

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**Financial Statements
For the Year Ended June 30, 2016
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

September 16, 2016

To the Board of Education of
Cherry Valley-Springfield Central School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Cherry Valley-Springfield Central School District (District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Correction of an Error

As described in Note 16 to the financial statements, a correction was made related to capital assets and accumulated depreciation. Our opinions are not modified with respect to this matter.

Report on Required Supplementary Information

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information, required by the New York State Education Department, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information on pages 53-55 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2016

The following is a discussion and analysis of the Cherry Valley-Springfield Central School District's (the District) financial performance for the fiscal year ended June 30, 2016. The section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2016 and 2015, total assets (what the District owns) exceeded its total liabilities (what the District owes) by \$3,387,979 and \$5,422,574 (net position), respectively, a decrease of \$2,034,595 from 2015 to 2016.
- Capital assets, net of accumulated depreciation during 2015-2016 amounted to approximately \$17.8 million, a decrease primarily due to \$2,541,587 cumulative effect of a capital assets adjustment.
- General revenue, which includes State aid, and property taxes, accounted for \$12,575,765 of all revenue. Program specific revenue in the form of Charges for Services and Operating Grants and Contributions accounted for \$862,220 of total revenue.
- Total expenses for in the government-wide financial statements totaled \$12,930,993 and \$13,518,927 in 2016 and 2015, respectively.
- As of the close of the fiscal year, The District's governmental funds reported combined fund balances of \$1,905,122 and \$873,928 in 2016 and 2015, respectively, an increase of \$1,031,194 from 2015 to 2016.

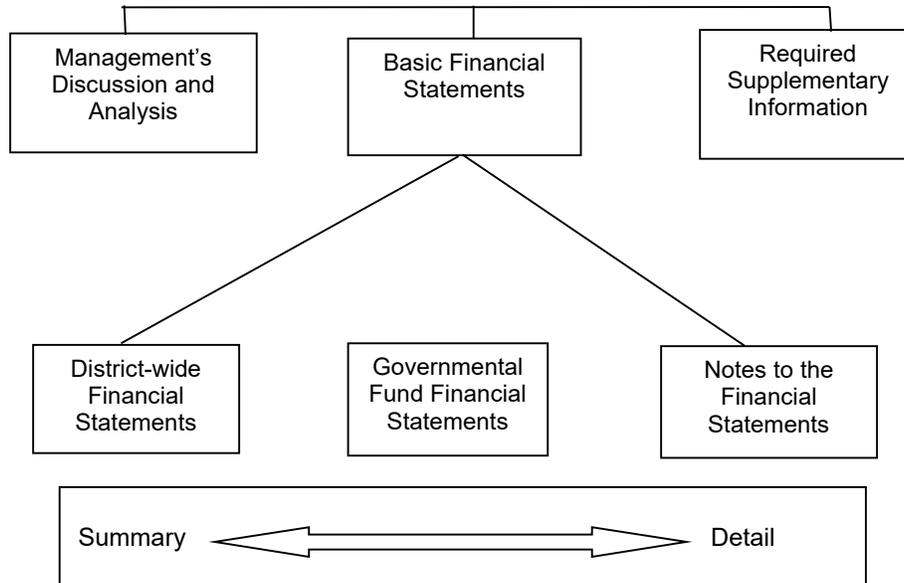
OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are Governmental fund financial statements that focus on individual activities of the District, reporting the operation in more detail than the District-wide statements.
 - The Governmental fund statements tell how basic services, such as instruction and support functions, were financed in the short-term, as well as what remains for future spending.
 - Fiduciary fund statements provide information about financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of the District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison to the District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

Table A-1 Organization of the District's Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

Table A-2 Major Features of the District-Wide and Fund Financial Statements

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

District-Wide Statements

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

The two District-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

District-Wide Statements (Continued)

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

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

The District has two kinds of funds:

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Financial Analysis of the District as a Whole

Our analysis below focuses on the net position (Table A-3) and the change in net position (Table A-4) of the District-wide governmental activities.

Table A-3 Condensed Statements of Net Position - Governmental Activities (in thousands)

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>	Percent <u>Change</u>
Current assets	\$ 4,043	\$ 3,294	22.7%
Non-current assets	<u>20,126</u>	<u>23,434</u>	-14.1%
Total assets	<u>24,169</u>	<u>26,729</u>	-9.6%
Deferred outflow	<u>1,351</u>	<u>946</u>	42.8%
Current liabilities	2,152	755	-89.2%
Long-term liabilities	<u>19,069</u>	<u>19,893</u>	-7.7%
Total liabilities	<u>21,221</u>	<u>20,648</u>	2.8%
Deferred inflow	<u>912</u>	<u>1,604</u>	100.0%
Net position:			
Net investment in capital assets	10,981	11,252	-2.4%
Restricted	2,335	1,606	45.4%
Unrestricted	<u>(9,928)</u>	<u>(7,434)</u>	33.5%
Total net position	<u>\$ 3,388</u>	<u>\$ 5,423</u>	-37.5%

In Table A-3, total assets at June 30, 2016 were approximately \$2 million lower than at June 30, 2015. Non-current assets decreased approximately \$3.3 million, due to a cumulative effect of a capital assets adjustment.

Deferred outflows/inflows mostly account for the GASB No. 68, recording of pensions.

Total liabilities increased by approximately \$573,000 due primarily to the increase of net pension liability, other post-employment benefits and compensated absences.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Financial Analysis of the District as a Whole (Continued)

Table A-4 Changes in Net Position from Operating Results - Governmental Activities (in thousands)

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>	Percent <u>Change</u>
Revenue:			
Charges for services	\$ 196	\$ 77	155.7%
Operating grants	666	100	565.0%
General revenue:			
Real property taxes	5,094	4,406	15.6%
Nonproperty tax	-	543	-100.0%
State sources	7,047	7,336	-3.9%
Use of money and property	2	2	-8.8%
Other	<u>433</u>	<u>606</u>	-28.6%
Total revenue	<u>13,438</u>	<u>13,069</u>	2.8%
Expenses:			
General governmental support	1,971	2,179	-9.6%
Instruction	9,285	9,642	-3.7%
Pupil transportation	1,036	1,103	-6.0%
Interest	439	502	-12.5%
Community service	2	-	100.0%
School lunch program	<u>198</u>	<u>91</u>	116.3%
Total expenses	<u>12,931</u>	<u>13,518</u>	-4.3%
Decrease in net position	<u>\$ 507</u>	<u>\$ (448)</u>	-212.8%

Changes in Net Position

The District's total fiscal year 2016 revenues totaled \$13,437,985. (See Table A-4). Property taxes (including other tax items) and state and federal sources formula aid accounted for most of the District's revenue. (See Table A-5). The remainder came from fees charged for services, operating grants, use of money and property, and other miscellaneous sources.

