

**YONKERS PUBLIC SCHOOLS**  
**(A Component Unit of the City of Yonkers, New York)**

**Financial Statements**  
**for the Year Ended June 30, 2012**  
**Together with**  
**Independent Auditor's Reports**

**Bonadio & Co., LLP**  
Certified Public Accountants

**YONKERS PUBLIC SCHOOLS**  
**(A Component Unit of the City of Yonkers, New York)**

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**JUNE 30, 2012**

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## INDEPENDENT AUDITOR'S REPORT

January 23, 2013

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, 2012, 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.

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, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2013, 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, which is the responsibility of management, is presented for purposes of additional analysis as required by the New York State Education Department, and is not a required part of the financial statements. The comparative, combining and individual non-major fund financial statements and other supplemental information appearing on pages 50 through 62 ("supplemental information") are presented for the purposes of additional analysis and is also 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 supplemental 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 supplemental information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information included on pages 45 through 49 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, The School District's basic financial statements for the year ended June 30, 2011, which are not presented with the accompanying financial statements. In our report dated December 30, 2011, we expressed an unqualified opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District. That 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 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2011 comparative, combining and individual non-major fund financial statements and other supplemental information are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

**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, 2012**

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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, 2012. This section is a summary of The School District's financial activities based on currently known facts, decisions, and/or conditions. It is also based on both the 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**

- The School District's 2011-2012 actual revenue per the District-wide financial statements increase by \$208 thousand from the prior year to \$533.1 million. In 2011-2012, certain federal awards under the American Recovery and Reinvestment Act of 2009 (ARRA) ended. These reductions were offset by increases of \$6.9 million in the contribution from the City of Yonkers (the City) and \$14.8 million in general fund State aid. Federal and State aid, along with the contribution from the City accounted for \$524.2 million or 98%, of all revenue in 2012. Total expenses for functions/programs in the District-wide financial statements totaled \$577.4 million and \$589.7 million in 2012 and 2011, respectively.
- At June 30, 2012, total liabilities per the District-wide financial statements exceeded total assets by \$219.5 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 \$65.2 million.
- During the 2011-2012 fiscal year, the District issued a \$15.0 million Qualified Zone Academy Bond (QZAB) and \$12.6 million in Qualified Schools Construction Bonds (QSCB). The purpose of the QZAB was for upgrades at Saunders School as well as various school district building envelope and interior upgrade projects. The purpose of the QSCB issuance is for the completion of various construction projects throughout the district.
- As of the close of the fiscal year, The School District's governmental funds reported combined fund balances of \$76.4 million at June 30, 2012, an increase of \$31.7 million during 2012. This increase was primarily caused by the proceeds from issuances of bonds of \$27.6 million in the capital projects fund in relation to only \$6.2 million in capital outlay expenditures. In addition, the general fund had a surplus of \$9.8 million primarily related to increases in state aid and the contribution received from the City as noted above. These numbers will be explained in more detail throughout the management discussion and analysis.

**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.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### 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.

<b>Figure A-1</b> 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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	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

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

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### 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:
  - Investment 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 government wide activities.

**Table 1 - Net Assets (In Thousands of Dollars)**

	<b>Fiscal Year <u>2012</u></b>	<b>Fiscal Year <u>2011</u></b>	<b>Percent <u>Change</u></b>
Current and other assets	\$ 218,136	\$ 151,935	43.57%
Capital assets	<u>237,236</u>	<u>238,561</u>	<u>-0.56%</u>
Total assets	<u>\$ 455,372</u>	<u>\$ 390,496</u>	<u>16.61%</u>
Current liabilities	\$ 158,243	\$ 122,879	28.78%
Long-term liabilities	<u>516,607</u>	<u>442,774</u>	<u>16.68%</u>
Total liabilities	<u>\$ 674,850</u>	<u>\$ 565,653</u>	<u>19.30%</u>
Net assets:			
Investment in capital assets, net of related debt	\$ 107,888	\$ 98,321	9.73%
Restricted	1,213	196	518.88%
Unrestricted	<u>(328,579)</u>	<u>(273,673)</u>	<u>20.06%</u>
Total net assets	<u>\$ (219,478)</u>	<u>\$ (175,156)</u>	<u>25.30%</u>

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

In Table 1, total assets increased by \$64.9 million, a significant portion of this increase was caused by an increase in the state aid receivable balance of \$24.3 million. The increase in the state aid receivable was a result of a change in the advance apportionment and claim application calculation resulting in a significant increase in the aid received pursuant to Chapter 58, Laws of 2011. Also, the contribution from the City increased by \$6.9 million. As discussed earlier the increase in liabilities was 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 \$65.2 million and the issuance of \$27.6 million in new bonds for future construction and renovations projects of the district.

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

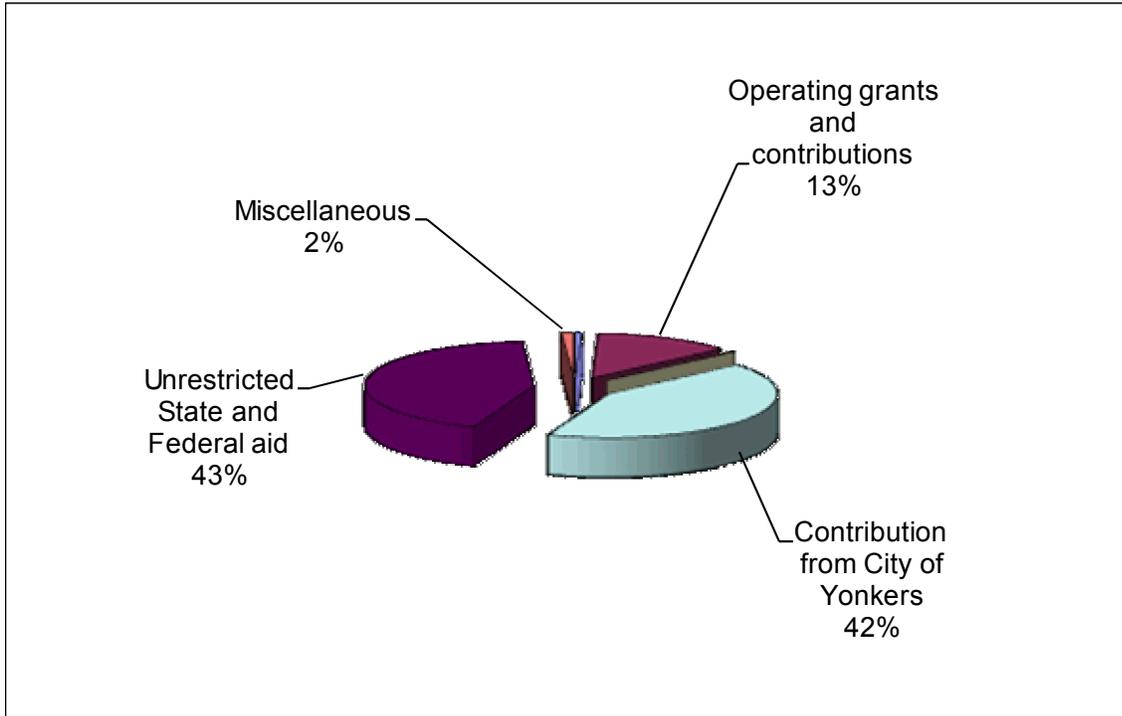
	<b>Fiscal Year 2012</b>	<b>Fiscal Year 2011</b>	<b>Percent Change</b>
Revenue:			
Charges for services	\$ 2,983	\$ 2,649	12.61%
Operating grants and contributions	69,763	85,704	-18.60%
Capital grants and contributions	45	350	-87.14%
General revenue:			
Contribution from City of Yonkers	224,749	217,849	3.17%
Unrestricted State and Federal aid	229,654	222,801	3.08%
Miscellaneous	5,929	3,562	66.45%
Total revenue	533,123	532,915	0.04%
Expenses:			
General support	60,722	56,795	6.91%
Instruction	459,927	471,257	-2.40%
Transportation	40,888	41,352	-1.12%
Interest on long-term debt	5,650	7,811	-27.67%
Community services	114	1,897	-93.99%
Cost of sales - Food	10,033	10,481	-4.27%
Other	110	149	-26.17%
Total expenses	577,444	589,742	-2.09%
Increase/(decrease) in net assets	\$ (44,321)	\$ (56,827)	-22.01%

In Table 2, The School District's total revenues were \$533.1 million, an increase of \$208 thousand or 0.1%. The total cost of all programs and services was \$577.4 million a decrease of \$12.3 million or -2.1%. Some of the major variances are described below:

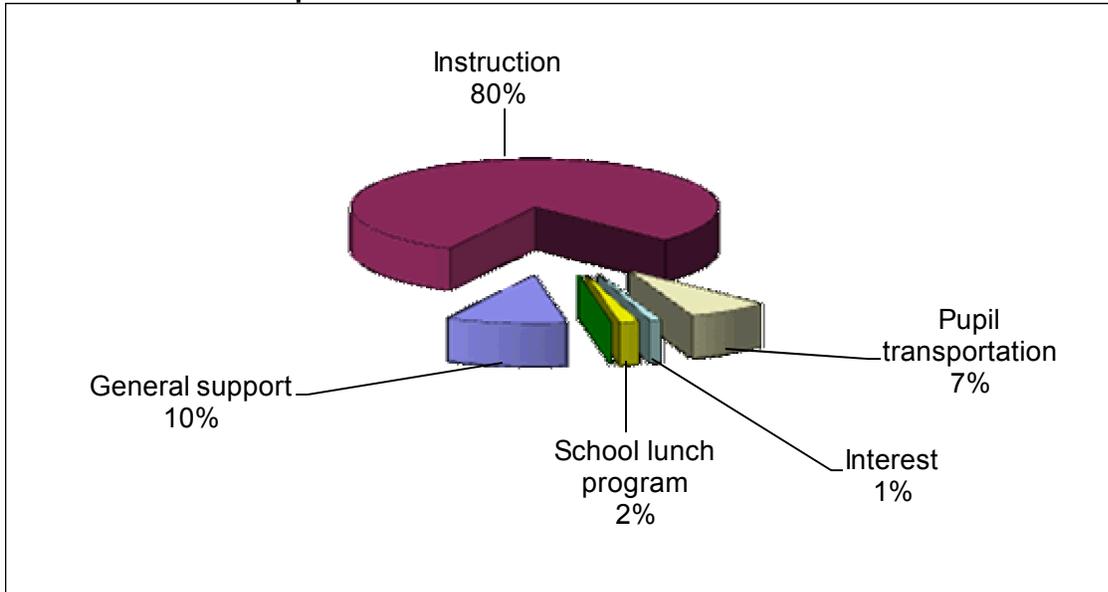
- Decrease in operating grant and contribution revenues of \$15.9 million as the federal awards ended in the fall of 2011. This was offset by an increase in unrestricted State Aid revenue of \$6.9 million and the contribution from the City of \$6.9 million.
- The decrease in Instructional expenses of \$11.3 million was primarily due to The School District eliminating certain positions in the teaching, occupational education, school library and audiovisual, guidance, and psychological services departments.

