CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Financial Statements
For the Year Ended June 30, 2017
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

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JUNE 30, 2017

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

October 5, 2017

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, 2017, 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, 2017, 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)

432 North Franklin Street, Suite 60
Syracuse, New York 13204
p (315) 476-4004
f (315) 475-1513

www.bonadio.com

INDEPENDENT AUDITOR'S REPORT
(Continued)

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 52-54 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 October 5, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

Bonadio & Co., LLP

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, 2017. 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, 2017 and 2016, total assets (what the District owns) exceeded its total liabilities (what the District owes) by $2,017,163 and $3,387,979 (net position), respectively, a decrease of $1,370,816 from 2016 to 2017.

- Capital assets, net of accumulated depreciation during 2016-2017 amounted to approximately $17.1 million, a decrease primarily due to $700 thousand cumulative effect of a capital assets adjustment.

- General revenue, which includes State aid, and property taxes, accounted for $12,802,430 of all revenue. Program specific revenue in the form of Charges for Services and Operating Grants and Contributions accounted for $850,429 of total revenue.

- Total expenses for in the government-wide financial statements totaled $14,873,862 and $12,930,993 in 2017 and 2016, respectively.

- As of the close of the fiscal year, The District's governmental funds reported combined fund balances of $3,396,452 and $1,905,654 in 2017 and 2016, respectively, an increase of $1,490,798 from 2016 to 2017.

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.

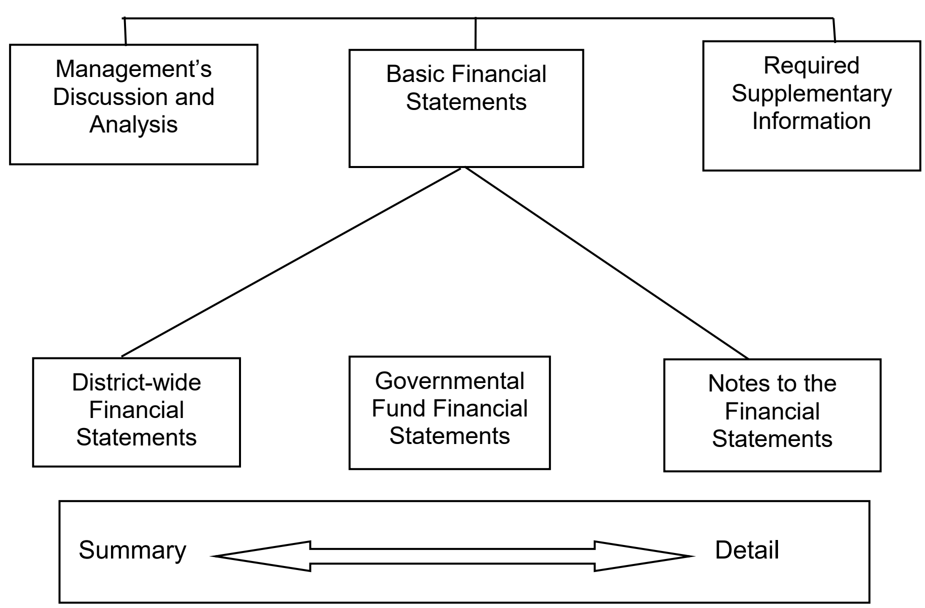
- The remaining statements are Governmental fund financial statements that focus on individual activities of the District, reporting the operation in more detail than the District-wide statements.

  - 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

		Fund Financial Statements	
	District-Wide	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	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenue, expenditures, and changes in fund balance	• 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 2017	Fiscal Year 2016	Percent Change
Current assets	$ 4,181	$ 4,043	3.4%
Non-current assets	17,114	20,126	-15.0%
Total assets	21,295	24,169	-11.9%
Deferred outflow	2,672	1,351	97.8%
Current liabilities	796	2,152	-849.2%
Long-term liabilities	20,978	19,069	-1.3%
Total liabilities	21,774	21,221	2.6%
Deferred inflow	176	912	-80.7%
Net position:			
Net investment in capital assets	9,826	10,981	-10.5%
Restricted	2,770	2,335	18.6%
Unrestricted	(10,579)	(9,928)	6.6%
Total net position	$ 2,017	$ 3,388	-40.5%

In Table A-3, total assets at June 30, 2017 were approximately $2.9 million lower than at June 30, 2016. Non-current assets decreased approximately $3 million, due to a cumulative effect of a capital assets activity.

