

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

Financial Statements
for the Year Ended June 30, 2011
Together with
Independent Auditors' Report

Bonadio & Co., LLP
Certified Public Accountants

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

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INDEPENDENT AUDITORS' REPORT

December 30, 2011

To the Board of Education of
Yonkers Public Schools:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Yonkers Public Schools (the School District), a component unit of the City of Yonkers, New York, as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the School District's June 30, 2010 financial statements and, in our report dated December 30, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

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 School District as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2011, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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INDEPENDENT AUDITORS' REPORT

(Continued)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 40 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the School District's basic financial statements as a whole. The supplemental information on pages 45 through 49 is not a required part of the basic financial statements, but is supplementary information required by the New York State Education Department. We have applied certain limited procedures to the supplementary information required by the New York State Education Department in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's financial statements as a whole. The comparative, combining and individual non-major fund financial statements and other supplemental information appearing on pages 49 through 61 ("supplemental information") are presented for the purposes of additional analysis and are not a required part of the financial statements. The supplemental information is the responsibility of management and was derived and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bonadio & Co., LLP

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

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

FINANCIAL HIGHLIGHTS

- To offset the loss of federal and state funding the School District continued the process of implementing a re-organization plan to ensure the School District's quality level of education to its students while being financially viable. In addition to transferring certain teaching positions from its General Fund to grants under the Special Aid Fund the School District eliminated certain staff positions. The results of this re-organization along with continued monitoring of expenditures by Administration and School District staff resulted in surplus in the General Fund of \$5.9 million.
- The School District's 2011 actual revenue on the District-wide financial statements decreased by \$3.2 million from the prior year to \$532.9 million. The majority of the decrease was related to a \$7.6 million reduction in funding from the American Recovery and Reinvestment Act of 2009 (ARRA). It is noted that this reduction was offset by \$5.0 million in increases of other Federal Aid. Federal and State aid and contribution from the City of Yonkers (the City) accounted for \$526.3 million or 99%, of all revenues in 2011. Total expenses for functions/programs in the District-wide financial statements totaled \$589.7 million and \$609.5 million in 2011 and 2010, respectively.
- At June 30, 2011, total liabilities on the District-wide financial statements exceeded its total assets by \$175.2 million. The decrease in net assets was primarily caused by the School District's reporting of Postemployment Benefits Other Than Pensions, which increased expenditures and liabilities by \$59.3 million and the settlement of the Yonkers Federation of Teachers (YFT) salary arbitration, which resulted in the School District recording a long-term liability of \$8.4 million.
- As of the close of the fiscal year, the School District's governmental funds reported combined fund balances of \$44.7 million and \$54.0 million in 2011 and 2010, respectively, a decrease of \$9.3 million in fiscal 2011, primarily caused by the use of prior year Bond proceeds in the Capital Projects fund in relation to \$23.6 million in capital outlay expenditures resulting in a \$15.2 million decrease in the Capital Fund balance.
- In 2011, The District completed its ESCO II project related to energy management which amounted to \$8.1 million in proceeds from capital leases.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: (1) management’s discussion and analysis (MD&A), (2) the basic financial statements, including notes to the basic financial statements, and (3) required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

District-wide Financial Statements

The District-wide financial statements provide both short-term and long-term information about the School District’s overall financial status.

Fund Financial Statements

The fund financial statements focus on individual funds of the School District, reporting the School District’s operations in more detail than the District-wide statements. The fund financial statements concentrate on the School District’s most significant funds.

- **Governmental Funds**

The governmental funds statements indicate 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**

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.

Notes to Basic Financial Statements

The financial statements also include notes that explain some of the information in the financial statements and provide detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District’s budget for the year.

Figure A-1 summarizes the major features of the School District’s financial statements, including the portion of the School District’s activities they cover and the types of information they contain.

Figure A-1 Major Features of the District-wide and Fund Financial Statements			
	District-wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial Statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the subsequent year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during 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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

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 revenue 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 - are 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.

Net assets of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (dollars) are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balances.

District-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net assets:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net assets balances as follows:
 - Net assets invested in capital assets, net of related debt.
 - Restricted net assets are those with constraints placed on use by external sources or imposed by law.
 - Unrestricted net assets are net assets that do not meet any of the above restrictions.

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. The funds have been established by the State of New York.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

The School District has two types 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 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 School 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, special purpose trust, debt service, and the capital project fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund equity.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as 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 SCHOOL DISTRICT AS A WHOLE

Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the School District's governmental activities.

Table 1 - Net Assets (In Thousands of Dollars)

	Fiscal Year 2011	Fiscal Year 2010	Percent Change
Current and other assets	\$ 151,935	\$ 145,817	4.20%
Capital assets	238,561	220,823	8.03%
Total assets	<u>\$ 390,496</u>	<u>\$ 366,640</u>	<u>6.51%</u>
Current liabilities	\$ 122,879	\$ 107,195	14.63%
Long-term liabilities	442,774	377,775	17.21%
Total liabilities	<u>\$ 565,653</u>	<u>\$ 484,970</u>	<u>16.64%</u>
Net assets:			
Investment in capital assets, net of related debt	\$ 98,321	\$ 94,828	3.68%
Restricted	196	210	-6.67%
Unrestricted	(273,673)	(213,368)	28.26%
Total net assets	<u>\$ (175,156)</u>	<u>\$ (118,330)</u>	<u>48.02%</u>

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

In Table 1, total assets increased by \$23.9 million, while total liabilities increased by \$80.7 million. The increase in assets resulted from an increase in the ongoing capital investment in the School District's buildings. As discussed earlier the increase in liabilities is predominantly the result of the School District's accounting and financial reporting for Postemployment Benefits Other Than Pensions, which required the recording of an additional liability of \$59.3 million and the recording of YFT arbitration settlement liability in the amount of \$8.4 million.

Table 2 - Change in Net Assets (In Thousands of Dollars)

	Fiscal Year 2011	Fiscal Year 2010	Percent Change
Revenue:			
Charges for services	\$ 2,649	\$ 3,057	-13.35%
Operating grants and contributions	85,704	86,087	-0.44%
Capital grants and contributions	350	1,132	-69.08%
General revenue:			
Contribution from City of Yonkers	217,849	217,849	0.00%
Unrestricted State and Federal aid	222,801	225,276	-1.10%
Miscellaneous	3,562	2,724	30.76%
Total revenue	532,915	536,125	-0.60%
Expenses:			
General support	56,795	60,537	-6.18%
Instruction	471,257	490,789	-3.98%
Transportation	41,352	39,165	5.58%
Interest on long-term debt	7,811	5,751	35.82%
Community services	1,897	2,049	-7.42%
Cost of sales - Food	10,481	10,972	-4.48%
Other	149	273	-45.42%
Total expenses	589,742	609,536	-3.25%
Increase/(decrease) in net assets	\$ (56,827)	\$ (73,411)	-22.59%

In Table 2, the School District's total revenues were \$532.9 million a decrease of \$3.2 million or -0.6%. The total cost of all programs and services was \$589.7 million a decrease of \$19.8 million or -3.3%. Some of the variances causing these increases are described below:

- Decrease in aid from the American Recovery and Reinvestment Act of \$ 7.2 million was offset by an increase in Special Fund Federal aid compared to the prior year of \$5 million.
- The decrease in General Support and Instructional expenses was due to the School District laying off approximately 300 teachers as well as no contractual increases during the 2010-2011 school year for all non-teaching positions.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Table 3 Revenue Sources for 2011:

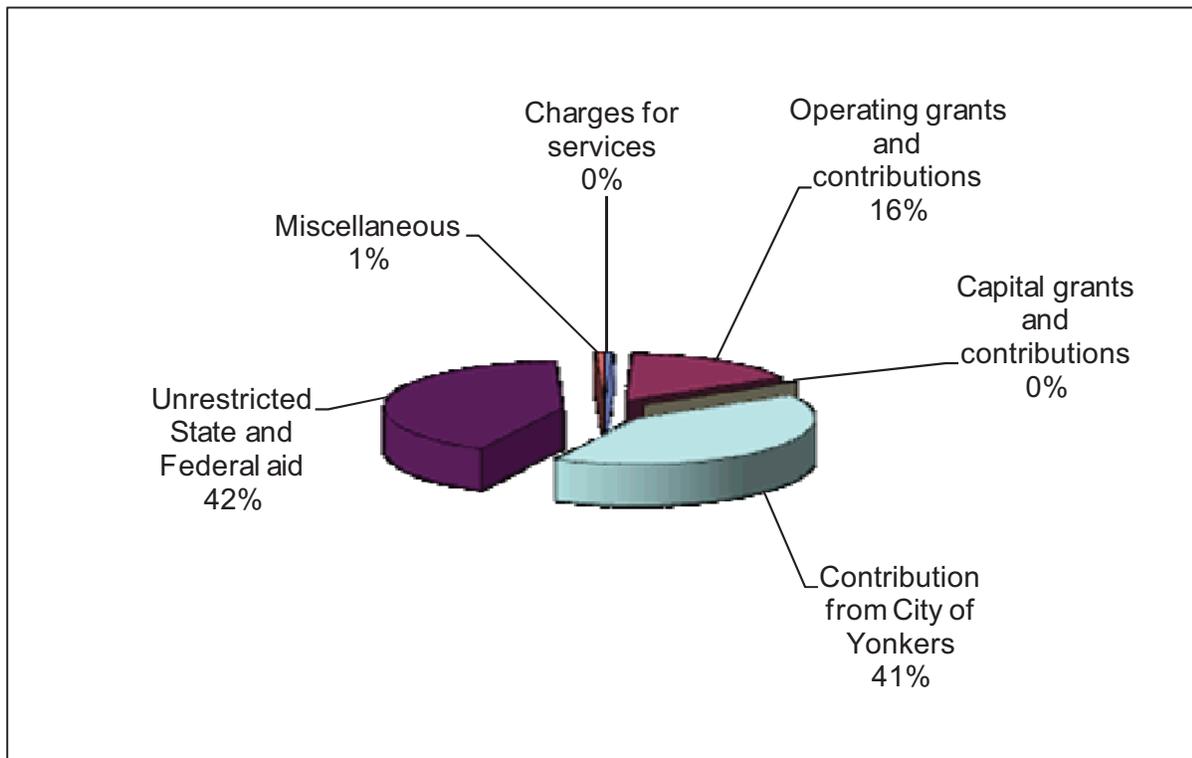
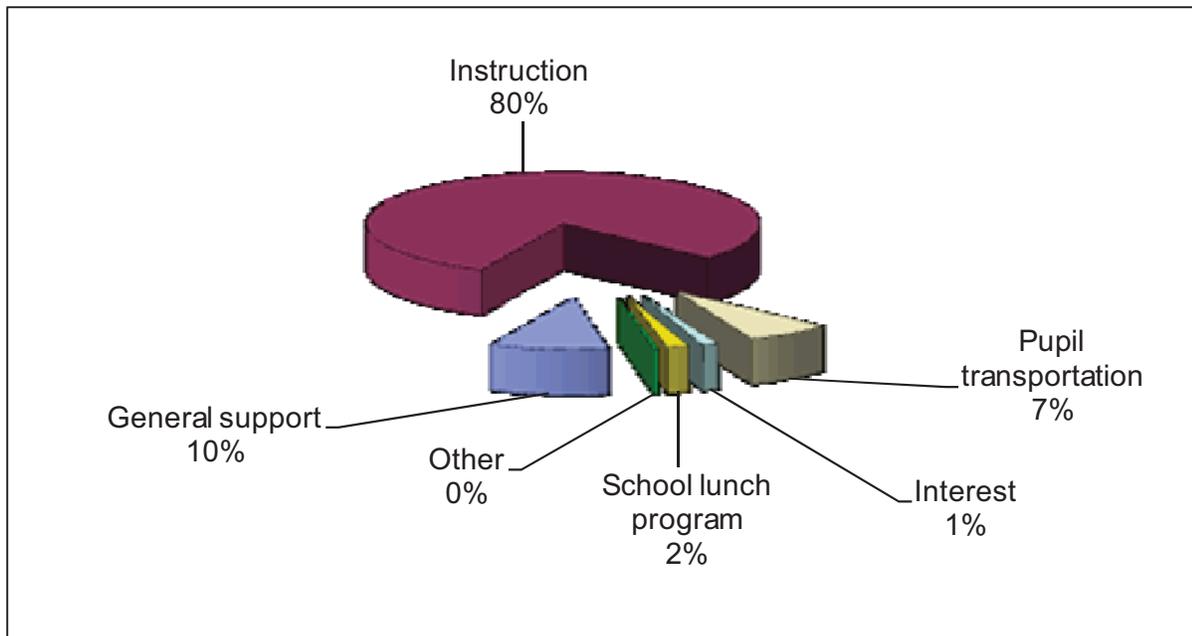


Table 4 Sources of Expenses for 2011:



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

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' capital 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.

