CHERRY VALLEY-SPRINGFIELD
CENTRAL SCHOOL DISTRICT

Financial Statements
For the Year Ended June 30, 2018
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2018

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

October 11, 2018

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, 2018, 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, 2018, and the respective change 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)

Emphasis of Matter – Change in Accounting Principle
As described in Notes 3 and 14 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions – an amendment of GASB 45*. As a result, a net adjustment was made to decrease net position at July 1, 2017 by $30,769,662. Our opinions are not modified with respect to this matter.

Emphasis of Matter – Correction of Error
As described in Notes 3 and 10 to the financial statements, the net position of the District was decreased by $2,126,695 as a result of the correction of an error in recognizing the compensated absences liability. Our opinions are not modified with respect to this matter.

Other Matters
Report on Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Changes in Other Post Employment Benefit Liability and Related Ratios, Proportionate Share of the Net Pension Liability (Asset), Contributions-Pension Plans, and Budgetary Comparison Information 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.

Other 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 Combining Balance Sheet - Non-major Governmental Funds, Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-major Governmental Funds, Schedule of Change from Original Budget to Revised Budget, and the Real Property Tax Limit - General Fund, Schedule of Project Expenditures-Capital Projects Fund and Schedule of Net Investment in Capital Assets are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Balance Sheet - Non-major Governmental Funds and the Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-major Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Information (Continued)
The Schedule of Change from Original Budget to Revised Budget, Real Property Tax Limit - General Fund, Schedule of Project Expenditures - Capital Projects Fund and Schedule of Net Investment in Capital Assets have not been subjected to the auditing procedures applied in the audit of the basic financial statement 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 11, 2018, 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, 2018. 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

- The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of Standards set by the Governmental Accounting Standards Board (GASB). The School District's OPEB liability at June 30, 2017 (as restated) totaled $41,847,043. The changes during the fiscal year included service cost of $1,235,068, interest cost of $1,263,729, differences between expected and actual experience of $440,473 and benefit payments of $(1,929,852). The accumulated OPEB liabilities at June 30, 2018 totaled $42,856,461.

- At June 30, 2018 and 2017 as restated, total assets (what the District owns) exceeded its total liabilities (what the District owes) by $(26,187,318) and $(26,625,804) (net position), respectively, an increase of $438,486 from 2017 to 2018.

- Capital assets, net of accumulated depreciation during 2017-2018 amounted to approximately $17.1 million, which is consistent with the prior year.

- General revenue, which includes State aid, and property taxes, accounted for $12,937,020 of all revenue. Program specific revenue in the form of Charges for Services and Operating Grants and Contributions accounted for $674,095 of total revenue.

- Total expenses for in the government-wide financial statements totaled $13,172,629 and $14,873,862 in 2018 and 2017, respectively.

- As of the close of the fiscal year, The District's governmental funds reported combined fund balances of $3,505,291 and $3,396,452 in 2018 and 2017, respectively, an increase of $108,839 from 2017 to 2018.

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.

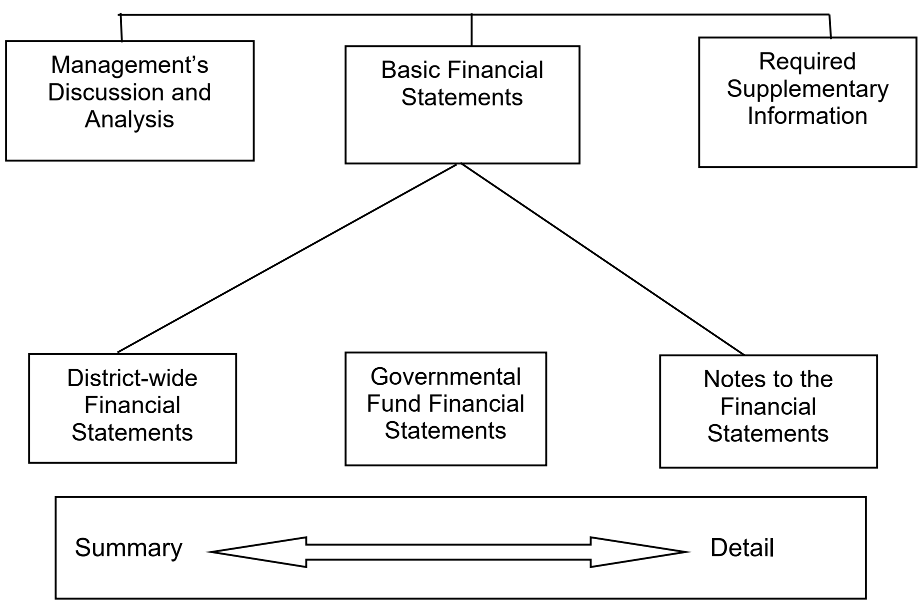
- The remaining statements are Governmental fund financial statements that focus on individual activities of the District, reporting the operation in more detail than the District-wide statements.

  - 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 2018	Fiscal Year 2017 Restated	Percent Change
Current assets	$ 4,348	$ 4,181	4.0%
Non-current assets	17,309	17,114	1.1%
Total assets	21,657	21,295	1.7%
Deferred outflow	3,423	2,672	28.1%
Current liabilities	842	796	5.8%
Long-term liabilities	49,536	49,621	-0.2%
Total liabilities	50,378	50,417	-0.1%
Deferred inflow	889	176	404.4%
Net position:			
Net investment in capital assets	10,888	9,826	10.8%
Restricted	2,628	2,770	-5.1%
Unrestricted	(39,703)	(39,222)	1.2%
Total net position	$ (26,187)	$ (26,626)	-1.6%

In Table A-3, total assets at June 30, 2018 were approximately $362 thousand greater than at June 30, 2017. Non-current assets increased approximately $195 thousand, due to a cumulative effect of capital assets activity and the net pension asset - TRS.