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

**Table 3 Revenue Sources for 2012:**



**Table 4 Sources of Expenses for 2012:**



## 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 surplus of \$31.7 million. The surplus was primarily driven by proceeds from new bond issuances totaling \$27.6 million for future School construction and renovation projects compared to capital fund expenditures of only \$6.2 million in the current year in the capital projects fund.

The general fund is the fund through which most of The School District's activity passes. The surplus in the general fund of \$9.8 million was primarily due to increases of both state aid contributions from the City as mentioned earlier, while managing increases in benefit cost and salary contractual obligation with the district's unions by eliminating certain staff positions.

### 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	\$ 229,365	\$ 229,365	\$ 229,982	\$ -	\$ 617
State sources	247,959	247,959	249,395	-	1,436
Federal sources	20	20	76	-	56
Interfund revenue	1,057	1,057	930	-	(127)
Total	<u>478,401</u>	<u>478,401</u>	<u>480,383</u>	<u>-</u>	<u>1,982</u>
Expenses:					
General support	50,779	50,903	42,330	4,472	4,101
Instruction	253,361	260,756	251,911	988	7,857
Transportation	43,400	39,882	35,996	-	3,886
Employee benefits	126,082	122,042	118,132	-	3,910
Debt service	1,715	1,715	1,636	-	79
Transfers out	19,721	19,760	20,605	-	(845)
Total	<u>495,058</u>	<u>495,058</u>	<u>470,610</u>	<u>5,460</u>	<u>18,988</u>
Revenue over (under) expense	<u>\$ (16,657)</u>	<u>\$ (16,657)</u>	<u>\$ 9,773</u>	<u>\$ (5,460)</u>	<u>\$ 20,970</u>

The School District considers budget variances of 10% and \$1.0 million to be significant. The following variances occurred during 2012:

- The \$3.9 million favorable variance in budget for transportation expenses was related to the reorganization of start and end times at different schools within the District which reduced the number of buses necessary to transport students to and from schools and home. Also, half day pre-kindergarten school did not result in additional expenses as expected.
- The \$7.9 million favorable variance in budget for Instruction expenses is related to the elimination of staff positions primarily in the teaching, occupational education, school library and audiovisual, guidance, and psychological services departments.

## CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2012, The School District had \$237.2 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 \$4.3 million in construction costs.

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

<u>Category</u>	<u>Fiscal Year</u> <u>2012</u>	<u>Fiscal Year</u> <u>2011</u>	<u>Percent</u> <u>Change</u>
Land	\$ 6,597	\$ 6,597	0.00%
Construction in progress	47,164	50,018	-5.71%
Buildings and improvements	181,470	180,020	0.81%
Machinery and equipment	2,005	1,927	4.05%
Total	<u>\$ 237,236</u>	<u>\$ 238,562</u>	<u>-0.56%</u>

### Long-Term Debt

As of June 30, 2012, The School District had \$202.4 million in general obligation bonds and other long-term debt outstanding. In addition, the other postemployment benefits obligation of \$330.6 million is shown in the exhibit. 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>2012</u>	<u>Fiscal Year</u> <u>2011</u>	<u>Percent</u> <u>Change</u>
General obligation bonds	\$ 146,949	\$ 132,469	10.93%
State loan payable	3,600	3,800	-5.26%
State Loan payable - retirement	3,992	2,107	89.46%
Note payable - ESCO	16,180	17,113	-5.45%
Due to retirement systems	10,510	14,061	-25.25%
Other long-term liabilities	6,717	8,402	-20.05%
Compensated absences	14,468	13,945	3.75%
Other post employment benefits	330,581	265,396	24.56%
	<u>\$ 532,997</u>	<u>\$ 457,293</u>	<u>16.55%</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

The School District receives approximately 42% of its revenue from the City of Yonkers. Recent State legislation changes to real property laws could impact the City's ability to increase funding to The School District which will be needed to meet its projected increased costs in future periods. Such increases in The School District's costs include contractual obligations for salary, health insurance premiums, retirement system contributions and other postemployment benefits.

## 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. Desmond Barnett, Senior Accountant,  
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, 2012**

**ASSETS**

**CURRENT ASSETS:**

Cash and equivalents	\$ 10,681
Receivables -	
Accounts	4,216,920
State and Federal aid	88,071,125
Due from other funds	5,719
Due from City of Yonkers	125,100,640
Inventories	158,853
Total current assets	<u>217,563,938</u>

**NON-CURRENT ASSETS:**

Capital assets (net of accumulated depreciation) -	
Land	6,597,219
Construction in progress	47,164,261
Buildings and improvements	181,469,387
Machinery and equipment	2,005,174
Total capital assets (net of accumulated depreciation)	<u>237,236,041</u>

Deferred charges, net	<u>572,478</u>
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Total assets	<u>\$ 455,372,457</u>
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**LIABILITIES**

**CURRENT LIABILITIES:**

Accounts payable	\$ 497,545
Accrued liabilities	28,196,664
Accrued interest payable	2,258,473
Retainages payable	508,295
Due to City of Yonkers	70,253,876
Due to other governments	9,077,639
Due to retirement systems	31,060,518
Due within one year -	
Bonds payable - capital construction	14,645,000
Capital lease	987,331
State loan payable	200,000
State loan payable - retirement	557,686
Total current liabilities	<u>158,243,027</u>

**LONG-TERM LIABILITIES:**

Bonds payable - capital construction	132,304,294
Capital lease	15,192,875
State loan payable	3,400,000
State loan payable - retirement	3,434,613
Compensated absences	14,467,778
Due to retirement systems	10,509,658
Other long-term liabilities	6,716,664
Postemployment benefits liability	<u>330,581,110</u>

Total long-term liabilities	<u>516,606,992</u>
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Total liabilities	<u>\$ 674,850,019</u>
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**NET ASSETS**

Investment in capital assets, net of related debt	\$ 107,888,357
Restricted for -	
Capital projects	-
Debt service	-
Special purposes	1,213,322
Unrestricted	<u>(328,579,241)</u>
Total net assets	<u>\$ (219,477,562)</u>

**YONKERS PUBLIC SCHOOLS**  
**(A Component Unit of the City of Yonkers, New York)**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
General support	\$ 60,722,291	\$ 371,909	\$ -	\$ -	\$ (60,350,382)
Instruction	459,926,213	488,747	62,642,424	41,261	(396,753,781)
Pupil transportation	40,888,496	-	43,489	-	(40,845,007)
Community services	113,589	-	250,526	-	136,937
Cost of food sales	10,033,382	2,122,494	6,699,760	-	(1,211,128)
Other	110,101	-	127,076	-	16,975
Interest	5,650,496	-	-	3,694	(5,646,802)
	<u>577,444,568</u>	<u>2,983,150</u>	<u>69,763,275</u>	<u>44,955</u>	<u>(504,653,188)</u>
Total governmental activities					
					224,749,240
					1,600
					229,578,371
					75,522
					307,875
					<u>5,619,717</u>
					<u>460,332,325</u>
					(44,320,863)
					<u>(175,156,699)</u>
					<u>\$ (219,477,562)</u>

**YONKERS PUBLIC SCHOOLS**  
**(A Component Unit of the City of Yonkers, New York)**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and equivalents	\$ 200	\$ -	\$ -	\$ 10,481	\$ 10,681
Receivables:					
Accounts and other	4,212,606	-	60	4,254	4,216,920
State and Federal aid	70,575,924	16,912,688	48,759	533,754	88,071,125
Due from City of Yonkers	31,758,062	257,249	90,676,555	2,408,774	125,100,640
Advances to other funds	1,000,000	-	-	-	1,000,000
Due from other funds	213,405	-	17,640	8,814	239,859
Inventories	-	-	-	158,853	158,853
<b>Total assets</b>	<b>\$ 107,760,197</b>	<b>\$ 17,169,937</b>	<b>\$ 90,743,014</b>	<b>\$ 3,124,930</b>	<b>\$ 218,798,078</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 259,268	\$ -	\$ 16,344	\$ 221,933	\$ 497,545
Accrued liabilities	24,673,813	2,402,376	651,082	469,393	28,196,664
Deferred revenue	1,557,148	-	-	-	1,557,148
Retainages payable	-	-	508,295	-	508,295
Due to City of Yonkers	36	13,895,885	56,357,955	-	70,253,876
Due to other governments	8,223,604	854,035	-	-	9,077,639
Due to retirement systems	30,506,502	-	-	554,016	31,060,518
Due to other funds	14,063	17,641	-	202,436	234,140
Advances from other funds	-	-	-	1,000,000	1,000,000
<b>Total liabilities</b>	<b>65,234,434</b>	<b>17,169,937</b>	<b>57,533,676</b>	<b>2,447,778</b>	<b>142,385,825</b>
<b>FUND BALANCES (DEFICITS):</b>					
Nonspendable -					
Inventory	-	-	-	158,853	158,853
<b>Total nonspendable fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>158,853</b>	<b>158,853</b>
Restricted for -					
Long-term receivables	1,000,000	-	-	-	1,000,000
Trusts	-	-	-	213,322	213,322
<b>Total restricted fund balance</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>	<b>213,322</b>	<b>1,213,322</b>
Committed for -					
Repairs to capital improvements or equipment	3,000,000	-	-	-	3,000,000
Other Postemployment benefits	500,000	-	-	-	500,000
Technology upgrades	500,000	-	-	-	500,000
Unemployment insurance	850,000	-	-	-	850,000
<b>Total committed fund balance</b>	<b>4,850,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,850,000</b>
Assigned to -					
Designated for subsequent year's expenditures	15,095,574	-	-	-	15,095,574
Other expendable	5,460,429	193,100	33,209,338	435,130	39,297,997
<b>Total assigned fund balance</b>	<b>20,556,003</b>	<b>193,100</b>	<b>33,209,338</b>	<b>435,130</b>	<b>54,393,571</b>
Unassigned	16,119,760	(193,100)	-	(130,153)	15,796,507
<b>Total fund balances</b>	<b>42,525,763</b>	<b>-</b>	<b>33,209,338</b>	<b>677,152</b>	<b>76,412,253</b>
<b>Total liabilities and fund balances</b>	<b>\$ 107,760,197</b>	<b>\$ 17,169,937</b>	<b>\$ 90,743,014</b>	<b>\$ 3,124,930</b>	<b>\$ 218,798,078</b>

