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Board of Education
Cherry Valley-Springfield Central School District
Cherry Valley, New York 13320

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major and non-major fund of Cherry Valley-Springfield Central School District, as of and for the year ended June 30, 2011, which collectively comprise the school's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cherry Valley-Springfield Central School District's management. Our responsibility is to express an opinion 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 general purpose 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 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 and each major and non-major fund of Cherry Valley-Springfield Central School District, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2011, on our consideration of the Cherry Valley-Springfield Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cherry Valley-Springfield Central School District's basic financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Moore & Hart

MOORE & HART
Utica, New York
October 24, 2011

CHERRY VALLEY - SPRINGFIELD CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis

July 1, 2010 - June 30, 2011

INTRODUCTION

This discussion and analysis of Cherry Valley - Springfield Central School District's financial performance provides an overview of the District's financial activities for the fiscal year July 1, 2010 - June 30, 2011. It should be read in conjunction with the basic financial statements immediately following this section.

FINANCIAL HIGHLIGHTS

- New York State Law limits the amount of unassigned fund balance that can be retained by the General Fund to 4% of the ensuing year's budget, exclusive of the amount assigned for the subsequent year's budget. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$442,915. This amount is below the statutory limit.
- On the government-wide financial statements, the assets of the School District exceeded liabilities by \$9,656,824. Of this amount, the unrestricted portion is a surplus of \$8,103,265. The School District's total net assets decreased by \$657,227 for the year ending June 30, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts, the *management's [district's] discussion and analysis* (this section), the *basic financial statements* and required *supplementary information*.

MANAGEMENT'S [DISTRICT'S] DISCUSSION AND ANALYSIS (MD&A)

The MD&A contains required supplementary information to the annual financial statements. It is designed to introduce the financial statements, put the statements in perspective and clarify the financial position of the District. The MD&A is an element of the new reporting model adopted by the Government's Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments.

BASIC FINANCIAL STATEMENTS

The District's *basic financial statements* are comprised of three components: (1) **district-wide financial statements**, (2) **fund financial statements** and (3) **notes to the financial statements**. Descriptions of the required basic financial statements are provided below.

District-wide Financial Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. This is called the *full accrual* basis of accounting. District-wide financial statements provide both short-term and long-term information about the District's overall financial status. The two district-wide statements report the District's *net assets*, (Figure A-3), and how they have changed, or the *statements of activities*, (Figure A-4). Sources of revenue and expenses for the fiscal year are reported *governmental activities*, (Figure A-5).

- The statement of *net assets* includes all of the District's assets and liabilities. Net assets, the difference between the District's assets and liabilities, may be one way to measure the District's financial position. To assess the District's overall position, you

need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

- The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.
- The *governmental activities* of the District include instructional program expenses, capital expenses and administrative expenses, as well as, the sources of revenue.

Fund Financial Statements

The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into two categories: *governmental funds* and *fiduciary funds*.

- The *governmental funds statements* tell how basic services such as regular education and special education were financed in the short term, as well as, what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others (such as scholarship funds and student activity funds).

Notes

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

REQUIRED SUPPLEMENTARY INFORMATION

The auditor, in the body of the auditor's report provides required supplementary information.

Figure A - 1

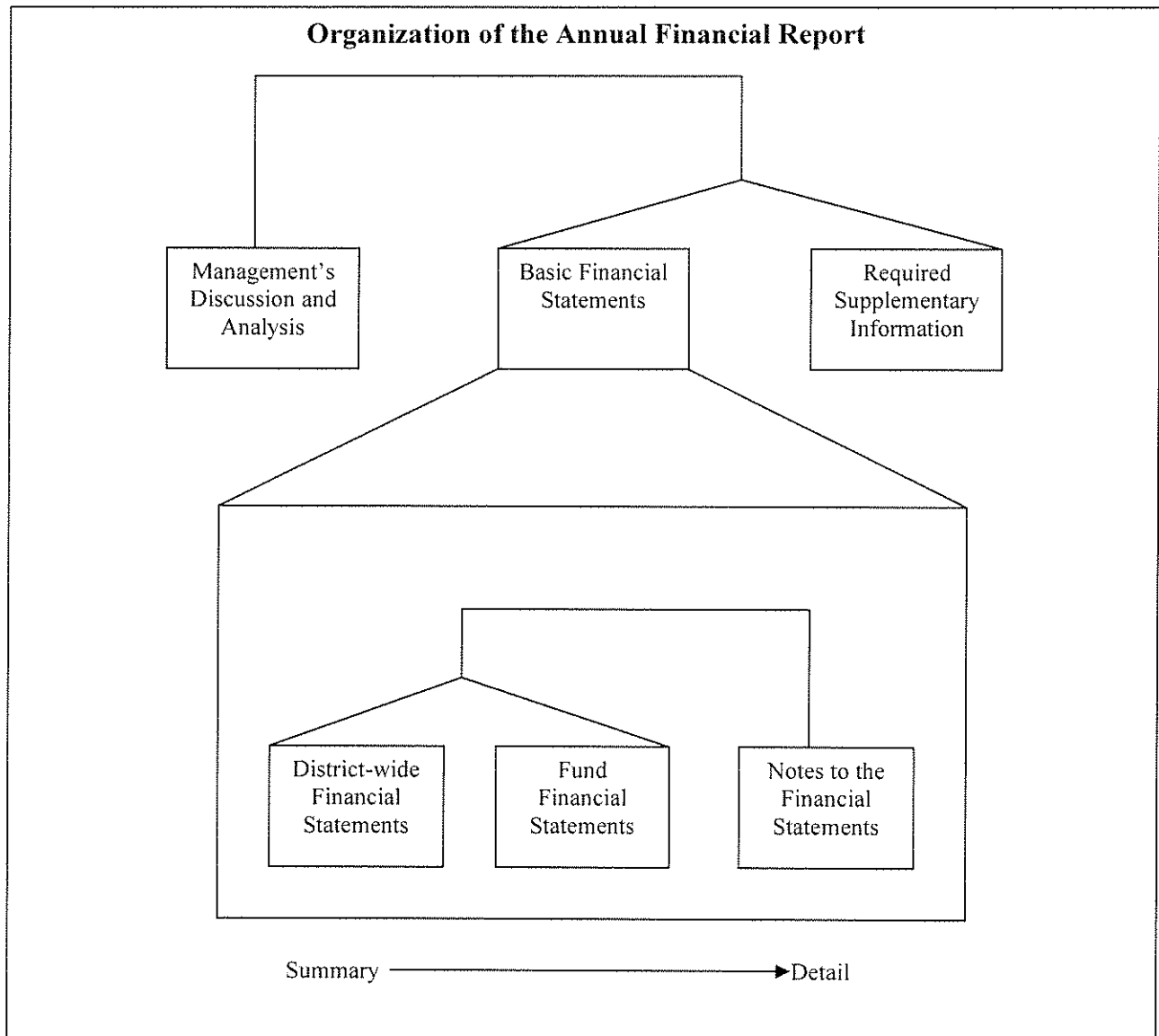


Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2**Major Features of the District-wide and Fund Financial Statements**

	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
SCOPE	Entire District except fiduciary funds	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
REQUIRED FINANCIAL STATEMENTS	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of fiduciary net assets Statement of changes in fiduciary net assets
ACCOUNTING BASIS & MEASUREMENT FOCUS	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
TYPE OF ASSET/LIABILITY INFORMATION	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; 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 addition and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District's activities, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-3

Net Assets				
Governmental and Total School District				
	2011	2010	Difference	% Chg
Assets:				
Current and Other Assets	\$3,752,852	\$ 10,210,375	\$ (6,457,523)	-63.2%
Capital Assets	21,366,753	16,825,074	4,541,679	27.0%
Total Assets	<u>25,119,605</u>	<u>27,035,449</u>	<u>(1,915,844)</u>	-7.1%
Liabilities:				
Long-Term				
Debt Outstanding	6,253,777	5,795,491	458,286	7.9%
Other Liabilities	9,209,004	10,925,907	(1,716,903)	-15.7%
Total Liabilities	<u>15,462,781</u>	<u>16,721,398</u>	<u>(1,258,617)</u>	-7.5%
Net Assets:				
Invested in Capital Assets,				
Net of Related Debt	8,813,283	10,171,159	(1,357,876)	-13.4%
Restricted	(7,259,724)	(2,105,550)	(5,154,174)	244.8%
Unrestricted	<u>8,103,265</u>	<u>2,248,442</u>	<u>5,854,823</u>	260.4%
Total Net Assets	<u>\$9,656,824</u>	<u>\$ 10,314,051</u>	<u>\$ (657,227)</u>	-6.4%

By far the largest component of the School District's net assets (85%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Those assets subject to external restrictions are a deficit of \$7,259,724. The remaining of unrestricted net assets is a surplus of \$8,103,265.