The School District's governmental fund financial statements show a current year deficit of \$9.3 million the deficit was caused by capital fund expenditures of \$23.6 million in the current year related to major renovation projects, while financing for new capital projects was limited to \$8.1 million in proceeds related to the new ESCO II Energy management project in 2011. The deficit in the Capital Projects Fund was offset by the surplus of \$5.9 million in the General Fund.

The General Fund is the fund through which most of the School District's activity passes. The surplus in the General Fund was primarily due to significant decreases in Instructional and General Support Expenditures during year related to layoffs and no contractual wage increases for non-teaching positions in 2010-2011.

General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the general fund.

Table 5 - Results vs. Budget (In Thousands of Dollars)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
Revenue:					
Local sources	\$ 222,835	\$ 222,835	\$ 221,969	\$ -	\$ (866)
State sources	237,023	237,023	235,454	-	(1,569)
Federal sources	9,153	9,153	8,155	-	(998)
Interfund revenue	1,102	1,102	1,216	-	114
Total	<u>470,113</u>	<u>470,113</u>	<u>466,794</u>	<u>-</u>	<u>(3,319)</u>
Expenses:					
General support	49,832	48,208	41,932	1,776	4,500
Instruction	258,824	261,575	250,904	450	10,221
Transportation	39,751	38,986	38,197	-	789
Employee benefits	109,432	109,274	108,556	-	718
Debt service	1,184	1,334	1,238	-	96
Transfers out	20,149	19,795	20,039	-	(244)
Total	<u>479,172</u>	<u>479,172</u>	<u>460,866</u>	<u>2,226</u>	<u>16,080</u>
Revenue over (under) expense	<u>\$ (9,059)</u>	<u>\$ (9,059)</u>	<u>\$ 5,928</u>	<u>\$ (2,226)</u>	<u>\$ 12,761</u>

The School District considers budget variances of 10% and \$1 million to be significant. The following variances occurred during 2011:

- The \$1.6 million unfavorable variance in budget for State sources of revenue related to an unexpected reduction in Building Aid related to a school renovation project completed in prior years.
- The \$10.2 million positive variance in budget for Instruction expenses and the \$4.5 million positive variance in budget for General Support expenses related to the elimination of certain teaching positions and no contractual wage increases during 2011 for non-teaching positions.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2011, the School District had \$238.6 million invested in a broad range of capital assets including land, buildings, vehicles, athletic facilities, computers, and other educational equipment. The School District continued its major renovation projects at a number of different schools during the school year, expending \$23.6 million in construction costs.

Table 6 - Capital Assets (Net of Depreciation (In Thousands of Dollars))

<u>Category</u>	<u>Fiscal Year</u> <u>2011</u>	<u>Fiscal Year</u> <u>2010</u>	<u>Percent</u> <u>Change</u>
Land	\$ 6,597	\$ 6,597	0.00%
Construction in progress	50,018	46,635	7.25%
Buildings and improvements	180,020	165,713	8.63%
Machinery and equipment	<u>1,927</u>	<u>1,878</u>	2.61%
Total	<u>\$ 238,562</u>	<u>\$ 220,823</u>	8.03%

Long-Term Debt

As of June 30, 2011, the School District had \$189.7 million in general obligation bonds and other long-term debt outstanding. More detailed information about the School District's long-term debt is included in the notes to the financial statements.

Table 7 - Outstanding Long-Term Debt (In Thousands of Dollars)

<u>Category</u>	<u>Fiscal Year</u> <u>2011</u>	<u>Fiscal Year</u> <u>2010</u>	<u>Percent</u> <u>Change</u>
General obligation bonds	\$ 132,469	\$ 143,711	-7.82%
State loan payable	3,800	4,000	-5.00%
State Loan payable - retirement	2,107	1,549	36.02%
Note payable - ESCO	17,113	9,683	76.73%
Due to retirement systems	14,061	14,602	-3.70%
Other long-term liabilities	8,402	-	n/a
Compensated absences	13,945	15,485	-9.95%
Other post employment benefits	265,396	206,116	28.76%
	<u>\$ 457,293</u>	<u>\$ 395,146</u>	<u>15.73%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

The current economic conditions in New York State may continue to have an adverse effect on the aid the School District receives from the State. In addition, Legislative mandates and State Education Department initiatives, which are not accompanied by financial support, continue to be a concern to the School District. Also, increases in health insurance, retirement costs, and other post employment benefits will continue to increase and could affect the School District's financial health.

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. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mr. Stanley Bronski, Assistant Superintendent of Finance, Yonkers Public Schools, One Larkin Center, Yonkers, New York 10701-7044.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS

CURRENT ASSETS:

Cash and equivalents	\$ 7,516
Receivables -	
Accounts	4,034,333
State and Federal aid	71,312,235
Due from other funds	6,726
Due from City of Yonkers	75,918,005
Inventories	<u>187,741</u>
Total current assets	<u>151,466,556</u>

NON-CURRENT ASSETS:

Capital assets (net of accumulated depreciation) -	
Land	6,597,219
Construction in progress	50,017,666
Buildings and improvements	180,019,859
Machinery and equipment	<u>1,926,569</u>
Total capital assets	<u>238,561,313</u>
Deferred charges, net	<u>468,278</u>
Total assets	<u>\$ 390,496,147</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 14,287,368
Accrued liabilities	22,453,762
Accrued interest payable	1,598,927
Retainages payable	1,287,373
Due to City of Yonkers	30,973,154
Due to other governments	9,038,585
Due to retirement systems	25,920,396
Due within one year -	
Bond anticipation note payable	2,800,000
Bonds payable - capital construction	13,035,000
Capital lease	932,774
State loan payable	200,000
State loan payable - retirement	<u>351,630</u>
Total current liabilities	<u>122,878,969</u>

LONG-TERM LIABILITIES:

Bonds payable - capital construction	119,433,625
Capital lease	16,180,206
State loan payable	3,600,000
State loan payable - retirement	1,755,513
Compensated absences	13,944,986
Due to retirement systems	14,060,776
Other long-term liabilities	8,402,542
Postemployment benefits liability	<u>265,396,229</u>
Total long-term liabilities	<u>442,773,877</u>
Total liabilities	<u>\$ 565,652,846</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 98,320,597
Restricted for -	
Special purposes	196,347
Unrestricted	<u>(273,673,643)</u>
Total net assets	<u>\$ (175,156,699)</u>

The accompanying notes are an integral part of these statements.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General support	\$ 56,794,535	\$ 163,379	\$ -	\$ 109,704	\$ (56,521,452)
Instruction	471,256,900	394,062	78,584,007	238,123	(392,040,708)
Pupil transportation	41,351,957	-	25,800	-	(41,326,157)
Community services	1,897,318	-	382,108	-	(1,515,210)
Cost of food sales	10,480,597	2,091,379	6,575,890	-	(1,813,328)
Other	149,199	-	135,853	-	(13,346)
Interest	7,810,759	-	-	1,890	(7,808,869)
Total governmental activities	<u>\$ 589,741,265</u>	<u>\$ 2,648,820</u>	<u>\$ 85,703,658</u>	<u>\$ 349,717</u>	<u>(501,039,070)</u>
					Contribution from City of Yonkers 217,849,240
					Forfeitures 1,175
					Unrestricted State aid 214,645,439
					Federal aid 8,155,256
					Sale of property and compensation for loss 14,628
					Miscellaneous <u>3,546,521</u>
					Total general revenues <u>444,212,259</u>
					Change in net assets (56,826,811)
					Net assets - beginning of year <u>(118,329,888)</u>
					Net assets - end of year <u>\$ (175,156,699)</u>

The accompanying notes are an integral part of these statements.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and equivalents	\$ 200	\$ -	\$ -	\$ 7,316	\$ 7,516
Receivables:					
Accounts and other	4,028,999	-	60	5,274	4,034,333
State and Federal aid	46,315,880	22,419,848	2,052,043	524,464	71,312,235
Due from City of Yonkers	45,936,613	-	28,092,289	1,889,103	75,918,005
Advances to other funds	1,000,000	-	-	-	1,000,000
Due from other funds	10,968	-	17,640	8,814	37,422
Inventories	-	-	-	187,741	187,741
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 97,292,660</u>	<u>\$ 22,419,848</u>	<u>\$ 30,162,032</u>	<u>\$ 2,622,712</u>	<u>\$ 152,497,252</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 10,286,811	\$ 2,326,203	\$ 1,209,688	\$ 464,666	\$ 14,287,368
Accrued liabilities	20,805,339	1,142,480	248,081	257,862	22,453,762
BAN payable	-	-	2,800,000	-	2,800,000
Retainages payable	-	-	1,287,373	-	1,287,373
Due to City of Yonkers	48,727	17,912,758	12,944,279	67,390	30,973,154
Due to other governments	8,017,818	1,020,767	-	-	9,038,585
Due to retirement systems	25,368,399	-	-	551,997	25,920,396
Due to other funds	13,056	17,640	-	-	30,696
Advances from other funds	-	-	-	1,000,000	1,000,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>64,540,150</u>	<u>22,419,848</u>	<u>18,489,421</u>	<u>2,341,915</u>	<u>107,791,334</u>
FUND BALANCES (DEFICITS):					
Nonspendable -					
Inventory	-	-	-	187,741	187,741
Restricted for -					
Encumbrances	-	1,186,759	2,879,684	25,643	4,092,086
Long-term receivables	1,000,000	-	-	-	1,000,000
Trusts	-	-	-	196,347	196,347
Committed fo -:					
Repairs to capital improvements or equipment	4,500,000	-	-	-	4,500,000
Other Postemployment benefits	500,000	-	-	-	500,000
Technology upgrades	500,000	-	-	-	500,000
Unemployment insurance	850,000	-	-	-	850,000
Assigned to -					
Designated for subsequent year's expenditures	14,430,711	-	-	-	14,430,711
Encumbrances	2,226,225	-	-	-	2,226,225
Unassigned	8,745,574	(1,186,759)	8,792,927	(128,934)	16,222,808
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>32,752,510</u>	<u>-</u>	<u>11,672,611</u>	<u>280,797</u>	<u>44,705,918</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 97,292,660</u>	<u>\$ 22,419,848</u>	<u>\$ 30,162,032</u>	<u>\$ 2,622,712</u>	<u>\$ 152,497,252</u>

The accompanying notes are an integral part of these statements.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

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

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Charges for services	\$ 394,062	\$ -	\$ -	\$ -	\$ 394,062
Use of money and property	163,379	-	-	1,890	165,269
Forfeitures	1,175	-	-	-	1,175
Sale of property and compensation for loss	14,628	-	-	-	14,628
Interfund revenues	1,215,987	-	-	-	1,215,987
State aid	234,623,990	9,843,825	238,123	218,651	244,924,589
Federal aid	8,155,256	48,787,431	-	6,357,239	63,299,926
Food sales	-	-	-	2,091,379	2,091,379
Miscellaneous	3,546,521	382,108	109,704	135,853	4,174,186
Total revenues	<u>248,114,998</u>	<u>59,013,364</u>	<u>347,827</u>	<u>8,805,012</u>	<u>316,281,201</u>
EXPENDITURES:					
Current -					
General support	41,932,296	1,261,853	-	-	43,194,149
Instruction	250,904,450	47,952,622	-	-	298,857,072
Pupil transportation	38,196,869	1,357,109	-	-	39,553,978
Community services	-	112,372	-	-	112,372
Employee benefits	108,556,216	9,449,137	-	1,750,207	119,755,560
Cost of food sales	-	-	-	6,878,962	6,878,962
Other	-	-	-	149,199	149,199
Debt service -					
Principal	660,278	-	-	13,818,053	14,478,331
Interest	577,281	-	-	5,142,245	5,719,526
Capital outlay	-	-	23,641,871	-	23,641,871
Total expenditures	<u>440,827,390</u>	<u>60,133,093</u>	<u>23,641,871</u>	<u>27,738,666</u>	<u>552,341,020</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	<u>(192,712,392)</u>	<u>(1,119,729)</u>	<u>(23,294,044)</u>	<u>(18,933,654)</u>	<u>(236,059,819)</u>
OTHER FINANCING SOURCES (USES):					
Contribution from City of Yonkers	217,849,240	-	-	-	217,849,240
State loan-retirement	829,815	-	-	-	829,815
Proceeds from capital lease	-	-	8,090,419	-	8,090,419
Transfers in	-	1,119,729	-	18,943,013	20,062,742
Transfers out	(20,038,603)	-	-	(24,139)	(20,062,742)
Total other financing sources	<u>198,640,452</u>	<u>1,119,729</u>	<u>8,090,419</u>	<u>18,918,874</u>	<u>226,769,474</u>
Net change in fund balances	5,928,060	-	(15,203,625)	(14,780)	(9,290,345)
Fund balances - beginning of year	<u>26,824,450</u>	<u>-</u>	<u>26,876,236</u>	<u>295,577</u>	<u>53,996,263</u>
Fund balances - end of year	<u>\$ 32,752,510</u>	<u>\$ -</u>	<u>\$ 11,672,611</u>	<u>\$ 280,797</u>	<u>\$ 44,705,918</u>