The total cost of all programs and services totaled \$12,930,993 for fiscal year 2016. These expenses are predominately related to general instruction, which account for 71% of District expenses. (See Table A-6). The District's general support activities accounted for 15% of total costs.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Financial Analysis of the District as a Whole (Continued)

Table A-5 Sources of Revenue for Fiscal Year 2016

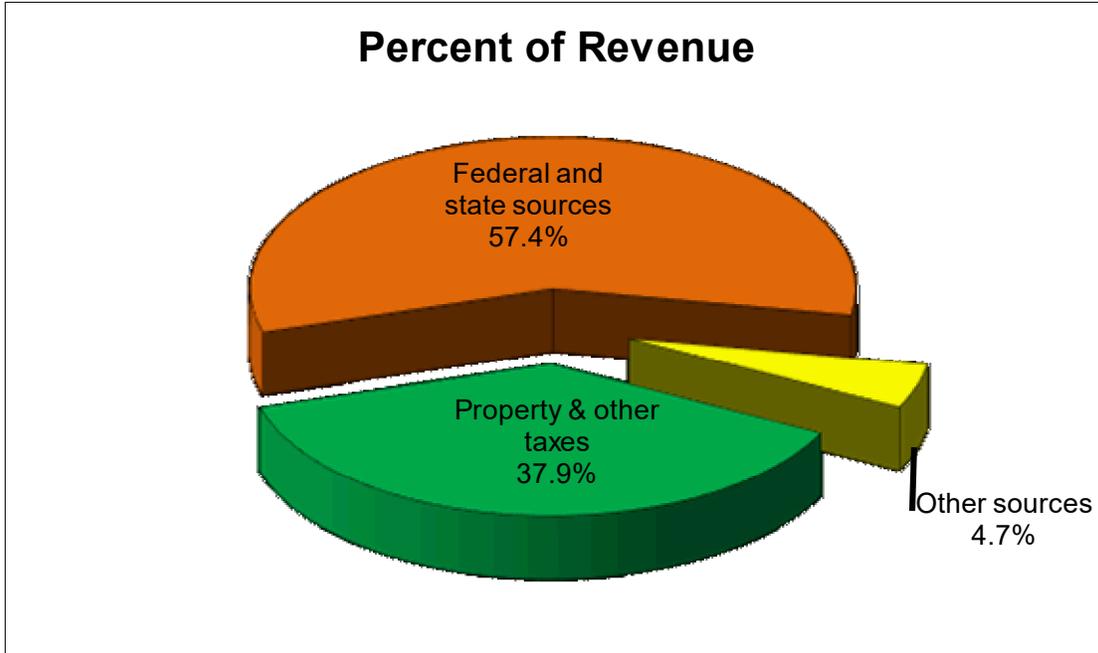
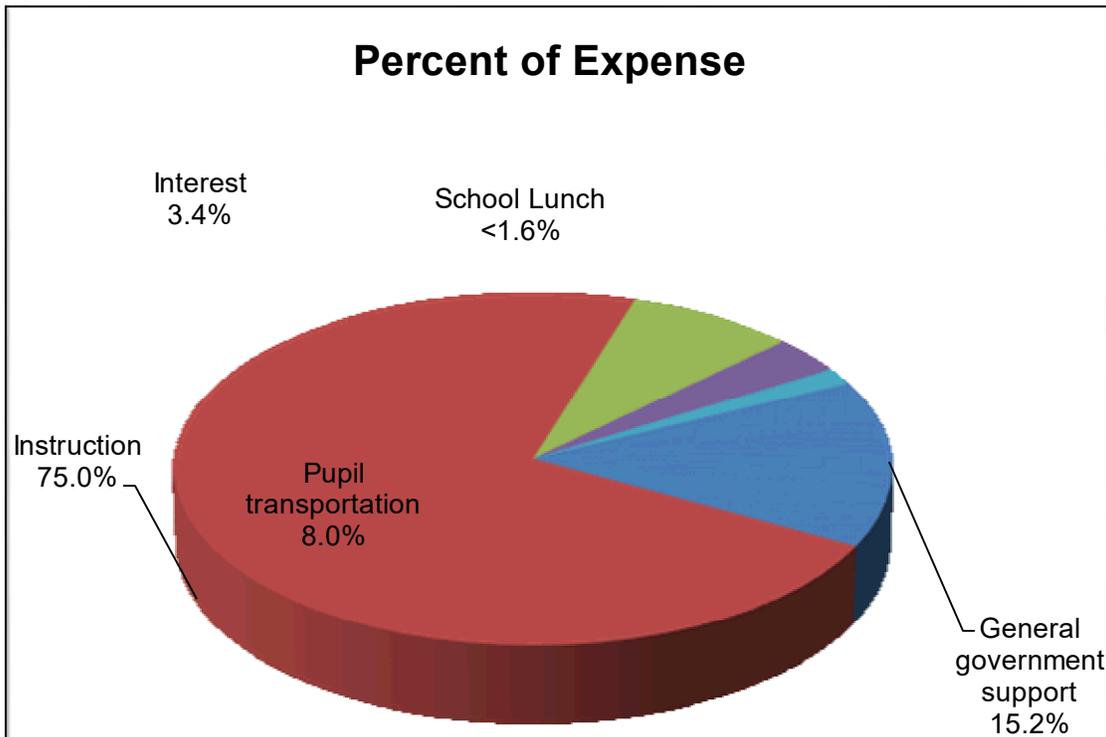


Table A-6 Expenses for Fiscal Year 2016



OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Financial Analysis of the District's Funds

Variances between years for the governmental fund financial statements are not the same as variances between years for the District-wide financial statements. The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt, liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

At June 30, 2016, the District, in its governmental funds, reported combined fund balances of \$1.9 million, an increase of \$1 million over the prior year. The District's governmental funds, except for the capital projects fund and the school lunch fund, operated at a surplus in 2015-2016.

General Fund Budgetary Highlights

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

Table A-7 Results vs. Budget (in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	Variance Positive/ (Negative)
Revenue:					
Local sources	\$ 5,325	\$ 5,325	\$ 5,488	\$ -	\$ 163
State sources	<u>7,453</u>	<u>7,453</u>	<u>7,048</u>	<u>-</u>	<u>(405)</u>
Total	<u>12,778</u>	<u>12,778</u>	<u>12,536</u>	<u>-</u>	<u>(242)</u>
Expenditures:					
General support	1,575	1,575	1,299	8	268
Instruction	5,391	5,391	4,842	18	531
Employee benefits	3,733	3,733	3,552	-	181
Transportation	698	698	556	-	142
Other	2	2	2	-	-
Other financing sources (uses)	<u>1,529</u>	<u>1,529</u>	<u>1,524</u>	<u>-</u>	<u>5</u>
Total	<u>12,928</u>	<u>12,928</u>	<u>11,775</u>	<u>26</u>	<u>1,127</u>
Revenue over (under) expense	<u>\$ (150)</u>	<u>\$ (150)</u>	<u>\$ 761</u>	<u>\$ (26)</u>	<u>\$ 885</u>

The General fund is the only fund for which a budget is legally adopted. For the purposes of the above analysis the budget columns do not include appropriated fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The following significant variances between budget and actual occurred during fiscal 2016:

- Revenues from State sources was approximately \$400 thousand less than budgeted.
- Central services expenditures was approximately \$250 thousand less than budgeted and Programs for special needs children was approximately \$216 thousand less than budgeted for 2016.
- Pupil transportation costs was approximately \$140 thousand less than budgeted.
- Employee benefits was approximately \$181 thousand less than budgeted.

Capital Assets

As of June 30, 2016, the District had an investment of \$30.7 million in a broad range of capital assets including land, buildings, buses, athletics facilities, computers and other educational equipment.