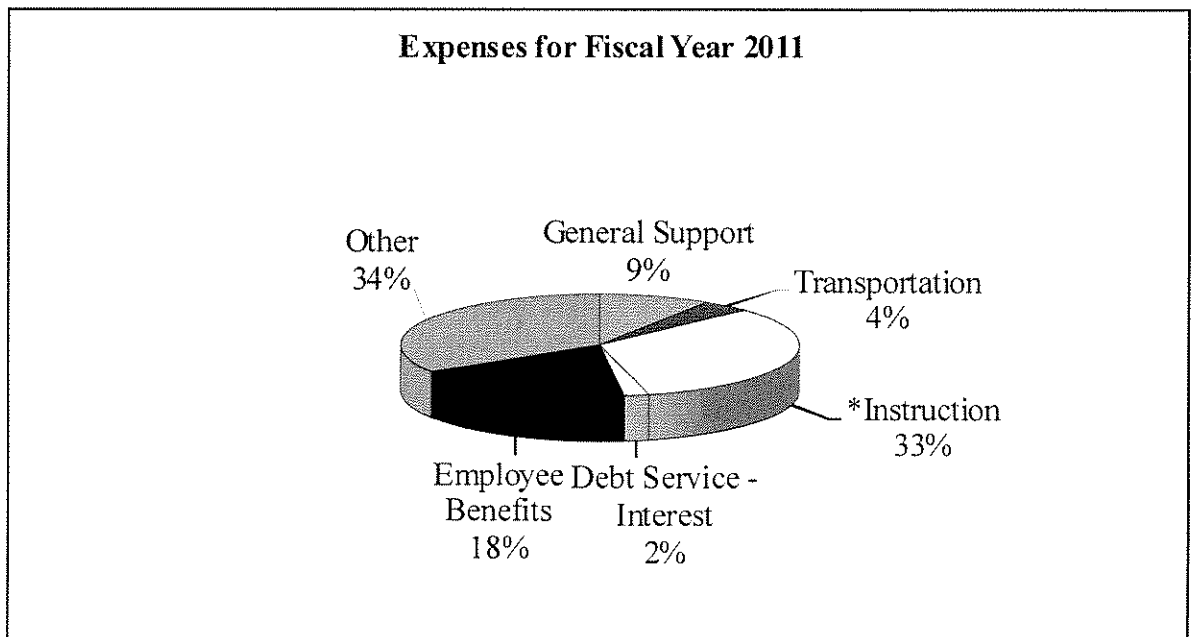
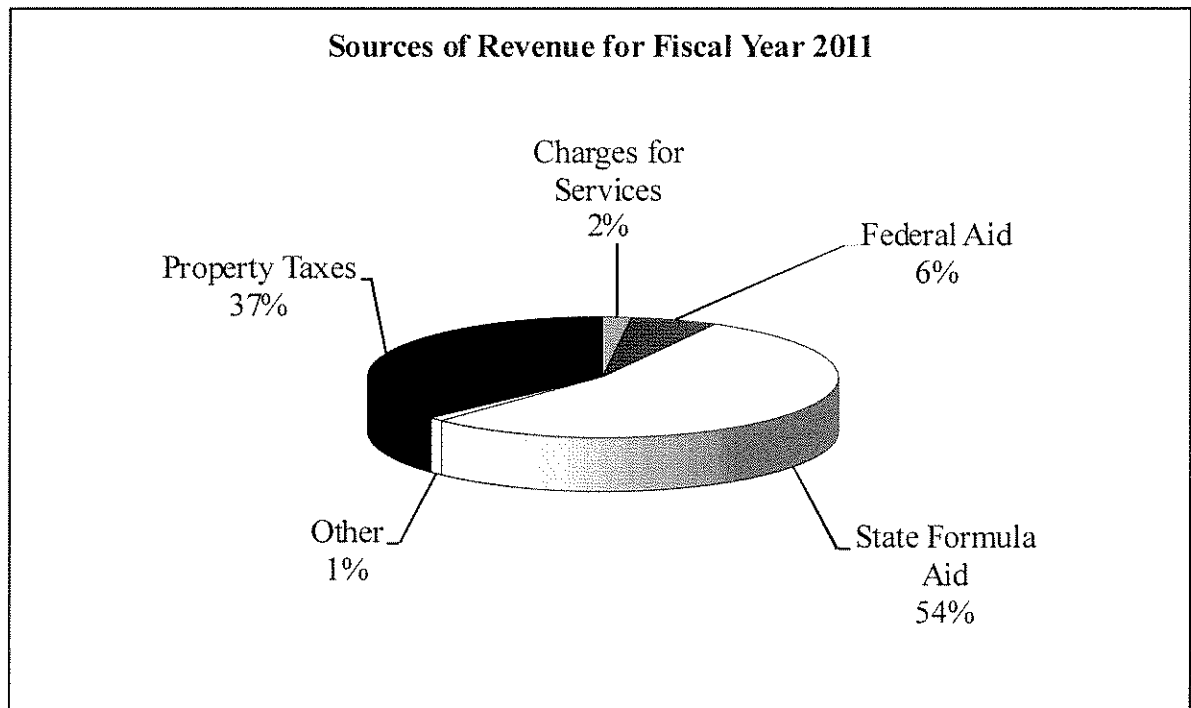
Figure A-4

Changes in Net Assets				
Governmental & Total School District				
	2011	2010	Difference	% Chg
Revenues:				
Program Revenues				
Charges for Services	\$ 224,670	\$ 217,657	\$ 7,013	3.2%
Operating Grants/ Contributions	14,307	11,093	3,214	29.0%
General Revenues				
Property & Other Taxes	4,508,113	4,392,239	115,874	2.6%
State aid	6,555,669	6,528,405	27,264	0.4%
Federal Aid	779,897	1,019,758	(239,861)	-23.5%
Interest Earnings	6,910	17,724	(10,814)	-61.0%
Miscellaneous	127,245	165,592	(38,347)	-23.2%
Total Revenues	<u>12,216,811</u>	<u>12,352,468</u>	<u>(135,657)</u>	-1.1%
Expenses:				
General Support	1,704,300	1,848,888	(144,588)	-7.8%
Instruction	5,431,220	6,676,993	(1,245,773)	-18.7%
Transportation	666,170	571,219	94,951	16.6%
Community Service	-	1,500	(1,500)	-100.0%
Employee Benefits	4,518,477	4,261,676	256,801	6.0%
Debt Service - Interest	442,809	407,133	35,676	8.8%
Cost of Sales - Food	111,024	-	111,024	100.0%
Total Expenses	<u>12,874,000</u>	<u>13,767,409</u>	<u>(893,409)</u>	-6.5%
Change In Net Assets	<u>\$ (657,189)</u>	<u>\$ (1,414,941)</u>	<u>\$ 757,752</u>	-53.6%

Governmental activities decreased the School District's net assets by \$657,189. As indicated on the following pie charts, the School District relies upon New York State formula aid as its primary revenue source, followed by property tax revenue. The School District's program costs account for 46% of its expenses. Capital expenses represent 29%.