**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, 2012**

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>					
Charges for services	\$ 488,747	\$ -	\$ -	\$ -	\$ 488,747
Use of money and property	371,909	-	-	3,694	375,603
Forfeitures	1,600	-	-	-	1,600
Sale of property and compensation for loss	307,875	-	-	-	307,875
Interfund revenues	930,311	-	-	-	930,311
State aid	249,395,366	11,782,391	41,261	219,556	261,438,574
Federal aid	75,522	31,086,527	-	6,480,204	37,642,253
Food sales	-	-	-	2,122,494	2,122,494
Miscellaneous	<u>4,062,569</u>	<u>250,526</u>	<u>-</u>	<u>127,076</u>	<u>4,440,171</u>
<b>Total revenues</b>	<u>255,633,899</u>	<u>43,119,444</u>	<u>41,261</u>	<u>8,953,024</u>	<u>307,747,628</u>
<b>EXPENDITURES:</b>					
General support	42,330,017	766,896	-	-	43,096,913
Instruction	251,910,673	35,302,485	-	-	287,213,158
Pupil transportation	35,995,914	881,080	-	-	36,876,994
Community services	-	113,589	-	-	113,589
Employee benefits	118,132,533	7,919,206	-	1,929,359	127,981,098
Cost of food sales	-	-	-	6,996,278	6,996,278
Other	-	-	-	110,101	110,101
Principal	932,774	-	-	13,586,630	14,519,404
Interest	703,204	-	-	4,675,260	5,378,464
Capital outlay	<u>-</u>	<u>-</u>	<u>6,237,494</u>	<u>-</u>	<u>6,237,494</u>
<b>Total expenditures</b>	<u>450,005,115</u>	<u>44,983,256</u>	<u>6,237,494</u>	<u>27,297,628</u>	<u>528,523,493</u>
<b>DEFICIENCY OF REVENUE OVER EXPE</b>	<u>(194,371,216)</u>	<u>(1,863,812)</u>	<u>(6,196,233)</u>	<u>(18,344,604)</u>	<u>(220,775,865)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Contribution from City of Yonkers	224,749,240	-	-	-	224,749,240
Proceeds from issuance of debt	-	-	27,555,000	-	27,555,000
Premium on bond issuances	-	-	348,183	-	348,183
Deferred financing costs	-	-	(170,223)	-	(170,223)
Transfers in	-	1,863,812	-	18,746,934	20,610,746
Transfers out	<u>(20,604,771)</u>	<u>-</u>	<u>-</u>	<u>(5,975)</u>	<u>(20,610,746)</u>
<b>Total other financing sources</b>	<u>204,144,469</u>	<u>1,863,812</u>	<u>27,732,960</u>	<u>18,740,959</u>	<u>252,482,200</u>
<b>Net change in fund balances</b>	9,773,253	-	21,536,727	396,355	31,706,335
<b>Fund balances - beginning of year</b>	<u>32,752,510</u>	<u>-</u>	<u>11,672,611</u>	<u>280,797</u>	<u>44,705,918</u>
<b>Fund balances - end of year</b>	<u>\$ 42,525,763</u>	<u>\$ -</u>	<u>\$ 33,209,338</u>	<u>\$ 677,152</u>	<u>\$ 76,412,253</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, 2012**

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

Fund balance - total governmental funds	\$ 76,412,253
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	237,236,041
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	572,478
Premiums	(3,174,294)
Deferred revenue is recognized as revenue under full accrual accounting	1,557,148
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(2,258,473)
Bonds payable - capital construction	(143,775,000)
State loan payable	(3,600,000)
State loan payable - retirement	(3,992,299)
Capital lease	(16,180,206)
Compensated absences	(14,467,778)
Due to retirement systems	(10,509,658)
Other long-term liabilities	(6,716,664)
Postemployment benefits liability	<u>(330,581,110)</u>
Net assets of governmental activities	<u>\$ (219,477,562)</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, 2012**

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

Net change in fund balances - total governmental funds \$ 31,706,335

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	4,910,714
Depreciation expense	(6,192,322)
Loss on disposal of fixed assets	<u>(43,666)</u>
	<u>(1,325,274)</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	13,035,000
Principal paid on capital lease	932,774
Principal paid on State loan payable	200,000
Principal paid on State loan payable - retirement	351,630
Bonds issuance costs	(27,555,000)
State loan payable- retirement amortization amount for 2012	(2,236,786)
Payment on Other long-term liabilities	1,685,878
Amortization of bond issuance costs and issuance premium	<u>143,533</u>
	<u>(13,442,971)</u>

Certain revenue in the statement of activities are recognized as revenue in the government wide statements but not recognized as revenue under the modified accrual basis of accounting:

1,557,148

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	(659,546)
Other postemployment benefits obligation	(65,184,881)
Retirement systems incentive costs	3,551,118
Compensated absences	<u>(522,792)</u>
	<u>(62,816,101)</u>

Change in net assets of governmental activities \$ (44,320,863)

**YONKERS PUBLIC SCHOOLS**  
(A Component Unit of the City of Yonkers, New York)

**STATEMENT OF ASSETS AND LIABILITIES -  
FIDUCIARY FUND  
JUNE 30, 2012**

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	<u>Agency</u>
<b>ASSETS</b>	
Cash and equivalents	\$ 302,984
Accounts receivable	23,525
Due from other funds	5,249
Due from City of Yonkers	<u>1,060,058</u>
Total assets	<u>\$ 1,391,816</u>
<b>LIABILITIES</b>	
Employee payroll deductions	\$ 1,077,864
Due to other funds	10,968
Student activity funds	<u>302,984</u>
Total liabilities	<u>\$ 1,391,816</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, 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Yonkers Public Schools (The School District), a component unit of the City of Yonkers (the City), 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, 2012.

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 principles 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.

### **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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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. Deferred Revenue

Deferred revenue is reported when potential revenue does meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for deferred revenue is removed and revenue is recorded.

Deferred revenue recorded in governmental funds is not recorded in the School District-wide statements, except for federal grant advances and prepayments for student lunches.

### N. 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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### N. Vested Employee Benefits (Continued)

#### 1. Compensated Absences (Continued)

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.

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, 2012 by recording approximately \$27,555,634, 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 Benefits Other Than Pensions, The School District has recorded on the District-wide statement of net assets the required other postemployment benefits obligation totaling \$330,581,110 as of June 30, 2012. See Note 9 for additional information regarding postemployment benefits.

### O. 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.

### P. Equity Classifications

#### District-Wide Statements

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

Investment 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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### P. Equity Classifications (Continued)

#### District-Wide Statements (Continued)

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.

Restricted net assets consist of the following:

Long-term receivables	\$ 1,000,000
Trusts	<u>213,322</u>
<u>Total</u>	<u>\$ 1,213,322</u>

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. Nonspendable 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)

## P. 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, committed or assigned fund balance based on the constraints on the use of these funds.

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, 2012:

Repairs to capital improvements or equipment	\$ 3,000,000
Other Postemployment benefits	500,000
Technology upgrades	500,000
Unemployment insurance	<u>850,000</u>
Total committed fund balances	<u>\$ 4,850,000</u>

## 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### P. Equity Classifications (Continued)

#### Governmental Fund Statements (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. There was also an amount designated for subsequent year's expenditures in the general fund of \$15,095,574. As of June 30, 2012, The School District's encumbrances were classified as follows:

General Fund general support	\$	4,472,100
General Fund instructional		988,329
Capital Projects Fund		8,413,867
Special Aid Fund		193,100
School Lunch Fund		<u>13,782</u>
Total encumbrances	\$	<u>14,081,178</u>

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 nonspendable 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, nonspendable 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 determined 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 vs. 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 1<sup>st</sup> 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 15<sup>th</sup> 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 1<sup>st</sup> 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, 2012, were as follows:

	7/1/2011 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	6/30/2012 <u>Balance</u>
<u>Governmental activities:</u>					
Capital assets that are not depreciated:					
Land	\$ 6,597,219	\$ -	\$ -	\$ -	\$ 6,597,219
Construction in progress	<u>50,017,667</u>	<u>4,339,917</u>	<u>-</u>	<u>(7,193,323)</u>	<u>47,164,261</u>
	<u>56,614,886</u>	<u>4,339,917</u>	<u>-</u>	<u>(7,193,323)</u>	<u>53,761,480</u>
Capital assets that are depreciated:					
Buildings and Improvements	298,800,645	-	-	7,193,323	305,993,968
Machinery and Equipment	<u>10,093,131</u>	<u>570,799</u>	<u>(860,314)</u>	<u>-</u>	<u>9,803,616</u>
	<u>308,893,776</u>	<u>570,799</u>	<u>(860,314)</u>	<u>7,193,323</u>	<u>315,797,584</u>
Less: Accumulated depreciation:					
Buildings and Improvements	(118,780,787)	(5,743,794)	-	-	(124,524,581)
Machinery and Equipment	<u>(8,166,562)</u>	<u>(448,528)</u>	<u>816,648</u>	<u>-</u>	<u>(7,798,442)</u>
	<u>(126,947,349)</u>	<u>(6,192,322)</u>	<u>816,648</u>	<u>-</u>	<u>(132,323,023)</u>
Total capital assets depreciated, net	<u>181,946,427</u>	<u>(5,621,523)</u>	<u>(43,666)</u>	<u>7,193,323</u>	<u>183,474,561</u>
Total capital assets, net	<u>\$ 238,561,313</u>	<u>\$ (1,281,606)</u>	<u>\$ (43,666)</u>	<u>\$ -</u>	<u>\$ 237,236,041</u>

Depreciation expense for the year ended June 30, 2012, was charged to functions/programs as follows:

#### Governmental Activities:

Instructional	\$ 5,263,474
General support	805,002
Cost of food sales	<u>123,846</u>
Total	<u>\$ 6,192,322</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:

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

**6. LONG-TERM DEBT**

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

Interest paid - Long-term debt	\$ 5,378,464
Less: Interest accrued in the prior year	(1,598,927)
Amortization of Bond Premiums	(387,514)
Plus: Interest accrued in the current year	<u>2,258,473</u>
Total expense	<u>\$ 5,650,496</u>

## 6. LONG-TERM DEBT (Continued)

Long-term debt obligations balances and activity for the year ended June 30, 2012, were as follows:

	7/1/2011 <u>Balance</u>	New Issues/ <u>Additions</u>	Maturities and/or <u>Payments</u>	6/30/2012 <u>Balance</u>	Due Within <u>One Year</u>	Due in More than <u>One Year</u>
Bonds Payable:						
Capital construction	\$ 129,255,000	\$ 27,555,000	\$ 13,035,000	\$ 143,775,000	\$ 14,645,000	\$ 129,130,000
Plus: Unamortized bond premium	<u>3,213,625</u>	<u>348,183</u>	<u>387,514</u>	<u>3,174,294</u>	-	<u>3,174,294</u>
Total bonds payable	<u>132,468,625</u>	<u>27,903,183</u>	<u>13,422,514</u>	<u>146,949,294</u>	<u>14,645,000</u>	<u>132,304,294</u>
Capital lease payable	17,112,980	-	932,774	16,180,206	987,331	15,192,875
State loan payable	3,800,000	-	200,000	3,600,000	200,000	3,400,000
State loan payable - Retirement	2,107,143	2,236,786	351,630	3,992,299	557,686	3,434,613
Due to retirement Systems	14,060,776	-	3,551,118	10,509,658	-	10,509,658
Other long-term liability	8,402,542	-	1,685,878	6,716,664	-	6,716,664
Compensated absences	13,944,986	522,792	-	14,467,778	-	14,467,778
Post-employment benefit obligation	<u>265,396,229</u>	<u>65,184,881</u>	-	<u>330,581,110</u>	-	<u>330,581,110</u>
Total long-term debt obligations	<u>\$ 457,293,281</u>	<u>\$ 95,847,642</u>	<u>\$ 20,143,914</u>	<u>\$ 532,997,009</u>	<u>\$ 16,390,017</u>	<u>\$ 516,606,992</u>

The following is a summary by issue of serial bonds payable as of June 30, 2012:

<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>
Construction	1999	35,900,000	December, 2017	4.25-5.00	\$ 5,185,000
Construction	2002	7,000,000	July, 2018	3.25-4.875	3,595,000
Construction	2004	12,000,000	October, 2018	2.0-4.125	6,685,000
Refunding of serial bonds	2004	18,915,000	December, 2013	2.0-5.0	5,540,000
Construction	2004	11,800,000	December, 2013	2.25-5.00	4,340,000
Refunding of serial bonds	2005	40,015,000	August, 2019	3.0-5.0	33,800,000
Construction	2006	7,790,000	September, 2023	4.0-4.5	6,035,000
Construction	2007	15,190,000	May, 2028	4.0-5.0	13,050,000
Construction	2008	17,985,000	November, 2031	4.0-5.0	16,280,000
Renovations/repairs	2009	14,164,000	December, 2018	0.00	10,600,000
Renovations/repairs	2009	13,836,000	December, 2019	0.00	11,110,000
Construction	2011	15,000,000	December, 2026	5.80	15,000,000
Renovations/repairs	2011	12,555,000	October, 2027	2.0-5.0	<u>12,555,000</u>
					<u>\$ 143,775,000</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, 2012, The School District has recorded a liability of \$3,600,000.

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 2012 school year was \$301,100, including interest of \$53,384 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 2012 school year was \$48,422, including interest of \$10,482 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% and 3.75% for the amounts to be amortized during the 2011 and 2012 school years, respectively. The School District has elected to amortize the maximum allowable ERS contribution, which aggregated to \$829,815 and \$2,236,786 for the 2011 and 2012 school years, respectively. The total amount amortized during the 2012 school year was \$107,465, including interest of \$41,491 and was charged to the Debt Service Fund.

### **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 principal payments in varying amounts from \$932,774 to \$1,629,430 plus 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 (TRS) and \$709,659 for the Employees' Retirement System (ERS), including interest at 8.0% and 7.5% respectively, through 2015. During the 2012 school year, \$2,847,845 and \$703,273 were paid to TRS and ERS, respectively.

## 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 had agreed to pay the members of YFT a total of \$8,402,542 payable in 4 annual installments beginning in July 2012. The first annual payment of \$1,685,878 was made to YFT members on or about June 30, 2012. It was recorded as expense in the General Fund.

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
2012-13	\$ 14,645,000	\$ 5,789,296	\$ 757,686	\$ 171,655	\$ 987,331	\$ 664,214	\$ 16,390,017	\$ 6,625,165
2013-14	14,575,000	4,935,249	783,213	146,127	1,038,439	622,984	16,396,652	5,704,360
2014-15	15,075,000	4,393,558	809,931	119,410	1,101,171	579,678	16,986,102	5,092,646
2015-16	14,015,000	3,853,351	536,792	91,446	1,165,600	533,792	15,717,392	4,478,589
2016-17	14,685,000	3,318,149	502,578	77,241	1,226,808	485,259	16,414,386	3,880,649
2018-2022	43,630,000	9,855,291	2,602,099	189,530	7,200,242	1,604,514	53,432,341	11,649,335
2023-2027	20,390,000	4,316,892	1,000,000	-	3,460,615	208,218	24,850,615	4,525,110
2028-2032	6,760,000	515,887	600,000	-	-	-	7,360,000	515,887
	<u>\$ 143,775,000</u>	<u>\$ 36,977,673</u>	<u>\$ 7,592,299</u>	<u>\$ 795,409</u>	<u>\$ 16,180,206</u>	<u>\$ 4,698,659</u>	<u>\$ 167,547,505</u>	<u>\$ 42,471,741</u>

## 7. INTERFUND BALANCES

	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,213,405	\$ 14,063	\$ -	\$ 20,604,771
Special Aid Fund	-	17,641	1,863,812	-
Debt Service Fund	-	41,010	18,746,934	-
Capital Projects Fund	17,640	-	-	-
Special Purpose Fund	8,814	-	-	-
School Lunch Fund	-	1,161,426	-	5,975
Fiduciary Fund	5,249	10,968	-	-
Total	<u>\$ 1,245,108</u>	<u>\$ 1,245,108</u>	<u>\$20,610,746</u>	<u>\$ 20,610,746</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 and prior to April 1, 2012, employees in NYSERS contribute 3% of their salary throughout their active membership and those in NYSTRS contribute 3.5% throughout their active membership. For employees who joined after April 1, 2012, employees in NYSERS contribute 3% of their salary until April 1, 2013 and then contribute 3% to 6% of their salary throughout their active membership and those in NYSTRS contribute 3.5% of their salary until April 1, 2013 and then contribute 3% to 6% of their salary 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>
2011 - 2012	<u>\$ 22,700,099</u>	<u>\$ 7,599,492</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>

Amounts due to NYSTRS & NYSERS representing employer and employee contributions as of June 30, 2012 are \$27,148,280 and \$3,912,238, 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	\$ 86,970,021	
Interest on net OPEB obligation	10,615,849	
Adjustment to ARC	<u>(4,845,355)</u>	
Annual OPEB cost	92,740,515	
Estimated contributions	<u>(27,555,634)</u>	
Increase in net OPEB obligation	65,184,881	
Net OPEB obligation - beginning of year	<u>265,396,229</u>	
Net OPEB obligation - end of year	<u>\$ 330,581,110</u>	
Percentage of Annual OPEB Cost Contributed		30%

### 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	Annual OPEB Cost	OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 92,740,515	\$ 27,555,634	30%	\$ 330,581,110
6/30/2011	\$ 84,636,480	\$ 25,356,251	30%	\$ 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
7/1/2011	\$ -	\$ 941,931,180	\$ 941,931,180	0%	\$ 260,000,000	362.3%
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, 2011 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 \$224,749,240 of ad valorem taxes to fund educational programs at The School District for this year ended June 30, 2012.
- 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, 2012 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, 2012 was \$34,447,766, 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, 2012, balances of amounts receivable or payables have been recorded.

## **12. COMMITMENT AND CONTINGENCIES**

### **Litigation**

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 2012, The School District became aware of certain pollution remediation concerns related to contaminated soil, polychlorinated biphenyl ("PCBs") 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, The 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 major construction projects underway, at its various buildings. The future expenditures to complete these projects are expected to be approximately \$8.4 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 \$25.4 million in School construction Bonds. The bonds were issued at a coupon rate of 3.0% over a 12 year life.

Subsequent to year end, the City, on behalf of the School District, issued \$12.1 million in School refunding Bonds. The bonds were issued at a coupon rate of 2.0% - 3.0% over a 3 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, 2012 AND 2011**