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

Total liabilities increased by approximately $400 thousand 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 2017	Fiscal Year 2016	Percent Change
Revenue:			
Charges for services	$ 225	$ 196	14.8%
Operating grants	475	666	-28.6%
General revenue:			
Real property taxes	5,159	5,094	1.3%
State sources	7,267	7,048	3.1%
Use of money and property	3	2	105.9%
Other	373	433	-13.8%
Total revenue	13,503	13,438	0.5%
Expenses:			
General governmental support	3,150	1,971	59.8%
Instruction	9,863	9,285	6.2%
Pupil transportation	1,091	1,037	5.3%
Interest	457	439	4.2%
Community service	2	2	0.0%
School lunch program	311	198	57.4%
Total expenses	14,874	12,931	15.0%
Decrease in net position	$ (1,371)	$ 508	-370.4%

Changes in Net Position
The District's total fiscal year 2017 revenues totaled $13,503,046 (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 $14,873,862 for fiscal year 2017. These expenses are predominately related to general instruction, which account for 70% of District expenses. (See Table A-6). The District's general support activities accounted for 18% 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 2017

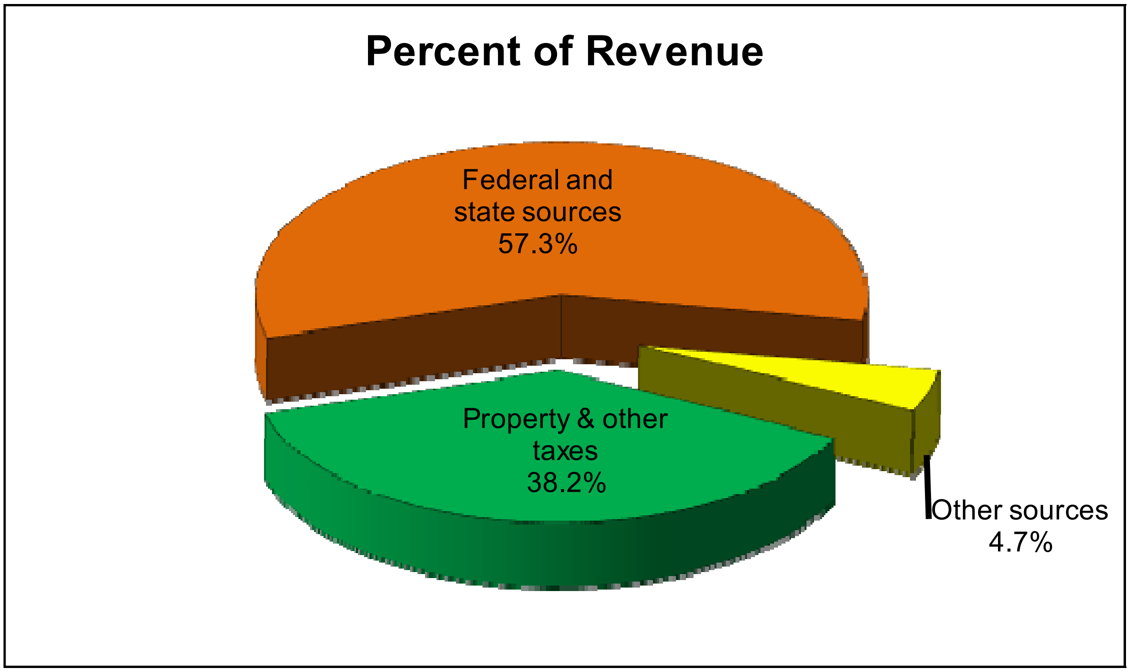
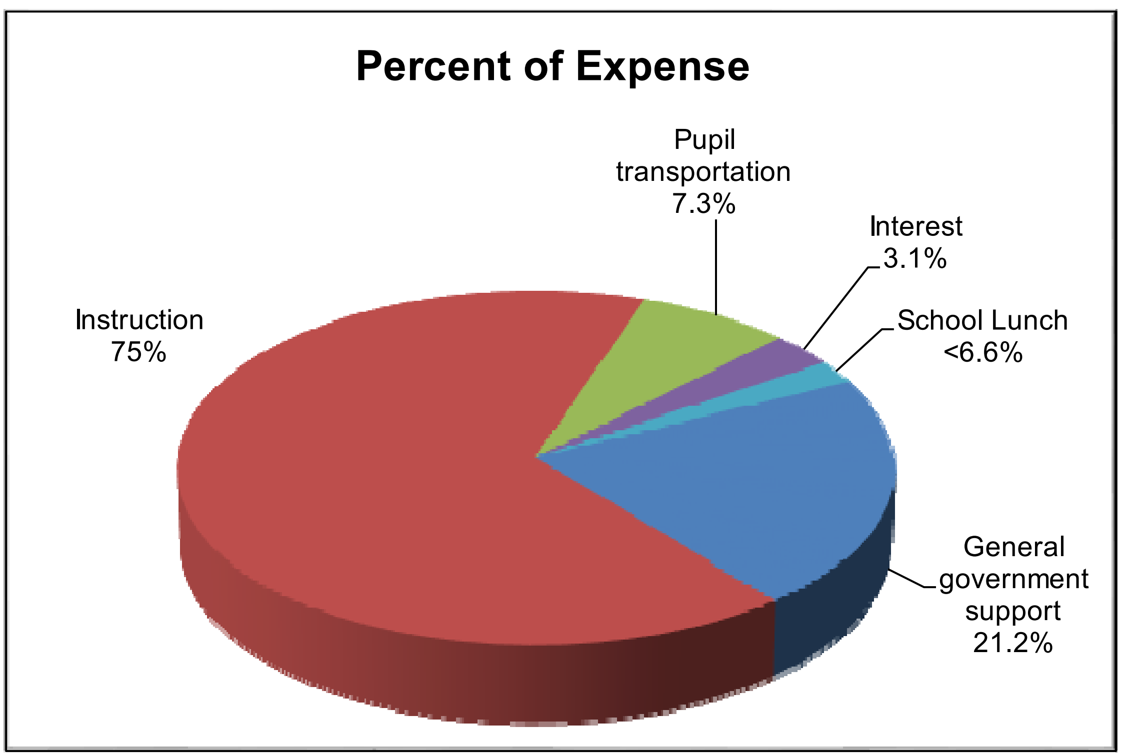


Table A-6 Expenses for Fiscal Year 2017



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, 2017, the District, in its governmental funds, reported combined fund balances of $3.4 million, an increase of $1.5 million over the prior year. The District's governmental funds, except for the capital projects fund and the federal fund, operated at a surplus in 2016-2017.