Figure A-5

Governmental Activities



Financial Analysis of the School District's Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the School District's governmental funds reported combined balances of \$(5,109,824). (The governmental funds include the general funds and the reserve funds of the District.) This amount represents a decrease of \$5,162,740 from the prior year. This decrease was primarily due to an increase in capital expenditures.

Of the total combined fund balances, \$1,231,798 constitutes unrestricted fund balance, or monies that are available for spending at the District's discretion. This total consists of the net of surpluses in the general fund of \$1,219,392 and school lunch fund of \$12,406. Of these monies \$802,217 has been assigned for subsequent year's expenditures and represents the amount estimated for use in the 2011-2012 budget. The balance of \$429,581 is the total surplus in the General Fund and School Lunch Fund.

The remainder of the fund balance is restricted and non-spendable to indicate that it is *not* available for new spending as it has already been committed. The restricted funds include a reserve for repairs in the amount \$207,988, a reserve for employee benefits and accrued liabilities of \$176,228, a reserve for debt of \$500,000, Debt Service Funds of \$710,211 and a Capital Funds deficit of \$(7,969,935). Non-spendable funds include the School Lunch Fund inventory of \$8,145.

The General Fund is the chief operating fund of the School District. At the end of the current fiscal year, the unrestricted fund balance was \$1,245,133 of which \$442,915 was unassigned. The difference or \$776,477 includes \$ assigned for the subsequent year's budget and \$25,740 in encumbrances. As noted earlier, the unreserved, undesignated fund balance of \$442,915 falls below the statutory limit of 4% of the ensuing year's budget that can be retained by a school district.

General Fund Budgetary Highlights

The budget was increased by \$41,454 for encumbrances carried over from the 2009-2010 fiscal year.

Capital Asset and Debt Administration

Capital Assets

On June 30, 2011 the School District has \$21,366,753, net of accumulated depreciation invested in a broad range of capital assets, including land, improvements other than buildings, buildings and improvements, and machinery and equipment. The change in capital assets, net of accumulated depreciation, is reflected below.

Capital Assets (Net of Depreciation)

	Governmental Activities & Total School District			
	2011	2010	Difference	% Chg
Land	\$ 150,000	\$ 150,000	\$ -	0.0%
Construction in Progress	8,291,882	3,362,763	4,929,119	146.6%
Buildings and Improvements	12,247,445	12,663,780	(416,335)	-3.3%
Equipment and Furniture	677,426	648,531	28,895	4.5%
Total	<u>\$21,366,753</u>	<u>\$16,825,074</u>	<u>\$4,541,679</u>	27.0%

More detailed information about the School District's capital assets is presented in the notes to the financial statements.

Long Term Debt

On June 30, 2011, the School District had \$6,523,777 in general obligation and other long term debt outstanding as follows:

Outstanding Long-Term Debt

	Governmental Activities & Total School District			%
	2011	2010	Difference	Chg
General Obligation Bonds	\$3,721,924	\$4,311,286	\$ (589,362)	-13.7%
Post Employment Benefits	\$2,801,853	\$1,484,205	\$1,317,648	88.8%
	<u>\$6,523,777</u>	<u>\$5,795,491</u>	<u>\$ 728,286</u>	

More detailed information about the School District's long-term liabilities is presented in the notes to the financial statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was not aware of any extraordinary circumstances or factors that would significantly impact the District's financial position in the future.

Contacting the School District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Administrative Center of the Cherry Valley - Springfield Central School District.

General Purpose Financial Statements

Cherry Valley - Springfield Central School District
Statement of Net Assets
Governmental Activities
June 30, 2011

ASSETS

Cash	
Unrestricted	\$ 1,116,748
Restricted	1,743,249
Receivables	
State and Federal aid	329,418
Due from other governments	285,573
Due from fiduciary funds	229,341
Other	1,565
Inventories	8,145
Prepaid expenditures	38,813
Capital assets, net	21,366,753
Total Assets	<u>25,119,605</u>

LIABILITIES

Payables	
Accounts payable	23,343
Retainage payable	251,080
Accrued liabilities	39,014
Due to other governments	407
Due to teachers' retirement system	367,334
Due to employees' retirement system	42,709
Premium on bond anticipation notes	2,766
Notes payable	
Bond anticipation	8,170,847
Long-term liabilities	
Due and payable within one year	
Bonds payable	529,362
Due and payable after one year	
Bonds payable	3,192,562
Compensated absences payable	41,504
Other postemployment benefits payable	2,801,853
Total Liabilities	<u>15,462,781</u>

NET ASSETS

Investment in capital assets, net of related debt	8,813,283
Restricted for:	
Debt Service	710,211
Capital	(7,969,935)
Unrestricted (deficit)	8,103,265
Total Net Assets	<u>\$ 9,656,824</u>

Cherry Valley - Springfield Central School District
Statement of Activities
For the Year Ended June 30, 2011

	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS					
General support	\$ (1,704,300)	\$ (1,046,441)	\$ -	\$ -	\$ (2,750,741)
Instruction	(5,431,220)	(3,125,990)	70,254	-	(8,486,956)
Pupil transportation	(666,170)	(346,046)	16,582	-	(995,634)
Employee benefits	(4,518,477)	4,518,477	-	-	-
Debt service - interest	(442,809)	-	-	-	(442,809)
School lunch program	(111,024)	-	137,834	14,307	41,117
Total Functions and Programs	<u>\$ (12,874,000)</u>	<u>\$ -</u>	<u>\$ 224,670</u>	<u>\$ 14,307</u>	<u>(12,635,023)</u>
GENERAL REVENUES					
Real property taxes					3,945,008
Other tax items					563,105
Use of money and property					6,910
Sale of property and compensation for loss					7,185
State sources					6,555,669
Federal sources					779,897
Miscellaneous					120,060
Total General Revenues					<u>11,977,834</u>
Change in Net Assets					<u>(657,189)</u>
Adjustments:					
Rounding					4
Prior Year					(42)
					<u>(38)</u>
Total Net Assets - Beginning of year					<u>10,314,051</u>
Total Net Assets - End of year					<u>\$ 9,656,824</u>

Cherry Valley - Springfield Central School District
Balance Sheet - Governmental Funds
June 30, 2011

	<u>General</u>	<u>Special Aid</u>
ASSETS		
Cash		
Unrestricted	\$ 987,162	\$ 64,368
Restricted	1,134,649	-
Receivables		
Due from other funds	-	-
Due from fiduciary funds	229,341	-
State and Federal aid	223,280	96,259
Due from other governemnts	285,573	-
Other	1,565	-
Inventories	-	
Prepaid expenditures	<u>38,813</u>	<u>-</u>
Total Assets	<u><u>\$ 2,900,383</u></u>	<u><u>\$ 160,627</u></u>
LIABILITIES		
Payables		
Accounts payable	\$ 22,005	\$ -
Accrued liabilities	-	-
Due to other funds	338,986	160,627
Due to other governments	-	-
Retainage payable	-	-
Due to Teachers' Retirement System	367,334	-
Due to Employees' Retirement System	42,709	-
Notes payable		
Bond anticipation	<u>-</u>	<u>-</u>
Total Liabilities	<u>771,034</u>	<u>160,627</u>
FUND BALANCES		
Non-spendable	-	-
Restricted	884,216	-
Committed	-	-
Assigned	802,217	-
Unassigned	<u>442,915</u>	<u>-</u>
Total Fund Balances	<u>2,129,348</u>	<u>-</u>
Total Liabilities and Fund Balances	<u><u>\$ 2,900,382</u></u>	<u><u>\$ 160,627</u></u>

Cherry Valley - Springfield Central School District
Balance Sheet - Governmental Funds
June 30, 2011