Deferred outflows/inflows account for the GASB No. 68, recording of pensions, and GASB No. 75, OPEB.

Total liabilities decreeased by approximately $39 thousand due primarily to payment of long term debt obligations during the year.

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 2018	Fiscal Year 2017	Percent Change
Revenue:			
Charges for services	$ 204	$ 225	-9.2%
Operating grants	470	475	-1.2%
General revenue:			
Real property taxes	5,178	5,159	0.4%
State sources	7,454	7,267	2.6%
Use of money and property	4	3	9.1%
Other	301	373	-19.3%
Total revenue	13,611	13,503	0.8%
Expenses:			
General governmental support	1,811	3,150	-42.5%
Instruction	9,648	9,863	-2.2%
Pupil transportation	1,094	1,091	0.2%
Interest	343	457	-25.1%
Community service	2	2	0.0%
School lunch program	276	311	-11.4%
Total expenses	13,173	14,874	-11.4%
Increase (decrease) in net position	$ 438	$ (1,371)	-132.0%

Changes in Net Position

The District's total fiscal year 2018 revenues totaled $13,611,115 (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 $13,172,629 for fiscal year 2018. These expenses are predominately related to general instruction, which account for approximately 73.2% of District expenses. (See Table A-6). The District's general support activities accounted for 13.7% 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 2018

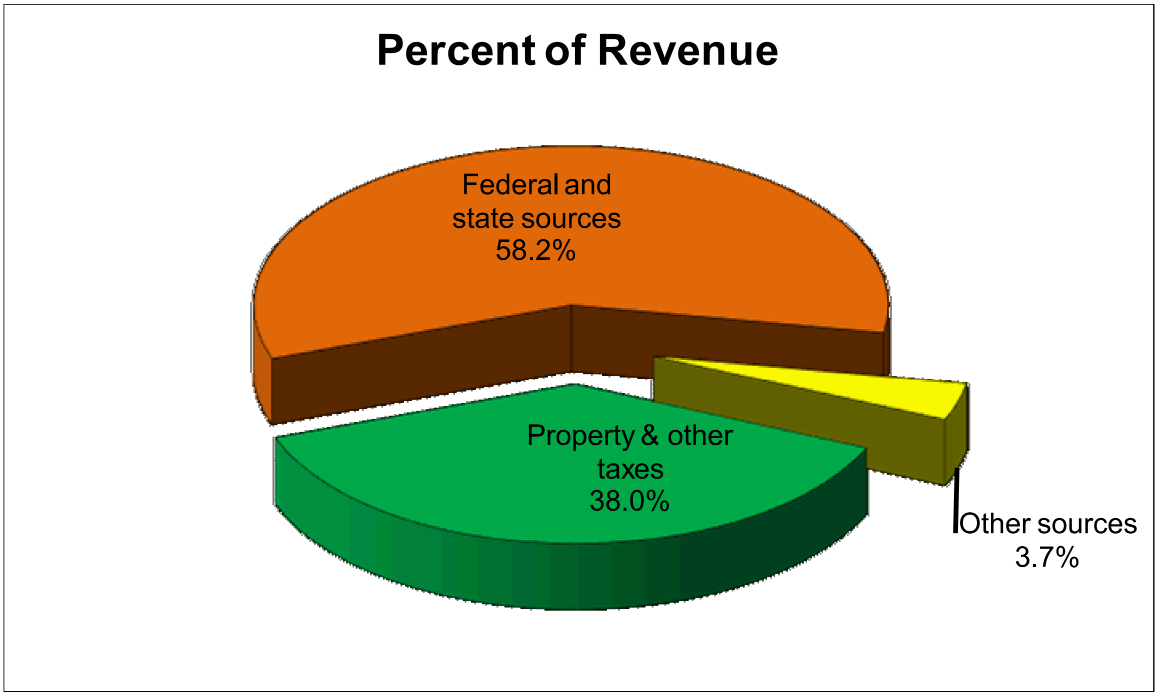
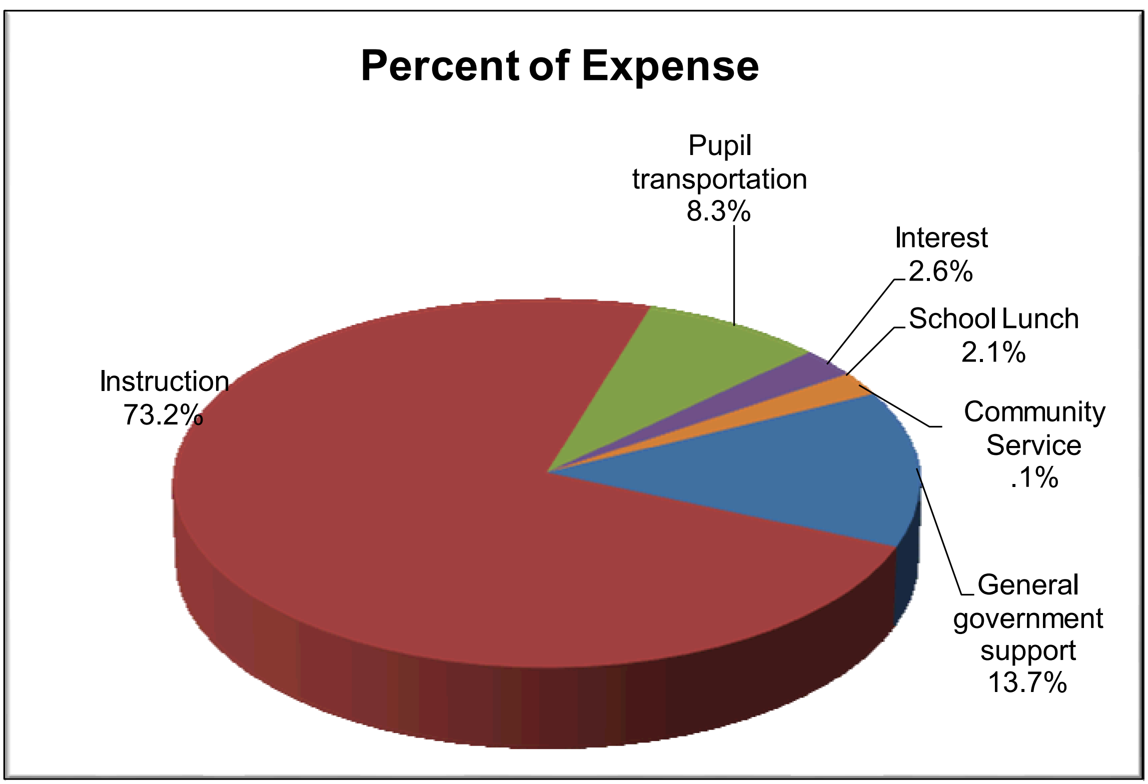