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)

	Original Budget	Final Budget	Actual	Encumbrances	Variance Positive/ (Negative)
Revenue:					
Local sources	$ 5,427	$ 5,438	$ 5,526	$ -	$ 88
State sources	7,597	7,597	7,267	-	(330)
Total	13,024	13,035	12,793	-	(242)
Expenditures:					
General support	1,585	1,567	1,373	1	193
Instruction	5,378	5,408	5,017	3	388
Employee benefits	4,021	4,021	3,792	-	229
Transportation	673	698	561	-	137
Other	2	2	2	-	-
Other financing sources (uses)	1,686	1,686	1,683	-	3
Total	13,345	13,382	12,428	4	950
Revenue over (under) expense	$ (321)	$ (347)	$ 365	$ (4)	$ 708

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 2017:

- Revenues from State sources was approximately $330 thousand less than budgeted.
- Central services expenditures was approximately $172 thousand less than budgeted and Programs for special needs children was approximately $216 thousand less than budgeted for 2017.
- Pupil transportation costs was approximately $137 thousand less than budgeted.
- Employee benefits was approximately $230 thousand less than budgeted.

Capital Assets

As of June 30, 2017, 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)

	Fiscal Year 2017	Fiscal Year 2016	Percent Change
Category:			
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	1,889,245	1,901,167	-0.6%
Total	$ 30,716,798	$ 30,728,720	0.0%

Long-Term Debt

At year-end, the District had $7 million in general obligation bonds outstanding and $13.8 million in other 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 2017	Fiscal Year 2016	Percent Change
Category:			
General obligation bonds	$ 7,117	$ 7,074	0.6%
Net pension liability - ERS	353	582	-39.3%
Net pension liability - TRS	234	-	100.0%
Compensated absences	2,195	2,284	-3.9%
Other postemployment benefit obligation	11,077	9,128	21.4%
	$ 20,977	$ 19,068	10.0%

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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, 2017

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 1,196,566
Cash and cash equivalents - restricted	2,770,363
Accounts receivable	26,176
Due from fiduciary fund	41,489
Due from Federal and State governments	144,249
Inventory	2,250
Total current assets	4,181,093
NON-CURRENT ASSETS:	
Capital assets, net	17,113,537
Total noncurrent assets	17,113,537
Total assets	21,294,630
DEFERRED OUTFLOWS OF RESOURCES	
Pension related - TRS	2,301,048
Pension related - ERS	262,703
Amounts deferred in refunding	108,738
Total deferred outflows of resources	2,672,489
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	30,827
Accrued interest	11,477
Unearned revenue	650
Bond anticipation note payable	279,164
Due to Teachers' Retirement System	425,000
Due to Employees' Retirement System	49,000
Total current liabilities	796,118
LONG-TERM LIABILITIES:	
Due and payable within one year -	
Bonds payable	1,170,000
Due and payable after one year -	
Net pension liability - ERS	353,195
Net pension liability - TRS	234,923
Other postemployment benefits	11,077,381
Compensated absences	2,195,180
Bonds payable, net of bond premium	5,946,959
Total long-term liabilities due and payable after one year	19,807,638
Total long-term liabilities	20,977,638
Total liabilities	21,773,756
DEFERRED INFLOWS OF RESOURCES	
Pension related - TRS	105,057
Pension related - ERS	71,143
Total deferred inflows of resources	176,200
NET POSITION	
Net investment in capital assets	9,826,152
Restricted	2,770,363
Unrestricted	(10,579,352)
Total net position	$ 2,017,163

The accompanying notes are an integral part of these statements.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenue		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS:				
General governmental support	$ 3,149,548	$ -	$ -	$ (3,149,548)
Instruction	9,863,135	135,594	306,868	(9,420,673)
Pupil transportation	1,091,123	-	-	(1,091,123)
Community service	1,500	-	-	(1,500)
Interest	457,324	-	-	(457,324)
School lunch program	311,232	89,577	168,577	(53,078)
Total functions/programs	$ 14,873,862	$ 225,171	$ 475,445	(14,173,246)
GENERAL REVENUE:				
Real property taxes				5,159,094
Use of money and property				3,185
Sale of property and compensation for loss				936
Miscellaneous				372,276
State sources				7,266,939
Total general revenue				12,802,430
CHANGE IN NET POSITION				(1,370,816)
NET POSITION - beginning of year				3,387,979
NET POSITION - end of year				$ 2,017,163