Table A-8 Capital Assets (net of depreciation)

Category:	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>	Percent <u>Change</u>
Land	\$ 150,000	\$ 150,000	0.0%
Land improvements	794,001	794,001	0.0%
Buildings and improvements	27,883,552	27,883,552	0.0%
Machinery, equipment and vehicles	<u>1,901,167</u>	<u>1,881,096</u>	<u>1.1%</u>
Total	<u>\$ 30,728,720</u>	<u>\$ 30,708,649</u>	0.1%

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Long-Term Debt

At year-end, the District had \$7 million in general obligation bonds outstanding and \$12 million in total long term liabilities. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

Table A-9 Outstanding Long-Term Debt

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>	Percent <u>Change</u>
Category:			
General obligation bonds	\$ 7,074	\$ 7,095	-0.3%
Net pension liability - ERS	582	134	100.0%
Compensated absences	2,284	2,008	13.8%
Other postemployment benefit obligation	<u>9,128</u>	<u>7,905</u>	<u>15.5%</u>
	<u>\$ 19,069</u>	<u>\$ 17,142</u>	11.2%

FACTORS BEARING ON THE FUTURE OF THE DISTRICT

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 DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the finances of the District and to demonstrate the District's accountability with the funds it receives. If you have any questions about this report or need additional financial information, please contact: Cherry Valley-Springfield Central School District, 597 Co. Highway 54, Cherry Valley, New York 13320.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2016**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 1,653,249
Cash and cash equivalents - restricted	2,155,669
Accounts receivable	10,318
Due from fiduciary fund	86,832
Due from Federal and State governments	133,947
Inventory	<u>3,094</u>
Total current assets	4,043,109

NON-CURRENT ASSETS:

Net pension asset - TRS	2,288,483
Capital assets, net	<u>17,837,731</u>
Total noncurrent assets	<u>20,126,214</u>
Total assets	<u>24,169,323</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related - TRS	555,123
Pension related - ERS	578,601
Defeasance loss	<u>217,478</u>
Total deferred outflows of resources	<u>1,351,202</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	11,974
Accrued interest	13,855
Unearned revenue	1,300
Due to other governments	407
Bond anticipation note payable	1,606,776
Due to Teachers' Retirement System	480,947
Due to Employees' Retirement System	<u>36,588</u>
Total current liabilities	<u>2,151,847</u>

LONG-TERM LIABILITIES:

Due and payable within one year - Bonds payable	<u>1,087,655</u>
Due and payable after one year - Net pension liability - ERS	582,223
Other postemployment benefits	9,128,129
Compensated absences	2,284,290
Bonds payable, net of bond premium	<u>5,986,361</u>
Total long-term liabilities due and payable after one year	<u>17,981,003</u>
Total long-term liabilities	<u>19,068,658</u>
Total liabilities	<u>21,220,505</u>

DEFERRED INFLOWS OF RESOURCES

Pension related - TRS	819,683
Pension related - ERS	<u>92,358</u>
Total deferred inflows of resources	<u>912,041</u>

NET POSITION

Net investment in capital assets	10,981,193
Restricted	2,335,004
Unrestricted	<u>(9,928,218)</u>
Total net position	<u>\$ 3,387,979</u>

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS:				
General governmental support	\$ 1,970,928	\$ -	\$ -	\$ (1,970,928)
Instruction	9,285,057	99,558	290,583	(8,894,916)
Pupil transportation	1,036,664	-	213,187	(823,477)
Community service	1,500	-	-	(1,500)
Interest	439,066	-	-	(439,066)
School lunch program	197,777	96,563	162,329	61,115
	<u>\$ 12,930,992</u>	<u>\$ 196,121</u>	<u>\$ 666,099</u>	<u>(12,068,772)</u>
GENERAL REVENUE:				
Real property taxes				5,093,533
Use of money and property				1,547
Sale of property and compensation for loss				3,505
Miscellaneous				429,327
State sources				<u>7,047,852</u>
Total general revenue				<u>12,575,764</u>
CHANGE IN NET POSITION				506,992
NET POSITION - beginning of year, previously reported				5,422,574
CUMULATIVE EFFECT OF CAPITAL ASSETS ADJUSTMENT				(2,541,587)
NET POSTION - beginning of the year, as restated				<u>2,880,987</u>
NET POSITION - end of year				<u>\$ 3,387,979</u>

The accompanying notes are an integral part of these statements.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General</u>	<u>Special Aid</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>School Lunch</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 1,456,205	\$ 32,686	\$ -	\$ 111,672	\$ 52,686	\$ 1,653,249
Cash and cash equivalents - restricted	1,631,853	-	523,816	-	-	2,155,669
Accounts receivable	10,318	-	-	-	-	10,318
Due from other funds	307,100	-	-	-	-	307,100
Due from Federal and State governments	-	122,577	-	-	11,370	133,947
Due from other governments	532	-	-	-	-	532
Prepaid expenditures	-	-	-	-	-	-
Inventory	-	-	-	-	3,094	3,094
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,406,008</u>	<u>\$ 155,263</u>	<u>\$ 523,816</u>	<u>\$ 111,672</u>	<u>\$ 67,150</u>	<u>\$ 4,263,909</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 11,969	\$ -	\$ -	\$ -	\$ -	\$ 11,969
Unearned revenue	1,300	-	-	-	-	1,300
Due to other funds	-	155,468	-	-	64,800	220,268
Due to other governments	-	-	-	-	407	407
Due to Teachers' Retirement System	480,947	-	-	-	-	480,947
Due to Employees' Retirement System	36,588	-	-	-	-	36,588
Bond anticipation note payable	-	-	-	1,606,776	-	1,606,776
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>530,804</u>	<u>155,468</u>	<u>-</u>	<u>1,606,776</u>	<u>65,207</u>	<u>2,358,255</u>
FUND BALANCES:						
Nonspendable -						
Inventory	-	-	-	-	3,094	3,094
Restricted for -						
Vehicle and equipment capital reserve	460,700	-	-	-	-	460,700
Retirement contributions	712,600	-	-	-	-	712,600
Employee benefits	179,335	-	-	-	-	179,335
Unemployment insurance reserve	270,255	-	-	-	-	270,255
Repair	188,298	-	-	-	-	188,298
Debt service	-	-	523,816	-	-	523,816
Assigned to -						
Appropriated for subsequent years' expenditures	345,927	-	-	-	-	345,927
Unassigned	<u>718,089</u>	<u>(205)</u>	<u>-</u>	<u>(1,495,104)</u>	<u>(1,151)</u>	<u>(778,371)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>2,875,204</u>	<u>(205)</u>	<u>523,816</u>	<u>(1,495,104)</u>	<u>1,943</u>	<u>1,905,654</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 3,406,008</u>	<u>\$ 155,263</u>	<u>\$ 523,816</u>	<u>\$ 111,672</u>	<u>\$ 67,150</u>	<u>\$ 4,263,909</u>

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2016

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

Fund balance - total Governmental funds	\$ 1,905,654
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	17,837,731
Deferred outflows/inflows of resources related to pensions are applicable to future periods and; therefore, are not reported in the funds.	
Deferred outflows - ERS/TRS	1,133,724
Deferred inflows - ERS/TRS	(912,041)
Deferred outflows - Refunding	217,478
Net pension obligations are not due and payable in the current period and; therefore, are not reported in the funds.	
Net pension asset - TRS	2,288,483
Net pension liability - ERS	(582,223)
Long-term liabilities, including bonds payable, are not due and payable in the current period and; therefore, are not reported in the funds:	
Other	(537)
Accrued interest	(13,855)
Bonds payable, net of bond premium	(7,074,016)
Other postemployment benefits	(9,128,129)
Compensated absences	<u>(2,284,290)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,387,979</u>