The accompanying notes are an integral part of these statements.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

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

Fund balance - total governmental funds	\$ 44,705,918
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	238,561,313
Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:	
Deferred charges	468,278
Premiums	(3,213,625)
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(1,598,927)
Bonds payable - capital construction	(129,255,000)
State loan payable	(3,800,000)
State loan payable - retirement	(2,107,143)
Capital lease	(17,112,980)
Compensated absences	(13,944,986)
Due to retirement systems	(14,060,776)
Other long-term liabilities	(8,402,542)
Postemployment benefits liability	<u>(265,396,229)</u>
Net assets of governmental activities	<u>\$ (175,156,699)</u>

The accompanying notes are an integral part of these statements.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

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

Net change in fund balances - total governmental funds \$ (9,290,345)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is a summary of that activity:

Capital outlay expenditures	23,767,617
Depreciation expense	(5,882,114)
Loss on disposal of fixed assets	<u>(146,990)</u>
	<u>17,738,513</u>

Bond, note and loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized on the statement of activities:

Principal paid on bonds	13,346,000
Principal paid on capital lease	660,278
Principal paid on State loan payable	200,000
Principal paid on State loan payable - retirement	272,053
Bonds issued	(829,815)
Proceeds from borrowing on capital lease	(8,090,419)
Amortization of issuance costs, loss on refunding bonds and issuance premium	<u>(2,158,724)</u>
	<u>3,399,373</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Accrued interest payable	12,400
Other postemployment benefits obligation	(59,280,229)
Retirement incentive cost	541,224
Teachers contract settlement	(8,402,542)
Compensated absences	<u>(1,545,205)</u>
	<u>(68,674,352)</u>

Change in net assets of governmental activities \$ (56,826,811)

The accompanying notes are an integral part of these statements.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

**STATEMENT OF ASSETS AND LIABILITIES -
FIDUCIARY FUND
JUNE 30, 2011**

	<u>Agency</u>
ASSETS	
Cash and equivalents	\$ 303,088
Due from other funds	4,242
Due from City of Yonkers	<u>1,855,010</u>
Total assets	<u>\$ 2,162,340</u>
LIABILITIES	
Accounts payable	\$ 198,134
Employee payroll deductions	1,650,150
Due to other funds	10,968
Student activity funds	<u>303,088</u>
Total liabilities	<u>\$ 2,162,340</u>

The accompanying notes are an integral part of these statements.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Yonkers Public Schools (the School District), as presently constituted, operates in accordance with the provisions of the Education Law of the State of New York. The Board of Education (the Board) of the City of Yonkers, New York (the City), is the legislative body responsible for providing education services to the residents of the City. The Mayor of the City appoints the members of the Board. The Board is, pursuant to Section 2551 in Education Law, a legally separate entity. However, in as much as the Board has no taxing power, relies solely upon the City for appropriations, and, while it may be sued in its own name, recourse exists to the City and therefore the Board may not be defined as a separate legal entity for financial reporting purposes pursuant to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14. The Superintendent serves as the chief executive officer and is appointed by the Board. The School District's primary function is to provide education for its pupils. Services such as transportation of pupils, administration, finance and plant maintenance support the primary function.

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict or contradict GASB pronouncements. The more significant accounting principles and policies used by the School District are described below.

A. Reporting Entity

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 is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the School District, for financial reporting purposes administration has considered all potential component units. The decision to include a potential component unit in the School 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 the Extraclassroom Activity Funds, which are included in the financial statements.

• **Extraclassroom Activity Funds**

The Extraclassroom Activity Funds of the 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. Separate audited financial statements (prepared on the cash basis of accounting) of the Extraclassroom Activity Funds can be obtained at the School District's business office. The School District accounts for assets held as an agent for various student organizations in an agency fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

1. District-Wide Statements

The Statement of Net Assets and the Statement of Activities present financial information about the School 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 of internal transactions. Governmental activities generally are financed through State aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended to those areas. 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 are presented as general revenues. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas.

2. Fund Financial Statements

The fund statements provide information about the School 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, based on certain specific criteria each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The School District reports the following governmental funds:

a. Major Governmental Funds

- **General Fund**
This is the School District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- **Special Aid Fund**
This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds or by outside parties.
- **Capital Projects Fund**
This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

2. Fund Financial Statements (Continued)

b. **Non-Major Governmental Funds** - The other funds, which are not considered major and reported as non-major governmental funds are as follows:

- **School Lunch Fund**

This fund is used to account for transactions of the School District's school lunch and breakfast programs.

- **Debt Service Fund**

This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

- **Special 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 School District or representatives of the donors may serve on committees to determine who benefits.

c. **Fiduciary Funds** - Fiduciary activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements because these resources do not belong to the School District and are not available to be used. Agency funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the School District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

C. Basis of Accounting/Measurement Focus

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. Non-exchange transactions, in which the School District gives or receives value without directly receiving or giving equal value in exchange, include contributions from the City, grants, and donations. On an accrual basis, revenue from the City is recognized in the fiscal year for which it is appropriated in the City's adopted budget. 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. The School District considers all revenues reported in the governmental funds to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A ninety-day availability is used for revenue recognition for governmental fund revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting/Measurement Focus (Continued)

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 issuance of general long-term debt are reported as other financing sources.

D. Restricted Resources

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

E. Interfund Transactions

The operations of the School District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The School 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 significant 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 School District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 7 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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, other postemployment benefits liability, potential contingent liabilities, and useful lives of long-lived assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Cash and Equivalents

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

The School District's investment policies are administered by the City and governed by New York State law. 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. The City has entered into custodial agreements with various banks, which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such Obligations include, among other instruments, obligations of the United States, its agencies and obligations of the State and its municipal and school district subdivisions.

Custodial Credit Risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the School District's name. The School District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2011.

The School District was invested only in the above-mentioned obligations and, accordingly, was not exposed to any interest rate risk.

All cash and equivalents restricted by external sources are held by a fiscal agent in the name of the City for the benefit of the School District and are reflected on the books and records of the City.

H. Receivables

The School District records bad debts using the direct write-off method. Generally accepted accounting principals require that the allowance method be used to recognize bad debts; however the effect of using the direct write-off method is not materially different from the results that would be obtained under the allowance method.

I. Inventories

Inventories of food and/or supplies for 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. These inventories consist primarily of items held for consumption. The School District uses the consumption method to relieve inventory. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Deferred Charges

Deferred charges in the District-wide financial statements represent the unamortized portion of the cost of issuance of the refunding bonds. These costs are being amortized over the term of the respective bond issue.

K. Capital Assets

Capital assets are reported at historical cost or estimated historical cost. Donated assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

<u>Class</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 5,000	N/A	N/A
Buildings and improvements	\$ 5,000	Straight-line	20 - 50 Years
Machinery and equipment	\$ 5,000	Straight-line	5 - 20 Years

L. Due to Other Governments

The School District reports amounts due to other governments in its basic financial statements. These amounts represent payments received, in which the School District has estimated that it was not entitled. In subsequent periods, when the amounts due to other governments are finalized and refunded the School District recognizes any adjustments to revenue in the year known.

M. Vested Employee Benefits

1. Compensated Absences

Compensated absences consist of unpaid accumulated vacation, sick and terminal leave.

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

School 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 generally accepted accounting principles, 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 governmental funds statements only the amount of matured liabilities is accrued within the different funds based upon expendable and available financial resources. These amounts are recognized as expenditures on a pay-as-you-go basis.

2. Other Benefits

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Vested Employee Benefits (Continued)

2. Other Benefits (Continued)

In addition to providing pension benefits, the School District provides postemployment health insurance coverage and survivor benefits to its 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 School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. The School District pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance. At the fund level, the School District recognized the current cost of providing benefits for June 30, 2011 by recording approximately \$25,356,251, which is its share of insurance premiums for 2,334 current retirees, spouses and beneficiaries.

In accordance with the provisions of Governmental Accounting Standards Board Statement Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the School District has recorded on the District-wide statement of net assets the required other postemployment benefits obligation totaling \$265,396,229 as of June 30, 2011. See Note 9 for additional information regarding postemployment benefits.

N. 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 funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

O. Equity Classifications

District-wide statements

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

Invested in capital assets, net of related debt - consists of net capital assets (cost less accumulated depreciation) plus unspent bond proceeds reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

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 and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Equity Classifications (Continued)

Restricted net assets consist of the following:

Trusts	\$ <u>196,347</u>
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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.

Governmental Fund Statements

In the fund basis statements there are five classifications of fund balance:

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually are required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund and prepaids in the general fund.

Restricted fund balance - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The School District has available the following restricted fund balances:

Capital

Capital reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term, and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the general fund under restricted fund balance.

Repair

Repair reserve (GML §6-d) is 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.

1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Equity Classifications (Continued)

Governmental Fund Statements (Continued)

Workers' Compensation

Workers' compensation reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund under restricted fund balance.

Unemployment Insurance

Unemployment insurance reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School 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. The reserve is accounted for in the general fund under restricted fund balance.

Debt Service

Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. The reserve is accounted for in the debt service fund under the restricted fund category.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the general fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Committed fund balance - Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, i.e., the Board of Education. The School District has the following committed fund balances as of June 30, 2011:

Repairs to capital improvements or equipment	\$ 4,500,000
Other Postemployment benefits	500,000
Technology upgrades	500,000
Unemployment insurance	<u>850,000</u>
Total committed fund balances	<u>\$ 6,350,000</u>

1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Equity Classifications (Continued)

Governmental Fund Statements (Continued)

Encumbrances (Continued)

Assigned fund balance - Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance in the general fund. Encumbrances reported in the general fund amounted to \$2,226,225. There was also an amount designated for subsequent year's expenditures in the general fund of \$14,430,711.

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

Order of Fund Balance Spending Policy

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determine next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

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 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.

Total Fund Balances of Governmental Funds Vs Net Assets of Governmental Activities

Total fund balances of the School District's governmental funds differ from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus on the Statement of Net Assets versus the solely current financial resource focus on the Balance Sheets - Governmental Funds.

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS (Continued)

Statement of Revenue, Expenditures, and Changes in Fund Balance Versus Statement of Activities

The excess revenues and other sources over expenditures and other uses of the School District's governmental funds differ from the "change in net assets" of governmental activities reported on the Statement of Activities. The differences result primarily from the economics focus on the Statement of Activities, compared with the current financial resources focus on the governmental funds

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities reports revenue 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.

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.

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.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets

The School District generally follows the procedures enumerated below in establishing the budget reflected in the fund financial statements:

- a. The School District administration prepares a proposed budget for approval by the Board of Education. The School District must submit its approved budget to the Mayor and City Council's Budget Committee by March 1st of the year preceding the budget year. The Budget is included in the City's budget and must be approved by the City Council.
- b. The Charter requires the budget to be presented to the City Council by April 15th of the year preceding the budget year.
- c. The City Council sets a date for a public hearing, which is generally in May of the year preceding the budget year.
- d. After the public hearing, the City Council by charter must adopt the City budget, which includes appropriations and estimated revenues of the School District by June 1st of the year preceding the budget year.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgets (Continued)

- e. The Fiscal Agent (New York State Comptroller), as defined by the Special Local Finance and Budget Act, reviews the City budget to determine the justification documents required. This Act limits budgeted expenditures to amounts not less than those of the previous audited year and requires revenues to be estimated at not more than those of the previous audited year, unless justification documents have been filed as support. As part of this review the fiscal agent certifies the City budget is in compliance with the Special Local Finance and Budget Act.
- f. Budgets for General, Special Aid, School Lunch and Debt Service funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. An annual budget is not adopted for the Special Purpose Fund.
- g. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year, except that outstanding encumbrances are re-appropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the New York State Comptroller. Transfers between appropriation accounts require approval by the Superintendent. Any modification to appropriations resulting from increase in revenue estimates or supplemental reserve appropriations requires Board of Education and City Council approval.

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.