	2012					2011				
	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES:</b>										
Charges for services	\$ 418,580	\$ 418,580	\$ 488,747	\$ -	\$ 70,167	\$ 418,580	\$ 418,580	\$ 394,062	\$ -	\$ (24,518)
Use of money and property	130,000	130,000	371,909	-	241,909	130,000	130,000	163,379	-	33,379
Forfeitures	5,000	5,000	1,600	-	(3,400)	5,000	5,000	1,175	-	(3,825)
Sale of property and compensation for loss	-	-	307,875	-	307,875	-	-	14,628	-	14,628
Interfund revenues	1,056,516	1,056,516	930,311	-	(126,205)	1,102,219	1,102,219	1,215,987	-	113,768
State aid	246,785,551	246,785,551	249,395,366	-	2,609,815	237,023,233	237,023,233	234,623,990	-	(2,399,243)
Federal aid	20,000	20,000	75,522	-	55,522	9,152,590	9,152,590	8,155,256	-	(997,334)
Miscellaneous	4,061,976	4,061,976	4,062,569	-	593	4,432,674	4,432,674	3,546,521	-	(886,153)
<b>Total revenues</b>	<b>252,477,623</b>	<b>252,477,623</b>	<b>255,633,899</b>	<b>-</b>	<b>3,156,276</b>	<b>252,264,296</b>	<b>252,264,296</b>	<b>248,114,998</b>	<b>-</b>	<b>(4,149,298)</b>
<b>EXPENDITURES:</b>										
<b>General support -</b>										
Board of education	228,684	228,684	225,129	251	3,304	232,207	248,167	240,320	-	7,847
Central administration	602,506	587,563	581,342	-	6,221	649,805	620,782	603,726	110	16,946
Finance	5,514,480	5,113,928	3,236,762	1,167,422	709,744	6,574,820	5,659,883	3,479,325	495,911	1,684,647
Staff	3,307,873	3,549,772	2,905,264	634,700	9,808	3,601,005	3,555,756	3,123,705	875	431,176
Central services	40,365,782	40,772,237	34,730,601	2,669,727	3,371,909	38,155,157	37,504,576	33,939,824	1,278,967	2,285,785
Special items	760,000	650,971	650,919	-	52	619,000	619,000	545,396	-	73,604
<b>Total general support</b>	<b>50,779,325</b>	<b>50,903,155</b>	<b>42,330,017</b>	<b>4,472,100</b>	<b>4,101,038</b>	<b>49,831,994</b>	<b>48,208,164</b>	<b>41,932,296</b>	<b>1,775,863</b>	<b>4,500,005</b>
<b>Instruction -</b>										
Instruction, administration and improvement	22,991,348	22,957,574	22,717,842	94,713	145,019	22,183,729	22,809,902	21,770,000	150,011	889,891
Teaching - regular school	145,040,831	150,691,944	146,616,535	77,119	3,998,290	147,009,318	147,526,960	142,898,666	165,170	4,463,124
Programs for students with handicapping co	62,026,327	63,584,488	60,957,842	259,858	2,366,788	62,583,586	62,646,088	60,452,968	2,097	2,191,023
Occupational education	8,318,818	7,917,147	7,987,351	7,392	(77,596)	9,185,892	9,120,372	9,008,867	10,520	100,985
Teaching - special schools	875,000	672,305	321,128	-	351,177	389,564	28,389	16,388	-	12,001
Instructional media	2,193,870	2,430,457	1,832,670	293,056	304,731	3,311,025	3,401,078	2,699,487	44,911	656,680
Pupil services	11,914,445	12,501,991	11,477,305	256,191	768,495	14,160,828	16,042,709	14,058,074	77,653	1,906,982
<b>Total instruction</b>	<b>253,360,639</b>	<b>260,755,906</b>	<b>251,910,673</b>	<b>988,329</b>	<b>7,856,904</b>	<b>258,823,942</b>	<b>261,575,498</b>	<b>250,904,450</b>	<b>450,362</b>	<b>10,220,686</b>
Pupil transportation	43,399,749	39,880,651	35,995,914	-	3,884,737	39,751,158	38,985,806	38,196,869	-	788,937
Employee benefits	126,082,010	122,042,727	118,132,533	-	3,910,194	109,432,378	109,273,806	108,556,216	-	717,590
Debt service	1,715,093	1,715,093	1,635,978	-	79,115	1,184,503	1,334,782	1,237,559	-	97,223
<b>Total expenditures</b>	<b>475,336,816</b>	<b>475,297,532</b>	<b>450,005,115</b>	<b>5,460,429</b>	<b>19,831,988</b>	<b>459,023,975</b>	<b>459,378,056</b>	<b>440,827,390</b>	<b>2,226,225</b>	<b>16,324,441</b>
Deficiency of revenues over expenditures	(222,859,193)	(222,819,909)	(194,371,216)	(5,460,429)	22,988,264	(206,759,679)	(207,113,760)	(192,712,392)	(2,226,225)	12,175,143
<b>OTHER FINANCING SOURCES (USES):</b>										
Contribution from City of Yonkers	224,749,240	224,749,240	224,749,240	-	-	217,849,240	217,849,240	217,849,240	-	-
State loan-retirement	1,174,013	1,174,013	-	-	(1,174,013)	-	-	829,815	-	829,815
Transfers out	(19,720,996)	(19,760,280)	(20,604,771)	-	(844,491)	(20,148,912)	(19,794,831)	(20,038,603)	-	(243,772)
<b>Total other financing sources</b>	<b>206,202,257</b>	<b>206,162,973</b>	<b>204,144,469</b>	<b>-</b>	<b>(2,018,504)</b>	<b>197,700,328</b>	<b>198,054,409</b>	<b>198,640,452</b>	<b>-</b>	<b>586,043</b>
<b>Net change in fund balance</b>	<b>(16,656,936)</b>	<b>(16,656,936)</b>	<b>9,773,253</b>	<b>(5,460,429)</b>	<b>20,969,760</b>	<b>(9,059,351)</b>	<b>(9,059,351)</b>	<b>5,928,060</b>	<b>(2,226,225)</b>	<b>12,761,186</b>
FUND BALANCE - beginning of year	16,656,936	16,656,936	32,752,510	-	-	9,059,351	9,059,351	26,824,450	-	-
FUND BALANCE - end of year	\$ -	\$ -	\$ 42,525,763	\$ (5,460,429)	\$ 20,969,760	\$ -	\$ -	\$ 32,752,510	\$ (2,226,225)	\$ 12,761,186

**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, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	Prior Year Actual
<b>CHARGES FOR SERVICES:</b>					
Day school tuition	\$ 225,900	\$ 225,900	\$ 329,848	\$ 103,948	\$ 232,712
Summer school tuition - individuals	2,350	2,350	5,493	3,143	8,167
Student fees and charges	1,300	1,300	16,874	15,574	5,485
Other charges for services - individuals	-	-	1,398	1,398	1,538
Health services for other districts	127,930	127,930	108,223	(19,707)	113,301
Other	61,100	61,100	26,911	(34,189)	32,859
	<u>418,580</u>	<u>418,580</u>	<u>488,747</u>	<u>70,167</u>	<u>394,062</u>
<b>USE OF MONEY AND PROPERTY:</b>					
Rental of real property - individuals	130,000	130,000	191,323	61,323	163,379
Rental - other governments	-	-	180,586	180,586	-
	<u>130,000</u>	<u>130,000</u>	<u>371,909</u>	<u>241,909</u>	<u>163,379</u>
<b>FORFEITURES:</b>					
Forfeiture of deposits	5,000	5,000	1,600	(3,400)	1,175
<b>SALE OF PROPERTY AND COMPENSATION FOR LOSS:</b>					
Sale of equipment	-	-	465	465	-
Other	-	-	307,410	307,410	14,628
	<u>-</u>	<u>-</u>	<u>307,875</u>	<u>307,875</u>	<u>14,628</u>
<b>INTERFUND REVENUES</b>	<u>1,056,516</u>	<u>1,056,516</u>	<u>930,311</u>	<u>(126,205)</u>	<u>1,215,987</u>
<b>STATE AID:</b>					
Basic formula	176,390,321	176,390,321	185,625,204	9,234,883	173,283,597
Lottery	45,466,766	45,466,766	43,953,167	(1,513,599)	41,361,842
Tuition and transportation aid for students with disabilities	23,500	23,500	43,489	19,989	25,800
Textbooks	1,778,955	1,778,955	1,770,567	(8,388)	1,765,616
Computer software	690,878	690,878	349,762	(341,116)	518,555
Library materials	178,606	178,606	157,189	(21,417)	158,580
Homeless aid	21,170	21,170	(4,012)	(25,182)	10,000
Contract for Excellence	17,500,000	17,500,000	17,500,000	-	17,500,000
Special legislative grant	4,735,355	4,735,355	-	(4,735,355)	-
	<u>246,785,551</u>	<u>246,785,551</u>	<u>249,395,366</u>	<u>2,609,815</u>	<u>234,623,990</u>
<b>FEDERAL AID:</b>					
Medical assistance	-	-	-	-	-
Impact aid	20,000	20,000	22,602	2,602	31,666
ARRA	-	-	-	-	8,123,590
Other	-	-	52,920	52,920	-
	<u>20,000</u>	<u>20,000</u>	<u>75,522</u>	<u>55,522</u>	<u>8,155,256</u>
<b>MISCELLANEOUS:</b>					
Refund of prior year's expenditures	951,745	951,745	2,007,873	1,056,128	1,165,205
Saunders Trust Fund	1,000	1,000	585	(415)	2,642
Medicaid	1,170,000	1,170,000	1,061,780	(108,220)	1,213,246
MTA tax	1,042,916	1,042,916	667,559	(375,357)	967,168
Other debt	829,815	829,815	-	(829,815)	-
Other	66,500	66,500	324,772	258,272	198,260
	<u>4,061,976</u>	<u>4,061,976</u>	<u>4,062,569</u>	<u>593</u>	<u>3,546,521</u>
Restricted for -					
<b>Total revenues</b>	<u>252,477,623</u>	<u>252,477,623</u>	<u>255,633,899</u>	<u>3,156,276</u>	<u>248,114,998</u>
<b>OTHER FINANCING SOURCES:</b>					
Contribution from City of Yonkers	224,749,240	224,749,240	224,749,240	-	217,849,240
State loan-retirement	1,174,013	1,174,013	-	(1,174,013)	829,815
<b>Total other financing sources</b>	<u>225,923,253</u>	<u>225,923,253</u>	<u>224,749,240</u>	<u>(1,174,013)</u>	<u>218,679,055</u>
<b>Total revenues and other financing sources</b>	<u>\$478,400,876</u>	<u>\$478,400,876</u>	<u>\$480,383,139</u>	<u>\$ 1,982,263</u>	<u>\$466,794,053</u>

**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, 2012**

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
<b>GENERAL SUPPORT</b>					
BOARD OF EDUCATION:					
Board of education	\$ 228,684	\$ 228,684	\$ 225,129	\$ 251	\$ 3,304
CENTRAL ADMINISTRATION:					
Chief school administrator	602,506	587,563	581,342	-	6,221
FINANCE:					
Business administration	4,531,565	4,131,413	2,521,396	1,015,322	594,695
Auditing	482,840	482,440	213,840	152,100	116,500
Purchasing	500,075	500,075	501,526	-	(1,451)
Total finance	5,514,480	5,113,928	3,236,762	1,167,422	709,744
STAFF:					
Legal	1,072,704	1,504,961	786,453	575,500	143,008
Personnel	1,495,676	1,300,590	1,455,648	3,200	(158,258)
Records management	158,449	158,449	157,683	-	766
Public information and services	581,044	585,772	505,480	56,000	24,292
Total staff	3,307,873	3,549,772	2,905,264	634,700	9,808
CENTRAL SERVICES:					
Operation of plant	31,764,857	31,535,083	27,158,354	1,254,747	3,121,982
Maintenance of plant	4,729,831	4,791,068	4,038,971	667,891	84,206
Central storeroom	165,100	165,100	57,275	72,930	34,895
Central printing and mailing	645,904	595,904	455,867	-	140,037
Data processing	3,060,090	3,685,082	3,020,134	674,160	(9,212)
Total central services	40,365,782	40,772,237	34,730,601	2,669,727	3,371,909
SPECIAL ITEMS:					
Unallocated insurance	-	-	-	-	-
Unallocated insurance	760,000	650,971	650,919	-	52
Total general support	50,779,325	50,903,155	42,330,017	4,472,100	4,101,038
<b>INSTRUCTION</b>					
INSTRUCTION, ADMINISTRATION AND IMPROVEMENT:					
Curriculum development and supervision	1,806,186	1,732,383	1,702,661	-	29,722
Supervision - regular school	19,782,266	19,851,968	19,939,045	-	(87,077)
Research, training and evaluation	1,077,716	1,218,723	1,045,056	76,138	97,529
In-service training - Instruction	325,180	154,500	31,080	18,575	104,845
Total instruction, administration and improvement	22,991,348	22,957,574	22,717,842	94,713	145,019
TEACHING - REGULAR SCHOOL	145,040,831	150,691,944	146,616,535	77,119	3,998,290