The accompanying notes are an integral part of these statements.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General</u>	<u>Special Aid</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>School Lunch</u>	<u>Total Governmental Funds</u>
REVENUE:						
Real property taxes	\$ 5,093,533	\$ -	\$ -	\$ -	\$ -	\$ 5,093,533
Charges for services	99,558	-	-	-	-	99,558
Use of money and property	1,426	-	106	-	15	1,547
Sale of property and compensation for loss	3,505	-	-	-	-	3,505
Miscellaneous	289,029	140,298	-	-	-	429,327
State sources	7,047,852	98,278	-	213,187	5,397	7,364,714
Federal sources	-	192,305	-	-	156,932	349,237
Sales	-	-	-	-	96,563	96,563
	<u>12,534,903</u>	<u>430,881</u>	<u>106</u>	<u>213,187</u>	<u>258,907</u>	<u>13,437,984</u>
Total revenue						
EXPENDITURES:						
General support	1,298,158	-	201	-	-	1,298,359
Instruction	4,842,438	431,086	-	-	-	5,273,524
Pupil transportation	556,262	-	-	-	-	556,262
Employee benefits	3,551,939	-	-	-	68,800	3,620,739
Community service	1,500	-	-	-	-	1,500
Cost of sales	-	-	-	-	197,777	197,777
Capital outlays	-	-	-	34,416	-	34,416
Debt service -						
Principal	-	-	1,144,566	-	-	1,144,566
Interest	-	-	376,027	-	-	376,027
	<u>10,250,297</u>	<u>431,086</u>	<u>1,520,794</u>	<u>34,416</u>	<u>266,577</u>	<u>12,503,170</u>
Total expenditures						
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>2,284,606</u>	<u>(205)</u>	<u>(1,520,688)</u>	<u>178,771</u>	<u>(7,670)</u>	<u>934,814</u>
OTHER FINANCING SOURCES AND (USES):						
BAN's redeemed from appropriations	-	-	-	96,912	-	96,912
Transfers in	3,830	-	1,524,221	-	-	1,528,051
Transfers (out)	(1,528,051)	-	-	-	-	(1,528,051)
	<u>(1,524,221)</u>	<u>-</u>	<u>1,524,221</u>	<u>96,912</u>	<u>-</u>	<u>96,912</u>
Total other financing sources (uses)						
CHANGE IN FUND BALANCE	760,385	(205)	3,533	275,683	(7,670)	1,031,726
FUND BALANCES - beginning of year	<u>2,114,819</u>	<u>-</u>	<u>520,283</u>	<u>(1,770,787)</u>	<u>9,613</u>	<u>873,928</u>
FUND BALANCES - end of year	<u>\$ 2,875,204</u>	<u>\$ (205)</u>	<u>\$ 523,816</u>	<u>\$ (1,495,104)</u>	<u>\$ 1,943</u>	<u>\$ 1,905,654</u>

The accompanying notes are an integral part of these statements.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Net changes in fund balance - total governmental funds	\$ 1,031,726
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position	20,071
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(737,905)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as reductions of liabilities in the statement of net position	1,068,790
Amortization of the deferred amount on refunding, net of amortization is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(108,740)
Pension expense resulting from the GASB 68 related actuary reporting is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	709,226
Certain expenses in the statement of activities do not require the use of current resources and are; therefore, not reported as expenditures in the governmental funds: funds:	
Change in accrued interest	29,311
Change in compensated absences	(276,774)
Change in other postemployment benefits	(1,223,429)
Other	(5,284)
Change in net position - governmental activities	<u>\$ 506,992</u>

The accompanying notes are an integral part of these statements.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2016

	Private Purpose <u>Trusts</u>	<u>Agency</u>
ASSETS:		
Cash and cash equivalents	\$ 264,814	\$ 91,198
Cash and cash equivalents - restricted	-	63,743
Investments	<u>2,395</u>	<u>-</u>
Total assets	<u>\$ 267,209</u>	<u>\$ 154,941</u>
LIABILITIES:		
Extraclassroom activity balances	\$ -	\$ 63,743
Due to other funds	-	86,832
Other liabilities	<u>-</u>	<u>4,366</u>
Total liabilities	<u>-</u>	<u>\$ 150,575</u>
NET POSITION:		
Restricted for scholarships	<u>267,209</u>	
Total net position	<u>267,209</u>	
TOTAL LIABILITIES AND NET POSITION	<u>\$ 267,209</u>	

The accompanying notes are an integral part of these statements.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS JUNE 30, 2016

ADDITIONS:

Gifts and contributions	\$	1,075
Investment earnings		<u>2</u>
Total additions		1,077

DEDUCTIONS:

Scholarships and awards		<u>7,485</u>
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CHANGE IN NET POSITION (6,408)

NET POSITION - beginning of year 273,617

NET POSITION - end of year \$ 267,209

The accompanying notes are an integral part of these statements.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1. NATURE OF OPERATIONS

Cherry Valley-Springfield Central School (the District) provides free K-12 public education to students living within its geographic borders.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

The District is governed by the Laws of New York State. The District is an independent entity governed by an elected Board of Education (BOE). The President of the Board serves as chief fiscal officer and the Superintendent is the chief executive officer. The BOE has authority to make decisions, power to appoint management and accountability for all fiscal matters.

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. 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. A component unit is included in the District's reporting entity if it is both fiscally dependent on the District and there is a potential for the component unit to provide specific financial benefits to or impose specific financial burdens on the District. Based on the application of these criteria there are no component units included in the District's financial statements.

Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The BOE 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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture

The District is a component school district in the Otego North Catskills BOCES (BOCES). BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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.

BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component school 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 school districts pay tuition or a service fee for programs in which its students participate.

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

Basis of Presentation

The District's financial statements consist of district-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund level financial statements which provide more detailed information.

District-Wide Statements

The statement of net position 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 revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

Fund Financial 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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

The District reports the following major governmental funds:

- *General Fund* - This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- *Special Aid Fund* - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.
- *School Lunch Fund* - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for school lunch operations. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.
- *Capital Projects Fund* - This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.
- *Debt Service Fund* - This fund is used to account for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of the governmental activities.

Fiduciary Funds

These funds are used to account for fiduciary activities. 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 are used to fund 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 solely as an agent for various student groups or extra-classroom activity funds and for payroll or employee withholding.

Use of 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 dates of the financial statements and the reported revenue 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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions in which the District gives or receives value without directly receiving or giving equal value in exchange include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty 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.

Cash and Cash Equivalents

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 the date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Investments are stated at fair value.

Restricted Cash

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets include amounts required by statute to be reserved for various purposes.

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. Generally accepted accounting principles require the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on September 1. Taxes are collected during the period September 1 to October 31. Taxes not collected by October 31 are turned over to the County who assumes all responsibility for collection.

Inventory

Inventory of food in the school lunch fund is recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

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

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

Capital Assets

Capital assets are reported at actual cost when such data was available. For assets in which there was no data available, 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings/Land improvements	\$ 1,000	SL	20 - 50 years
Machinery, equipment and vehicles	\$ 1,000	SL	5 - 20 years

Vested Employee Benefits

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.

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

Consistent with generally accepted accounting principles, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Other Postemployment Benefits

In addition to providing the pension benefits described, the District provides postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the District and its employee groups. Substantially all of these 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 District pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance. At the fund level the District recognizes the cost of providing health care insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the general fund in the year paid.