Table A-6 Expenses for Fiscal Year 2018



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, 2018, the District, in its governmental funds, reported combined fund balances of $3.5 million, an increase of $109 thousand over the prior year. The District's governmental funds, except for the capital projects fund, operated at a surplus in 2017-2018.

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	$ 5,524	$ 5,524	$ 5,461	$ -	$ (63)
State sources	7,654	7,654	7,454	-	(200)
Total	13,178	13,178	12,915	-	(263)
Expenditures:					
General support	1,526	1,535	1,358	45	132
Instruction	5,352	5,352	4,974	24	354
Employee benefits	4,193	4,193	3,902	-	291
Transportation	722	717	613	14	90
Other	2	2	2	-	-
Other financing sources (uses)	1,706	1,706	2,165	-	(459)
Total	13,501	13,505	13,014	83	408
Revenue over (under) expense	$ (323)	$ (327)	$ (99)	$ (83)	$ 145

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 2018:

- Revenues from State sources was approximately $200 thousand less than budgeted.
- Instruction expenditures were approximately $354 thousand less than budget.
- Employee benefits was approximately $291 thousand less than budgeted.
- Other financing sources were approximately $461 thousand more than budgeted

Capital Assets
As of June 30, 2018, the District had an investment of $31.5 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 2018	Fiscal Year 2017	Percent Change
Category:			
Land	$ 150,000	$ 150,000	0.0%
Construction in progress	316,968	-	100.0%
Land improvements	-	-	0.0%
Buildings and improvements	16,161,295	16,610,341	-2.7%
Machinery, equipment and vehicles	514,942	353,196	45.8%
Total	$ 17,143,205	$ 17,113,537	0.2%

Long-Term Debt
At year-end, the District had $6.3 million in general obligation bonds outstanding and $43.2 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 2018	Fiscal Year 2017 Restated	Percent Change
Category:			
General obligation bonds	$ 6,331	$ 7,117	-11.0%
Net pension liability - ERS	125	353	-64.6%
Net pension liability - TRS	-	234	-100.0%
Compensated absences	223	69	223.3%
Other postemployment benefit obligation	42,857	41,847	2.4%
	$ 49,536	$ 49,620	-0.2%

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, 2018

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 1,536,541
Cash and cash equivalents - restricted	2,628,361
Accounts receivable	36,987
Due from fiduciary fund	81,316
Due from Federal and State governments	61,593
Inventory	3,044
Total current assets	4,347,842
NON-CURRENT ASSETS:	
Net pension asset - TRS	165,617
Capital assets, net	17,143,205
Total noncurrent assets	17,308,822
Total assets	21,656,664
DEFERRED OUTFLOWS OF RESOURCES	
Pension related - TRS	2,310,827
Pension related - ERS	386,795
OPEB Related	374,731
Amounts deferred in refunding	351,105
Total deferred outflows of resources	3,423,458
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	30,456
Unearned revenue	2,545
Bond anticipation note payable	274,760
Due to Teachers' Retirement System	471,859
Due to Employees' Retirement System	62,931
Total current liabilities	842,551
LONG-TERM LIABILITIES:	
Due and payable within one year -	
Bonds payable	620,000
Due and payable after one year -	
Net pension liability - ERS	125,046
Other postemployment benefits	42,856,461
Compensated absences	223,075
Bonds payable, net of bond premium	5,711,493
Total long-term liabilities due and payable after one year	48,916,075
Total long-term liabilities	49,536,075
Total liabilities	50,378,626
DEFERRED INFLOWS OF RESOURCES	
Pension related - TRS	479,684
Pension related - ERS	409,130
Total deferred inflows of resources	888,814
NET POSITION	
Net investment in capital assets	10,888,057
Restricted	2,628,361
Unrestricted	(39,703,736)
Total net position	$ (26,187,318)