The accompanying notes are an integral part of these statements.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Special Aid	Debt Service	Capital Projects	School Lunch	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 1,035,300	$ 18,040	$ -	$ 130,396	$ 12,830	$ 1,196,566
Cash and cash equivalents - restricted	2,456,188	-	314,175	-	-	2,770,363
Accounts receivable	26,176	-	-	-	-	26,176
Due from other funds	225,412	-	-	-	-	225,412
Due from Federal and State governments	2,796	141,453	-	-	-	144,249
Inventory	-	-	-	-	2,250	2,250
Total assets	$ 3,745,872	$ 159,493	$ 314,175	$ 130,396	$ 15,080	$ 4,365,016
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	$ 30,827	$ -	$ -	$ -	$ -	$ 30,827
Unearned revenue	650	-	-	-	-	650
Due to other funds	-	163,921	-	2	20,000	183,923
Due to Teachers' Retirement System	425,000	-	-	-	-	425,000
Due to Employees' Retirement System	49,000	-	-	-	-	49,000
Bond anticipation note payable	-	-	-	279,164	-	279,164
Total liabilities	505,477	163,921	-	279,166	20,000	968,564
FUND BALANCES:						
Nonspendable -						
Inventory	-	-	-	-	2,250	2,250
Restricted for -						
Vehicle and equipment capital reserve	1,045,700	-	-		-	1,045,700
Retirement contributions	782,600	-	-	-	-	782,600
Employee benefits	179,335	-	-	-	-	179,335
Unemployment insurance reserve	270,255	-	-	-	-	270,255
Repair	178,298	-	-	-	-	178,298
Debt service	-	-	314,175	-	-	314,175
Assigned to -						
Appropriated for subsequent years' expenditures	326,555	-	-	-	-	326,555
Unassigned	457,652	(4,428)	-	(148,770)	(7,170)	297,284
Total fund balances	3,240,395	(4,428)	314,175	(148,770)	(4,920)	3,396,452
Total liabilities and fund balance	$ 3,745,872	$ 159,493	$ 314,175	$ 130,396	$ 15,080	$ 4,365,016

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Amounts reported for governmental activities in the statement of net position are different because:	
Fund balance - total Governmental funds	$ 3,396,452
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	17,113,537
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	2,563,751
Deferred inflows - ERS/TRS	(176,200)
Deferred outflows - Refunding	108,738
Net pension obligations are not due and payable in the current period and; therefore, are not reported in the funds.	
Net pension liability - TRS	(234,923)
Net pension liability - ERS	(353,195)
Long-term liabilities, including bonds payable, are not due and payable in the current period and; therefore, are not reported in the funds:	
Accrued interest	(11,477)
Bonds payable, net of bond premium	(7,116,959)
Other postemployment benefits	(11,077,381)
Compensated absences	(2,195,180)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 2,017,163

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, 2017

	General	Special Aid	Debt Service	Capital Projects	School Lunch	Total Governmental Funds
REVENUE:						
Real property taxes	$ 5,159,094	$ -	$ -	$ -	$ -	$ 5,159,094
Charges for services	135,594	-	-	-	-	135,594
Use of money and property	1,385	-	1,792	-	8	3,185
Sale of property and compensation for loss	936	-	-	-	-	936
Miscellaneous	229,475	142,801	-	-	-	372,276
State sources	7,266,939	95,942	-	-	5,459	7,368,340
Federal sources	-	210,926	-	-	163,118	374,044
Sales	-	-	-	-	89,577	89,577
Total revenue	12,793,423	449,669	1,792	-	258,162	13,503,046
EXPENDITURES:						
General support	1,373,217	-	-	-	-	1,373,217
Instruction	5,016,521	447,053	-	-	-	5,463,574
Pupil transportation	560,544	6,839	-	-	-	567,383
Employee benefits	3,791,686	-	-	-	67,800	3,859,486
Community service	1,500	-	-	-	-	1,500
Cost of sales	-	-	-	-	197,225	197,225
Capital outlays	-	-	-	241,866	-	241,866
Debt service -						
Principal	-	-	1,426,020	-	-	1,426,020
Interest	-	-	370,177	-	-	370,177
Total expenditures	10,743,468	453,892	1,796,197	241,866	265,025	13,500,448
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	2,049,955	(4,223)	(1,794,405)	(241,866)	(6,863)	2,598
OTHER FINANCING SOURCES AND (USES):						
Proceeds from issuance of long-term debt	-	-	-	1,179,813	-	1,179,813
BAN's redeemed from appropriations	-	-	-	308,387	-	308,387
Transfers in	-	-	1,584,764	100,000	-	1,684,764
Transfers (out)	(1,684,764)	-	-	-	-	(1,684,764)
Total other financing sources (uses)	(1,684,764)	-	1,584,764	1,588,200	-	1,488,200
CHANGE IN FUND BALANCE	365,191	(4,223)	(209,641)	1,346,334	(6,863)	1,490,798
FUND BALANCES - beginning of year	2,875,204	(205)	523,816	(1,495,104)	1,943	1,905,654
FUND BALANCES - end of year	$ 3,240,395	$ (4,428)	$ 314,175	$ (148,770)	$ (4,920)	$ 3,396,452