Unearned Revenue

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

Short-Term Debt

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

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations

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

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 Position.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position is 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.

District-Wide Statements - Equity Classifications

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

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.

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

Unrestricted net position - reports all other net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Governmental Fund Financial Statements - Equity classifications

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

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

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

Vehicle and equipment capital reserve

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements - Equity classifications (Continued)

Repair reserve

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

Debt service reserve

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

Retirement contribution reserve

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of operation and condition of the fund must be provided to the board. This reserve is accounted for in the general fund.

Unemployment insurance reserve

This reserve is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the District has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to the tax (contribution) basis, excess resources in the fund may be transferred to any other reserve fund. The reserve is accounted for in the general fund under restricted fund balance.

Committed fund balance - Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, the BOE.

Assigned fund balance - Includes amounts that are constrained by the 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.

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

New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds the District can retain to no more than 4% of the 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's budget and encumbrances are also excluded from the 4% limitation.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Order of Fund Balance Spending Policy

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as assigned 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.

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

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

Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the statement of net position. This difference results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

- **Long-Term Revenue and Expense Differences**

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

- **Capital Related Differences**

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

- **Long-Term Debt Transaction Differences**

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

4. 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.

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

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents, including fiduciary funds	<u>\$ 4,474,002</u>	<u>\$ 4,228,808</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 4,144,788	
Covered by FDIC insurance	<u>329,214</u>	
Total	<u>\$ 4,474,002</u>	

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 consists of the following:

Vehicle and equipment capital reserve	\$ 460,700
Retirement contributions reserve	712,600
Unemployment insurance reserve	270,255
Repair reserve	188,298
Debt Service Fund	<u>523,816</u>
Total restricted cash - governmental funds	<u>2,155,669</u>
Scholarships and extraclassroom - fiduciary fund	<u>63,743</u>
Total restricted cash	<u>\$ 2,219,412</u>

5. INVESTMENTS

The District was granted an investment for scholarships within the Private Purpose Trust. It consists of \$2,395 in a net carrying value of RVS Mutual Funds.

6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	Beginning Balance <u>as Restated</u>	<u>Additions</u>	<u>Disposals</u>	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 150,000	\$ -	\$ -	\$ 150,000
Total nondepreciable cost	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
Capital assets that are depreciated:				
Land improvements	794,001	-	-	794,001
Buildings and improvements	27,883,552	-	-	27,883,552
Machinery, equipment and vehicles	<u>1,881,096</u>	<u>20,071</u>	<u>-</u>	<u>1,901,167</u>
Total depreciable assets	<u>30,558,649</u>	<u>20,071</u>	<u>-</u>	<u>30,578,720</u>
Less accumulated depreciation:				
Land improvements	794,001	-	-	794,001
Buildings and improvements	10,002,963	635,124	-	10,638,087
Machinery, equipment and vehicles	<u>1,356,120</u>	<u>102,781</u>	<u>-</u>	<u>1,458,901</u>
Total accumulated depreciation	<u>12,153,084</u>	<u>737,905</u>	<u>-</u>	<u>12,890,989</u>
Total depreciable cost - net	<u>\$ 18,405,565</u>	<u>\$ (717,834)</u>	<u>\$ -</u>	<u>\$ 17,687,731</u>

Depreciation expense for the year ended June 30, 2016, was allocated to specific functions as follows:

General support	\$ 138,419
Instruction	516,338
Pupil transportation	<u>83,148</u>
Total depreciation	<u>\$ 737,905</u>

7. PARTICIPATION IN BOCES

During the year, the District was billed \$1,434,997 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$214,691.

8. SHORT-TERM DEBT

The District has the following short-term debt outstanding at June 30, 2016:

	<u>Issuance Date</u>	<u>Due</u>	<u>Rate</u>	<u>Balance at 6/30/2015</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance at 6/30/2016</u>
2016 BAN Renewal	3/11/2016	3/10/2017	2.00%	\$ 285,688	\$ -	\$ 96,912	\$ 188,776
2015 BAN Issuance	7/30/2015	7/29/2016	0.68%	<u>1,418,000</u>	<u>-</u>	<u>-</u>	<u>1,418,000</u>
				<u>\$ 1,703,688</u>	<u>\$ -</u>	<u>\$ 96,912</u>	<u>\$ 1,606,776</u>

9. LONG-TERM DEBT

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Government activities:					
Serial bonds payable	\$ 7,910,309	\$ -	\$ 1,047,654	\$ 6,862,655	\$ 1,087,655
Unamortized bond premium	<u>232,497</u>	<u>-</u>	<u>21,136</u>	<u>211,361</u>	<u>-</u>
Total bonds	<u>\$ 8,142,806</u>	<u>\$ -</u>	<u>\$ 1,068,790</u>	<u>\$ 7,074,016</u>	<u>\$ 1,087,655</u>
Other liabilities:					
Net pension liability - ERS	\$ 134,344	\$ 447,879	\$ -	\$ 582,223	\$ -
Compensated absences	<u>2,007,516</u>	<u>276,774</u>	<u>-</u> {a}	<u>2,284,290</u>	<u>-</u>
Other postemployment benefits	<u>7,904,700</u>	<u>2,643,033</u>	<u>1,419,604</u>	<u>9,128,129</u>	<u>-</u>
Total other liabilities	<u>\$ 10,046,560</u>	<u>\$ 3,367,686</u>	<u>\$ 1,419,604</u>	<u>\$ 11,994,642</u>	<u>\$ -</u>

{a} Additions and deletions to compensated absences are shown net because it is impractical to determine these amounts separately.

Interest on all debt for the year was composed of:

Interest paid	\$ 380,774
Amortization of debt premiums	(21,136)
Amortization of deferred amount on refunding	108,739
Less: Interest accrued in the prior year	(43,166)
Plus: Interest accrued in the current year	<u>13,855</u>
Total interest expense	<u>\$ 439,066</u>

9. LONG-TERM DEBT (Continued)

Issue dates, maturities, and interest rates on outstanding debt are as follows:

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	June 30, 2016 <u>Balance</u>
Serial Bonds	10/3/2022	6/15/2018	3.68%	\$ 1,145,000
Serial Bonds	3/15/2006	3/15/2021	4.42%	165,000
Serial Bonds	6/8/2011	6/15/2026	4.22%	5,535,000
Serial Bonds	1/31/2012	1/31/2017	3.25%	<u>17,655</u>
Total bond issue				<u>\$ 6,862,655</u>

The following is a summary of the maturity of long-term indebtedness as of June 30, 2016:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,087,655	\$ 317,009	\$ 1,404,664
2018	1,120,000	268,610	1,388,610
2019	560,000	223,570	783,570
2020	580,000	204,811	784,811
2021	600,000	181,296	781,296
2022-2026	<u>2,915,000</u>	<u>427,650</u>	<u>3,342,650</u>
Totals	<u>\$ 6,862,655</u>	<u>\$ 1,622,946</u>	<u>\$ 8,485,601</u>

10. INTERFUND BALANCES AND ACTIVITY

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 307,100	\$ -	\$ 3,830	\$ 1,528,051
Special Aid	-	155,468	-	-
Debt Service	-	-	1,524,221	-
Trust and Agency	-	86,832	-	-
School Lunch	-	64,800	-	-
Total	<u>\$ 307,100</u>	<u>\$ 307,100</u>	<u>\$ 1,528,051</u>	<u>\$ 1,528,051</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

11. DONOR RESTRICTED ENDOWMENTS

The District administers endowment funds, which are restricted to use by the donor for the purposes of student scholarships. These funds are accounted for in the Fiduciary Funds in a Private Purpose Trust.