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, 2018

		Program Revenue		Net (Expense)
	Expenses	Charges for Services	Operating Grants	Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS:				
General governmental support	$ 1,810,987	$ -	$ -	$ (1,810,987)
Instruction	9,648,266	119,663	293,597	(9,235,006)
Pupil transportation	1,093,424	-	-	(1,093,424)
Community service	1,500	-	-	(1,500)
Interest	342,558	-	-	(342,558)
School lunch program	275,894	84,717	176,118	(15,059)
Total functions/programs	$ 13,172,629	$ 204,380	$ 469,715	(12,498,534)
GENERAL REVENUE:				
Real property taxes				5,178,283
Use of money and property				3,474
Miscellaneous				301,030
State sources				7,454,233
Total general revenue				12,937,020
CHANGE IN NET POSITION				438,486
NET POSITION - beginning of year, as previously stated				2,017,163
Cumulative effect of changes in accounting principles (Note 3)				(30,769,662)
Correction of error (Note 3)				2,126,695
NET POSITION - beginning of year, as restated				(26,625,804)
CHANGE IN NET POSITION				438,486
NET POSITION - end of year				$ (26,187,318)

The accompanying notes are an integral part of these statements.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Capital Projects	Debt Service	Non-major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,217,512	$ 273,628	$ -	$ 45,401	$ 1,536,541
Cash and cash equivalents - restricted	2,297,488	-	330,873	-	2,628,361
Accounts receivable	36,987	-	-	-	36,987
Due from other funds	157,288	-	-	-	157,288
Due from Federal and State governments	-	-	-	61,593	61,593
Inventory	-	-	-	3,044	3,044
Total assets	$ 3,709,275	$ 273,628	$ 330,873	$ 110,038	$ 4,423,814
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	$ 30,456	$ -	$ -	$ -	$ 30,456
Unearned revenue	2,545	-	-	-	2,545
Due to other funds	-	-	-	75,972	75,972
Due to Teachers' Retirement System	471,859	-	-	-	471,859
Due to Employees' Retirement System	62,931	-	-	-	62,931
Bond anticipation note payable	-	274,760	-	-	274,760
Total liabilities	567,791	274,760	-	75,972	918,523
FUND BALANCES:					
Nonspendable	-	-	-	3,044	3,044
Restricted for -					
Vehicle and equipment capital reserve	835,000	-	-	-	835,000
Retirement contributions	752,600	-	-	-	752,600
Employee benefits	279,335	-	-	-	279,335
Unemployment insurance reserve	270,255	-	-	-	270,255
Repair	160,298	-	-	-	160,298
Debt service	-	-	330,873	-	330,873
Total restricted	2,297,488	-	330,873	-	2,628,361
Assigned to -					
Other	-	-	-	31,524	31,524
Appropriated for subsequent years' expenditures	355,236	-	-	-	355,236
Total assigned	355,236	-	-	31,524	386,760
Unassigned	488,760	(1,132)	-	(502)	487,126
Total fund balances	3,141,484	(1,132)	330,873	34,066	3,505,291
Total liabilities and fund balance	$ 3,709,275	$ 273,628	$ 330,873	$ 110,038	$ 4,423,814

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

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

Fund balance - total governmental funds	$ 3,505,291
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	17,143,205
Deferred outflows/inflows of resources related to pensions and OPEB are applicable to future periods and; therefore, are not reported in the funds.	
Deferred outflows - OPEB	374,731
Deferred outflows - ERS/TRS	2,697,622
Deferred inflows - ERS/TRS	(888,814)
Deferred outflows - Refunding	351,105
Net pension obligations are not due and payable in the current period and; therefore, are not reported in the funds.	
Net pension asset - TRS	165,617
Net pension liability - ERS	(125,046)
Long-term liabilities, including bonds payable, are not due and payable in the current period and; therefore, are not reported in the funds:	
Bonds payable, net of premium	(6,331,493)
Other postemployment benefits	(42,856,461)
Compensated absences	(223,075)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ (26,187,318)

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, 2018

	General	Capital Projects	Debt Service	Non-major Governmental Funds	Total Governmental Funds
REVENUE:					
Real property taxes	$ 5,178,283	$ -	$ -	$ -	$ 5,178,283
Charges for services	119,663	-	-	-	119,663
Use of money and property	3,308	-	160	6	3,474
Miscellaneous	159,307	-	-	141,723	301,030
State sources	7,454,233	-	-	98,654	7,552,887
Federal sources	-	-	-	371,061	371,061
Sales	-	-	-	84,717	84,717
				-	
Total revenue	12,914,794	-	160	696,161	13,611,115
EXPENDITURES:					
General support	1,357,617	-	-	-	1,357,617
Instruction	4,974,275	-	-	427,394	5,401,669
Pupil transportation	612,951	-	-	4,000	616,951
Employee benefits	3,901,771	-	-	40,182	3,941,953
Community service	1,500	-	-	-	1,500
Cost of sales	-	-	-	191,171	191,171
Capital outlays	-	513,809	-	-	513,809
Debt service -				-	
Principal	-	-	1,280,747	-	1,280,747
Interest	-	-	297,606	-	297,606
Total expenditures	10,848,114	513,809	1,578,353	662,747	13,603,023
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	2,066,680	(513,809)	(1,578,193)	33,414	8,092
OTHER FINANCING SOURCES AND (USES):					
Proceeds from advanced refunding	-	-	2,880,000	-	2,880,000
Payment to escrow agent	-	-	(3,405,731)	-	(3,405,731)
Premium on obligations - bonds payable	-	-	525,731	-	525,731
BAN's redeemed from appropriations	-	100,747	-	-	100,747
Transfers in	-	560,700	1,594,891	10,000	2,165,591
Transfers (out)	(2,165,591)	-	-	-	(2,165,591)
Total other financing sources (uses)	(2,165,591)	661,447	1,594,891	10,000	100,747
CHANGE IN FUND BALANCE	(98,911)	147,638	16,698	43,414	108,839
FUND BALANCES - beginning of year	3,240,395	(148,770)	314,175	(9,348)	3,396,452
FUND BALANCES - end of year	$ 3,141,484	$ (1,132)	$ 330,873	$ 34,066	$ 3,505,291