<u>School Food Service</u>	<u>Debt Service</u>	<u>Capital Project #1</u>	<u>Capital Projects Non-Major</u>	<u>Total Governmental Funds</u>
\$ 65,218	\$ -	\$ -	\$ -	\$ 1,116,748
-	157,201	435,241	16,158	1,743,249
-	553,010	-	1,611	-
-	-	-	-	554,621
9,879	-	-	-	229,341
-	-	-	-	329,418
-	-	-	-	285,573
-	-	-	-	1,565
8,145	-	-	-	8,145
-	-	-	-	38,813
<u>\$ 83,242</u>	<u>\$ 710,211</u>	<u>\$ 435,241</u>	<u>\$ 17,769</u>	<u>\$ 4,307,473</u>
\$ 593	\$ -	\$ 745	\$ -	\$ 23,343
6,956	-	-	-	6,956
54,735	-	273	-	554,621
407	-	-	-	407
-	-	251,080	-	251,080
-	-	-	-	367,334
-	-	-	-	42,709
-	-	8,037,180	133,667	8,170,847
<u>62,691</u>	<u>-</u>	<u>8,289,278</u>	<u>133,667</u>	<u>9,417,297</u>
8,145	-	-	-	8,145
-	710,211	(7,854,037)	(115,898)	(6,375,508)
-	-	-	-	-
-	-	-	-	802,217
12,406	-	-	-	455,321
<u>20,551</u>	<u>710,211</u>	<u>(7,854,037)</u>	<u>(115,898)</u>	<u>\$ (5,109,825)</u>
<u>\$ 83,242</u>	<u>\$ 710,211</u>	<u>\$ 435,241</u>	<u>\$ 17,769</u>	

Cherry Valley - Springfield Central School District
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2011

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Assets Totals
ASSETS				
Cash				
Unrestricted	\$ 1,116,748	\$ -	\$ -	\$ 1,116,748
Restricted	1,743,249	-	-	1,743,249
Receivables				
Due from other funds	554,621	-	(554,621)	-
Due from fiduciary funds	229,341	-	-	229,341
State & federal aid	329,418	-	-	329,418
Due from other governments	285,573	-	-	285,573
Other	1,565	-	-	1,565
Inventories	8,145	-	-	8,145
Prepaid expenditures	38,813	-	-	38,813
Land, buildings and equipment (net)	-	21,366,753	-	21,366,753
 Total Assets	 <u>\$ 4,307,473</u>	 <u>\$21,366,753</u>	 <u>\$ (554,621)</u>	 <u>\$25,119,605</u>
 LIABILITIES				
Payables				
Accounts payable	\$ 23,343	\$ -	\$ -	\$ 23,343
Accrued liabilities	6,956	32,058	-	39,014
Due to other funds	554,621	-	(554,621)	-
Due to other governments	407	-	-	407
Retainage payable	251,080	-	-	251,080
Due to NYSTRS	367,334	-	-	367,334
Due to NYSERS	42,709	-	-	42,709
Premium on bond anticipation notes	-	2,766	-	2,766
Notes payable				
Bond anticipation	8,170,847	-	-	8,170,847
Bonds payable	-	3,721,924	-	3,721,924
Compensated absences	-	41,504	-	41,504
Post employment benefits payable	-	2,801,853	-	2,801,853
 Total Liabilities	 9,417,297	 6,600,105	 (554,621)	 15,462,781
 FUND BALANCE/NET ASSETS				
Total Fund Balance/Net Assets	<u>(5,109,824)</u>	<u>14,766,648</u>	<u>-</u>	<u>9,656,824</u>
 Total Liabilities and Fund Balance/Net Assets	 <u>\$ 4,307,473</u>	 <u>\$21,366,753</u>	 <u>\$ (554,621)</u>	 <u>\$25,119,605</u>

Cherry Valley - Springfield Central School District
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2011

	<u>General</u>	<u>Special Aid</u>
REVENUES		
Real property taxes	\$ 3,945,008	\$ -
Other tax items	563,105	-
Charges for services	86,836	-
Use of money and property	6,237	-
Sale of property and compensation for loss	7,185	-
State sources	6,393,163	125,911
Federal sources	196,057	471,341
Surplus food	-	-
Sales - School Lunch	-	-
Miscellaneous	120,060	-
Total Revenues	<u>11,317,651</u>	<u>597,252</u>
EXPENDITURES		
General support	1,504,257	-
Instruction	5,136,982	587,748
Pupil transportation	604,555	9,504
Employee benefits	3,136,792	-
Debt service		
Principal	-	-
Interest	-	-
Cost of sales	-	-
Capital outlay	-	-
Total Expenditures	<u>10,382,586</u>	<u>597,252</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>935,065</u>	<u>-</u>
OTHER FINANCING SOURCES AND USES		
Proceeds from debt	-	-
Operating transfers in	-	-
Operating transfers (out)	(944,660)	-
Total Other Sources (Uses)	<u>(944,660)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	(9,595)	-
Fund Balances - Beginning of year	2,139,944	-
Adjustments		
Prior Year	(1,002)	-
Rounding	2	-
Fund Balances - End of year	<u>\$ 2,129,349</u>	<u>\$ -</u>

Cherry Valley - Springfield Central School District
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2011

<u>School Food Service</u>	<u>Debt Service</u>	<u>Capital Project #1</u>	<u>Capital Projects Non-Major</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,945,008
-	-	-	-	563,105
-	-	-	-	86,836
26	647	-	-	6,910
-	-	-	-	7,185
6,595	-	30,000	-	6,555,669
112,499	-	-	-	779,897
14,307	-	-	-	14,307
137,834	-	-	-	137,834
-	3,457	-	-	123,517
<u>271,261</u>	<u>4,104</u>	<u>30,000</u>	<u>-</u>	<u>12,220,268</u>
100,132	901	-	-	1,605,290
-	-	-	-	5,724,730
-	-	-	-	614,059
64,037	-	-	-	3,200,829
-	748,000	-	-	748,000
-	329,252	-	-	329,252
111,024	-	-	-	111,024
-	-	4,929,119	133,667	5,062,786
<u>275,193</u>	<u>1,078,153</u>	<u>4,929,119</u>	<u>133,667</u>	<u>17,395,970</u>
<u>(3,932)</u>	<u>(1,074,049)</u>	<u>(4,899,119)</u>	<u>(133,667)</u>	<u>(5,175,702)</u>
-	-	13,000	-	13,000
5,000	939,660	-	-	944,660
-	-	-	-	(944,660)
<u>5,000</u>	<u>939,660</u>	<u>13,000</u>	<u>-</u>	<u>13,000</u>
1,068	(134,389)	(4,886,119)	(133,667)	(5,162,702)
18,522	844,599	(2,967,918)	17,769	52,916
960	-	-	-	(42)
<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>4</u>
<u>\$ 20,551</u>	<u>\$ 710,211</u>	<u>\$ (7,854,037)</u>	<u>\$ (115,898)</u>	<u>\$ (5,109,824)</u>

Cherry Valley - Springfield Central School District
Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in
Fund Balance to the Statement of Activities
For the Year Ended June 30, 2011

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	\$ 3,945,008	\$ -	\$ -	\$ -	\$ 3,945,008
Other tax items	563,105	-	-	-	563,105
Charges for services	86,836	-	-	-	86,836
Use of money and property	6,910	-	-	-	6,910
Sale of property and compensation for loss	7,185	-	-	-	7,185
State sources	6,555,669	-	-	-	6,555,669
Federal sources	779,897	-	-	-	779,897
Surplus food	14,307	-	-	-	14,307
Sales - school lunch	137,834	-	-	-	137,834
Miscellaneous	123,517	-	-	(3,457)	120,060
Total Revenues	12,220,268	-	-	(3,457)	12,216,811
EXPENDITURES/EXPENSES					
General support	1,605,290	-	99,010	-	1,704,300
Instruction	5,724,730	-	369,986	(663,496)	5,431,220
Pupil transportation	614,059	-	52,111	-	666,170
Employee benefits	3,200,829	-	-	1,317,648	4,518,477
Debt service					
Principal	748,000	-	-	(748,000)	-
Interest	329,252	-	-	113,557	442,809
Cost of sales	111,024	-	-	-	111,024
Capital outlay	5,062,786	-	(5,062,786)	-	-
Total Expenditures	17,395,970	-	(4,541,679)	19,709	12,874,000
Excess (Deficiency) of Revenues Over Expenditures	(5,175,702)	-	4,541,679	(23,166)	(657,189)
OTHER SOURCES AND USES					
Proceeds from debt	13,000	-	-	(13,000)	-
Operating transfers in	944,660	-	-	-	944,660
Operating transfers (out)	(944,660)	-	-	-	(944,660)
Total Other Sources (Uses)	13,000	-	-	(13,000)	-
Net Change for the Year	\$ (5,162,702)	\$ -	\$ 4,541,679	\$ (36,166)	\$ (657,189)