12. PENSION PLANS

New York State Employees' Retirement System

The District participates in the New York State and Local Employees' Retirement System (ERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), established to hold all net position and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYS RSSL). Once an employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The System is noncontributory except for employees who joined the System after July 27th, 1976, who contribute 3.0% percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	<u>ERS</u>	
2016	\$	137,899
2015	\$	155,146
2014	\$	192,236

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a net pension liability of \$582,223 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2016, the District's proportion was .0036275% percent, which was a decrease of .0003492% from its proportion at share measured at June 30, 2015.

11. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$143,170. At June 30, 2016, the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 2,942	\$ 69,013
Changes of assumptions	155,261	-
Net difference between projected and actual earnings on pension plan investments	345,407	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	3,559	23,345
Contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 507,169</u>	<u>\$ 92,358</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:

2017	\$	106,182
2018		106,182
2019		106,182
2020		<u>96,265</u>
		<u>\$ 414,811</u>

The District recognized \$36,588 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2016 which will be recognized on a reduction of the net pension liability in the year ended June 30, 2017.

11. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

Actuarial Assumptions

The total pension liability at March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016.

The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8 % indexed by service
Projected COLAs	1.3% compounded annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expect future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 are summarized below:

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-Term expected real rate of return in %</u>
Domestic Equity	38.0	7.3
International Equity	13.0	8.55
Private Equity	10.0	11.00
Real Estate	8.0	8.25
Absolute return strategies	3.0	6.75
Opportunistic Portfolio	3.0	8.60
Real Asset	3.0	8.65
Bonds, Cash & Mortgages	18.0	4.00
Cash	2.0	2.25
Inflation Indexed Bonds	2.0	4.00
	<u>100%</u>	

11. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate:

	1% Decrease 6.00%	Current Discount 7.00%	1% Increase 8.00%
Proportionate Share of Net Pension liability (asset)	\$ 1,312,871	\$ 582,223	\$ (35,143)

Pension Plan Fiduciary Net Position (000's)

The components of the current-year net pension liability of the employers as of March 31, 2016, were as follows:

Total pension liability	\$ 172,303,544
Plan net position	<u>(156,253,265)</u>
Net pension liability (asset)	<u>\$ 16,050,279</u>
ERS net position as a percentage of total pension liability	90.70%

New York State Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system. NYSTRS offers 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.

The New York State Teachers' Retirement Board administers NYSTRS. NYSTRS 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.

11. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Contributions

NYSTRS is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the NYSTRS after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. 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 NYSTRS were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

		<u>TRS</u>
2016	\$	447,600
2015	\$	580,443
2014	\$	503,613

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2016, the District reported net pension asset of \$2,288,483 for its proportionate share of the NYSTRS net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of that date. The District's proportion of the net pension asset was based on a projection of the Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2016 the District's proportionate share was 0.022033%, which was a decrease from the .007777% proportionate share measured at June 30, 2015.

11. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

For the year ended June 30, 2016, the District recognized pension expense (income) of \$509,662. At June 30, 2016 the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>Resources</u>	<u>Resources</u>
Differences between expected and actual experience	\$ -	\$ 63,424
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	723,401
Changes in proportion and differences between the District's contributions and proportionate share of contributions	6,124	32,858
Contributions subsequent to the measurement date	-	-
Total	<u>\$ 6,124</u>	<u>\$ 819,683</u>

The District recognized \$480,947 as a deferred outflow of resources related to pensions resulting from the District's contributions subsequent to the measurement date of June 30, 2015 which will be recognized as a reduction of the net pension asset in the year ended June 30, 2017.

Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Plan's Year Ended March 31:

2017	\$ (294,924)
2018	(294,924)
2019	(294,924)
2020	117,157
2021	(11,055)
Thereafter	<u>(34,889)</u>
	<u>\$ (813,559)</u>

11. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Actuarial Assumptions

The total pension liability at the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014, with update procedures used to roll forward the total pension liability to June 30, 2015. These actuarial valuations used the following actuarial assumptions:

Inflation	3.00%
Projected Salary Increases	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.

<u>Age</u>	<u>Female</u>	<u>Male</u>
25	10.35%	10.91%
35	6.26%	6.27%
45	5.39%	5.04%
55	4.42%	4.01%

Projected COLAs	1.625% compounded annually
Investment Rate of Return	8.0% compounded annually, net of pension plan investment expense, including inflation.

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on society of Actuaries Scale AA.

The actuarial assumptions used in the June 30, 2015 and 2014 valuations were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

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

11. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-Term expected real rate of return in %</u>
Domestic Equity	37.0	6.5
International Equity	18.0	7.7
Real Estate	10.0	4.6
Alternative Investments	7.0	9.9
Domestic Fixed Income Securities	17.0	2.1
Global Fixed Income Securities	2.0	1.9
Short-term Fixed Income	1.0	1.2
Mortgages	8.0	3.4
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the net pension liability (asset) of the school districts calculated using the discount rate of 8.0%, as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount (8.00%)</u>	<u>1% Increase (9.00%)</u>
Proportionate Share of Net Pension liability (asset)	\$ 156,104	\$ (2,288,483)	\$ (4,373,202)

11. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Pension Plan Fiduciary Net Position (000's)

The components of the current year net pension liability of the employers as of June 30, 2016, were as follows:

Total pension liability	\$ 99,332,104
Plan net position	<u>109,718,917</u>
Net pension liability (asset)	<u>\$ (10,386,813)</u>
NYSTRS net position as a percentage of total pension liability	110.46%

12. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The District administers the Other Postemployment Benefits Plan (the Plan) as a single-employer defined benefit other postemployment benefit plan. The District provides for postretirement medical benefits to retiring employees after 15 years of service. When a retiree reaches age 65, Medicare will provide primary coverage, except as otherwise provided by law. Dental and life insurance benefits are available with select individuals and classes of employees. At June 30, 2016, there were 101 retirees receiving benefits under the Plan. The Plan can be amended by action of the District through agreements with different bargaining units. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

As of the date of these financial statements, New York State did not yet have legislation that would enable government entities to establish a Governmental Accounting Standards Board (GASB) qualifying trust for the purpose of funding Other Postemployment Benefits. As such there are no assets set aside to fund this obligation and benefits are paid on a pay as you go basis. The amount paid during 2015-2016 was \$1,419,604.

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 2,766,483
Interest on net OPEB obligation	316,188
Annual required contribution adjustment	<u>(439,638)</u>
Annual OPEB cost	2,643,033
Contributions made	<u>(1,419,604)</u>
Increase in net OPEB obligation	1,223,429
Net OPEB obligation - beginning of year	<u>7,904,700</u>
Net OPEB obligation - end of year	<u>\$ 9,128,129</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the preceding two years were as follows:

Fiscal Year End	Annual OPEB Cost	OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 2,643,033	\$ 1,419,604	53.7%	\$ 9,128,129
6/30/2015	\$ 2,683,851	\$ 1,480,047	55.1%	\$ 7,904,700
6/30/2014	\$ 2,656,754	\$ 1,191,274	44.8%	\$ 6,700,896

Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves 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 OPEB 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 OPEB Plan is currently not funded.