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, 2018

Net changes in fund balance - total governmental funds	108,839
Capital outlays, net of disposals, are expenditures in governmental funds, but are capitalized in the statement of net position	755,674
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(725,821)
Disposal of assets not fully depreciated resulting in a loss in the statement of activities.	(185)
Bond proceeds from refunding are recorded as an other financing source in the governmental funds but are recorded as an increase in long-term debt in the statement of net position.	(2,880,000)
Bond premiums are recorded as an other financing source in the governmental funds but are recorded as an increase in long-term debt in the statement of net position.	(525,731)
Repayments of long-term debt and refunding debt are recorded as expenditures in the governmental funds, but are recorded as reductions of liabilities and increases in deferred outflows in the statement of net position.	4,489,993
Amortization of the bond premium and the deferred outflows amount on refunding, is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(56,429)
ERS pension (expense)/income resulting from the change in the pension related (liabilities)/assets and deferred outflows and inflows of resources, that are long-term in nature and therefore not reported in the funds.	
Net pension liability/asset	228,149
Deferred outflows of resources	124,092
Deferred inflows of resources	(337,987)
TRS pension (expense)/income resulting from the change in the pension related (liabilities)/assets and deferred outflows and inflows of resources, that are long-term in nature and therefore not reported in the funds.	
Net pension liability/asset	400,540
Deferred outflows of resources	9,779
Deferred inflows of resources	(374,627)
Other postemployment benefits (expense)/income resulting from the change in the pension related (liabilities)/assets and deferred outflows and inflows of resources, that are long-term in nature and therefore not reported in the funds.	
Other postemployment benefits liability	(1,009,418)
Deferred outflows of resources	374,731
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	11,477
Change in compensated absences	(154,590)
Change in net position - governmental activities	438,486

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, 2018

	Private Purpose Trusts	Agency
ASSETS:		
Cash and cash equivalents	$ 249,267	$ 83,652
Cash and cash equivalents - restricted	-	72,134
Accounts receivable	-	1,205
Investments	2,667	-
Total assets	$ 251,934	$ 156,991
LIABILITIES:		
Extraclassroom activity balances	$ -	$ 72,134
Due to other funds	-	81,316
Other liabilities	-	3,541
Total liabilities	-	$ 156,991
NET POSITION:		
Restricted for scholarships	251,934	
Total net position	251,934	
TOTAL LIABILITIES AND NET POSITION	$ 251,934	

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, 2018

ADDITIONS:		
Gifts and contributions	$	250
Investment earnings		116
Total additions		366
DEDUCTIONS:		
Scholarships and awards		4,525
CHANGE IN NET POSITION		(4,159)
NET POSITION - beginning of year		256,093
NET POSITION - end of year	$	251,934

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

District-Wide Statements
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.

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.

- *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.

The District reports the following non-major governmental funds:

- *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.

- *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.

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.

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.

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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements - Equity classifications (Continued)

<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.

<u>Repair reserve</u>
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.

<u>Debt service reserve</u>
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.

<u>Retirement contribution reserve</u>
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.

<u>Employee benefits accrued liability reserve</u>
Employee benefits accrued liability reserve (GML §6-p) is used for payment of any accrued employee benefit due an employee upon termination of the employee’s service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the general fund.

<u>Unemployment insurance reserve</u>
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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements - Equity classifications (Continued)

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

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.

3. PRIOR PERIOD ADJUSTMENTS

Change in Accounting Principle
The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to certain postemployment benefits. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accordingly, Beginning Net Position and Other Postemployment Benefits on the Statement of Net Position were adjusted as noted in the table below.

Correction of Error
Net position as of July 1, 2017 has been restated to reflect a correction of an error. As of June 30, 2017, the District's financial statements erroneously overstated the compensated absences liability and understated net position. As a result, beginning Net Position and Compensated Absences on the Statement of Net Position were adjusted as noted in the table below.

3. PRIOR PERIOD ADJUSTMENTS (Continued)

	Governmental Activities		
	Other Post-employment Benefits	Compensated Absences	Net Position
Balance at June 30, 2017, as previously reported	$ 11,077,381	$ 2,195,180	$ 2,017,163
Adoption of GASB Statement No. 75: Increase to liability	30,769,662	-	(30,769,662)
Correction of error: Decrease to liability	-	(2,126,695)	2,126,695
Balance at June 30, 2017, as restated	$ 41,847,043	$ 68,485	$ (26,625,804)

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

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

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

Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities
Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

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

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

- **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.