Cherry Valley - Springfield Central School District
Statement of Fiduciary Net Assets
June 30, 2011

	Private Purpose Trusts	Agency
ASSETS		
Cash	\$ 300,556	\$ 314,279
Securities	1,766	-
Total Assets	<u>\$ 302,322</u>	<u>\$ 314,279</u>
 LIABILITIES		
Due to governmental funds	\$ -	\$ 229,341
Extraclassroom activity balances	-	53,921
Other liabilities	-	31,017
Total Liabilities	<u>-</u>	<u>\$ 314,279</u>
 NET ASSETS		
Reserved for scholarships	<u>\$ 302,322</u>	

Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2011

	Private Purpose Trusts
ADDITIONS	
Gifts and contributions	\$ 2,741
Investment earnings	1,243
Total Additions	<u>3,984</u>
 DEDUCTIONS	
Scholarships and awards	<u>6,920</u>
Change in Net Assets	(2,936)
Net Assets - Beginning of year	<u>305,258</u>
Net Assets - End of Year	<u>\$ 302,322</u>

Cherry Valley-Springfield Central School District
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 1 – Summary of accounting policies:

The financial statements of Cherry Valley-Springfield Central School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are described below:

A) Reporting entity:

The Cherry Valley-Springfield Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

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

i) Extraclassroom Activity Funds

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

B) Joint venture:

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

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

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

During the year, the District was billed \$1,465,434 for BOCES administrative and program costs.

Participating school districts issue debt on behalf of BOCES. As of year-end, the District had outstanding BOCES debt of \$ 0.

The District's share of BOCES aid amounted to \$634,302.

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

C) Basis of presentation:

i) District-wide statements:

The Statement of Net Assets and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and 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 program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for 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, including all taxes, are presented as general revenues.

ii) Funds statements:

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

The District reports the following major governmental funds:

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

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

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

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.

The District reports the following fiduciary funds:

Fiduciary Funds

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

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

Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for

various student groups or extraclassroom activity funds and for payroll or employee withholding.

D) Measurement focus and basis of accounting:

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

The 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 District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E) Property taxes:

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

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

F) Restricted resources:

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

G) Interfund transactions:

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

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

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

Refer to Note 11 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) Estimates:

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

I) Cash (and cash equivalents)/Investments

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

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

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

Investments are stated at fair value.

J) Receivable (or Accounts receivable):

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

K) Inventories and prepaid items:

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

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

L) Other assets/restricted assets:

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants.

In the district-wide financial statements, bond issuance costs are capitalized and amortized over the life of the debt issue. In the funds statements these same costs are netted against bond proceeds and recognized in the period of issuance.

M) Capital assets:

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2003. For assets acquired prior to July 1, 2003, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land/Site improvements	1000	Straight Line	20 Years
Buildings and improvements	1000	Straight Line	20-50 Years
Furniture and equipment	1000	Straight Line	5-20 Years

N) Deferred revenues:

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

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

Many deferred revenues recorded in governmental funds are not recorded in the District-wide statements.

O) Vested employee benefits:

Compensated absences

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

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

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

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

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

P) Other benefits:

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

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

Q) Short-term debt:

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes.

The RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

The District may issue Bond Anticipation Notes (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 BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

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

S) Equity classifications

District-wide statements

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

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

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

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.

Funds statements:

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

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$8,145.

Restricted – 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. All encumbrances of funds other than the general fund are classified as restricted fund balance. The School District has established the following restricted fund balances:

Capital

According to Education Law §3651, must be 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. Expenditure 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.

Debt Service

According to General Municipal Law §6-l, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement.

Employee Benefit Accrued Liability

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

Repairs

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

Workers' Compensation

According to General Municipal Law §6-j, must be 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.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established

appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Restricted fund balance includes the following:

General Fund:	
Debt Service	\$ 500,000
Employee Benefit Accrued Liability	176,228
Repairs	207,988
Capital Fund	(8,085,833)
Debt Service Fund	710,211
Total restricted funds	<u>\$ (6,491,406)</u>

Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2011.

Assigned – Includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$ 25,740.

Unassigned – Includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

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

Order of Use of Fund Balance:

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

T) New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. The District implemented the following new standards issued by GASB:

GASB has issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

Note 2 – Explanation of certain differences between fund statements and District-wide statements:

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

A) Total fund balances of governmental funds vs. net assets of governmental activities:

Total fund balances of the 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 of the Statement of Net Assets versus the solely current financial resources focus of the governmental fund Balance Sheets.

B) Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:

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

i) Long-term revenue differences:

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

ii) Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on 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 fund statements and depreciation expense on those items as recorded in the Statement of Activities.

iii) Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the 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.

The costs of building and acquiring capital assets (land, buildings and equipment) financed from governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Assets includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$31,340,699
Accumulated depreciation	\$ 9,973,946

Long-term liabilities are reported in the Statement of Net Assets, but not in the governmental funds, because they are not due and payable in the current period. Balances at year-end were:

Bonds and notes payable	\$ 3,721,924
Compensated absences payable	\$ 41,504

In the Statement of Activities, certain operating expenses (compensated absences and special termination benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital Expenditures of \$5,062,786 exceeded depreciation of \$521,107 in the current year.

Repayment of bond principal (\$ 735,000) is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets, and does not affect the Statement of Activities.

Interest on debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of three factors. First, accrued interest on bonds payable decreased by \$2,110, and, second, \$145,638, the current year's deferred refunding, and, third, \$29,971, the amortization of the Bond Anticipation premium.

Note 3 – Stewardship, compliance and accountability:

Budgets

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

Budgets are adopted annually on the modified accrual basis. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

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

Encumbrances

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

The District's unreserved undesignated fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. Actions the District plans to pursue to address this issue include using fund balance in future budgets.

The Capital Projects had a deficit fund balance of \$7,969,935. This will be funded when the District obtains permanent financing for its current construction project.

Note 4 – Cash (and cash equivalents) - custodial credit, concentration of credit, interest rate and foreign currency risks:

Cash

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

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

Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$2,974,832
--	-------------

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$1,743,249 within the governmental funds and \$300,556 in the fiduciary funds.

Note 5 – Investments:

The District has few investments (primarily donated scholarship funds), and chooses to disclose its investments by specifically identifying each. The District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

- (A) Insured or registered, or investments held by the District or by the District's agent in the District's name, or
- (B) Uninsured and unregistered, with the investments held by the financial institutes trust department in the District's name, or
- (C) Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the District's name.

Investment	RVS Mutual Fund
Fund	Private Purpose Trust
Carrying amount (fair value)	\$ 1,766
Unrealized investment gain/loss	\$ 452
Type of investment	Mutual Fund
Category	A

Note 6 – Receivables:

Receivables at year-end for individual major funds and non-major funds, including the applicable allowances for uncollectible accounts, are as follows:

Description	Governmental Activities			
	General	Special Aid	Food Service	Total
Due from State and Federal	\$ 223,280	\$ 96,259	\$ 9,879	\$ 329,418
Due from other governments	285,573	-	-	285,573
Other	1,565	-	-	1,565
Total	<u>\$ 510,418</u>	<u>\$ 96,259</u>	<u>\$ 9,879</u>	<u>\$ 616,556</u>

District management has deemed the amounts to be fully collectible.