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, 2017

Net changes in fund balance - total governmental funds	$ 1,490,798
Capital outlays, net of disposals, are expenditures in governmental funds, but are capitalized in the statement of net position	11,399
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(735,593)
Proceeds from issuance of long-term debt are recorded as an other source in governmental funds, but are recorded as additional liabilities in the statement of net position	(1,179,813)
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	1,136,870
Amortization of the deferred amount on refunding, 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	(128,523)
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	2,378
Change in compensated absences	89,110
Change in other postemployment benefits	(1,949,252)
Other	550
Change in net position - governmental activities	$ (1,370,816)

The accompanying notes are an integral part of these statements.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Private Purpose Trusts	Agency
ASSETS:		
Cash and cash equivalents	$ 253,492	$ 42,525
Cash and cash equivalents - restricted	-	65,789
Accounts receivable	-	1,620
Investments	2,601	-
Total assets	$ 256,093	$ 109,934
LIABILITIES:		
Extraclassroom activity balances	$ -	$ 65,789
Due to other funds	-	41,489
Other liabilities	-	2,656
Total liabilities	-	$ 109,934
NET POSITION:		
Restricted for scholarships	256,093	
Total net position	256,093	
TOTAL LIABILITIES AND NET POSITION	$ 256,093	

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, 2017

ADDITIONS:	
Gifts and contributions	$ 250
Investment earnings	258
Total additions	508
DEDUCTIONS:	
Scholarships and awards	11,624
CHANGE IN NET POSITION	(11,116)
NET POSITION - beginning of year	267,209
NET POSITION - end of year	$ 256,093

The accompanying notes are an integral part of these statements.

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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 accounting principles generally accepted in the United States of America, 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. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

<u>Vehicle and equipment capital reserve</u>

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.

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

Committed fund balance - Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the 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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements - Equity classifications (Continued)

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.

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.

Deficit Fund Balances

Special Aid - The Special Aid Fund had a $4,428 deficit fund balance at 6/30/2017 that is expected to be recaptured in 2018.

School Lunch Fund - The School Lunch Fund had a $4,920 deficit fund balance at 6/30/2017 that is expected to be recaptured in 2018.

Capital Projects Fund - The Capital Projects Fund had a $148,771 deficit fund balance at 6/30/2017 that is expected to be financed through the issuance of long-term debt.

Newly Adopted Accounting Standards

The District adopted the following new accounting standards for the year ended June 30, 2017:

GASB 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. This adoption of this statement did not have a material effect on the financial statements.

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.

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

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:

Fund	Bank Balance	Carrying Amount
Cash and cash equivalents, including fiduciary funds	$4,533,299	$4,328,732
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	$4,033,299	
Covered by FDIC insurance	$ 500,000	
Total	$4,533,299	

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.

4. CASH (Continued)

Restricted cash consists of the following:

Vehicle and equipment capital reserve	$ 1,045,700
Retirement contributions reserve	782,600
Employee benefits	179,335
Unemployment insurance reserve	270,255
Repair reserve	178,298
Debt service fund	314,175
Total restricted cash - governmental funds	2,770,363
Extraclassroom - fiduciary fund	65,789
Total restricted cash	$ 2,836,152

5. INVESTMENTS

The District was granted an investment for scholarships within the Private Purpose Trust. It consists of $2,601 in a net carrying value of RVS Mutual Funds.

6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	$ 150,000	$ -	$ -	$ 150,000
Total nondepreciable cost	150,000	-	-	150,000
Capital assets that are depreciated:				
Land improvements	794,001	-	-	794,001
Buildings and improvements	27,883,552	-	-	27,883,552
Machinery, equipment and vehicles	1,901,167	11,669	23,591	1,889,245
Total depreciable assets	30,578,720	11,669	23,591	30,566,798
Less accumulated depreciation:				
Land improvements	794,001	-	-	794,001
Buildings and improvements	10,638,087	635,124	-	11,273,211
Machinery, equipment and vehicles	1,458,901	100,469	23,321	1,536,049
Total accumulated depreciation	12,890,989	735,593	23,321	13,603,261
Total depreciable cost - net	$ 17,837,731	$ (723,924)	$ 270	$ 17,113,537

6. CAPITAL ASSETS (Continued)

Depreciation expense for the year ended June 30, 2017, was allocated to specific functions as follows:

General support	$ 594,570
Instruction	57,705
Pupil transportation	83,318
Total depreciation	$ 735,593

7. PARTICIPATION IN BOCES

During the year, the District was billed $1,264,389 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to $355,556.