5. 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	$4,843,908	$4,569,955
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	$4,469,095	
Covered by FDIC insurance	$ 500,000	
Total	$4,969,095	

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.

5. CASH (Continued)

Restricted cash consists of the following:

Vehicle and equipment capital reserve	$ 835,000
Retirement contributions reserve	752,600
Employee benefits	279,335
Unemployment insurance reserve	270,255
Repair reserve	160,298
Debt service fund	330,873
Total restricted cash - governmental funds	2,628,361
Extraclassroom - fiduciary fund	72,134
Total restricted cash	$ 2,700,495

6. INVESTMENTS

The District was granted an investment for scholarships within the Private Purpose Trust. It consists of $2,667 in a net carrying value of RVS Mutual Funds.

7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	$ 150,000	$ -	$ -	$ 150,000
Construction in progress	-	316,968	-	316,968
Total nondepreciable cost	150,000	316,968	-	466,968
Capital assets that are depreciated:				
Land improvements	794,001	-	-	794,001
Buildings and improvements	27,883,552	186,078	-	28,069,630
Machinery, equipment and vehicles	1,889,245	252,628	5,021	2,136,852
Total depreciable assets	30,566,798	438,706	5,021	31,000,483
Less accumulated depreciation:				
Land improvements	794,001	-	-	794,001
Buildings and improvements	11,273,211	635,124	-	11,908,335
Machinery, equipment and vehicles	1,536,049	90,697	4,836	1,621,910
Total accumulated depreciation	13,603,261	725,821	4,836	14,324,246
Total depreciable cost - net	16,963,537	(287,115)	185	16,676,237
Total capital assets - net	$ 17,113,537	$ 29,853	$ 185	$ 17,143,205

7. CAPITAL ASSETS (Continued)

Depreciation expense for the year ended June 30, 2018, was allocated to specific functions as follows:

General support	$ 594,631
Instruction	54,303
Pupil transportation	76,887
Total depreciation	$ 725,821

8. PARTICIPATION IN BOCES

During the year, the District was billed $1,158,576 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $361,919. Financial statements for BOCES are available from the BOCES administrative office.

9. SHORT-TERM DEBT

The District has the following short-term debt outstanding at June 30, 2018

	Issuance Date	Due	Rate	Balance at 6/30/2017	Issued	Redeemed	Balance at 6/30/2018
2017 BAN Renewal	3/9/2017	3/9/2018	2.00%	$ 279,165	$ -	$ 279,165	$ -
2018 BAN Issuance	3/8/2018	8/20/2018	1.99%	-	274,760	-	274,760
				$ 279,165	$ 274,760	$ 279,165	$ 274,760

10. LONG-TERM DEBT

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

	Beginning Balance as restated	Additions	Deletions		Ending Balance	Due Within One Year
Government activities:						
Serial bonds payable	$ 6,775,000	$ 2,880,000	$ 4,095,000		$ 5,560,000	$ 620,000
Unamortized bond premium	341,959	525,731	96,197		771,493	-
Total bonds	$ 7,116,959	$ 3,405,731	$ 4,191,197		$ 6,331,493	$ 620,000
Other liabilities:						
Net pension liability - ERS	$ 353,195	$ -	$ 228,149		$ 125,046	$ -
Net pension liability - TRS	234,293	-	234,293		-	-
Compensated absences- as restated	68,485	154,590	-	{a}	223,075	-
Other postemployment benefits - as restated	41,847,043	2,939,270	1,929,852		42,856,461	-
Total other liabilities	$ 42,503,016	$ 3,093,860	$ 2,392,294		$ 43,204,582	$ -

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

10. LONG-TERM DEBT (Continued)

Interest on all debt was composed of:

Interest paid	$297,606
Amortization of deferred outflow on refunding	152,626
Amortization of bond premium	(96,197)
Less: Interest accrued in prior year	(11,477)
Total interest expense	$342,558

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

Bond Issue	Issued	Maturity	Interest Rate	June 30, 2018 Balance
Serial Bonds	3/15/2006	3/15/2021	4.42%	$ 105,000
Serial Bonds	6/8/2011	6/15/2026	4.22%	1,635,000
Serial Bonds	7/29/2016	7/30/2031	2.00%	950,000
Serial Bonds Refunding	11/9/2017	6/15/2026	2.38%	2,870,000
Total bond issue				$ 5,560,000

The following is a summary of the maturity of long-term indebtedness as of June 30, 2018:

	Principal	Interest	Total
2019	$ 620,000	$ 259,507	$ 879,507
2020	645,000	237,898	882,898
2021	665,000	209,500	874,500
2022	655,000	178,000	833,000
2023	680,000	149,200	829,200
2024-2028	2,035,000	277,600	2,312,600
2029-2032	260,000	29,000	289,000
Totals	$ 5,560,000	$ 1,340,705	$ 6,900,705

Debt Refunding

On November 9, 2017, the District deposited cash on hand of $3,405,731 into an irrevocable escrow to advance refund, through an in-substance defeasance, $2,915,000 of the Series 2011B School District Revenue Bond Financing Program Revenue Bonds. As a result, the Series 2011B Bonds are considered to be defeased and the escrowed assets and the liability for the bonds have been removed from these financial statements. The District achieved a cash flow difference and an economic gain of approximately $116,616 as a result of the refunding. At June 30, 2018, $2,870,000 of the defeased bonds are outstanding.