4. CAPITAL ASSETS

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

	7/1/2010				6/30/2011
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u>
<u>Governmental activities:</u>					
Capital assets that are not depreciated:					
Land	\$ 6,597,219	\$ -	\$ -	\$ -	\$ 6,597,219
Construction in progress	<u>46,634,361</u>	<u>23,333,065</u>	<u>-</u>	<u>(19,949,759)</u>	<u>50,017,667</u>
	<u>53,231,580</u>	<u>23,333,065</u>	<u>-</u>	<u>(19,949,759)</u>	<u>56,614,886</u>
Capital assets that are depreciated:					
Buildings and Improvements	279,519,609	-	(668,723)	19,949,759	298,800,645
Machinery and Equipment	<u>9,782,388</u>	<u>434,552</u>	<u>(123,809)</u>	<u>-</u>	<u>10,093,131</u>
	<u>289,301,997</u>	<u>434,552</u>	<u>(792,532)</u>	<u>19,949,759</u>	<u>308,893,776</u>
Less: Accumulated depreciation:					
Buildings and Improvements	(113,806,494)	(5,496,026)	521,733	-	(118,780,787)
Machinery and Equipment	<u>(7,904,283)</u>	<u>(386,088)</u>	<u>123,809</u>	<u>-</u>	<u>(8,166,562)</u>
	<u>(121,710,777)</u>	<u>(5,882,114)</u>	<u>645,542</u>	<u>-</u>	<u>(126,947,349)</u>
Total capital assets depreciated, net	<u>167,591,220</u>	<u>(5,447,562)</u>	<u>(146,990)</u>	<u>19,949,759</u>	<u>181,946,427</u>
Total capital assets, net	<u>\$ 220,822,800</u>	<u>\$ 17,885,503</u>	<u>\$ (146,990)</u>	<u>\$ -</u>	<u>\$ 238,561,313</u>

Depreciation expense for the year ended June 30, 2011, was charged to functions/programs as follows:

Governmental Activities:

Instructional	\$ 5,354,863
General support	482,474
Cost of food sales	31,744
Pupil transportation	<u>13,033</u>
	<u>\$ 5,882,114</u>

5. SHORT-TERM DEBT

The School District may issue revenue anticipation notes (RAN) or tax anticipation notes (TAN), in anticipation of the receipt of revenue. These notes are recorded as a liability in 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 School 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 an insufficient or no provision is 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 School District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

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

	<u>Interest Rate</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BANs	1.71%	April 2012	\$ <u> -</u>	\$ <u>2,800,000</u>	\$ <u> -</u>	\$ <u>2,800,000</u>

6. LONG-TERM DEBT

Interest and related expenses on all debt for the year was composed of:

Interest paid - Long-term debt	\$ 5,719,526
Less: Interest accrued in the prior year	(1,611,326)
Amortization of Bond Premiums	(365,753)
Plus: Interest accrued in the current year	1,598,927
Amortization of loss on refunding	<u>2,469,385</u>
Total expense	\$ <u>7,810,759</u>

6. LONG-TERM DEBT (Continued)

Long-term debt obligations balances and activity for the year ended June 30, 2011, were as follows:

	7/1/2010 <u>Balance</u>	New Issues/ <u>Additions</u>	Maturities and/or <u>Payments</u>	6/30/2011 <u>Balance</u>	Due Within <u>One Year</u>	Due in More than <u>One Year</u>
Bonds Payable:						
Capital construction	\$ 142,601,000	\$ -	\$ 13,346,000	\$ 129,255,000	\$ 13,035,000	\$ 116,220,000
Plus: Unamortized bond premium	3,579,378	-	365,753	3,213,625	-	3,213,625
Less: Deferred loss on refunding	<u>(2,469,385)</u>	<u>-</u>	<u>(2,469,385)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total bonds payable	<u>143,710,993</u>	<u>-</u>	<u>11,242,368</u>	<u>132,468,625</u>	<u>13,035,000</u>	<u>119,433,625</u>
Capital lease payable	9,682,839	7,897,980	467,839	17,112,980	932,774	16,180,206
State loan payable	4,000,000	-	200,000	3,800,000	200,000	3,600,000
State loan payable - Retirement	1,549,381	829,815	272,053	2,107,143	351,630	1,755,513
Due to retirement Systems	14,602,000	-	541,224	14,060,776	-	14,060,776
Other long-term liability	-	8,402,542	-	8,402,542	-	8,402,542
Compensated absences	15,484,811	-	1,539,825	13,944,986	-	13,944,986
Post employment benefit obligation	<u>206,116,000</u>	<u>59,280,229</u>	<u>-</u>	<u>265,396,229</u>	<u>-</u>	<u>265,396,229</u>
Total long-term debt obligations	<u>\$ 395,146,024</u>	<u>\$ 76,410,566</u>	<u>\$ 14,263,309</u>	<u>\$ 457,293,281</u>	<u>\$ 14,519,404</u>	<u>\$ 442,773,877</u>

The following is a summary by issue of serial bonds payable as of June 30, 2011:

<u>Purpose</u>	<u>Year of Issue</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
Refunding of serial bonds	1993	\$ 36,957,690	September, 2009	5.50%	\$ -
Construction	1999	35,900,000	December, 2017	4.25-5.00	5,185,000
Construction	1999	31,850,000	June, 2010	4.35-5.00	-
Construction	2000	10,000,000	October, 2011	4.625-5.000	545,000
Construction	2000	8,800,000	December, 2009	3.75-4.100	-
Construction	2002	7,000,000	July, 2018	3.25-4.875	4,025,000
Construction	2004	12,000,000	October, 2018	2.0-4.125	7,505,000
Refunding of serial bonds	2004	18,915,000	December, 2013	2.0-5.0	9,410,000
Construction	2004	11,800,000	December, 2013	2.25-5.00	5,670,000
Refunding of serial bonds	2005	40,015,000	August, 2019	3.0-5.0	35,730,000
Construction	2006	7,790,000	September, 2023	4.0-4.5	6,415,000
Construction	2007	15,190,000	May, 2028	4.0-5.0	13,615,000
Construction	2008	17,985,000	November, 2031	4.0-5.0	16,870,000
Renovations/repairs	2009	14,164,000	December, 2018	0.00	11,800,000
Renovations/repairs	2009	13,836,000	December, 2019	0.00	<u>12,485,000</u>
					<u>\$ 129,255,000</u>

6. LONG-TERM DEBT (Continued)

State Loan Payable

The State of New York, pursuant to Chapter 88 of the Laws of 2000, accelerated \$6 million of state aid during the 2000 school year. In each of the subsequent 30 years, the aid formula enumerated in the statutes will reduce the accelerated portion by \$200,000 per year. The loan is interest free. Accordingly, at June 30, 2011, the School District has recorded a liability of \$3,800,000.

The provisions of the Statute also require the School District's chief fiscal officer to monitor all budgets and prepare quarterly reports depicting revenue and expenditure trends. The provisions require recommended remedial action by the superintendent, if necessary, to resolve any unfavorable budget variances. The reports are to be submitted within sixty days after the end of the quarter to the Board of Education, the State Division of the Budget, the State Comptroller, Commissioner of Education, Chairman of the Assembly Ways and Means Committee and the Chairman of the Senate Finance Committee.

State Loan Payable - Retirement

The ERS charges to participating governments increased significantly in 2003. Consequently, The State Legislature enacted Chapter 49 of the Laws of 2003. This Chapter authorized local governments to amortize the portion of their respective contribution, over a ten-year period, commencing in 2006. The amortization payment would include interest at 5%. The School District had elected to amortize the maximum allowable ERS contributions, which aggregated \$2,325,012. The amount amortized during the 2011 school year was \$301,100, including interest of \$65,180 and was charged to the Debt Service fund.

Chapter 260 of the Laws of 2004 authorized local governments to amortize the portion of their respective contribution, over a ten-year period, commencing in 2007. The Amortization payment would include interest at 5%. The School District has elected to amortize the maximum allowable ERS contribution, which aggregated to \$373,904. The amount amortized during the 2011 school year was \$48,422, including interest of \$12,289 and was charged to the Debt Service Fund.

Chapter 57 of the Laws of 2010 authorized local governments to amortize the portion of their respective contribution, over a ten-year period, commencing in 2012. The Amortization payment would include interest at 5%. The School District has elected to amortize the maximum allowable ERS contribution, which aggregated to \$829,815.

Capital Lease Payable

During 2009, the School District entered into a financing arrangement with a bank for the acquisition of energy efficient equipment to assist the School District in reducing its ongoing energy costs. During 2011, a second financing arrangement was entered into to reduce energy costs. These financing agreements qualify as a capital leases with annual installments in varying amounts from \$932,774 to \$1,629,430 in total including interest at 6.91% and 3.77%, respectively, through 2024.

Due to Retirement Systems

For those staff who retired as part of the early retirement incentive program offered by the New York State Retirement Systems (Systems) in 2010 there is an additional retirement cost to the District owed to the Systems. The amount owed to the systems will be paid by the School District in five annual installments of \$2,805,535 for the Teachers' Retirement System and \$709,659 for the Employees' Retirement System, including interest at 8.0% and 7.5% respectively, respectively, through 2015.

6. LONG-TERM DEBT (Continued)

Other Long-Term Liabilities

During the fiscal year ended June 30, 2011, the School District and Yonkers Federation of Teachers (YFT) settled a salary arbitration claim against the District. As part of the settlement agreement the School District has agreed to pay the members of YFT a total of \$8,402,542 payable in 4 annual installments beginning July, 2012.

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

Year	Serial Bonds		Loans Payable		Capital Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011-12	\$ 13,035,000	\$ 4,569,902	\$ 551,630	\$ 105,357	\$ 932,774	\$ 703,204	\$ 14,519,404	\$ 5,378,463
2012-13	13,040,000	4,094,258	569,211	87,776	987,331	664,214	14,596,542	4,846,248
2013-14	12,980,000	3,622,507	587,671	69,315	1,038,439	622,984	14,606,110	4,314,806
2014-15	13,465,000	3,156,391	607,055	49,931	1,101,171	579,678	15,173,226	3,786,000
2015-16	12,385,000	2,695,434	326,309	29,575	1,165,600	533,792	13,876,909	3,258,801
2017-2021	45,685,000	7,250,306	1,465,267	72,057	6,834,574	1,888,253	53,984,841	9,210,616
2022-2026	10,890,000	3,158,465	1,000,000	-	5,053,091	409,738	16,943,091	3,568,203
2027-2031	7,775,000	843,387	800,000	-	-	-	8,575,000	843,387
	<u>\$ 129,255,000</u>	<u>\$ 29,390,650</u>	<u>\$ 5,907,143</u>	<u>\$ 414,011</u>	<u>\$ 17,112,980</u>	<u>\$ 5,401,863</u>	<u>\$ 152,275,123</u>	<u>\$ 35,206,524</u>

7. INTERFUND BALANCES

	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,010,968	\$ 13,056	\$ -	\$ 19,628,420
Special Aid Fund	-	17,640	709,546	-
Debt Service Fund	-	-	18,943,013	-
Capital Projects Fund	17,640	-	-	-
Special Purpose Fund	8,814	-	-	-
School Lunch Fund	-	1,000,000	-	24,139
Fiduciary Fund	4,242	10,968	-	-
Total	<u>\$ 1,041,664</u>	<u>\$ 1,041,664</u>	<u>\$19,652,559</u>	<u>\$ 19,652,559</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Assets.

The School District typically loans resources between funds for the purpose of mitigating the effects on transient cash flow issues. Except for the advance due from the School Lunch fund, all interfund payables are expected to be repaid within one year.

8. PENSION PLANS

General Information

The School District participates in the New York State Employees' Retirement System (NYSERS) and the New York State Teachers' Retirement System (NYSTRS), collectively, the Systems. 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.

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute, and benefits to employees. The System issued 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 for the employee who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined after January 1, 2010, employees in NYSERS contribute 3% of their salary throughout their active membership and those in NYSTRS contribute 3.5% throughout their active membership. 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 School District is required to contribute at an actuarially determined rate. The School District's contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current fiscal year and two preceding fiscal years were:

	<u>NYSTRS</u>	<u>NYSERS</u>
2010 - 2011	<u>\$ 15,662,889</u>	<u>\$ 6,765,349</u>
2009 - 2010	<u>\$ 18,347,668</u>	<u>\$ 5,022,850</u>
2008 - 2009	<u>\$ 19,408,216</u>	<u>\$ 4,918,154</u>

Amounts due to NYSTRS & NYSERS representing employer and employee contributions as of June 30, 2011 are \$23,558,250 and \$2,362,146, respectively.

9. POSTEMPLOYMENT BENEFITS

Plan Description

The School District provides for postretirement medical benefits to retiring employees after 10 years of service when a retiree reaches age 55, Medicare will provide primary coverage, except as otherwise provided by law. The Plan can be amended by action of the School District through agreements with different bargaining units. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The contributions of plan members and the School District are established by the Board of Education. Until changes are made in NYS law to permit funding, there is no legal authority to fund OPEB, other than "pay as you go."