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

8. SHORT-TERM DEBT

The District has the following short-term debt outstanding at June 30, 2017

	Issuance Date	Due	Rate	Balance at 6/30/2016	Issued	Redeemed	Balance at 6/30/2017
2016 BAN Renewal	3/11/2016	3/10/2017	2.00%	$ 188,776	$ -	$ 188,776	$ -
2015 BAN Issuance	7/30/2015	7/29/2016	0.68%	1,418,000	-	1,418,000	-
2017 BAN Issuance	3/9/2017	3/9/2018	2.00%	-	397,741	118,576	279,165
				$ 1,606,776	$ 397,741	$ 1,725,352	$ 279,165

9. LONG-TERM DEBT

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

	Beginning Balance	Additions	Deletions		Ending Balance	Due Within One Year
Government activities:						
Serial bonds payable	$ 6,862,655	$ 1,030,000	$ 1,117,655		$ 6,775,000	$ 1,170,000
Unamortized bond premium	211,361	149,813	19,215		341,959	-
Total bonds	$ 7,074,016	$ 1,179,813	$ 1,136,870		$ 7,116,959	$ 1,170,000
Other liabilities:						
Net pension liability - ERS	$ 582,223	$ -	$ 229,028		$ 353,195	$ -
Net pension liability - TRS	-	234,293	-		234,293	-
Compensated absences	2,284,290	-	89,110	{a}	2,195,180	-
Other postemployment benefits	9,128,129	3,361,654	1,412,402		11,077,381	-
Total other liabilities	$ 11,994,642	$ 3,595,947	$ 1,730,540		$ 13,860,049	$ -

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

9. LONG-TERM DEBT (Continued)

Interest on all debt for the year was composed of:

Interest paid	$ 370,177
Amortization of debt premiums	(19,215)
Amortization of deferred amount on refunding	108,740
Less: Interest accrued in the prior year	(13,855)
Plus: Interest accrued in the current year	11,477
Total interest expense	$ 457,324

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

Bond Issue	Issued	Maturity	Interest Rate	June 30, 2017 Balance
Serial Bonds	10/3/2002	6/15/2018	3.68%	$ 585,000
Serial Bonds	3/15/2006	3/15/2021	4.42%	135,000
Serial Bonds	6/8/2011	6/15/2026	4.22%	5,055,000
Serial Bonds	7/29/2016	7/30/2031	2.00%	1,000,000
Total bond issue				$ 6,775,000

The following is a summary of the maturity of long-term indebtedness as of June 30, 2017:

	Principal	Interest	Total
2018	$ 1,170,000	$ 318,560	$ 1,488,560
2019	615,000	271,520	886,520
2020	640,000	250,284	890,284
2021	660,000	221,763	881,763
2022	660,000	190,513	850,513
2023-2027	2,685,000	422,137	3,107,137
2028-2031	345,000	47,500	392,500
Totals	$ 6,775,000	$ 1,722,277	$ 8,497,277

10. INTERFUND BALANCES AND ACTIVITY

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General	$ 225,412	$ -	$ -	$ 1,684,764
Special Aid	-	163,921	-	-
Debt Service	-	-	1,584,764	-
Capital Projects	-	2	100,000	-
School Lunch	-	20,000	-	-
Fiduciary funds	-	41,489	-	-
Total	$ 225,412	$ 225,412	$ 1,684,764	$ 1,684,764

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.

12. PENSION PLANS (Continued)

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:

		ERS
2017	$	146,353
2016	$	137,899
2015	$	155,146

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

At June 30, 2017, the District reported a net pension liability of $353,195 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2016. 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, 2017, the District's proportion was .0037589% percent, which was an increase of .0001314% from its proportion at share measured at June 30, 2016.

For the year ended June 30, 2017, the District recognized pension expense of $200,427. At June 30, 2017, the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 8,851	$ 53,635
Changes of assumptions	120,664	-
Net difference between projected and actual earnings on pension plan investments	70,547	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	13,641	17,508
Contributions subsequent to the measurement date	49,000	-
Total	$ 262,703	$ 71,143

12. PENSION PLANS (Continued)

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

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:		
2018	$	64,961
2019		64,961
2020		57,245
2021		(44,607)
	$	142,560

The District recognized $49,000 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2017 which will be recognized on a reduction of the net pension liability in the year ended June 30, 2017.

Actuarial Assumptions

The total pension liability at March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017.

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

12. PENSION PLANS (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Type	Target Allocations in %	Long-Term expected real rate of return in %
Domestic Equity	36.0	4.55
International Equity	14.0	6.35
Private Equity	10.0	7.75
Real Estate	10.0	5.80
Absolute return strategies	2.0	4.00
Opportunistic Portfolio	3.0	5.89
Real Asset	3.0	5.54
Bonds, Cash & Mortgages	17.0	1.31
Cash	1.0	(0.25)
Inflation Indexed Bonds	4.0	1.50
	100%	

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)	$ 1,128,036	$ 353,195	$ (301,931)

12. PENSION PLANS (Continued)

Pension Plan Fiduciary Net Position (000's)
The components of the current-year net pension liability of the employers as of March 31, 2017, were as follows:

Total pension liability	$177,400,586
Plan net position	(168,004,363)
Net pension liability (asset)	$ 9,396,223
ERS net position as a percentage of total pension liability	94.70%

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.

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:

	TRS
2017	$ 440,869
2016	$ 447,600
2015	$ 580,443

12. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

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

At June 30, 2017, the District reported net pension liability of $234,923 for its proportionate share of the NYSTRS net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The District's proportion of the net pension liability 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, 2017 the District's proportionate share was 0.021875%, which was a decrease from the .022033% proportionate share measured at June 30, 2016.