11. INTERFUND BALANCES AND ACTIVITY

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General	$ 157,288	$ -	$ -	$ 2,165,591
Special Aid	-	75,916	-	-
Debt Service	-	-	1,594,891	-
Capital Projects	-	-	560,700	-
School Lunch	-	56	10,000	-
Fiduciary funds	-	81,316	-	-
Total	$ 157,288	$ 157,288	$ 2,165,591	$ 2,165,591

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.

12. 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.

13. 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.

13. 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. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. 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:

2018	$	150,407
2017		146,353
2016		137,899

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

At June 30, 2018, the District reported a net pension liability of $125,046 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of March 31, 2018, 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 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, 2018, the District's proportion was .0038745% percent, which was an increase of .0001156% from its proportion at share measured at June 30, 2017.

For the year ended June 30, 2018, the District recognized pension expense of $150,084. At June 30, 2018, the District reported deferred outflows/inflows of resources related to pensions from the following sources:

ERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 44,600	$ 36,856
Changes of assumptions	82,916	-
Net difference between projected and actual earnings on pension plan investments	181,620	358,499
Changes in proportion and differences between the Districts contributions and proportionate share of contributions	14,722	13,775
Contributions subsequent to the measurement date	62,937	-
Total	$ 386,795	$ 409,130

13. PENSION PLANS (Continued)

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

ERS Plan's Year Ended March 31:		Amount
2019	$	25,685
2020		17,767
2021		(87,394)
2022		(41,330)
Total	$	(85,272)

The District recognized $62,937 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2018 which will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Actuarial Assumptions

The total pension liability at March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018.

The actuarial valuation used the following actuarial assumptions:

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

13. PENSION PLANS (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2018 are summarized below:

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	7.50
Real Estate	10.0	5.55
Absolute Return Strategies (1)	2.0	3.75
Opportunistic Portfolio	3.0	5.68
Real Asset	3.0	5.29
Bonds and Mortgages	17.0	1.31
Cash	1.0	(0.25)
Inflation Indexed Bonds	4.0	1.25
	100 %	

Discount Rate

The discount rate used to calculate the total pension liability was 7%. 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%, 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 (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Proportionate Share of Net Pension liability (asset)	$ 946,132	$ 125,046	$ (569,560)

13. PENSION PLANS (Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability (in 000's) of the employers as of March 31, 2018, were as follows:

Total pension liability	$ 183,400,590
Plan net position	(180,173,145)
Net pension liability (asset)	$ 3,227,445
ERS net position as a percentage of total pension liability	98.24%

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 those 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:

2018	$ 404,671
2017	440,869
2016	447,600

13. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)
Contributions (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions
At June 30, 2018, the District reported net pension asset of $165,617 for its proportionate share of the NYSTRS net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of that date. The District's proportion of the net pension 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, 2018 the District's proportionate share was 0.021789%, which was a decrease of 0.000086% from its proportionate share measured at June 30, 2017.

For the year ended June 30, 2018, the District recognized pension expense of $423,132. At June 30, 2018 the District reported deferred outflows/inflows of resources related to pensions from the following sources:

TRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 136,262	$ 64,572
Changes of assumptions	1,685,190	-
Net difference between projected and actual earnings on pension plan investments	-	390,077
Changes in proportion and differences between the District's contributions and proportionate share of contributions	17,516	25,035
Contributions subsequent to the measurement date	471,859	-
Total	$ 2,310,827	$ 479,684

The District recognized $471,859 as a deferred outflow of resources related to pensions resulting from the District's contributions subsequent to the measurement date of June 30, 2017, which will be recognized as a reduction of the net pension liability in the next fiscal year.

13. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

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

TRS Plan's Year Ended June 30:	Amount
2018	$ 38,439
2019	445,962
2020	319,170
2021	79,318
2022	318,240
Thereafter	158,155
Total	$ 1,359,284

Actuarial Assumptions

The total pension liability at the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation	2.50%
Projected Salary Increases	Rates of increase differ on services. 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	7.25% 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 MP 2014 applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to 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.

13. 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, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Type	Target Allocations in %	Long-Term expected real Rate of return in %
Domestic equities	35	5.9
International equities	18	7.4
Real Estate	11	4.3
Private equities	8	9.0
Domestic fixed income securities	16	1.6
Global fixed income securities	2	1.3
High-yield fixed income securities	1	3.9
Mortgages	8	2.8
Short-term	1	0.6
	100%	

Discount Rate
The discount rate used to measure the total pension liability was 7.25%. 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 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)
Proportionate Share of Net Pension liability (asset)	$ 2,853,097	$ (165,617)	$ (2,693,641)

13. 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, 2017, were as follows:

Total pension liability	$114,708,261,032
Plan net position	115,468,360,316
Net pension liability (asset)	$ (760,099,284)
NYSTRS net position as a percentage of total pension liability	100.66%

14. OTHER POSTEMPLOYMENT BENEFITS OBLIGATION

Plan Description
The District provides postemployment (health insurance, life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements. The Plan can be amended by action of the District through agreements with different bargaining units. The District is required to calculate and record an other postemployment benefit (OPEB) obligation at year-end. The net OPEB obligation is the cumulative difference between the actuarially required contribution and the actual contributions made.

The District recognizes the cost of providing health insurance annually as expenditures in the funds as payments are made. For the year ended June 30, 2018, the District recognized expenditures of $1,724,973 for the claims paid for currently enrolled retirees for the self-insurance health plan. There were approximately 195 retirees and beneficiaries receiving benefits under this plan at June 30, 2018.

