Pamphlet 2* issued by the New York State Education Department.

2. **Payroll Adjustments:**

**Prior Condition:** The Payroll Clerk initiated payroll changes to correct overtime errors, including errors in her own pay, without obtaining approval from the Assistant Superintendent for Business.

**Status:** This condition was corrected as of June 30, 2011.

3. **Capital Fund**

**Prior Condition:** The Capital Fund includes several projects which are no longer active and contain a large amount of Fund Balance.

**Status:** The District has started the process of closing out old projects and will be completed in 2011-2012.

4. **Extraclassroom Activity Funds**

**Prior Condition:** At June 30, 2010, three clubs had deficit balances.

**Status:** This condition was corrected as of June 30, 2011.

5. **School Lunch Fund**

**Prior Condition:** The fund has a due to/due from which is the same balance as the prior year.

**Status:** This condition was corrected as of June 30, 2011.

**Current-Year Findings**

1. **Reserve Accounting**

**Condition:** During the current year revenues and expenditures affecting reserve accounts were posted directly to the reserve accounts, and unused reserve balances were credited to current year expenditures.

**Recommendation:** Reserve account revenues and expenditures should be recorded in current year revenues and expenditures of the fund and closed to the reserve account when current year operations are closed.

Unused reserve account balances should be transferred to another reserve or unassigned fund balance as instructed by Board action.

\* \* \* \* \*

We would like to thank the District's staff for their cooperation throughout this engagement. We are available, at any time convenient for the Board, to discuss this management letter, the basic financial statements, the single audit and any other financial matters the Board may wish to discuss.

Very truly yours,

*WEST & COMPANY CPAs PC*

WEST & COMPANY CPAs PC