The schedule of funding progress presents information on the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits.

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions

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

In the July 1, 2015 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate	4.0%
Medical care cost trend rate	8.0% for fiscal year 2015, reduced by decrements of .5% per year until an ultimate rate of 5.0% in 2021.
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level dollar closed
Amortization basis	Closed

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

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 three years.

Health Insurance

The District incurs costs related to an employee health insurance plan (the Plan) sponsored by BOCES and its component districts. The Plan's objectives are to formulate, develop and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Districts joining the Plan must remain members for a minimum of one year and a member district may withdraw from the plan after that time by providing notice to the consortium prior to the May 1st immediately preceding the commencement of the next school year. Plan members include nine districts, with each district bearing a proportionate share of the Plan's assets and claims liabilities. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the plan as direct insurer of the risks reinsured.

13. RISK MANAGEMENT (Continued)

Health Insurance (Continued)

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

During the year ended June 30, 2016, the District incurred premiums or contribution expenditures totaling \$2,670,269.

Worker's Compensation

The District incurs costs related to a worker's compensation insurance plan (the Insurance Plan) sponsored by BOCES and its component districts. The Insurance Plan's objectives are to formulate, develop and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Districts joining the Insurance Plan must remain members for a minimum of one year; a member district may withdraw from the Insurance Plan after that time by forwarding a resolution passed by the District's Board of Education prior to the end of the fiscal year. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Insurance Plan's assets were to be exhausted, members would be responsible for the Insurance Plan's liabilities.

The Insurance Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Insurance Plan as direct insurer of the risks reinsured.

The Insurance Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims that have been reported. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made.

During the year ended June 30, 2016, the District incurred premiums or contribution expenditures totaling \$2,657,469.

Unemployment

District employees are entitled to coverage under the New York State Unemployment Insurance Law. The District has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The District has established an unemployment reserve to pay these claims. The claim and judgment expenditures of this program for the 2015-2016 fiscal year totaled zero. The balance of the reserve at June 30, 2016 is \$270,255 and is recorded in the General fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2016, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

14. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the General Fund, which is then approved by the voters of the District.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the BOE 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 BOE approves them because of a need that exists which was not determined at the time the budget was adopted.

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. 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. Portions of fund balances are restricted or assigned and not available for current expenses or expenditures, as reported in the governmental funds balance sheet.

Fund Balance

The District's unrestricted fund balance in its General fund 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 reducing future tax levies and committing funds for capital asset projects and purchases.

Portions of the fund balances are restricted and are not available for current expenditures or expenses, as reported in the governmental funds balance sheet.

Encumbrances

Encumbrance accounting is used for budgetary 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 assigned 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.

15. CONTINGENCIES AND COMMITMENTS

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

16. RESTATEMENT - CORRECTION OF AN ERROR - CAPITAL ASSETS

The District provided a capital assets adjustment as a correction of an error and is as follows:

<u>Capital Assets</u>	Balance, as Previously Stated 6/30/2015	Adjustment	Balance, as Restated 6/30/2015	Current Year Additions	Current Year Deletions	Balance 6/30/2016
Land	\$ 150,000	\$ -	\$ 150,000	-	-	150,000
Land improvements	-	794,001	794,001	-	-	794,001
CIP	10,100,718	(10,100,718)	-	-	-	-
Buildings and improvements	20,691,366	7,192,186	27,883,552	-	-	27,883,552
Machinery, equipment and vehicles	2,504,687	(623,591)	1,881,096	20,071	-	1,901,167
Total	<u>\$ 33,446,771</u>	<u>\$ (2,738,122)</u>	<u>\$ 30,708,649</u>	<u>20,071</u>	<u>-</u>	<u>30,728,720</u>

<u>Accumulated Depreciation</u>	Balance, as Previously Stated 6/30/2015	Adjustment	Balance, as Restated 6/30/2015	Current Year Dep. Exp	Current Year Deletions	Balance 6/30/2016
Land improvements	\$ -	\$ 794,001	\$ 794,001	-	-	794,001
Buildings and improvements	10,423,985	(421,022)	10,002,963	635,124	-	10,638,087
Machinery, equipment and vehicles	1,925,634	(569,514)	1,356,120	102,781	-	1,458,901
Total	<u>12,349,619</u>	<u>(196,535)</u>	<u>12,153,084</u>	<u>737,905</u>	<u>-</u>	<u>12,890,989</u>
Total depreciated assets, net	<u>\$ 21,097,152</u>	<u>\$ (2,541,587)</u>	<u>\$ 18,555,565</u>	<u>\$ (717,834)</u>	<u>-</u>	<u>\$ 17,837,731</u>

The impact on the prior year net position is as follows:

Net position, beginning of year, as previously reported	\$ 5,422,574
Cumulative effect of capital assets adjustment	<u>(2,541,587)</u>
Net position, beginning of year, as restated	<u>\$ 2,880,987</u>

17. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET IMPLEMENTED

In June 2015, the GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The District is required to adopt the provisions of these Statements for the year ending June 30, 2018, with early adoption encouraged.

In August 2015, the GASB issued Statement No. 77 *Tax Abatement Disclosures*. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement should be applied to all state and local governments subject to such tax abatement agreements. The District is required to adopt the provisions of this Statements for the year ending June 30, 2018, with early adoption encouraged.

In March 2016, GASB issued Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, Financial Reporting for Pension Plans, No. 6, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68, and Amendments for Certain Provisions of GASB Statements 67 and 68*. The Statement addresses issues related to the presentation of payroll related measures in required supplementary information, selection of assumptions and the treatment of deviations and classification of payments made by employers to meet employee contribution requirements. The Statement takes effect for reporting periods beginning after June 15, 2016 except for the selection of assumptions in which an employer's pension liability is measured as of a sate other than the employer's most recent fiscal year-end in which the effective date is on or after June 15, 2017. Earlier adoption is encouraged.

The District has not assessed the impact of these statements on its future financial statements.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Final Budget Variance with Budgetary Actual
REVENUE					
Real property taxes	\$ 5,085,267	\$ 5,085,267	\$ 5,093,533	\$ -	\$ 8,266
Charges for services	90,000	90,000	99,558	-	9,558
Use of money and property	1,000	1,000	1,426	-	426
Sale of property and compensation for loss	500	500	3,505	-	3,005
Miscellaneous	148,482	148,482	289,029	-	140,547
State sources	7,452,768	7,452,768	7,047,852	-	(404,916)
Total revenue	12,778,017	12,778,017	12,534,903	-	(243,114)
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	23,905	23,905	16,481	6,155	1,269
Central administration	160,532	160,532	159,189	403	940
Finance	166,681	166,681	156,420	-	10,261
Staff	38,355	38,355	35,706	-	2,649
Central services	986,779	986,779	737,012	1,049	248,718
Special items	198,592	198,592	193,350	-	5,242
Total general support	1,574,844	1,574,844	1,298,158	7,607	269,079
INSTRUCTION:					
Instruction, administration, and improvement	226,854	226,854	152,173	135	74,546
Teaching - regular school	2,495,577	2,495,577	2,388,409	7,337	99,831
Programs for special needs children	1,371,589	1,371,589	1,145,168	10,433	215,988
Occupational education	478,947	478,947	477,022	-	1,925
Teaching - special school	48,350	48,350	45,491	-	2,859
Instructional media	192,722	192,722	201,341	270	(8,889)
Pupil services	577,420	577,420	432,834	49	144,537
Total instruction	5,391,459	5,391,459	4,842,438	18,224	530,797
Pupil transportation	698,173	698,173	556,262	96	141,815
Community services	1,500	1,500	1,500	-	-
Employee benefits	3,732,990	3,732,990	3,551,939	-	181,051
Total expenditures	11,398,966	11,398,966	10,250,297	25,927	1,122,742
Excess (deficiency) of revenue over expenditures	1,379,051	1,379,051	2,284,606	(25,927)	879,628
OTHER FINANCING SOURCES (USES):					
Interest	(1,000)	(1,000)	-	-	1,000
Transfers in	-	-	3,830	-	3,830
Transfers out	(1,528,051)	(1,528,051)	(1,528,051)	-	-
Total other financing sources	(1,529,051)	(1,529,051)	(1,524,221)	-	4,830
NET CHANGE IN FUND BALANCES	\$ (150,000)	\$ (150,000)	760,385	\$ (25,927)	\$ 884,458
FUND BALANCE - beginning of year			2,114,819		
FUND BALANCE - end of year			\$ 2,875,204		