(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, 2012**  
(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	Variance with Final Budget Favorable (Unfavorable)
<b>INSTRUCTION (Continued)</b>					
PROGRAMS FOR STUDENTS WITH HANDICAPPING CONDITIONS:					
Programs for handicapped children and services for pupils with learning disabilities	62,026,327	63,584,488	60,957,842	259,858	2,366,788
OCCUPATIONAL EDUCATION	8,318,818	7,917,147	7,987,351	7,392	(77,596)
TEACHING - SPECIAL SCHOOLS	875,000	672,305	321,128	-	351,177
INSTRUCTIONAL MEDIA:					
School library and audiovisual	1,224,473	1,277,653	1,073,562	-	204,091
Computer assisted instruction	969,397	1,152,804	759,108	293,056	100,640
Total instructional media	2,193,870	2,430,457	1,832,670	293,056	304,731
PUPIL SERVICES:					
Attendance - regular school	849,369	1,143,879	704,998	237,200	201,681
Guidance - regular school	2,472,541	2,089,708	2,207,880	-	(118,172)
Health services - regular school	4,820,939	4,645,397	4,642,296	-	3,101
Psychological services - regular school	1,137,202	1,753,885	1,275,261	10,390	468,234
Social work services - regular school	614,327	773,364	725,044	-	48,320
Interscholastic athletics - regular school	2,020,067	2,095,758	1,921,826	8,601	165,331
Total pupil services	11,914,445	12,501,991	11,477,305	256,191	768,495
Total Instruction	253,360,639	260,755,906	251,910,673	988,329	7,856,904
<b>PUPIL TRANSPORTATION</b>					
District transportation services	4,826,539	5,175,776	5,208,720	-	(32,944)
Contract transportation	37,349,623	33,481,288	30,015,924	-	3,465,364
Public transportation	1,200,000	1,200,000	768,901	-	431,099
BOCES transportation	23,587	23,587	2,369	-	21,218
Total pupil transportation	43,399,749	39,880,651	35,995,914	-	3,884,737
<b>EMPLOYEE BENEFITS</b>					
State retirement	9,440,924	9,401,641	7,539,606	-	1,862,035
Teachers' retirement	23,757,331	23,757,331	22,875,355	-	881,976
Social security	18,370,822	18,370,822	17,892,685	-	478,137
Hospital, medical and dental benefits	67,602,137	63,602,137	64,494,168	-	(892,031)
Life insurance	60,363	60,363	61,889	-	(1,526)
Unemployment benefits	2,957,771	2,957,771	2,119,396	-	838,375
Union welfare benefits	3,836,866	3,836,866	3,113,548	-	723,318
Other	55,796	55,796	35,886	-	19,910
Total employee benefits	126,082,010	122,042,727	118,132,533	-	3,910,194

(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, 2012**  
(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	Variance with Final Budget Positive (Negative)
<b>DEBT SERVICE</b>					
Principal	829,653	932,775	932,774	-	1
Interest	<u>885,440</u>	<u>782,318</u>	<u>703,204</u>	-	<u>79,114</u>
Total debt service	<u>1,715,093</u>	<u>1,715,093</u>	<u>1,635,978</u>	-	<u>79,115</u>
Total expenditures	<u>475,336,816</u>	<u>475,297,532</u>	<u>450,005,115</u>	<u>5,460,429</u>	<u>19,831,988</u>
<b>OTHER FINANCING USES</b>					
Transfers out:					
School lunch fund	250,000	-	-	-	-
Special aid fund	730,037	1,019,321	1,863,812	-	(844,491)
Debt service fund	<u>18,740,959</u>	<u>18,740,959</u>	<u>18,740,959</u>	-	<u>-</u>
Total other financing uses	<u>19,720,996</u>	<u>19,760,280</u>	<u>20,604,771</u>	-	<u>(844,491)</u>
Total expenditures and other financing us	<u>\$ 495,057,812</u>	<u>\$ 495,057,812</u>	<u>\$ 470,609,886</u>	<u>\$ 5,460,429</u>	<u>\$ 18,987,497</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, 2012**

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Adopted budget	\$ 492,831,587
Add: Prior year's encumbrances	<u>2,226,225</u>
Original budget	495,057,812
Budget revision	<u>-</u>
Final budget	<u>\$ 495,057,812</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, 2012**

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Unreserved fund balance - beginning of year	\$ 23,076,285
Less: Appropriated fund balance used for other purposes	<u>(14,330,711)</u>
Undesignated fund balance - beginning of year	<u>\$ 8,745,574</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, 2012**

Project	Authorization		Expenditures and Transfers to Date			Methods of Financing					Fund Balance at 2012
	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	838	9,903,176	714	-	9,903,890	-	9,903,890	714
Bond Sale - April 2001	5,000,000	5,000,000	4,978,400	8,505	4,986,905	13,095	-	5,000,000	-	5,000,000	13,095
Bond Sale - June 2002	7,000,000	7,000,000	6,849,792	97,178	6,946,970	53,030	-	7,000,000	-	7,000,000	53,030
Bond Sale - April 2004	12,000,000	12,000,000	11,923,362	35,196	11,958,558	41,442	-	12,000,000	-	12,000,000	41,442
Bond Sale - December 2004	11,850,000	11,850,000	11,679,973	95,009	11,774,982	75,018	-	11,850,000	-	11,850,000	75,018
Bond Sale - March 2006	5,000,000	5,000,000	4,568,687	316,512	4,885,199	114,801	-	5,000,000	-	5,000,000	114,801
Bond Sale - March 2006	2,800,000	2,800,000	2,654,438	75,814	2,730,252	69,748	-	2,800,000	-	2,800,000	69,748
Equipment and technology impro	3,038,000	3,038,000	2,861,922	60,336	2,922,258	115,742	-	3,038,000	-	3,038,000	115,742
Improvements to school buildings	12,461,168	12,461,168	11,411,558	810,355	12,221,913	239,255	-	12,461,174	-	12,461,174	239,261
Bond Sale - February 2008	18,000,000	18,000,000	15,006,096	1,226,876	16,232,972	1,767,028	-	18,000,000	-	18,000,000	1,767,028
Bond Sale - December 2008 - Qz	14,164,000	14,164,000	12,283,964	377,630	12,661,594	1,502,406	-	14,164,000	-	14,164,000	1,502,406
EXCEL Funded Projects	18,548,873	18,548,873	18,485,824	2	18,485,826	63,047	-	-	18,527,085	18,527,085	41,259
Bond Sale - December 2009 - Qz	13,836,000	13,836,000	9,263,040	669,736	9,932,776	3,903,224	-	13,836,000	-	13,836,000	3,903,224
Bond Sale - December 2011 - Qz	15,000,000	15,000,000	-	967,967	967,967	14,032,033	-	14,975,000	-	14,975,000	14,007,033
Bond to Ban-December 2011	2,800,000	2,800,000	-	801,279	801,279	1,998,721	-	2,800,000	-	2,800,000	1,998,721
Bond Sale - October 2011 - Qscb	10,000,000	10,000,000	-	694,261	694,261	9,305,739	-	9,957,954	-	9,957,954	9,263,693
<b>Total</b>	<b>\$ 197,301,931</b>	<b>\$ 197,301,931</b>	<b>\$ 157,766,271</b>	<b>\$ 6,237,494</b>	<b>\$ 164,003,765</b>	<b>\$ 33,298,166</b>	<b>\$ -</b>	<b>\$ 178,686,018</b>	<b>\$ 18,527,085</b>	<b>\$ 197,213,103</b>	<b>\$ 33,209,338</b>

**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, 2012**

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	<u>Account Code</u>	<u>Amount Per ST-3</u>	<u>Audited Amount</u>
REVENUES:			
Property taxes	A-1001	\$ 187,623,623 (1)	\$ 224,749,240
Non-property taxes	AT-1199	-	-
State Aid	AT-3999	249,395,366	249,395,366
Federal Aid	AT-4999	<u>75,522</u>	<u>75,522</u>
Total revenues and other financing sources	AT-5999	<u>\$ 437,094,511</u>	<u>\$ 474,220,128</u>
EXPENDITURES:			
General support	AT-1999	\$ 42,330,017	\$ 42,330,017
Pupil transportation	AT-5599	35,995,914	35,995,914
Debt service - principal	AT-9798.6	932,774	932,774
Debt service - interest	AT-9798.7	<u>703,204</u>	<u>703,204</u>
Total expenditures and other financing uses	AT-9999	<u>\$ 79,961,909</u>	<u>\$ 79,961,909</u>

(1) Difference due to classification in the ST-3 of the Real Property Taxes of \$187,623,623 plus STAR program revenues of \$37,125,617, a total of \$224,749,240 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 INVESTMENTS IN  
CAPITAL ASSETS, NET OF RELATED DEBT  
FOR THE YEAR ENDED JUNE 30, 2012**