For the year ended June 30, 2017, the District recognized pension expense (income) of $385,917. At June 30, 2017 the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 76,111
Changes of assumptions	1,334,681	-
Net difference between projected and actual earnings on pension plan investments	526,813	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	14,554	28,946
Contributions subsequent to the measurement date	425,000	-
Total	$ 2,301,048	$ 105,057

The District recognized $425,000 as a deferred outflow of resources related to pensions resulting from the District's contributions subsequent to the measurement date of June 30, 2016 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 June 30:

2017	$ 161,330
2018	161,330
2019	570,467
2020	443,173
2021	202,371
Thereafter	232,320
	$ 1,770,991

12. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Actuarial Assumptions

The total pension liability at the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. These actuarial valuations used the following actuarial assumptions:

Inflation	2.50%
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

Service	Rate
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLAs	1.5% compounded annually
Investment Rate of Return	7.5% compounded annually, net of pension plan investment expense, including inflation.

Annuitant morality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions were based on the results of an actuarial experience study for the period of July 1, 2009 and June 30, 2014.

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.

12. 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, 2015 is summarized in the following table:

Asset Type	Target Allocations in %	Long-Term expected real rate of return in %
Domestic Equity	37.0	6.1
International Equity	18.0	7.3
Real Estate	10.0	5.4
Alternative Investments	7.0	9.2
Domestic Fixed Income Securities	17.0	1.0
Global Fixed Income Securities	2.0	0.8
Short-term Fixed Income	1.0	0.1
Mortgages	8.0	3.1
	100%	

Discount Rate
The discount rate used to measure the total pension liability was 7.5%. 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 7.5%, 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 (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
Proportionate Share of Net Pension liability (asset)	$ 3,056,882	$ 234,293	$ (2,133,147)

12. 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	$108,577,184
Plan net position	(107,506,142)
Net pension liability (asset)	$ 1,071,042
NYSTRS net position as a percentage of total pension liability	99.01%

13. 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 2016-2017 was $1,412,402.

13. 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	$ 3,129,868
Interest on net OPEB obligation	380,336
Annual required contribution adjustment	(148,550)
Annual OPEB cost	3,361,654
Contributions made	(1,412,402)
Increase in net OPEB obligation	1,949,252
Net OPEB obligation - beginning of year	9,128,129
Net OPEB obligation - end of year	$ 11,077,381

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 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
6/30/2017	$ 3,361,654	$ 1,412,402	42.0%	$ 11,077,381
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

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.

13. 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.

14. 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.

14. 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, 2017, the District incurred premiums or contribution expenditures approximating $2.8 million.

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, 2017, the District incurred premiums or contribution expenditures totaling $52,300.

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 2016-2017 fiscal year totaled zero. The balance of the reserve at June 30, 2017 is $270,255 and is recorded in the General fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2017, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

15. 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.

16. 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.

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 March 2016, GASB issued Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, Financial Reporting for pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GAS 68, and Amendments to 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 District is required to adopt the provisions of this Statement in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier adoption is encouraged.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The District is required to adopt the provisions of this Statement for the year ending June 30, 2020, with early adoption encouraged.

In March 2017, GASB issued Statement No. 85, Omnibus 2017. The objective of this statement is to address practice issues identified in the implementation and application of certain GASB Statements affecting including but not limited to pensions and other postemployment benefits. The District is required to adopt the provisions of this Statement for the year ending June 30, 2018, with early adoption encouraged.

In June 2017, GASB issue Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The District is required to adopt the provisions of this Statement for the year ending June 30, 2021.

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, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Final Budget Variance with Budgetary Actual
REVENUE					
Real property taxes	$ 5,173,141	$ 5,173,141	$ 5,159,094	$ -	$ (14,047)
Charges for services	83,433	83,433	135,594	-	52,161
Use of money and property	1,000	1,000	1,385	-	385
Sale of property and compensation for loss	500	500	936	-	436
Miscellaneous	169,000	180,170	229,475	-	49,305
State sources	7,597,208	7,597,208	7,266,939	-	(330,269)
Total revenue	13,024,282	13,035,452	12,793,423	-	(242,029)
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	19,200	24,823	23,538	1,111	174
Central administration	181,700	181,975	163,543	80	18,352
Finance	178,600	178,600	172,834	-	5,766
Staff	41,300	41,300	31,576	-	9,724
Central services	958,408	958,408	786,698	105	171,605
Special items	205,600	181,777	195,028	-	(13,251)
Total general support	1,584,808	1,566,883	1,373,217	1,296	192,370
INSTRUCTION:					
Instruction, administration, and improvement	205,860	205,995	202,419	-	3,576
Teaching - regular school	2,573,112	2,570,419	2,498,062	1,622	70,735
Programs for special needs children	1,310,695	1,321,128	1,103,778	926	216,424
Occupational education	499,529	499,529	497,726	-	1,803
Teaching - special school	40,533	40,533	39,509	-	1,024
Instructional media	212,157	222,456	201,031	-	21,425
Pupil services	536,249	547,469	473,996	400	73,073
Total instruction	5,378,135	5,407,529	5,016,521	2,948	388,060
Pupil transportation	672,687	697,784	560,544	30	137,210
Community services	1,500	1,500	1,500	-	-
Employee benefits	4,021,388	4,021,388	3,791,686	-	229,702
Total expenditures	11,658,518	11,695,084	10,743,468	4,274	947,342
Excess (deficiency) of revenue over expenditures	1,365,764	1,340,368	2,049,955	(4,274)	705,313
OTHER FINANCING SOURCES (USES):					
Interest	(1,000)	(1,000)	-	-	1,000
Transfers in	-	-	-	-	-
Transfers out	(1,684,764)	(1,684,764)	(1,684,764)	-	-
Total other financing sources	(1,685,764)	(1,685,764)	(1,684,764)	-	1,000
NET CHANGE IN FUND BALANCES	$ (320,000)	$ (345,396)	365,191	$ (4,274)	$ 706,313
FUND BALANCE - beginning of year			2,875,204		
FUND BALANCE - end of year			$ 3,240,395		