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN (Unaudited)
 FOR THE YEAR ENDED JUNE 30, 2016**

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL)</u>	<u>(b-a) Unfunded AAL (UAAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Covered Payroll</u>	<u>((b-a)/c) UAAL as a percentage of Covered Payroll</u>
July 1, 2015	\$ -	\$ 36,630,879	\$ 36,630,879	0.00%	\$ 4,677,548	783%
July 1, 2013	\$ -	\$ 31,232,269	\$ 31,232,269	0.00%	\$ 3,446,207	906%
July 1, 2011	\$ -	\$ 27,066,590	\$ 27,066,590	0.00%	\$ 3,886,584	696%

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2016**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.0036275%	0.0039767%								
Proportionate share of the net pension liability (asset)	\$ 582	\$ 134								
Covered-employee payroll	\$ 938	\$ 938								
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	62.05%	14.29%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.70%	97.90%								

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.0220330%	0.0298100%								
Proportionate share of the net pension liability (asset)	\$ (2,288)	\$ (2,337)								
Covered-employee payroll	\$ 2,122	\$ 2,122								
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-107.82%	-110.13%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	110.46%	111.48%								

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2016**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Contractually required contribution	\$ 138	\$ 155								
Contributions in relation to the contractually required contribution	138	155								
Contribution deficiency (excess)	\$ -	\$ -								
Covered-employee payroll	\$ 938	\$ 938								
Contributions as a percentage of covered-employee payroll	14.71%	16.52%								

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN										
Contractually required contribution	\$ 580	\$ 580								
Contributions in relation to the contractually required contribution	580	580								
Contribution deficiency (excess)	\$ -	\$ -								
Covered-employee payroll	\$ 2,122	\$ 2,122								
Contributions as a percentage of covered-employee payroll	27.33%	27.33%								

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

SUPPLEMENTARY INFORMATION (Unaudited)

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET
AND SCHEDULE OF SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION -
GENERAL FUND (Unaudited) FOR THE YEAR ENDED JUNE 30, 2016**

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 12,915,270
Add: Prior year's encumbrances	<u>11,747</u>
Original budget	<u>12,927,017</u>
Final budget	<u>\$ 12,927,017</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016-17 voter-approved expenditure budget	<u>\$ 13,344,282</u>	
Maximum allowed (4% of 2016-17 budget)		<u>\$ 533,771</u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law :		
Unrestricted fund balance		
Assigned fund balance	\$ 345,927	
Unassigned fund balance	<u>718,089</u>	
Total unrestricted fund balance	<u>1,064,016</u>	
Less:		
Assigned fund balance	320,000	
Encumbrances included in assigned fund balance	<u>25,927</u>	
Total adjustments	<u>\$ 345,927</u>	
General Fund Balance Subject to Section 1318 of Real Property Tax Law		<u>\$ 718,089</u>
Actual percentage		<u>5.38%</u>

CHERRY VALLEY - SPRINGFIELD CENTRAL SCHOOL DISTRICT

**SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Prior Years' Expenditures</u>	<u>Current Year Expenditures</u>	<u>Total Expenditures</u>	<u>Unexpended Balance</u>	<u>Serial bonds</u>	<u>Federal and State sources</u>	<u>Local Sources</u>	<u>Total Financing</u>	<u>Residual Equity Transfer</u>	<u>Fund balance as of 6/30/2016</u>
District wide renovations	\$ 8,050,180	\$ 8,050,180	\$ 8,057,235	\$ -	\$ 8,057,235	\$ (7,055)	\$ 7,889,176	\$ 662,109	\$ -	\$ 8,551,285	\$ 161,004	\$ 333,046
Roof - Main Building	1,199,000	1,199,000	1,129,464	20,185	1,149,649	49,351	-	-	-	-	-	(1,149,649)
Bus garage/tanks	389,000	389,000	394,845	-	394,845	(5,845)	389,000	-	23,614	412,614	-	17,769
Interior Door Replacement	100,000	100,000	89,505	-	89,505	10,495	-	-	100,000	100,000	-	10,495
Buses	572,007	572,007	572,007	-	572,007	-	259,586	-	30,730	290,316	-	(281,691)
Roof - Transportation Build	219,000	219,000	244,314	-	244,314	(25,314)	-	-	-	-	-	(244,314)
Main Building Septic	100,000	100,000	89,647	10,406	100,053	(53)	-	-	-	-	-	(100,053)
Exterior Doors	100,000	100,000	80,707	-	80,707	19,293	-	-	-	-	-	(80,707)
	<u>\$ 10,729,187</u>	<u>\$ 10,729,187</u>	<u>\$ 10,657,724</u>	<u>\$ 30,591</u>	<u>\$ 10,688,315</u>	<u>\$ 40,872</u>	<u>\$ 8,537,762</u>	<u>\$ 662,109</u>	<u>\$ 154,344</u>	<u>\$ 9,354,215</u>	<u>\$ 161,004</u>	<u>\$ (1,495,104)</u>

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**SUPPLEMENTARY INFORMATION
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (Unaudited)
JUNE 30, 2015**

Capital assets, net	\$ 17,837,731
Addition:	
Deferred amounts on refunding	217,478
Deduct:	
Premiums on bonds payable	(211,361)
Short-term portion of bonds payable	(1,087,655)
Long-term portion of bonds payable	<u>(5,775,000)</u>
Net investment in capital assets	<u>\$ 10,981,193</u>

The accompanying notes are an integral part of these schedules.

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

September 16, 2016

To the Board of Education of the
Cherry Valley-Springfield Central School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Cherry Valley-Springfield Central School District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 16, 2016.

Internal Control over Financial Reporting

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

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

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

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(Continued)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and as item 2016-001.

District Response to Finding

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

Purpose of this Report

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

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

Section I - Financial Statement Findings

2016-001 – Stewardship and Compliance

Criteria

Unrestricted fund balance is not to exceed 4% of the subsequent year's budget to comply with Section 1318 of the New York State Real Property Tax Law.

Condition

The School District's unrestricted fund balance was greater than the New York State Real Property Tax Law Section 1318 limit.

Questioned Costs

None

Recommendation

We recommend that management take this finding into consideration when preparing subsequent budgets.

Management's Response

See corrective action plan.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016**

2016-001 – Stewardship and Compliance

The District plans to address this issue by reducing future tax levies and financing capital project and debt service payments.