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Capital assets, net		\$ 237,236,041
Less: Bonds payable - capital construction		(143,775,000)
Less: Capital lease payable		(16,180,206)
Plus:		
Unexpended bond proceeds	33,209,338	
Unamortized portion of premium on bonds	(3,174,294)	
Unamortized portion of issuance costs	<u>572,478</u>	<u>30,607,522</u>
Investment in capital assets, net of related debt		<u>\$ 107,888,357</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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
CASH AND EQUIVALENTS	\$ 200	\$ 200
RECEIVABLES:		
Accounts and other	4,212,606	4,028,999
State and Federal aid	70,575,924	46,315,880
Due from City of Yonkers	31,758,062	45,936,613
Due from other funds	213,405	10,968
Advances to other funds	<u>1,000,000</u>	<u>1,000,000</u>
	<u>107,759,997</u>	<u>97,292,460</u>
Total assets	<u>\$ 107,760,197</u>	<u>\$ 97,292,660</u>
<b>LIABILITIES AND FUND BALANCE</b>		
LIABILITIES:		
Accounts payable	\$ 259,268	\$ 10,286,811
Accrued liabilities	24,673,813	20,805,339
Deferred revenue	1,557,148	-
Due to other governments	8,223,604	8,017,818
Due to City of Yonkers	36	48,727
Due to retirement systems	30,506,502	25,368,399
Due to other funds	<u>14,063</u>	<u>13,056</u>
Total liabilities	<u>65,234,434</u>	<u>64,540,150</u>
FUND BALANCE:		
Restricted for -		
Long-term receivables	<u>1,000,000</u>	<u>1,000,000</u>
Total restricted fund balance	<u>1,000,000</u>	<u>1,000,000</u>
Committed for -		
Other postemployment benefits	500,000	500,000
Repairs to capital improvements or equipment	3,000,000	4,500,000
Technology upgrades	500,000	500,000
Unemployment insurance	<u>850,000</u>	<u>850,000</u>
Total committed fund balance	<u>4,850,000</u>	<u>6,350,000</u>
Assigned to -		
Designated for subsequent year's expenditures	15,095,574	14,430,711
Other expendable	<u>5,460,429</u>	<u>2,226,225</u>
Total assigned fund balance	<u>20,556,003</u>	<u>16,656,936</u>
Unassigned	<u>16,119,760</u>	<u>8,745,574</u>
Total fund balances	<u>42,525,763</u>	<u>32,752,510</u>
Total liabilities and fund balance	<u>\$ 107,760,197</u>	<u>\$ 97,292,660</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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
RECEIVABLES:		
State and Federal aid	\$ 16,912,688	\$ 22,419,848
Due from City of Yonkers	<u>257,249</u>	<u>-</u>
Total assets	<u>\$ 17,169,937</u>	<u>\$ 22,419,848</u>
<b>LIABILITIES AND FUND BALANCE</b>		
LIABILITIES:		
Accounts payable	\$ -	\$ 2,326,203
Accrued liabilities	2,402,376	1,142,480
Due to City of Yonkers	13,895,885	17,912,758
Due to other governments	854,035	1,020,767
Due to other funds	<u>17,641</u>	<u>17,640</u>
Total liabilities	<u>17,169,937</u>	<u>22,419,848</u>
FUND BALANCE (DEFICIT):		
Assigned to -		
Other expendable	193,100	1,186,759
Unassigned	<u>(193,100)</u>	<u>(1,186,759)</u>
Total fund balance	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 17,169,937</u>	<u>\$ 22,419,848</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, 2012 AND 2011**

	2012				2011			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>								
State aid	\$ 11,560,758	\$ 11,560,758	\$ 11,782,391	\$ 221,633	\$ 13,850,068	\$ 14,571,847	\$ 9,843,825	\$ (4,728,022)
Federal aid	38,696,096	38,406,812	31,086,527	(7,320,285)	55,419,421	60,540,488	48,787,431	(11,753,057)
Miscellaneous	<u>319,842</u>	<u>319,842</u>	<u>250,526</u>	<u>(69,316)</u>	<u>690,149</u>	<u>974,326</u>	<u>382,108</u>	<u>(592,218)</u>
Total revenues	<u>50,576,696</u>	<u>50,287,412</u>	<u>43,119,444</u>	<u>(7,167,968)</u>	<u>69,959,638</u>	<u>76,086,661</u>	<u>59,013,364</u>	<u>(17,073,297)</u>
<b>EXPENDITURES:</b>								
Current -								
General support	890,737	890,737	766,896	123,841	1,474,802	1,646,559	1,261,853	384,706
Instruction	41,465,989	41,465,989	35,302,485	6,163,504	57,027,171	62,492,138	47,952,622	14,539,516
Pupil transportation	867,248	867,248	881,080	(13,832)	2,040,298	1,875,818	1,357,109	518,709
Community services	112,555	112,555	113,589	(1,034)	114,498	114,498	112,372	2,126
Employee benefits	<u>7,970,204</u>	<u>7,970,204</u>	<u>7,919,206</u>	<u>50,998</u>	<u>9,922,119</u>	<u>10,576,898</u>	<u>9,449,137</u>	<u>1,127,761</u>
Total expenditures	<u>51,306,733</u>	<u>51,306,733</u>	<u>44,983,256</u>	<u>6,323,477</u>	<u>70,578,888</u>	<u>76,705,911</u>	<u>60,133,093</u>	<u>16,572,818</u>
Deficiency of revenues over expendit	(730,037)	(1,019,321)	(1,863,812)	(844,491)	(619,250)	(619,250)	(1,119,729)	(500,479)
<b>OTHER FINANCING SOURCES:</b>								
Transfers in	<u>730,037</u>	<u>1,019,321</u>	<u>1,863,812</u>	<u>844,491</u>	<u>619,250</u>	<u>619,250</u>	<u>1,119,729</u>	<u>500,479</u>
Net change in fund balance	-	-	-	-	-	-	-	-
FUND BALANCE - beginning of year	-	-	-	-	-	-	-	-
FUND BALANCE - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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 BALANCE SHEET**  
**JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
RECEIVABLES:		
Accounts and other	\$ 60	\$ 60
State and Federal aid	48,759	2,052,043
Due from City of Yonkers	90,676,555	28,092,289
Due from other funds	<u>17,640</u>	<u>17,640</u>
 Total assets	 <u>\$ 90,743,014</u>	 <u>\$ 30,162,032</u>
<b>LIABILITIES AND FUND BALANCE</b>		
LIABILITIES:		
Accounts payable	\$ 16,344	\$ 1,209,688
Accrued liabilities	651,082	248,081
BAN payable	-	2,800,000
Due to City of Yonkers	56,357,955	12,944,279
Retainage payable	<u>508,295</u>	<u>1,287,373</u>
 Total liabilities	 <u>57,533,676</u>	 <u>18,489,421</u>
FUND BALANCE:		
Assigned to -		
Other expendable	33,209,338	2,879,684
Unassigned	<u>-</u>	<u>8,792,927</u>
 Total fund balance	 <u>33,209,338</u>	 <u>11,672,611</u>
 Total liabilities and fund balance	 <u>\$ 90,743,014</u>	 <u>\$ 30,162,032</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, 2012 AND 2011**

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	<u>2012</u>	<u>2011</u>
REVENUES:		
State aid	\$ 41,261	\$ 238,123
Miscellaneous	<u>-</u>	<u>109,704</u>
Total revenues	41,261	347,827
EXPENDITURES - capital outlay	<u>6,237,494</u>	<u>23,641,871</u>
Deficiency of revenues over expenditures	<u>(6,196,233)</u>	<u>(23,294,044)</u>
OTHER FINANCING SOURCES (USES):		
Bond issuances	27,555,000	-
Premium on bond issuances	348,183	-
Proceeds from capital lease	-	8,090,419
Deferred financing costs	<u>(170,223)</u>	<u>-</u>
Total other financing sources	<u>27,732,960</u>	<u>8,090,419</u>
Net change in fund balance	21,536,727	(15,203,625)
FUND BALANCE - beginning of year	<u>11,672,611</u>	<u>26,876,236</u>
FUND BALANCE - end of year	<u>\$ 33,209,338</u>	<u>\$ 11,672,611</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, 2012**  
 (With Comparative Totals for 2011)

	School Lunch	Special Purpose	Debt Service	Total Non-Major Governmental Funds	
				2012	2011
<b>ASSETS</b>					
CASH	\$ 10,481	\$ -	\$ -	\$ 10,481	\$ 7,316
RECEIVABLES:					
Accounts and other	4,254	-	-	4,254	5,274
State and Federal aid	533,754	-	-	533,754	524,464
Due from City of Yonkers	1,519,975	426,441	462,358	2,408,774	1,889,103
Due from other funds	-	8,814	-	8,814	8,814
	<u>2,068,464</u>	<u>435,255</u>	<u>462,358</u>	<u>2,966,077</u>	<u>2,434,971</u>
INVENTORIES	<u>158,853</u>	<u>-</u>	<u>-</u>	<u>158,853</u>	<u>187,741</u>
Total assets	<u>\$ 2,227,317</u>	<u>\$ 435,255</u>	<u>\$ 462,358</u>	<u>\$ 3,124,930</u>	<u>\$ 2,622,712</u>
<b>LIABILITIES AND FUND BALANCES</b>					
LIABILITIES:					
Accounts payable	\$ -	\$ 221,933	\$ -	\$ 221,933	\$ 464,666
Accrued liabilities	469,393	-	-	469,393	257,862
Due to the City of Yonkers	-	-	-	-	67,390
Due to other funds	161,426	-	41,010	202,436	-
Due to retirement system	554,016	-	-	554,016	551,997
Advances from other funds	1,000,000	-	-	1,000,000	1,000,000
Total liabilities	<u>2,184,835</u>	<u>221,933</u>	<u>41,010</u>	<u>2,447,778</u>	<u>2,341,915</u>
FUND BALANCES:					
Nonspendable -					
Inventories	158,853	-	-	158,853	187,741
Assigned to -					
Other expendable	13,782	-	421,348	435,130	25,643
Restricted for -					
Trusts	-	213,322	-	213,322	196,347
Unassigned	<u>(130,153)</u>	<u>-</u>	<u>-</u>	<u>(130,153)</u>	<u>(128,934)</u>
Total fund balances	<u>42,482</u>	<u>213,322</u>	<u>421,348</u>	<u>677,152</u>	<u>280,797</u>
Total liabilities and fund balances	<u>\$ 2,227,317</u>	<u>\$ 435,255</u>	<u>\$ 462,358</u>	<u>\$ 3,124,930</u>	<u>\$ 2,622,712</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, 2012**  
(With Comparative Totals for 2011)

	School <u>Lunch</u>	Special <u>Purpose</u>	Debt <u>Service</u>	Total Non-Major Governmental Funds	
				<u>2012</u>	<u>2011</u>
<b>REVENUES:</b>					
Use of money and property	\$ -	\$ -	\$ 3,694	\$ 3,694	\$ 1,890
State aid	219,556	-	-	219,556	218,651
Federal aid	6,480,204	-	-	6,480,204	6,357,239
Food sales	2,122,494	-	-	2,122,494	2,091,379
Miscellaneous	-	127,076	-	127,076	135,853
<b>Total revenues</b>	<b>8,822,254</b>	<b>127,076</b>	<b>3,694</b>	<b>8,953,024</b>	<b>8,805,012</b>
<b>EXPENDITURES:</b>					
Current -					
Employee benefits	1,929,359	-	-	1,929,359	1,750,207
Cost of food sales	6,996,278	-	-	6,996,278	6,878,962
Other	-	110,101	-	110,101	149,199
Debt service -					
Principal	-	-	13,586,630	13,586,630	13,818,053
Interest	-	-	4,675,260	4,675,260	5,142,245
<b>Total expenditures</b>	<b>8,925,637</b>	<b>110,101</b>	<b>18,261,890</b>	<b>27,297,628</b>	<b>27,738,666</b>
Excess (deficiency) of revenue over expenditures	(103,383)	16,975	(18,258,196)	(18,344,604)	(18,933,654)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	18,746,934	18,746,934	18,943,013
Transfers out	(5,975)	-	-	(5,975)	(24,139)
<b>Total other financing sources</b>	<b>(5,975)</b>	<b>-</b>	<b>18,746,934</b>	<b>18,740,959</b>	<b>18,918,874</b>
Net change in fund balances	(109,358)	16,975	488,738	396,355	(14,780)
<b>FUND BALANCES - beginning of year</b>	<b>151,840</b>	<b>196,347</b>	<b>(67,390)</b>	<b>280,797</b>	<b>295,577</b>
<b>FUND BALANCES - end of year</b>	<b>\$ 42,482</b>	<b>\$ 213,322</b>	<b>\$ 421,348</b>	<b>\$ 677,152</b>	<b>\$ 280,797</b>