Annual OPEB Cost and Net OPEB Obligation

The School District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed thirty years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the School District's net OPEB obligation:

Annual required contribution	\$ 81,237,195
Interest on net OPEB obligation	8,244,640
Adjustment to ARC	<u>(4,845,355)</u>
Annual OPEB cost	84,636,480
Estimated contributions	<u>(25,356,251)</u>
Increase in net OPEB obligation	59,280,229
Net OPEB obligation - beginning of year	<u>206,116,000</u>
Net OPEB obligation - end of year	<u>\$ 265,396,229</u>
Percentage of Annual OPEB Cost Contributed	28%

Trend Information

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

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 84,636,480	\$ 23,356,251	28%	\$ 265,396,229
6/30/2010	\$ 92,606,000	\$ 22,744,000	25%	\$ 206,116,000
6/30/2009	\$ 91,532,000	\$ 19,858,000	22%	\$ 136,254,000
6/30/2008	\$ 83,712,000	\$ 19,132,000	23%	\$ 64,580,000

9. POSTEMPLOYMENT BENEFITS (Continued)

Schedule of Funding Progress for the School District's Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (ALL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAAL as a Percentage of Covered Payroll
7/1/2010	\$ -	\$ 902,651,834	\$ 902,651,834	0%	\$ 272,000,000	331.9%
7/1/2009	\$ -	\$ 919,897,000	\$ 919,897,000	0%	\$ 286,000,000	321.6%
7/1/2008	\$ -	\$ 849,100,000	\$ 849,100,000	0%	\$ 279,000,000	304.3%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members and include the types of benefits provided at the time of the 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 following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	4.0%
Medical care cost trend rate	9.5% for pre 65 and 9.5% for post 65 initially. The rate is reduced by decrements to an ultimate rate of 5%.
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level dollar
Amortization basis	Open

*As the plan is unfunded, the assumed discount rate considers that the School District's investment assets are low risk in nature, such as money market funds or certificates of deposit.

10. RISK MANAGEMENT

General

The School 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 for the past three years.

Worker's Compensation

The City defends all claims and pays all judgments or settlements arising from worker's compensation claims and liability torts.

Health Benefits

The School District purchases conventional health insurance coverage for all full-time School District employees and retirees.

11. TRANSACTIONS BETWEEN THE SCHOOL DISTRICT AND THE CITY

The School District is a component unit of the City for financial reporting purposes. The School District is dependent upon the City to finance its operations, provide services, and construct assets. The following is a summary of significant transactions that occur routinely between the School District and the City:

- a) The City transacts substantially all of the School District's receipt and disbursement transactions through the Due To / Due From accounts during the year.
- b) The City dedicated \$217,849,240 of ad valorem taxes to fund educational programs at the School District for this year ended June 30, 2011.
- c) The City provides building space for the administrative offices of the School District at Larkin Center. There is no current lease agreement between the parties. The total expenditures incurred by the School District related to the occupancy costs paid to the City for the Larkin Center Administrative offices for the year ended June 30, 2011 was \$925,000.
- d) The Office of the New York State Comptroller acts as the Fiscal Agent for proceeds of serial bonds designated for the School District that have not yet been expended for the specified purpose of the bonds. The amount of funds held by the fiscal agent at June 30, 2011 was \$3,785,845, which are recorded as investments on the financial statements of the City, and as a liability due to the School District.

During the course of its operations, the School District has numerous transactions with the City to finance operations, provide services, and construct assets. To the extent that certain transactions between the School District and the City had not been paid or received as of June 30, 2011, balances of amounts receivable or payables have been recorded.

12. COMMITMENT AND CONTINGENCIES

The Board of Education is the defendant or co-defendant in several civil suits seeking damages for discrimination and harassment claimed by the plaintiffs. The cases are in various stages either waiting for summary judgments or trials to begin. The School District's Insurance carrier has been notified and is participating in the defense in cases that are covered under the School District Policies. As the outcomes of these suits are not known at this time, the School District is unable to estimate damages, if any.

Contingencies

The School 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 audits, the School District's administration believes disallowances, if any, will be immaterial.

Pollution Remediation

During 2011, the School District became aware of certain pollution remediation concerns related to contaminated soil and asbestos abatement at its schools. Although, the School District is in the process of correcting those concerns, not all project cost estimates have been completed nor has the amount to be reimbursed from New York State been determined that would offset these School District's pollution remediation costs. However, School District believes the total cost associated with these pollution remediation projects are not material to the District-wide financial statements.

Commitments

The School District has a major construction project underway, at its various buildings. The future expenditures to complete these projects are expected to be approximately \$2.9 million.

13. DONOR RESTRICTED ENDOWMENTS

The School District administers endowment funds, which are restricted to use by the donor for the purposes of student scholarships. These funds are accounted for in the Special Purpose fund.

14. SUBSEQUENT EVENTS

Subsequent to year end, the City, on behalf of the School District, issued \$12.8 million in School Bonds, Series 2011B, which included the conversion of a 2011 BAN with a balance of \$2.8 million outstanding at 6/30/11 as part of the total issuance. The bonds were issued at a premium with an average coupon rate of 4.434% over a 16 year life.

Subsequent to year end, the City, on behalf of the School District, issued \$15.0 million in School Construction Bonds. The bonds were issued at an average coupon rate of 5.75% over a 15 year life.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

GENERAL FUND
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbrances	
REVENUES:					
Charges for services	\$ 418,580	\$ 418,580	\$ 394,062	\$ -	\$ (24,518)
Use of money and property	130,000	130,000	163,379	-	33,379
Forfeitures	5,000	5,000	1,175	-	(3,825)
Sale of property and compensation for loss	-	-	14,628	-	14,628
Interfund revenues	1,102,219	1,102,219	1,215,987	-	113,768
State aid	237,023,233	237,023,233	234,623,990	-	(2,399,243)
Federal aid	9,152,590	9,152,590	8,155,256	-	(997,334)
Miscellaneous	4,432,674	4,432,674	3,546,521	-	(886,153)
Total revenues	252,264,296	252,264,296	248,114,998	-	(4,149,298)
EXPENDITURES:					
General support -					
Board of education	232,207	248,167	240,320	-	7,847
Central administration	649,805	620,782	603,726	110	16,946
Finance	6,574,820	5,659,883	3,479,325	495,911	1,684,647
Staff	3,601,005	3,555,756	3,123,705	875	431,176
Central services	38,155,157	37,504,576	33,939,824	1,278,967	2,285,785
Special items	619,000	619,000	545,396	-	73,604
Total general support	49,831,994	48,208,164	41,932,296	1,775,863	4,500,005
Instruction -					
Instruction, administration and improvement	22,183,729	22,809,902	21,770,000	150,011	889,891
Teaching - regular school	147,009,318	147,526,960	142,898,666	165,170	4,463,124
Programs for students with handicapping conditions	62,583,586	62,646,088	60,452,968	2,097	2,191,023
Occupational education	9,185,892	9,120,372	9,008,867	10,520	100,985
Teaching - special schools	389,564	28,389	16,388	-	12,001
Instructional media	3,311,025	3,401,078	2,699,487	44,911	656,680
Pupil services	14,160,828	16,042,709	14,058,074	77,653	1,906,982
Total instruction	258,823,942	261,575,498	250,904,450	450,362	10,220,686
Pupil transportation	39,751,158	38,985,806	38,196,869	-	788,937
Employee benefits	109,432,378	109,273,806	108,556,216	-	717,590
Debt service	1,184,503	1,334,782	1,237,559	-	97,223
Total expenditures	459,023,975	459,378,056	440,827,390	2,226,225	16,324,441
Deficiency of revenues over expenditures	(206,759,679)	(207,113,760)	(192,712,392)	(2,226,225)	12,175,143
OTHER FINANCING SOURCES (USES):					
Contribution from City of Yonkers	217,849,240	217,849,240	217,849,240	-	-
State loan-retirement	-	-	829,815	-	829,815
Transfers out	(20,148,912)	(19,794,831)	(20,038,603)	-	(243,772)
Total other financing sources	197,700,328	198,054,409	198,640,452	-	586,043
Net change in fund balance	(9,059,351)	(9,059,351)	5,928,060	(2,226,225)	12,761,186
FUND BALANCE - beginning of year	9,059,351	9,059,351	26,824,450	-	-
FUND BALANCE - end of year	\$ -	\$ -	\$ 32,752,510	\$ (2,226,225)	\$ 12,761,186

2010

Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
\$ 502,893	\$ 502,893	\$ 425,827	\$ -	\$ (77,066)
195,625	195,625	244,198	-	48,573
4,000	4,000	8,275	-	4,275
1,000	1,000	14,770	-	13,770
1,065,731	1,065,731	1,503,125	-	437,394
247,599,018	247,599,018	233,684,871	-	(13,914,147)
1,545,000	1,545,000	16,161,720	-	14,616,720
<u>1,569,958</u>	<u>1,569,958</u>	<u>2,701,043</u>	<u>-</u>	<u>1,131,085</u>
<u>252,483,225</u>	<u>252,483,225</u>	<u>254,743,829</u>	<u>-</u>	<u>2,260,604</u>
209,475	251,154	239,778	571	10,805
635,697	569,832	554,578	467	14,787
5,929,649	5,907,505	4,161,360	1,315,657	430,488
3,945,072	4,273,705	3,910,088	47,921	315,696
39,007,516	37,234,202	35,257,933	1,117,462	858,807
<u>619,000</u>	<u>619,000</u>	<u>553,260</u>	<u>-</u>	<u>65,740</u>
<u>50,346,409</u>	<u>48,855,398</u>	<u>44,676,997</u>	<u>2,482,078</u>	<u>1,696,323</u>
26,166,824	26,697,107	26,354,159	26,971	315,977
150,074,508	151,176,562	149,029,138	261,399	1,886,025
65,291,501	63,714,642	62,457,456	11,722	1,245,464
8,282,730	11,314,512	11,235,478	14,032	65,002
779,996	507,267	504,707	5	2,555
4,385,132	4,298,572	4,035,450	177,064	86,058
<u>19,137,338</u>	<u>19,425,966</u>	<u>19,178,992</u>	<u>85,986</u>	<u>160,988</u>
<u>274,118,029</u>	<u>277,134,628</u>	<u>272,795,380</u>	<u>577,179</u>	<u>3,762,069</u>
34,579,190	35,655,294	35,323,160	94	332,040
100,220,329	98,109,712	97,719,778	-	389,934
<u>668,798</u>	<u>668,798</u>	<u>668,798</u>	<u>-</u>	<u>-</u>
<u>459,932,755</u>	<u>460,423,830</u>	<u>451,184,113</u>	<u>3,059,351</u>	<u>6,180,366</u>
<u>(207,449,530)</u>	<u>(207,940,605)</u>	<u>(196,440,284)</u>	<u>(3,059,351)</u>	<u>8,440,970</u>
217,849,240	217,849,240	217,849,240	-	-
-	-	-	-	-
<u>(22,019,092)</u>	<u>(21,528,017)</u>	<u>(21,228,625)</u>	<u>-</u>	<u>299,392</u>
<u>195,830,148</u>	<u>196,321,223</u>	<u>196,620,615</u>	<u>-</u>	<u>299,392</u>
<u>(11,619,382)</u>	<u>(11,619,382)</u>	<u>180,331</u>	<u>(3,059,351)</u>	<u>8,740,362</u>
<u>11,619,382</u>	<u>11,619,382</u>	<u>26,644,119</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,824,450</u>	<u>\$ (3,059,351)</u>	<u>\$ 8,740,362</u>