Note 7 – Capital assets:

Capital asset balances and activity were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifi- cations	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 150,000	\$ -	\$ -	\$ 150,000
Construction in progress	3,362,763	4,929,119	-	8,291,882
Total nondepreciable	<u>\$ 3,512,763</u>	<u>\$4,929,119</u>	<u>\$ -</u>	<u>\$ 8,441,882</u>
Capital assets that are depreciated:				
Buildings	20,691,366			20,691,366
Furniture and equipment	2,628,153	133,667	(554,369)	2,207,451
Total depreciated assets	<u>23,319,519</u>	<u>133,667</u>	<u>(554,369)</u>	<u>22,898,817</u>
Less accumulated depreciation:				
Buildings	8,027,586	416,335	-	8,443,921
Furniture and equipment	1,979,622	104,772	(554,369)	1,530,025
Total accumulated depreciation	<u>10,007,208</u>	<u>521,107</u>	<u>(554,369)</u>	<u>9,973,946</u>
Total depreciated assets, net	<u>\$13,312,311</u>	<u>\$ (387,440)</u>	<u>\$ -</u>	<u>\$ 12,924,871</u>

Depreciation expense was charged to
governmental functions as follows:

General Support	\$ 99,010
Instruction	369,986
Pupil transportation	52,111
	<u>\$ 521,107</u>

Note 8 – Short-term debt:

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	4/15/2011	1.50%	\$8,050,180	\$ -	\$8,050,180	\$ -
BAN	7/15/2011	1.25%	\$ -	\$8,037,180	\$ -	\$8,037,180
BAN	3/17/2012	2.75%	\$ -	\$ 133,667	\$ -	\$ 133,667

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

Interest paid	\$ 120,417
Less interest accrued in the prior year	21,803
	98,614
Plus interest accrued in the current year	21,123
Total expense	<u>\$ 119,737</u>

Note 9 – Long-term debt obligations:

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Government activities:					
Bonds and notes payable:					
General obligation debt:					
Serial bonds	\$ 90,000	\$ -	\$ 90,000	\$ -	\$ -
Serial bonds	4,095,000	-	445,000	3,650,000	465,000
Serial bonds	755,000	-	180,000	575,000	185,000
Serial bonds	315,000	-	20,000	295,000	25,000
Defeased bonds	(943,714)	-	(145,638)	(798,076)	(145,638)
Total bonds and notes payable	<u>4,311,286</u>	<u>-</u>	<u>589,362</u>	<u>3,721,924</u>	<u>\$ 529,362</u>
Other liabilities:					
Compensated absences	<u>705,000</u>		<u>663,496</u>	<u>41,504</u>	
Total long-term liabilities	<u>\$ 5,016,286</u>	<u>\$ -</u>	<u>\$ 1,252,858</u>	<u>\$ 3,763,428</u>	

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

Existing serial and statutory bond obligations:

Decription	Issue Date	Final Maturity	Interest Rate	Balance
Serial bonds	10/03/02	06/15/18	3.68%	\$ 3,650,000
Serial bonds	10/03/02	06/15/18	3.28%	575,000
Serial bonds	03/15/06	03/15/21	4.42%	295,000
				<u>\$ 4,520,000</u>

The following is a summary of debt service requirements:

Fiscal year ending June 30,	Serial Bonds	
	Principal	Interest
2012	\$ 675,000	\$ 179,519
2013	695,000	154,068
2014	725,000	127,855
2015	545,000	98,743
2016	570,000	76,805
5 subsequent years	<u>1,310,000</u>	<u>742,147</u>
Totals	<u>\$4,520,000</u>	<u>\$1,379,137</u>

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the

deceased bonds are not included in the District's financial statements. \$2,764,000 of bonds outstanding are considered deceased.

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

Interest paid	\$ 208,835
Less interest accrued in the prior year	<u>12,365</u>
	196,470
Plus interest accrued in the current year	<u>10,935</u>
Total expense	<u>\$ 207,405</u>

Note 10 – Pension plans:

General information:

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

Provisions and administration:

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

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

Funding policies:

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

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

	<u>NYSTRS</u>	<u>NYSERS</u>
2010-2011	\$ 341,581	\$ 126,137
2009-2010	\$ 221,138	\$ 73,270
2008-2009	\$ 341,465	\$ 79,360

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the District exercised.

Note 11 – Interfund transactions – governmental funds:

Fund:	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General	\$ 229,341	\$ 338,986	\$ -	\$ 944,660
Special Aid	-	160,627	-	-
School Lunch	-	54,735	5,000	-
Debt Service	553,010	-	939,660	-
Capital Projects	1,611	273	-	-
Total government activities	783,962	554,621	944,660	944,660
Fiduciary	-	229,341	-	-
Totals	<u>\$ 783,962</u>	<u>\$ 783,962</u>	<u>\$ 944,660</u>	<u>\$ 944,660</u>

The District typically transfers from the General Fund to the Debt Service Fund, to pay long-term debt.

Note 12 – Post-employment (health insurance) benefits:

The District provides post employment health insurance (life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended the District recognized \$900,755 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report which indicates that the total liability for other post-employment benefits is \$2,801,853, which is reflected in the Statement of Net Assets.

Annual OPEB Cost and Net OPEB Obligation: The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the

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

Annual required contribution	\$ 2,243,200
Interest on net OPEB obligation	59,368
Adjustment to annual required contribution	<u>(84,165)</u>
Annual OPEB cost (expense)	2,218,403
Estimated Contributions made	<u>900,755</u>
Increase in net OPEB obligation	1,317,648
Net OPEB obligation - beginning of year	<u>1,484,205</u>
Net OPEB obligation - end of year	<u>\$ 2,801,853</u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 2,218,403	40.6%	\$ 2,801,853
6/30/2010	\$ 2,234,124	33.6%	\$ 1,484,205
6/30/2009	\$ -	0.0%	\$ -

Funded Status and Funding Progress. As of July 1, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$26,550,902, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$26,550,902. The covered payroll (annual payroll of active employees covered by the plan) was \$4,736,570, and the ratio of the UAAL to the covered payroll was 560.55%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2010, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after 5 years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011, was 29 years

Note 13 – Risk management:

General

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

Consortiums and Self Insured Plans

The District participates in Catskill Area School Employees Benefit Plan, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of several individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members up to \$250,000 per insured event. The pool obtains independent coverage for insured events in excess of the \$250,000 limit, and the District has essentially transferred all related risk to the pool.

The District participates in CATCOM, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims.

Note 14 – Commitments and contingencies:

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

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of GASB #16, the value for accumulating, non-vesting sick leave is considered a contingent liability.

Note 16 – Donor-restricted endowments:

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

Donor-restricted endowments are reported at fair value.

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

Supplemental Schedules

Cherry Valley - Springfield Central School District
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
For the Year Ended June 30, 2011

	Adopted Budget	Final Budget	Actual (Budgetary Basis)		Final Budget Variance With Budgetary Actual
REVENUES					
Local Sources					
Real property taxes	\$ 3,950,834	\$ 3,950,834	\$ 3,945,008		\$ (5,826)
Other tax items	562,165	562,165	563,105		940
Charges for services	24,000	24,000	86,836		62,836
Use of money and property	10,509	10,509	6,237		(4,272)
Sale of property & compensation for loss	500	500	7,185		6,685
Miscellaneous	3,500	3,500	120,060		116,560
Total Local Sources	4,551,508	4,551,508	4,728,431		176,923
State Sources	6,714,036	6,714,036	6,393,163		(320,873)
Federal Sources	-	-	196,057		196,057
Total Revenues	11,265,544	11,265,544	11,317,651		52,107
OTHER FINANCING SOURCES					
Appropriated reserves	415,802	457,255	-		(457,255)
Total Revenues and other financing sources	<u>\$ 11,681,346</u>	<u>\$ 11,722,799</u>	<u>\$ 11,317,651</u>		<u>\$ (405,148)</u>
EXPENDITURES					
General Support				Year-End Encum- brances	Final Budget Variance with Budgetary Actual and Encumbrances
Board of education	\$ 23,225	\$ 18,636	\$ 10,829	\$ -	\$ 7,807
Central administration	145,898	151,741	150,703	-	1,038
Finance	168,936	181,910	177,271	-	4,639
Staff	29,550	33,510	33,159	-	351
Central services	976,670	993,609	914,267	23,695	55,647
Special items	171,202	256,962	218,028	-	38,934
Total General Support	<u>1,515,481</u>	<u>1,636,368</u>	<u>1,504,257</u>	<u>23,695</u>	<u>108,416</u>
Instruction					
Instruction, administration and improvement	186,327	188,277	171,455	-	16,822
Teaching - regular school	2,805,400	2,698,652	2,629,327	229	69,096
Programs for children with handicapping conditions	1,218,844	1,202,846	1,198,660	-	4,186
Occupational education	486,753	498,938	486,982	-	11,956
Teaching - special school	61,500	11,315	11,315	-	-
Instructional media	272,652	315,252	274,906	316	40,030
Pupil services	375,925	392,687	364,337	-	28,350
Total Instruction	<u>5,407,401</u>	<u>5,307,967</u>	<u>5,136,982</u>	<u>545</u>	<u>170,440</u>