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, 2012 AND 2011**

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	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
CASH	\$ 10,481	\$ 7,316
RECEIVABLES:		
Accounts and other	4,254	5,274
State and Federal aid	533,754	524,464
Due from City of Yonkers	<u>1,519,975</u>	<u>1,567,886</u>
	<u>2,057,983</u>	<u>2,097,624</u>
INVENTORIES	<u>158,853</u>	<u>187,741</u>
Total assets	<u>\$ 2,227,317</u>	<u>\$ 2,292,681</u>
<b>LIABILITIES AND FUND BALANCE</b>		
LIABILITIES:		
Accounts payable	\$ -	\$ 330,982
Accrued liabilities	469,393	257,862
Due to other funds	161,426	-
Due to retirement systems	554,016	551,997
Advances from other funds	<u>1,000,000</u>	<u>1,000,000</u>
Total liabilities	<u>2,184,835</u>	<u>2,140,841</u>
FUND BALANCE:		
Nonspendable -		
Inventories	158,853	187,741
Assigned to -		
Other expendable	13,782	25,643
Unassigned	<u>(130,153)</u>	<u>(61,544)</u>
Total fund balance	<u>42,482</u>	<u>151,840</u>
Total liabilities and fund balance	<u>\$ 2,227,317</u>	<u>\$ 2,292,681</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, 2012 AND 2011**

	2012				2011			
	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	\$ 192,885	\$ 192,885	\$ 219,556	\$ 26,671	\$ 221,728	\$ 221,728	\$ 218,651	\$ (3,077)
Federal aid	5,739,378	5,728,520	6,480,204	751,684	5,143,453	5,143,453	6,357,239	1,213,786
Food sales	2,466,495	2,406,748	2,122,494	(284,254)	2,858,781	2,858,781	2,091,379	(767,402)
Total revenues	8,398,758	8,328,153	8,822,254	494,101	8,223,962	8,223,962	8,667,269	443,307
EXPENDITURES:								
Current -								
Employee benefits	1,628,709	1,628,709	1,929,359	(300,650)	1,783,839	1,652,548	1,750,207	(97,659)
Cost of food sales	7,014,074	6,943,469	6,996,278	(52,809)	6,915,984	7,047,275	6,878,962	168,313
Total expenditures	8,642,783	8,572,178	8,925,637	(353,459)	8,699,823	8,699,823	8,629,169	70,654
Excess (deficiency) of revenues over expenditures	(244,025)	(244,025)	(103,383)	140,642	(475,861)	(475,861)	38,100	513,961
OTHER FINANCING SOURCES (USES):								
Transfers in	-	-	-	-	500,000	500,000	-	(500,000)
Transfers out	(5,975)	(5,975)	(5,975)	-	(24,139)	(24,139)	(24,139)	-
Total other financing sources	(5,975)	(5,975)	(5,975)	-	475,861	475,861	(24,139)	(500,000)
Net change in fund balance	(250,000)	(250,000)	(109,358)	140,642	-	-	13,961	13,961
FUND BALANCE - beginning of year	250,000	250,000	151,840	(98,160)	-	-	137,879	137,879
FUND BALANCE - end of year	\$ -	\$ -	\$ 42,482	\$ 42,482	\$ -	\$ -	\$ 151,840	\$ 151,840

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, 2012 AND 2011**

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	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
RECEIVABLES:		
Due from City of Yonkers	\$ 426,441	\$ 321,217
Due from other funds	<u>8,814</u>	<u>8,814</u>
	<u>\$ 435,255</u>	<u>\$ 330,031</u>
<b>LIABILITIES AND FUND BALANCE</b>		
ACCOUNTS PAYABLE	<u>\$ 221,933</u>	<u>\$ 133,684</u>
FUND BALANCE - restricted for trusts	<u>213,322</u>	<u>196,347</u>
Total liabilities and fund balance	<u>\$ 435,255</u>	<u>\$ 330,031</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, 2012 AND 2011**

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	<u>2012</u>	<u>2011</u>
REVENUES:		
Miscellaneous - contributions	\$ <u>127,076</u>	\$ <u>135,853</u>
Total revenues	127,076	135,853
EXPENDITURES - current - other	<u>110,101</u>	<u>149,199</u>
Deficiency of revenues over expenditures	16,975	(13,346)
FUND BALANCE - beginning of year	<u>196,347</u>	<u>209,693</u>
FUND BALANCE - end of year	<u>\$ 213,322</u>	<u>\$ 196,347</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, 2012 AND 2011**

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	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
RECEIVABLES:		
Due from City of Yonkers	\$ 462,358	\$ -
Total assets	<u>\$ 462,358</u>	<u>\$ -</u>
<b>LIABILITIES</b>		
PAYABLES:		
Due to other funds	\$ 41,010	\$ -
Due to City of Yonkers	<u>-</u>	<u>67,390</u>
Total liabilities	<u>41,010</u>	<u>67,390</u>
<b>FUND BALANCE</b>		
Assigned to-		
Other expendable	<u>421,348</u>	<u>(67,390)</u>
Total liabilities and fund balance	<u>\$ 462,358</u>	<u>\$ -</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, 2012 AND 2011**

	2012				2011			
	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	\$ 500	\$ 500	\$ 3,694	\$ 3,194	\$ -	\$ -	\$ 1,890	\$ 1,890
EXPENDITURES:								
Debt service -								
Principal:								
Bonds	13,151,584	13,151,584	13,035,000	116,584	13,346,000	13,346,000	13,346,000	-
State loan	200,000	200,000	200,000	-	200,000	200,000	200,000	-
State loan - retirement	272,053	272,053	351,630	(79,577)	272,053	272,053	272,053	-
	13,623,637	13,623,637	13,586,630	37,007	13,818,053	13,818,053	13,818,053	-
Interest -								
Bonds	4,994,941	4,994,941	4,569,903	425,038	5,064,775	5,064,775	5,064,775	-
State loan - retirement	143,856	143,856	105,357	38,499	77,470	77,470	77,470	-
	5,138,797	5,138,797	4,675,260	463,537	5,142,245	5,142,245	5,142,245	-
Total expenditures	18,762,434	18,762,434	18,261,890	500,544	18,960,298	18,960,298	18,960,298	-
Deficiency of revenues over expenditures	(18,761,934)	(18,761,934)	(18,258,196)	503,738	(18,960,298)	(18,960,298)	(18,958,408)	1,890
OTHER FINANCING SOURCES:								
Transfers in	18,746,934	18,746,934	18,746,934	-	18,943,013	18,943,013	18,943,013	-
Net change in fund balance	(15,000)	(15,000)	488,738	503,738	(17,285)	(17,285)	(15,395)	1,890
FUND BALANCE - beginning of year	15,000	15,000	(67,390)	(82,390)	(51,995)	(51,995)	(51,995)	-
FUND BALANCE - end of year	\$ -	\$ -	\$ 421,348	\$ 421,348	\$ (69,280)	\$ (69,280)	\$ (67,390)	\$ 1,890

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**

January 23, 2013

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, 2012, which collectively comprise The School District's basic financial statements and have issued our report thereon dated January 23, 2013. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses, findings 2012-1 through 2012-2.

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

(Continued)

**Internal Control Over Financial Reporting (Continued)**

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. We consider the deficiency described in the accompany schedule of findings and responses to be a significant deficiency, finding 2012-3.

**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 instances of noncompliance or other matters required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as finding 2012-4.

We noted certain other matters that we have reported to the management of The School District in a separate letter dated January 2013.

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.

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

**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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**2012-1 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 the 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 2011 and 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 been actively recruiting key positions in the Finance department, including interviewing prospective candidates.

**2012-2 Finding -**

**Criteria:** The School District's interim financial statements for the Governmental funds should be prepared using the modified accrual 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. During 2012, the District had significant variances from their approved General Fund Budget that were not properly identified prior to the audited financial statements being issued. This finding was included in our 2011 and 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 principles. 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.

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

**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2012 (Continued)**

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**2012-2 Finding (Continued)-**

**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.

**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 fully utilizing the capabilities of the new financial and accounting software that has been implemented for the 2013 fiscal year.

**District Response:** The School District agrees with the recommendation and, in consultation with external and internal auditors, have developed quarterly financial reports that serve as the type of business tools described which will be implemented by January 31, 2013.

**2012-3 Finding -**

**Criteria:** To ensure that 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 2011 and 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:** It is our understanding that the District personnel reviewed each of the areas identified above to ensure that the appropriate corrective action was implemented in the new Ceridian Payroll System. We also recommend to verify that processes were successfully implemented; The School District's internal auditors' perform an internal audit of the new Ceridian Payroll System to determine that all steps noted above have been properly addressed.

**District's Response:** The School District agrees with the recommendation and have reviewed user access rights within the new payroll systems ensuring proper segregation of incompatible duties.

**2012-4 Finding –**

**Criteria:** That all costs reported as part of a Federal Award must be incurred in the proper award period.

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

**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2012 (Continued)**

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**Condition:** In our testing of journal entries provided by The School District to accrue expenditures charged to federal awards, we noted that certain expenditures included in the journal entries tested were expenses incurred subsequent to June 30, 2012.

**Cause:** The lack of proper investigation performed by the person making the entry, along with no thorough review completed by senior management of the Finance Department.

**2012-4 Finding (continued)**

**Effect:** Since the error was corrected prior to finalization of the financial statements there was no effect. In addition, the expenses noted were incurred in the proper award period and properly included in the grant costs submitted.

**Recommendation:** We recommend that prior to posting a journal entry to accrue expenses at the end of the fiscal or grant period, that all supporting documentation be reviewed and attached to the journal entry prior to approval of senior management.

**District's Response:** We agree with the finding and are in the process of developing processes that include the recommendation noted.