The accompanying notes are an integral part of these schedules.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
CHARGES FOR SERVICES:					
Day school tuition	\$ 225,900	\$ 225,900	\$ 232,712	\$ 6,812	\$ 229,611
Summer school tuition - Individuals	2,350	2,350	8,167	5,817	4,723
Student fees and charges	1,300	1,300	5,485	4,185	7,793
Other charges for services - Individuals	-	-	1,538	1,538	183
Health services for other districts	127,930	127,930	113,301	(14,629)	133,886
Other	61,100	61,100	32,859	(28,241)	49,631
	<u>418,580</u>	<u>418,580</u>	<u>394,062</u>	<u>(24,518)</u>	<u>425,827</u>
USE OF MONEY AND PROPERTY:					
Rental of real property - Individuals	130,000	130,000	163,379	33,379	178,573
Rental - Other governments	-	-	-	-	65,625
	<u>130,000</u>	<u>130,000</u>	<u>163,379</u>	<u>33,379</u>	<u>244,198</u>
FORFEITURES:					
Forfeiture of deposits	5,000	5,000	1,175	(3,825)	8,275
SALE OF PROPERTY AND COMPENSATION FOR LOSS:					
Sale of equipment	-	-	-	-	669
Other	-	-	14,628	14,628	14,101
	<u>-</u>	<u>-</u>	<u>14,628</u>	<u>14,628</u>	<u>14,770</u>
INTERFUND REVENUES	<u>1,102,219</u>	<u>1,102,219</u>	<u>1,215,987</u>	<u>113,768</u>	<u>1,503,125</u>
STATE AID:					
Basic formula	171,417,190	171,417,190	173,283,597	1,866,407	168,752,005
Lottery	45,466,766	45,466,766	41,361,842	(4,104,924)	41,177,010
Tuition and transportation aid for students with disabilities	23,500	23,500	25,800	2,300	35,250
Textbooks	1,773,014	1,773,014	1,765,616	(7,398)	1,751,753
Computer software	645,543	645,543	518,555	(126,988)	690,553
Library materials	176,050	176,050	158,580	(17,470)	157,130
Homeless aid	21,170	21,170	10,000	(11,170)	(8,830)
Contract for Excellence	17,500,000	17,500,000	17,500,000	-	17,500,000
Special legislative grant	-	-	-	-	3,630,000
	<u>237,023,233</u>	<u>237,023,233</u>	<u>234,623,990</u>	<u>(2,399,243)</u>	<u>233,684,871</u>
FEDERAL AID:					
Medical assistance	1,000,000	1,000,000	-	(1,000,000)	815,132
Impact aid	29,000	29,000	31,666	2,666	16,004
ARRA	8,123,590	8,123,590	8,123,590	-	15,330,584
Other	-	-	-	-	-
	<u>9,152,590</u>	<u>9,152,590</u>	<u>8,155,256</u>	<u>(997,334)</u>	<u>16,161,720</u>
MISCELLANEOUS:					
Refund of prior year's expenditures	951,745	951,745	1,165,205	213,460	565,807
Saunders Trust Fund	1,000	1,000	2,642	1,642	4,402
Medicaid	1,170,000	1,170,000	1,213,246	43,246	1,115,468
MTA tax	1,042,916	1,042,916	967,168	(75,748)	926,960
Other debt	1,174,013	1,174,013	-	(1,174,013)	-
Other	93,000	93,000	198,260	105,260	88,406
	<u>4,432,674</u>	<u>4,432,674</u>	<u>3,546,521</u>	<u>(886,153)</u>	<u>2,701,043</u>
Total revenues	<u>252,264,296</u>	<u>252,264,296</u>	<u>248,114,998</u>	<u>(4,149,298)</u>	<u>254,743,829</u>
OTHER FINANCING SOURCES:					
Contribution from City of Yonkers	217,849,240	217,849,240	217,849,240	-	217,849,240
State loan-retirement	-	-	829,815	829,815	-
Total other financing sources	<u>217,849,240</u>	<u>217,849,240</u>	<u>218,679,055</u>	<u>829,815</u>	<u>217,849,240</u>
Total revenues and other financing sources	<u>\$ 470,113,536</u>	<u>\$ 470,113,536</u>	<u>\$ 466,794,053</u>	<u>\$ (3,319,483)</u>	<u>\$ 472,593,069</u>

The accompanying notes are an integral part of these schedules.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
GENERAL SUPPORT					
BOARD OF EDUCATION:					
Board of education	\$ 232,207	\$ 248,167	\$ 240,320	\$ -	\$ 7,847
CENTRAL ADMINISTRATION:					
Chief school administrator	649,805	620,782	603,726	110	16,946
FINANCE:					
Business administration	5,581,293	4,638,327	2,733,091	397,911	1,507,325
Auditing	482,840	482,840	238,400	98,000	146,440
Purchasing	510,687	538,716	507,834	-	30,882
Total finance	6,574,820	5,659,883	3,479,325	495,911	1,684,647
STAFF:					
Legal	1,122,701	1,086,868	840,852	-	246,016
Personnel	1,565,930	1,524,694	1,441,006	50	83,638
Records management	311,807	311,807	290,924	-	20,883
Public information and services	600,567	632,387	550,923	825	80,639
Total staff	3,601,005	3,555,756	3,123,705	875	431,176
CENTRAL SERVICES:					
Operation of plant	29,414,306	29,092,596	26,833,376	763,786	1,495,434
Maintenance of plant	4,837,062	4,273,833	3,401,381	488,289	384,163
Central storeroom	171,250	172,540	101,654	26,850	44,036
Central printing and mailing	632,946	679,800	466,675	-	213,125
Data processing	3,099,593	3,285,807	3,136,738	42	149,027
Total central services	38,155,157	37,504,576	33,939,824	1,278,967	2,285,785
SPECIAL ITEMS:					
Unallocated insurance	619,000	619,000	545,396	-	73,604
Total general support	49,831,994	48,208,164	41,932,296	1,775,863	4,500,005
INSTRUCTION					
INSTRUCTION, ADMINISTRATION AND IMPROVEMENT:					
Curriculum development and supervision	2,027,666	2,108,973	1,996,919	4,439	107,615
Supervision - Regular school	18,865,281	19,348,355	18,779,897	351	568,107
Research, training and evaluation	860,898	884,266	656,943	145,059	82,264
In-service training - Instruction	429,884	468,308	336,241	162	131,905
Total instruction, administration and improvement	22,183,729	22,809,902	21,770,000	150,011	889,891
TEACHING - REGULAR SCHOOL	147,009,318	147,526,960	142,898,666	165,170	4,463,124

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

GI Restricted for -
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
INSTRUCTION (Continued)					
PROGRAMS FOR STUDENTS WITH HANDICAPPING CONDITIONS:					
Programs for handicapped children and services for pupils with learning disabilities	62,583,586	62,646,088	60,452,968	2,097	2,191,023
OCCUPATIONAL EDUCATION	9,185,892	9,120,372	9,008,867	10,520	100,985
TEACHING - SPECIAL SCHOOLS	389,564	28,389	16,388	-	12,001
INSTRUCTIONAL MEDIA:					
School library and audiovisual	2,054,470	2,135,509	1,934,628	41,181	159,700
Computer assisted instruction	1,256,555	1,265,569	764,859	3,730	496,980
Total instructional media	3,311,025	3,401,078	2,699,487	44,911	656,680
PUPIL SERVICES:					
Attendance - Regular school	529,880	570,620	516,719	-	53,901
Guidance - Regular school	4,222,601	4,313,619	4,245,066	-	68,553
Health services - Regular school	4,855,687	5,021,923	4,430,256	-	591,667
Psychological services - Regular school	2,053,690	2,554,587	2,082,569	-	472,018
Social work services - Regular school	1,115,645	1,358,026	916,832	-	441,194
Interscholastic athletics - Regular school	1,383,325	2,223,934	1,866,632	77,653	279,649
Total pupil services	14,160,828	16,042,709	14,058,074	77,653	1,906,982
Total Instruction	258,823,942	261,575,498	250,904,450	450,362	10,220,686
PUPIL TRANSPORTATION					
District transportation services	4,980,148	4,906,695	4,639,471	-	267,224
Contract transportation	33,547,423	32,625,524	32,657,199	-	(31,675)
Public transportation	1,200,000	1,430,000	898,000	-	532,000
BOCES transportation	23,587	23,587	2,199	-	21,388
Total pupil transportation	39,751,158	38,985,806	38,196,869	-	788,937
EMPLOYEE BENEFITS					
State retirement	6,418,419	7,568,959	6,554,892	-	1,014,067
Teachers' retirement	15,907,870	18,184,934	18,486,526	-	(301,592)
Social security	19,122,142	18,564,119	18,559,009	-	5,110
Hospital, medical and dental benefits	62,703,659	60,319,565	60,319,564	-	1
Life insurance	82,217	64,610	64,609	-	1
Unemployment benefits	1,690,697	1,099,473	1,099,473	-	-
Union welfare benefits	3,507,374	3,425,311	3,425,309	-	2
Other	-	46,835	46,834	-	1
Total employee benefits	109,432,378	109,273,806	108,556,216	-	717,590

(Continued)

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
DEBT SERVICE					
Principal	510,000	660,279	660,278	-	1
Interest	<u>674,503</u>	<u>674,503</u>	<u>577,281</u>	-	<u>97,222</u>
Total debt service	<u>1,184,503</u>	<u>1,334,782</u>	<u>1,237,559</u>	-	<u>97,223</u>
Total expenditures	<u>459,023,975</u>	<u>459,378,056</u>	<u>440,827,390</u>	<u>2,226,225</u>	<u>16,324,441</u>
OTHER FINANCING USES					
Transfers out:					
School lunch fund	500,000	135,939	-	-	135,939
Special aid fund	730,038	740,018	1,119,729	-	(379,711)
Debt service fund	<u>18,918,874</u>	<u>18,918,874</u>	<u>18,918,874</u>	-	<u>-</u>
Total other financing uses	<u>20,148,912</u>	<u>19,794,831</u>	<u>20,038,603</u>	-	<u>(243,772)</u>
Total expenditures and other financing uses	<u>\$ 479,172,887</u>	<u>\$ 479,172,887</u>	<u>\$ 460,865,993</u>	<u>\$ 2,226,225</u>	<u>\$ 16,080,669</u>

The accompanying notes are an integral part of these schedules.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

GENERAL FUND
ANALYSIS OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
FOR THE YEAR ENDED JUNE 30, 2011

Adopted budget	\$ 476,113,536
Add: Prior year's encumbrances	<u>3,059,351</u>
Original budget	479,172,887
Budget revision	<u>-</u>
Final budget	<u>\$ 479,172,887</u>

The accompanying notes are an integral part of these schedules.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

GENERAL FUND
ANALYSIS OF USE OF FUND BALANCE
AS OF THE BEGINNING OF THE YEAR ENDED JUNE 30, 2011

Unreserved fund balance - beginning of year	\$ 22,765,099
Less: Appropriated fund balance used for other purposes	<u>(12,350,000)</u>
Undesignated fund balance - beginning of year	<u>\$ 10,415,099</u>

The accompanying notes are an integral part of these schedules.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

**CAPITAL PROJECTS FUND -
PROJECT LENGTH SCHEDULE
INCEPTION OF PROJECTS THROUGH JUNE 30, 2011**

Project	Authorization		Expenditures and Transfers to Date			Methods of Financing					Fund Balance at 2011
	Original	Revised	Prior Years	Current Year	Total	Unexpended Balance	Interfund Transfers and Other	Proceeds of Obligations	State Aid	Total	
Bond Sale - January 1999	\$ 35,900,000	\$ 35,900,000	\$ 35,896,877	\$ -	\$ 35,896,877	\$ 3,123	\$ -	\$ 35,900,000	\$ -	\$ 35,900,000	\$ 3,123
Bond Sale - October 2000	9,903,890	9,903,890	9,902,338	-	9,902,338	1,552	-	9,903,890	-	9,903,890	1,552
Bond Sale - April 2001	5,000,000	5,000,000	4,977,171	1,229	4,978,400	21,600	-	5,000,000	-	5,000,000	21,600
Bond Sale - June 2002	7,000,000	7,000,000	6,943,527	(93,735)	6,849,792	150,208	-	7,000,000	-	7,000,000	150,208
Bond Sale - April 2004	12,000,000	12,000,000	11,921,811	1,551	11,923,362	76,638	-	12,000,000	-	12,000,000	76,638
Bond Sale - December 2004	11,850,000	11,850,000	11,606,523	73,450	11,679,973	170,027	-	11,850,000	-	11,850,000	170,027
Bond Sale - March 2006	5,000,000	5,000,000	4,354,014	214,673	4,568,687	431,313	-	5,000,000	-	5,000,000	431,313
Bond Sale - March 2006	2,800,000	2,800,000	2,369,914	284,524	2,654,438	145,562	-	2,800,000	-	2,800,000	145,562
Equipment and Technology Improvements	3,038,000	3,038,000	2,855,864	6,058	2,861,922	176,078	-	3,038,000	-	3,038,000	176,078
Improvements to School Buildings	12,461,168	12,461,168	11,457,562	(46,004)	11,411,558	1,049,610	-	12,461,168	-	12,461,168	1,049,610
Bond Sale - February 2008	18,000,000	18,000,000	13,507,590	1,498,506	15,006,096	2,993,904	-	18,000,000	-	18,000,000	2,993,904
ESCO Project	10,075,000	10,075,000	10,075,000	-	10,075,000	-	-	10,075,000	-	10,075,000	-
ESCO Project II	8,090,419	8,090,419	-	8,090,419	8,090,419	-	-	8,090,419	-	8,090,419	-
Bond Sale - December 2008 - Qzab	14,164,000	14,164,000	7,356,487	4,927,477	12,283,964	1,880,036	-	14,164,000	-	14,164,000	1,880,036
EXCEL Funded Projects	18,548,873	18,548,873	18,247,701	238,123	18,485,824	63,049	-	-	18,485,824	18,485,824	-
PS 21 Emergency Boiler Repairs	359,120	466,694	359,120	107,574	466,694	-	-	-	466,694	466,694	-
Bond Sale - December 2009 - Qzab II	13,836,000	13,836,000	927,144	8,335,896	9,263,040	4,572,960	-	13,836,000	-	13,836,000	4,572,960
Total	\$ 188,026,470	\$ 188,134,044	\$ 152,758,643	\$ 23,639,741	\$ 176,398,384	\$ 11,735,660	\$ -	\$ 169,118,477	\$ 18,952,518	\$ 188,070,995	\$ 11,672,611