Cherry Valley - Springfield Central School District
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
For the Year Ended June 30, 2011

	Adopted Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encum- brances	Final Budget Variance with Budgetary Actual and Encumbrances
EXPENDITURES (continued)					
Pupil Transportation	680,078	680,078	604,555	-	75,523
Community Services	1,500	1,500	-	1,500	-
Employee Benefits	3,131,226	3,151,226	3,136,792	-	14,434
Debt Service	1,000	1,000	-	-	1,000
Total Expenditures	10,736,686	10,778,139	10,382,586	25,740	369,813
OTHER FINANCING USES					
Transfers (to) other funds	944,660	944,660	944,660	-	-
Total Expenditures and Other Uses	<u>\$ 11,681,346</u>	<u>\$11,722,799</u>	<u>11,327,246</u>	<u>\$ 25,740</u>	<u>\$ 369,813</u>
Net Change in Fund Balances			(9,595)		
Fund Balance - Beginning			2,139,944		
Adjustments					
Prior Year Over Accrual			(1,002)		
Rounding			2		
Fund Balance - Ending			<u>\$ 2,129,349</u>		

**Cherry Valley - Springfield Central School District
Supplementary Information
Schedules of Change from Adopted Budget to Final Budget
and Use of Unreserved Fund Balance - General Fund
For the Year Ended June 30, 2011**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 11,681,346
Add: Prior year's encumbrances	<u>41,454</u>
Final budget	<u><u>\$ 11,722,800</u></u>
 Next year's budget is a voter approved budget of	 <u><u>\$ 12,397,010</u></u>

USE OF UNRESERVED FUND BALANCE

Unreserved Fund Balance - As of the beginning of the year	\$ 963,841
Less: Designated fund balance used for the levy of taxes - Adopted budget	 <u>415,802</u>
Undesignated Fund Balance - As of the beginning of the year	 <u><u>\$ 548,039</u></u>

Cherry Valley - Springfield Central School District
Supplementary Information
Schedule of Project Expenditures -
Capital Projects Fund
For the Year Ended June 30, 2011

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures		
			Prior Years	Current Year	Total
Capital Project #1					
District wide renovations	\$ 8,050,180	\$ 8,050,180	\$ 2,967,918	\$ 4,929,119	\$ 7,897,037
Non-major Capital Projects					
Bus garage/tanks	389,000	389,000	394,845	-	394,845
Buses	<u>133,667</u>	<u>133,667</u>	<u>-</u>	<u>133,667</u>	<u>133,667</u>
Totals	<u>\$ 8,572,847</u>	<u>\$ 8,572,847</u>	<u>\$ 3,362,763</u>	<u>\$ 5,062,786</u>	<u>\$ 8,425,549</u>

Cherry Valley - Springfield Central School District
Supplementary Information
Schedule of Project Expenditures -
Capital Projects Fund
For the Year Ended June 30, 2011

<u>Unexpended Balance</u>	<u>Proceeds of Obligations</u>	<u>Methods of Financing</u>			<u>Fund Balance June 30, 2011</u>
		<u>State Aid</u>	<u>Local Sources</u>	<u>Total</u>	
\$ 153,143	\$ 13,000	\$30,000	\$ -	\$ 43,000	\$ (7,854,037)
(5,845)	389,000	-	23,614	412,614	17,769
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(133,667)</u>
<u>\$ 147,298</u>	<u>\$ 402,000</u>	<u>\$30,000</u>	<u>\$ 23,614</u>	<u>\$ 455,614</u>	<u>\$ (7,969,935)</u>

Cherry Valley - Springfield Central School District
Supplementary Information
Schedule of Certain Revenues and Expenditures
Compared to ST-3 Data
For the Year Ended June 30, 2011

	<u>Account Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
REVENUES			
Real Property Taxes	A -1001	\$ 3,945,008	\$ 3,945,008
State Aid	AT-3999	\$ 6,393,163	\$ 6,393,163
Federal Aid	AT-4999	\$ 196,057	\$ 196,057
Total Revenues and Other Financing Sources	AT-5999	\$ 11,317,652	\$ 11,317,652
EXPENDITURES			
General Support	AT-1999	\$ 1,504,258	\$ 1,504,258
Pupil Transportation	AT-5599	\$ 604,555	\$ 604,555
Total Expenditures and Other Uses	AT-9999	\$ 11,327,251	\$ 11,327,251

Cherry Valley - Springfield Central School District
Supplementary Information
Combined Balance Sheet - Non-Major Governmental Funds
June 30, 2011

	<u>Non-Major Fund #1</u>	<u>Non-Major Fund #2</u>	<u>Total Non-Major Funds</u>
ASSETS			
Cash			
Restricted	\$ 16,158	\$ -	\$ 16,158
Receivables			
Due from other funds	<u>1,611</u>	<u>-</u>	<u>1,611</u>
Total Assets	<u><u>\$ 17,769</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,769</u></u>
LIABILITIES			
Notes payable			
Bond anticipation	\$ -	\$ 133,667	\$ 133,667
FUND BALANCES			
Restricted	<u>17,769</u>	<u>(133,667)</u>	<u>(115,898)</u>
Total Liabilities and Fund Balances	<u><u>\$ 17,769</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,769</u></u>

Cherry Valley - Springfield Central School District
Supplementary Information
Combined Statement of Revenues, Expenditures & Changes in Fund Balances -
Non-Major Governmental Funds
For the Year Ended June 30, 2011

	<u>Non-Major Fund #1</u>	<u>Non-Major Fund #2</u>	<u>Total Non-Major Funds</u>
EXPENDITURES			
Capital outlay	\$ -	\$ 133,667	\$ 133,667
Fund balances - beginning of year	<u>17,769</u>	<u>-</u>	<u>17,769</u>
Fund balances - end of year	<u><u>\$ 17,769</u></u>	<u><u>\$ (133,667)</u></u>	<u><u>\$ (115,898)</u></u>

Cherry Valley - Springfield Central School District
Supplementary Information
Investment in Capital Assets, Net of Related Debt
For the Year Ended June 30, 2011

Capital assets, net	<u>\$ 21,366,753</u>
Deduct:	
Bond anticipation notes	8,170,847
Premium on bond anticipation notes payable	2,766
Short-term portion of bonds payable	375,000
Long-term portion of bonds payable	4,145,000
Less: Unspent bond proceeds	<u>140,143</u>
	<u>12,553,470</u>
Investment in capital assets, net of related debt	<u><u>\$ 8,813,283</u></u>

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To the President and Members
of the Board of Education of the
Cherry Valley - Springfield Central School District
Cherry Valley, NY 13320:

Independent Auditor's Report

We have audited the statement of cash receipts and disbursements of the Extraclassroom Activity Funds and the related supporting schedule of the Cherry Valley - Springfield Central School District for the year ended June 30, 2011. Our audit was made in accordance with auditing standards generally accepted in the United States of America and the Manual for Audits of Financial Statements of New York State School Districts and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The District's policy is to prepare the financial statement of the Extraclassroom Activity Funds on the basis of cash receipts and disbursements, as explained in Note #1 to Financial Statements. Accordingly, the accompanying statement of cash receipts and disbursements is not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the aforementioned statements present fairly the cash and fund balance of the Extraclassroom Activity Funds of the Cherry Valley - Springfield Central School District as at June 30, 2011 arising from the cash transactions, cash collected and disbursements made and changes in fund balance during the year then ended, on a basis consistent with that of the preceding year.