The accompanying notes are an integral part of these schedules.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a percentage of Covered Payroll
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%

The accompanying notes are an integral part of these schedules

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, 2017

Last 10 Fiscal Years (Dollar amounts displayed in thousands)

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Proportion of the net pension liability (asset)	0.0037589%	0.0036275%	0.0039767%								
Proportionate share of the net pension liability (asset)	$ 353	$ 582	$ 134								
Covered-employee payroll	$ 1,010	$ 938	$ 938								
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.95%	62.05%	14.29%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	94.70%	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)

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Proportion of the net pension liability (asset)	0.0218750%	0.0220330%	0.0298100%								
Proportionate share of the net pension liability (asset)	$ 234	$ (2,288)	$ (2,337)								
Covered-employee payroll	$ 3,453	$ 2,122	$ 2,122								
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.79%	-107.82%	-110.13%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.01%	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, 2017

Last 10 Fiscal Years (Dollar amounts displayed in thousands)

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	$ 146	$ 138	$ 155								
Contributions in relation to the contractually required contribution	146	138	155								
Contribution deficiency (excess)	$ -	$ -	$ -								
Covered-employee payroll	$ 1,010	$ 938	$ 938								
Contributions as a percentage of covered-employee payroll	14.46%	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)

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	$ 405	$ 580	$ 580								
Contributions in relation to the contractually required contribution	405	580	580								
Contribution deficiency (excess)	$ -	$ -	$ -								
Covered-employee payroll	$ 3,453	$ 2,122	$ 2,122								
Contributions as a percentage of covered-employee payroll	11.73%	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, 2017

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	$ 13,344,282
Add: Prior year's encumbrances	25,927
Original budget	13,370,209
Budget revisions	10,639
Final budget	$ 13,380,848

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-18 voter-approved expenditure budget	$ 13,500,708	
Maximum allowed (4% of 2017-18 budget)		$ 540,028
General Fund Balance Subject to Section 1318 of Real Property Tax Law :		
Unrestricted fund balance		
Assigned fund balance	$ 326,555	
Unassigned fund balance	457,652	
Total unrestricted fund balance	784,207	
Less:		
Assigned fund balance	322,281	
Encumbrances included in assigned fund balance	4,274	
Total adjustments	$ 326,555	
General Fund Balance Subject to Section 1318 of Real Property Tax Law		$ 457,652
Actual percentage		3.39%

CHERRY VALLEY - SPRINGFIELD CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017

Project Title	Original Appropriation	Revised Appropriation	Prior Years' Expenditures	Current Year Expenditures	Total Expenditures	Unexpended Balance	Serial bonds	Federal and State sources	Local Sources	Total Financing	Residual Equity Transfer	Fund balance as of 6/30/2017
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	1,149,649	-	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	100,053	-	100,053	(53)	-	-	-	-	-	(100,053)
Exterior Doors	100,000	100,000	80,707	-	80,707	19,293	-	-	-	-	-	(80,707)
2017 Bus	-	-	-	156,286	156,286	(156,286)	-	-	156,286	156,286	-	-
2017 Capital Project	-	-	-	85,580	85,580	(85,580)	1,030,000	149,813	252,100	1,431,913	-	1,346,333
	$ 10,729,187	$ 10,729,187	$ 10,688,315	$ 241,866	$ 10,688,315	$ (200,994)	$ 9,567,762	$ 811,922	$ 154,344	$ 10,942,414	$ 161,004	$ (148,771)

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (Unaudited)
JUNE 30, 2017

Capital assets, net	$ 17,113,537
Addition:	
Deferred amounts on refunding	108,738
Deduct:	
Premiums on bonds payable	(341,959)
Bond anticipation notes payable	(279,164)
Short-term portion of bonds payable	(1,170,000)
Long-term portion of bonds payable	(5,605,000)
Net investment in capital assets	$ 9,826,152

The accompanying notes are an integral part of these schedules.

Bonadio & Co., LLP
Certified Public Accountants

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*

October 5, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 5, 2017.

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.

432 North Franklin Street, Suite 60
Syracuse, New York 13204
p (315) 476-4004
f (315) 475-1513

www.bonadio.com

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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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Bonadio & Co., LLP