The accompanying notes are an integral part of these schedules.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

GENERAL FUND
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES COMPARED
TO ST-3 DATA
YEAR ENDED JUNE 30, 2011

	<u>Account Code</u>	<u>Amount Per ST-3</u>	<u>Audited Amount</u>
REVENUES:			
Property taxes	A-1001	\$ 180,148,130 (1) \$	-
Non-property taxes	AT-1199	-	-
State Aid	AT-3999	234,632,990	234,623,990
Federal Aid	AT-4999	<u>8,155,256</u>	<u>8,155,256</u>
Total revenues and other financing sources	AT-5999	<u>\$ 422,936,376</u>	<u>\$ 242,779,246</u>
EXPENDITURES:			
General support	AT-1999	\$ 41,932,296	\$ 41,932,296
Pupil transportation	AT-5599	38,196,869	38,196,869
Debt service - principal	AT-9798.6	-	-
Debt service - interest	AT-9798.7	<u>-</u>	<u>-</u>
Total expenditures and other financing uses	AT-9999	<u>\$ 80,129,165</u>	<u>\$ 80,129,165</u>

(1) Difference due to classification in the ST-3 of the Real Property Taxes of \$180,760,240 plus STAR program revenues of \$37,089,000, a total of \$217,849,240 reflected as Contribution from City of Yonkers in audit report.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

**SCHEDULE OF INVESTED IN
CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2011**

Capital assets, net		\$ 238,561,313
Less: Bonds payable - capital construction		(129,255,000)
Less: Bond anticipation note payable		(2,800,000)
Less: Capital lease payable		(17,112,980)
Plus:		
Unexpended bond proceeds	11,672,611	
Unamortized portion of premium on bonds	(3,213,625)	
Unamortized portion of issuance costs	<u>468,278</u>	<u>8,927,264</u>
Invested in capital assets, net of related debt		<u>\$ 98,320,597</u>

The accompanying notes are an integral part of these schedules.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

GENERAL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CASH AND EQUIVALENTS	\$ 200	\$ 200
RECEIVABLES:		
Accounts and other	4,028,999	4,466,158
State and Federal aid	46,315,880	35,654,402
Due from City of Yonkers	45,936,613	44,697,042
Due from other funds	10,968	4,944
Advances to other funds	<u>1,000,000</u>	<u>1,000,000</u>
	<u>97,292,460</u>	<u>85,822,546</u>
Total assets	<u>\$ 97,292,660</u>	<u>\$ 85,822,746</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 10,286,811	\$ 8,910,197
Accrued liabilities	20,805,339	22,931,366
Due to other governments	8,017,818	6,182,425
Due to City of Yonkers	48,727	-
Due to retirement systems	25,368,399	18,455,068
Due to other funds	13,056	10,124
Compensated absences	<u>-</u>	<u>2,509,116</u>
Total liabilities	<u>64,540,150</u>	<u>58,998,296</u>
FUND BALANCE:		
Restricted for -		
Long-term receivables	1,000,000	1,000,000
Committed for -		
Other postemployment benefits	500,000	500,000
Repairs to capital improvements or equipment	4,500,000	4,500,000
Technology upgrades	500,000	500,000
Unemployment insurance	850,000	850,000
Assigned to -		
Designated for subsequent year's expenditures	14,430,711	6,000,000
Encumbrances	2,226,225	3,059,351
Unassigned	<u>8,745,574</u>	<u>10,415,099</u>
Total fund balance	<u>32,752,510</u>	<u>26,824,450</u>
Total liabilities and fund balance	<u>\$ 97,292,660</u>	<u>\$ 85,822,746</u>

The accompanying notes are an integral part of these schedules.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

SPECIAL AID FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
RECEIVABLES:		
State and Federal aid	\$ 22,419,848	\$ 24,411,792
Due from City of Yonkers	<u>-</u>	<u>-</u>
Total assets	<u>\$ 22,419,848</u>	<u>\$ 24,411,792</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 2,326,203	\$ 1,344,131
Accrued liabilities	1,142,480	2,085,338
Due to City of Yonkers	17,912,758	18,866,678
Due to other governments	1,020,767	1,566,893
Due to other funds	17,640	17,640
Compensated absences	<u>-</u>	<u>531,112</u>
Total liabilities	<u>22,419,848</u>	<u>24,411,792</u>
FUND BALANCE (DEFICIT):		
Restricted for -		
Encumbrances	1,186,759	1,684,773
Unassigned	(1,186,759)	(1,684,773)
Total fund balance	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 22,419,848</u>	<u>\$ 24,411,792</u>

The accompanying notes are an integral part of these schedules.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

SPECIAL AID FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE BUDGET AND ACTUAL
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011				2010			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:								
State aid	\$ 13,850,068	\$ 14,571,847	\$ 9,843,825	\$ (4,728,022)	\$ 13,746,359	\$ 14,629,154	\$ 10,764,873	\$ (3,864,281)
Federal aid	55,419,421	60,540,488	48,787,431	(11,753,057)	55,142,548	55,001,223	43,637,469	(11,363,754)
Miscellaneous	690,149	974,326	382,108	(592,218)	1,607,563	1,880,668	1,121,051	(759,617)
Total revenues	69,959,638	76,086,661	59,013,364	(17,073,297)	70,496,470	71,511,045	55,523,393	(15,987,652)
EXPENDITURES:								
Current -								
General support	1,474,802	1,646,559	1,261,853	384,706	1,836,412	1,872,505	1,490,546	381,959
Instruction	57,027,171	62,492,138	47,952,622	14,539,516	56,092,920	57,529,500	43,096,834	14,432,666
Pupil transportation	2,040,298	1,875,818	1,357,109	518,709	2,653,747	2,515,304	1,895,602	619,702
Community services	114,498	114,498	112,372	2,126	115,343	115,343	115,556	(213)
Employee benefits	9,922,119	10,576,898	9,449,137	1,127,761	10,420,348	10,100,693	9,504,983	595,710
Total expenditures	70,578,888	76,705,911	60,133,093	16,572,818	71,118,770	72,133,345	56,103,521	16,029,824
Deficiency of revenues over expenditures	(619,250)	(619,250)	(1,119,729)	(500,479)	(622,300)	(622,300)	(580,128)	42,172
OTHER FINANCING SOURCES:								
Transfers in	619,250	619,250	1,119,729	500,479	622,300	622,300	580,128	(42,172)
Net change in fund balance	-	-	-	-	-	-	-	-
FUND BALANCE - beginning of year	-	-	-	-	-	-	-	-
FUND BALANCE - end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these schedules.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
RECEIVABLES:		
Accounts and other	\$ 60	\$ -
State and Federal aid	2,052,043	1,813,920
Due from City of Yonkers	28,092,289	31,975,845
Due from other funds	<u>17,640</u>	<u>17,700</u>
Total assets	<u>\$ 30,162,032</u>	<u>\$ 33,807,465</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 1,209,688	\$ 1,878,821
Accrued liabilities	248,081	31,780
BAN payable	2,800,000	-
Due to City of Yonkers	12,944,279	3,479,023
Retainages payable	<u>1,287,373</u>	<u>1,541,605</u>
Total liabilities	<u>18,489,421</u>	<u>6,931,229</u>
FUND BALANCE:		
Restricted for -		
Encumbrances	2,879,684	24,095,653
Unassigned	<u>8,792,927</u>	<u>2,780,583</u>
Total fund balance	<u>11,672,611</u>	<u>26,876,236</u>
Total liabilities and fund balance	<u>\$ 30,162,032</u>	<u>\$ 33,807,465</u>

The accompanying notes are an integral part of these schedules.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

CAPITAL PROJECTS FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
REVENUES:		
State aid	\$ 238,123	\$ 761,565
Miscellaneous	<u>109,704</u>	<u>364,319</u>
Total revenues	347,827	1,125,884
EXPENDITURES - capital outlay	<u>23,641,871</u>	<u>18,221,078</u>
Deficiency of revenues over expenditures	<u>(23,294,044)</u>	<u>(17,095,194)</u>
OTHER FINANCING SOURCES (USES):		
Bonds issued	-	13,836,000
Proceeds from capital lease	<u>8,090,419</u>	<u>1,516,019</u>
Total other financing sources	<u>8,090,419</u>	<u>15,352,019</u>
Net change in fund balance	(15,203,625)	(1,743,175)
FUND BALANCE - beginning of year	<u>26,876,236</u>	<u>28,619,411</u>
FUND BALANCE - end of year	<u>\$ 11,672,611</u>	<u>\$ 26,876,236</u>

The accompanying notes are an integral part of these schedules.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011
(With Comparative Totals for 2010)

	School Lunch	Special Purpose	Debt Service	Total Non-Major Governmental Funds	
				2011	2010
ASSETS					
CASH	\$ 7,316	\$ -	\$ -	\$ 7,316	\$ 4,000
RECEIVABLES:					
Accounts and other	5,274	-	-	5,274	27,617
State and Federal aid	524,464	-	-	524,464	599,358
Due from City of Yonkers	1,567,886	321,217	-	1,889,103	1,535,380
Due from other funds	-	8,814	-	8,814	7,407
	<u>2,097,624</u>	<u>330,031</u>	<u>-</u>	<u>2,434,971</u>	<u>2,173,762</u>
INVENTORIES	<u>187,741</u>	<u>-</u>	<u>-</u>	<u>187,741</u>	<u>105,774</u>
Total assets	<u>\$ 2,292,681</u>	<u>\$ 330,031</u>	<u>\$ -</u>	<u>\$ 2,622,712</u>	<u>\$ 2,279,536</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 330,982	\$ 133,684	\$ -	\$ 464,666	\$ 341,751
Accrued liabilities	257,862	-	-	257,862	382,628
Due to the City of Yonkers	-	-	67,390	67,390	51,995
Due to retirement system	551,997	-	-	551,997	162,784
Compensated absences	-	-	-	-	44,801
Advances from other funds	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>
Total liabilities	<u>2,140,841</u>	<u>133,684</u>	<u>67,390</u>	<u>2,341,915</u>	<u>1,983,959</u>
FUND BALANCES:					
Nonspendable -					
Inventories	187,741	-	-	187,741	105,774
Restricted for -					
Encumbrances	25,643	-	-	25,643	32,105
Trusts	-	196,347	-	196,347	209,693
Unassigned	<u>(61,544)</u>	<u>-</u>	<u>(67,390)</u>	<u>(128,934)</u>	<u>(51,995)</u>
Total fund balances	<u>151,840</u>	<u>196,347</u>	<u>(67,390)</u>	<u>280,797</u>	<u>295,577</u>
Total liabilities and fund balances	<u>\$ 2,292,681</u>	<u>\$ 330,031</u>	<u>\$ -</u>	<u>\$ 2,622,712</u>	<u>\$ 2,279,536</u>

The accompanying notes are an integral part of these schedules.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011
(With Comparative Totals for 2010)

	School <u>Lunch</u>	Special <u>Purpose</u>	Debt <u>Service</u>	Total Non-Major Governmental Funds	
				<u>2011</u>	<u>2010</u>
REVENUES:					
Use of money and property	\$ -	\$ -	\$ 1,890	\$ 1,890	\$ 6,219
State aid	218,651	-	-	218,651	196,537
Federal aid	6,357,239	-	-	6,357,239	5,658,830
Food sales	2,091,379	-	-	2,091,379	2,387,226
Miscellaneous	-	135,853	-	135,853	137,479
Total revenues	8,667,269	135,853	1,890	8,805,012	8,386,291
EXPENDITURES:					
Current -					
Employee benefits	1,750,207	-	-	1,750,207	1,649,843
Cost of food sales	6,878,962	-	-	6,878,962	7,052,612
Other	-	149,199	-	149,199	273,100
Debt service -					
Principal	-	-	13,818,053	13,818,053	14,938,099
Interest	-	-	5,142,245	5,142,245	5,661,756
Total expenditures	8,629,169	149,199	18,960,298	27,738,666	29,575,410
Excess (deficiency) of revenue over expenditures	38,100	(13,346)	(18,958,408)	(18,933,654)	(21,189,119)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	18,943,013	18,943,013	20,672,636
Transfers out	(24,139)	-	-	(24,139)	(24,139)
Total other financing sources	(24,139)	-	18,943,013	18,918,874	20,648,497
Net change in fund balances	13,961	(13,346)	(15,395)	(14,780)	(540,622)
FUND BALANCES - beginning of year	137,879	209,693	(51,995)	295,577	836,199
FUND BALANCES - end of year	\$ 151,840	\$ 196,347	\$ (67,390)	\$ 280,797	\$ 295,577