Moore & Hart

MOORE & HART
Utica, New York
October 24, 2011

Cherry Valley - Springfield Central School District
Extracurricular Activity Funds
June 30, 2011

Name	Beginning Balance	Receipts	Disbursements	Ending Balance
Cheerleaders	\$ 3	\$ -	\$ -	\$ 3
Class of 2010	214	-	214	-
Class of 2011	8,503	21,965	29,600	868
Class of 2012	10,514	15,829	17,697	8,646
Class of 2013	4,378	3,026	2,277	5,127
Class of 2014	1,772	1,326	606	2,492
Class of 2015	1,883	-	-	1,883
Drama Club - High School	6,048	4,791	6,669	4,170
Excite/ Odyssey of the Mind	65	-	65	-
Foreign Language Club	2,128	6,692	5,588	3,232
Garden Club	11	-	11	-
Iridescence	548	451	50	949
Jr. Honor Society	336	-	336	-
Marching Units	2,023	2,583	1,608	2,998
Math Honor Society	640	1,473	1,353	760
Music Club	5,874	15,315	13,272	7,917
National English Honor Society	122	100	34	188
Nature Club	100	-	-	100
SADD	1,609	382	1,649	342
Safety Patrol	974	9,059	9,619	414
Ski Club	3,536	7,448	7,966	3,018
Sr. Honor Society	156	4,646	4,307	495
Student Council	4,243	8,001	8,514	3,730
Technology	500	456	366	590
Varsity Club	2,485	3,720	2,696	3,509
Yearbook Club	5,378	17,686	20,574	2,490
Total	<u>\$ 64,043</u>	<u>\$ 124,949</u>	<u>\$ 135,071</u>	<u>\$ 53,921</u>

Cherry Valley - Springfield Central School District
Note to Financial Statement
Extraclassroom Activity Funds
June 30, 2011

Note 1- Summary of Significant Accounting Policies

The transactions of the Extraclassroom Activity Funds are not considered part of the reporting entity of the Cherry Valley - Springfield Central School District. Consequently, such transactions are not included in the combined financial statements of the School District.

The books and records of the Cherry Valley - Springfield Central School District Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenditures are recognized when cash is disbursed.

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

Board of Education
Cherry Valley - Springfield Central School District
Cherry Valley, New York 13320

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Cherry Valley - Springfield Central School District as of and for the year ended June 30, 2011, which collectively comprise Cherry Valley - Springfield Central School's basic financial statements and have issued our report thereon dated October 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Cherry Valley - Springfield Central School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Cherry Valley - Springfield Central School District's financial statements that is more than inconsequential will not be prevented or detected by the Cherry Valley - Springfield Central School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Cherry Valley - Springfield Central School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control

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

Compliance

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

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

Moore & Hart

MOORE & HART
October 24, 2011

Moore & Hart
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Board of Education
Cherry Valley - Springfield Central School District
Cherry Valley, NY 13320

Compliance

We have audited the compliance of Cherry Valley - Springfield Central School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. Cherry Valley - Springfield Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Cherry Valley - Springfield Central School District's management. Our responsibility is to express an opinion on Cherry Valley - Springfield Central School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cherry Valley - Springfield Central School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Cherry Valley - Springfield Central School District's compliance with those requirements.

In our opinion, Cherry Valley - Springfield Central School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

The management of Cherry Valley - Springfield Central School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Cherry Valley - Springfield Central School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of Cherry Valley - Springfield Central School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cherry Valley - Springfield Central School District as of and for the year ended June 30, 2011, and have issued our report thereon dated October 24, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Cherry Valley - Springfield Central School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Moore & Hart

MOORE & HART
October 24, 2011

Cherry Valley - Springfield Central School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Agency or Pass-Through Number	Expenditures
<u>US Department of Education</u>			
Passed-Through NYS Education Department			
Special Education Cluster:			
Special Education Grants to States	84.027	0032-11-0734	\$ 147,024
Special Education Preschool Grants	84.173	0033-11-0734	4,994
Special Education - Grants to States, Recovery Act	84.391	5032-11-0734	70,065
Special Education - Preschool Grants, Recovery Act	84.392	5033-11-0734	<u>3,258</u>
Total Special Education Cluster			225,341
Title I Grants to LEAS	84.010	0021-11-2430	189,424
Education Stabilization Fund - Recovery Act	84.394	5000-11-2430	196,057
Improving Teacher Quality State Grants	84.367	0147-11-2430	43,357
Rural Education Achievement Program	84.358	N/A	<u>13,219</u>
Total US Department of Education			<u>667,398</u>
<u>US Department of Agriculture</u>			
Passed-Through NYS Education Department:			
Child Nutrition Cluster:			
Cash Assistance			
School Breakfast Program	10.553		35,347
National School Lunch Program	10.555		74,335
Snack Program	10.555		<u>2,817</u>
Total Child Nutrition Cluster Passed- Through NYS Education Department			112,499
Direct Program:			
Food Distribution	10.555		<u>14,307</u>
Total, US Department of Agriculture			<u>126,806</u>
Total Federal Awards Expended			<u>\$ 794,204</u>

**CHERRY VALLEY - SPRINGFIELD CENTRAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011**

Note 1 – Summary of Certain Significant Accounting Policies

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

Cluster Programs

The following programs are identified by "OMB Circular A-133 Compliance Supplement" to be part of a cluster of programs:

U.S. Department of Agriculture

Nutrition Cluster

- CFDA #10.555 Food Distribution (non-cash)
- CFDA #10.553 School Breakfast Program
- CFDA #10.555 National School Lunch Program
- CFDA #10.555 Federal Snack Program

U.S. Department of Education

Special Education Cluster

- CFDA #84.027 Special Education Grant – IDEA Section 611
- CFDA #84.173 Special Education Preschool Grants – IDEA Section 619
- CFDA #84.391 Special Education – Grants to States, Recovery Act
- CFDA #84.392 Special Education – Preschool Grants, Recovery Act

Note 2 – Subrecipients

No amounts were provided to subrecipients.

Note 3 – Other Disclosures

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year-end.

**CHERRY VALLEY - SPRINGFIELD CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Cherry Valley - Springfield Central School District.
2. No reportable conditions relating to the audit of the financial statements are reported in the "Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to the financial statements of Cherry Valley - Springfield Central School District were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133."
5. The auditor's report on compliance for the major federal award programs for Cherry Valley - Springfield Central School District expresses an unqualified opinion.
6. The programs tested as major programs were:
 - Education Stabilization Fund -Recovery Act – 84.394
 - Special Education Cluster:
 - Special Education Grant – IDEA Section 611 – 84.027
 - Special Education Preschool Grant – IDEA Section 619 – 84.173
 - Special Education – Grants to States, Recovery act – 84.391
 - Special Education – Preschool Grants, Recovery Act – 84.392
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. Cherry Valley - Springfield Central School District did not qualify to be a low-risk auditee.

B. Findings – Financial Statements Audit

None

C. Findings and Question Costs – Major Federal Award Programs Audit

None

D. Status of Prior Year Findings

See Accompanying Report

Cherry Valley – Springfield Central School
Status of Prior Year Findings
For the Year Ended June 30, 2011

10-01 – Payroll Certification

We previously reported that instances were found where various employee salary certification statements were not signed and dated in a timely matter by district employees. Our Single Audit procedures for the current year indicate the district has developed a system that monitors the payroll certification statements and the related signature and dating thereof.