The accompanying notes are an integral part of these schedules.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

SCHOOL LUNCH FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CASH	\$ 7,316	\$ 4,000
RECEIVABLES:		
Accounts and other	5,274	27,617
State and Federal aid	524,464	599,358
Due from City of Yonkers	<u>1,567,886</u>	<u>1,207,394</u>
	<u>2,097,624</u>	<u>1,834,369</u>
INVENTORIES	<u>187,741</u>	<u>105,774</u>
Total assets	<u>\$ 2,292,681</u>	<u>\$ 1,944,143</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 330,982	\$ 216,051
Accrued liabilities	257,862	382,628
Due to City of Yonkers	-	-
Due to retirement systems	551,997	162,784
Compensated absences	-	44,801
Advances from other funds	<u>1,000,000</u>	<u>1,000,000</u>
Total liabilities	<u>2,140,841</u>	<u>1,806,264</u>
FUND BALANCE:		
Nonspendable -		
Inventories	187,741	105,774
Restricted for -		
Encumbrances	25,643	32,105
Unassigned	<u>(61,544)</u>	<u>-</u>
Total fund balance	<u>151,840</u>	<u>137,879</u>
Total liabilities and fund balance	<u>\$ 2,292,681</u>	<u>\$ 1,944,143</u>

The accompanying notes are an integral part of these schedules.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

SCHOOL LUNCH FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011				2010			
	Original Budget	Final		Variance with Final Budget Positive (Negative)	Original Budget	Final		Variance with Final Budget Positive (Negative)
		Budget	Actual			Budget	Actual	
REVENUES:								
State aid	\$ 221,728	\$ 221,728	\$ 218,651	\$ (3,077)	\$ 231,721	\$ 231,721	\$ 196,537	\$ (35,184)
Federal aid	5,143,453	5,143,453	6,357,239	1,213,786	5,577,458	5,577,458	5,658,830	81,372
Food sales	<u>2,858,781</u>	<u>2,858,781</u>	<u>2,091,379</u>	<u>(767,402)</u>	<u>2,627,000</u>	<u>2,627,000</u>	<u>2,387,226</u>	<u>(239,774)</u>
Total revenues	<u>8,223,962</u>	<u>8,223,962</u>	<u>8,667,269</u>	<u>443,307</u>	<u>8,436,179</u>	<u>8,436,179</u>	<u>8,242,593</u>	<u>(193,586)</u>
EXPENDITURES:								
Current -								
Employee benefits	1,783,839	1,652,548	1,750,207	(97,659)	1,748,598	1,748,598	1,649,843	98,755
Cost of food sales	<u>6,915,984</u>	<u>7,047,275</u>	<u>6,878,962</u>	<u>168,313</u>	<u>7,293,442</u>	<u>7,293,442</u>	<u>7,052,612</u>	<u>240,830</u>
Total expenditures	<u>8,699,823</u>	<u>8,699,823</u>	<u>8,629,169</u>	<u>70,654</u>	<u>9,042,040</u>	<u>9,042,040</u>	<u>8,702,455</u>	<u>339,585</u>
Excess (deficiency) of revenues over expendit	<u>(475,861)</u>	<u>(475,861)</u>	<u>38,100</u>	<u>513,961</u>	<u>(605,861)</u>	<u>(605,861)</u>	<u>(459,862)</u>	<u>145,999</u>
OTHER FINANCING SOURCES (USES):								
State loan - retirement	-	-	-	-	-	-	-	-
Transfers in	500,000	500,000	-	(500,000)	630,000	630,000	372,781	(257,219)
Transfers out	<u>(24,139)</u>	<u>(24,139)</u>	<u>(24,139)</u>	<u>-</u>	<u>(24,139)</u>	<u>(24,139)</u>	<u>(24,139)</u>	<u>-</u>
Total other financing sources	<u>475,861</u>	<u>475,861</u>	<u>(24,139)</u>	<u>(500,000)</u>	<u>605,861</u>	<u>605,861</u>	<u>348,642</u>	<u>(257,219)</u>
Net change in fund balance	-	-	13,961	13,961	-	-	(111,220)	(111,220)
FUND BALANCE - beginning of year	-	-	<u>137,879</u>	<u>137,879</u>	-	-	<u>249,099</u>	<u>249,099</u>
FUND BALANCE - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,840</u>	<u>\$ 151,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,879</u>	<u>\$ 137,879</u>

The accompanying notes are an integral part of these schedules.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

SPECIAL PURPOSE FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
RECEIVABLES:		
Due from City of Yonkers	\$ 321,217	\$ 327,986
Due from other funds	<u>8,814</u>	<u>7,407</u>
	<u>\$ 330,031</u>	<u>\$ 335,393</u>
LIABILITIES AND FUND BALANCE		
ACCOUNTS PAYABLE	<u>\$ 133,684</u>	<u>\$ 125,700</u>
FUND BALANCE - restricted for trusts	<u>196,347</u>	<u>209,693</u>
Total liabilities and fund balance	<u>\$ 330,031</u>	<u>\$ 335,393</u>

The accompanying notes are an integral part of these schedules.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

SPECIAL PURPOSE FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
REVENUES:		
Miscellaneous - contributions	\$ <u>135,853</u>	\$ <u>137,479</u>
Total revenues	135,853	137,479
EXPENDITURES - current - other	<u>149,199</u>	<u>273,100</u>
Deficiency of revenues over expenditures	(13,346)	(135,621)
FUND BALANCE - beginning of year	<u>209,693</u>	<u>345,314</u>
FUND BALANCE - end of year	<u>\$ 196,347</u>	<u>\$ 209,693</u>

The accompanying notes are an integral part of these schedules.

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

DEBT SERVICE FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
RECEIVABLES:		
Due from City of Yonkers	\$ -	\$ -
Due from other funds	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES		
PAYABLES:		
Due to City of Yonkers	<u>\$ 67,390</u>	<u>\$ 51,995</u>
FUND BALANCE		
UNASSIGNED	<u>\$ (67,390)</u>	<u>\$ (51,995)</u>
Total fund balance	<u>\$ (67,390)</u>	<u>\$ (51,995)</u>

The accompanying notes are an integral part of these schedules.

YONKERS PUBLIC SCHOOLS

(a component unit of the City of Yonkers, New York)

DEBT SERVICE FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011				2010			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:								
Use of money and property	\$ -	\$ -	\$ 1,890	\$ 1,890	\$ -	\$ -	\$ 6,219	\$ (6,219)
EXPENDITURES:								
Debt service -								
Principal:								
Bonds	13,346,000	13,346,000	13,346,000	-	14,479,000	14,479,000	14,479,000	-
Notes	-	-	-	-	-	-	-	-
State loan	200,000	200,000	200,000	-	200,000	200,000	200,000	-
State loan - retirement	272,053	272,053	272,053	-	259,099	259,099	259,099	-
	<u>13,818,053</u>	<u>13,818,053</u>	<u>13,818,053</u>	<u>-</u>	<u>14,938,099</u>	<u>14,938,099</u>	<u>14,938,099</u>	<u>-</u>
Interest -								
Bonds	5,064,775	5,064,775	5,064,775	-	5,950,588	5,950,588	5,573,330	377,258
State loan - retirement	77,470	77,470	77,470	-	114,512	114,512	88,426	26,086
	<u>5,142,245</u>	<u>5,142,245</u>	<u>5,142,245</u>	<u>-</u>	<u>6,065,100</u>	<u>6,065,100</u>	<u>5,661,756</u>	<u>403,344</u>
Total expenditures	<u>18,960,298</u>	<u>18,960,298</u>	<u>18,960,298</u>	<u>-</u>	<u>21,003,199</u>	<u>21,003,199</u>	<u>20,599,855</u>	<u>403,344</u>
Deficiency of revenues over expenditures	(18,960,298)	(18,960,298)	(18,958,408)	1,890	(21,003,199)	(21,003,199)	(20,593,636)	(409,563)
OTHER FINANCING SOURCES:								
Transfers in	18,943,013	18,943,013	18,943,013	-	20,299,855	20,299,855	20,299,855	-
Net change in fund balance	(17,285)	(17,285)	(15,395)	1,890	(703,344)	(703,344)	(293,781)	409,563
FUND BALANCE - beginning of year	(51,995)	(51,995)	(51,995)	-	241,786	241,786	241,786	-
FUND BALANCE - end of year	<u>\$ (69,280)</u>	<u>\$ (69,280)</u>	<u>\$ (67,390)</u>	<u>\$ 1,890</u>	<u>\$ (461,558)</u>	<u>\$ (461,558)</u>	<u>\$ (51,995)</u>	<u>\$ 409,563</u>

The accompanying notes are an integral part of these schedules.

**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**

December 30, 2011

To the Board of Education of the
Yonkers Public Schools, New York:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Yonkers Public Schools (the School District) as of and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States 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

Management of the School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 controls over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal controls over financial reporting, findings 2011-1 through 2011-3. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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**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**

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to the management of the School District in a separate letter dated December 2011.

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the School District's response and, accordingly, we express no opinion on it.

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

Bonadio & Co., LLP

YONKERS PUBLIC SCHOOLS
(a component unit of the City of Yonkers, New York)

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011

2011-1 Finding -

Criteria: The School District's ability to produce timely and accurate general ledger account reconciliations and financial reports for those individuals and governments charged with oversight.

Condition: During our audit, we noted delays and errors in recording of the School District's financial transactions as evidenced by the number of journal entries required to close the School District's accounting records at the end of its fiscal year. This finding was included in our 2010 Schedule of Findings.

Cause: Lack of sufficient resources with proper capabilities and competencies to oversee authorization and reporting of the School District's financial transactions.

Effect: The lack of sufficient personnel with proper capabilities and competencies in the Finance and Budget functions resulted in a significant negative impact on the School District's ability to complete certain critical accounting functions and has impaired its ability to produce internal financial statements on a timely and accurate basis.

Recommendation: We recommend that organizational structure and reporting responsibilities of the Finance and Budget functions continue be evaluated. Vacant positions that are authorized should be filled as quickly as possible. Any changes to the organizational structure and reporting responsibilities of the Finance and Budget functions should be designed to appropriately address the issues identified above.

District Response: The School District agrees with the recommendation and has begun a review and reorganization of the Finance department.

2011-2 Finding -

Criteria: The School District's interim financial statements for the Governmental funds should be prepared using the modified basis of accounting.

Condition: During our audit, we noted that the School District prepares its interim financial statements for its Governmental funds on the cash basis of accounting. It is our understanding that the School District's Administration and Board rely on these statements to address ongoing business issues, without consideration for the necessary adjustments required to present interim financial statements on the modified accrual basis of accounting. This finding was included in our 2010 Schedule of Findings.

Cause: The lack of personnel with capabilities and competencies to assist in preparing the financial statements in accordance with generally accepted accounting principals. Along with the School District not using accounting procedures that incorporate the modified accrual basis of accounting, which would include the recognition of amounts due to the School District and amounts owed to staff, vendors, governments and pension plans.

Effect: School District Administration and Board could make decisions that impact the ongoing operations of the School District based on financial statements that are not accurate.

2011-2 Finding (Continued)-

Recommendation: In order to facilitate School District Administration and Board making timely, informed business decisions during the year, the School District needs to prepare General Fund financial statements on the modified accrual basis. We recommend that modified accrual basis financial statements be prepared at least quarterly during the year once the new financial and accounting software has been fully implemented in the calendar year 2012.

District Response: The School District agrees with the recommendation and, in consultation with external and internal auditors, will develop quarterly financial reports that serve as the type of business tools described.

2011-3 Finding -

Criteria: Ensure payroll transactions are properly authorized, processed and recorded the School District must have appropriate payroll processing internal controls and procedures in place.

Condition: In our review of the School District's payroll processing, personnel and human resource functions, we identified several matters related to payroll processing, including: a) incompatible access rights to payroll software applications that would allow for adequate segregation of duties; b) inactive employees who were not removed from the payroll master file; c) significant number of manual steps required to process payroll; and d) timeliness of employee timesheets being received. This finding was included in our 2010 Schedule of Findings.

Cause: In addition to processing controls and procedures in the payroll area are not required to be reviewed and updated on a periodic basis the current payroll software has significant inherent limitations which limits security and requires additional manual steps to process payroll.

Effect: The lack of proper internal control procedures, segregation of incompatible duties and manual processes makes the District more vulnerable to the possibility of fraud and material misstatement.

Recommendation: We recommend that District personnel review each of the areas identified above and ensure that the appropriate corrective action is implemented in the new payroll system to improve the segregation of duties, processing controls and procedures in the payroll area. We also recommend that once the new payroll system is implemented in 2012 the School District's internal auditors' perform an internal audit of the payroll process to determine that all steps noted above have been properly addressed in the new system.

District's Response: The School District agrees with the recommendation and will continue to review and assess access rights within the Payroll department.