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 qualifying trust for the purpose of funding Other Postemployment Benefits. As such there are no assets accumulated in a trust that meet the criteria in GASB 75, p.4 to fund this obligation and benefits are paid on a pay as you go basis.

Employees Covered by Benefit Terms
At July 1, 2017, the following employees were covered by the benefit terms:

Actives	92
Inactive employees entitled to but not yet receiving benefits	-
Inactive employees or beneficiaries currently receiving benefits	103
Total participants	195

14. OTHER POSTEMPLOYMENT BENEFITS OBLIGATION (Continued)

Total OPEB Liability

The District's total OPEB liability of $42,856,461 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Changes in the Total OPEB Liability

Balance at June 30, 2017, as restated	$ 41,847,043
Changes for the Year-	
Service cost	1,235,068
Interest	1,263,729
Changes of benefit terms	-
Changes in assumptions	-
Differences between expected and actual experience	440,473
Benefit payments	(1,929,852)
Net changes	1,009,418
Balance at June 30, 2018	$ 42,856,461

Since the OPEB plan is not funded, the selection of the discount rate is consistent with the GASB 75 standards discounting unfunded liabilities based on a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method:	Entry Age Normal Cost Method	
Interest Rate:	Fiscal Year Beginning 2017	4.00%
	Fiscal Year Ending 2018	3.00%
Mortality:	RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2017.	
Mortality Improvement:	Projected to date of decrement using Scale MP-2017 (generational mortality).	
Rate of compensation increase (including inflation):	The assumption is based on historical national wage increases and input from the plan sponsor regarding future expectations.	2.60%
Inflation:	The assumption is consistent with the Social Security administration's current best estimate of the ultimate longterm (75-year horizon) annual percentage increase in CPI, as published in the 2016 OASDI Trustees Report.	2.60%

14. OTHER POSTEMPLOYMENT BENEFITS OBLIGATION (Continued)

Actuarial Assumptions and Other Inputs (Continued)

Medical Trend:	Health care trend rates reflect both the current and long-term outlook for increases in health care costs. The short-term rates are based on recent industry surveys, plan experience and near-term expectations. The long-term trend rate is based on our general inflation assumption plus an adjustment to reflect expectations for long-term medical inflation.	7.5% in 2017, decreasing 0.5% per year to an ultimate rate of 4.5% in 2023.
Medicare Part B Trend		N/A
Dental/Vision Trend		4.50%
Participation Rate:	It was assumed that 100% of future retirees eligible for coverage will elect the benefit	
Percent Married:	It was assumed that 60% of future retirees will be married, with male spouses assumed to be 3 years older than female spouses. For current retirees, actual census information was used.	
Termination Rate:	Rates represent the percentage of employees who will terminate employment at the given age each year, for reasons other than death, or retirement. Rates are based on 5 year age increments, male vs. female and teaching vs. non-teaching positions.	
Retirement Rate:	Rates represent the percentage of eligible employees who will retire at a given age each year. Rates are based on 5 year increments beginning with age 55, male vs. female and greater than 30 years of service vs. less than 30 years of service. Rates are provided for both teaching and non-teaching positions and by corresponding tiers. Rates of retirement are based on tables used by NYSERS and NYSTRS.	
Per Capita Costs:	Using the total count of active participants eligible for post-retirement medical benefits and retirees currently electing medical coverage in a non-Medicare supplement plan, the total projected claim was calculated by multiplying the total count by average annual premium. Using the cost increases derived from a study sponsored by the Society of Actuaries prepared by Dale H. Yamamoto from May 2013: "Health Care Costs from Birth to Death", the total projected claims by age and gender was calculated.	
Post 65 Medicare Integration:	The school's carrier does not provide separate premiums for the pre and post 65 populations. The premiums used in this report were adjusted using integration and assigning an age weighted percentage (70%) of the retiree premium to the population that is age 65 or older.	

14. OTHER POSTEMPLOYMENT BENEFITS OBLIGATION (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.00%) or 1 percentage point higher (4.00%) than the current discount rate:

	Discount Rate		
	1% Decrease (2.00%)	Current Discount (3.00%)	1% Increase (4.00%)
Total OPEB Liability	$50,121,430	$42,856,461	$37,053,356

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	Healthcare Cost Trend Rate		
	1% Decrease (6.50% to 3.50%)	Current Discount (7.50% to 4.50%)	1% Increase (8.50% to 5.50%)
Total OPEB Liability	$37,392,575	$42,856,461	$50,642,244

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $2,564,539. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 374,731	$ -
Total	$ 374,731	$ -

14. OTHER POSTEMPLOYMENT BENEFITS OBLIGATION (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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

Fiscal Year Ending June 30:	Amount
2019	$ 65,742
2020	65,742
2021	65,742
2022	65,742
2023	65,742
Thereafter	46,021
	$374,731

15. 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.

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.

15. RISK MANAGEMENT (Continued)

During the year ended June 30, 2018, 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, 2018, the District incurred premiums or contribution expenditures totaling $54,306.

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 2017-2018 fiscal year totaled zero. The balance of the reserve at June 30, 2018 is $270,255 and is recorded in the General fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2018, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

16. 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).

16. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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

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.

Deficit Fund Balance
Capital Projects Fund - The Capital Projects Fund had a $1,132 deficit fund balance at 6/30/2018 that is expected to be financed through the issuance of long-term debt.

Special Aid Fund – The Special Aid Find has a $502 deficit fund balance at 6/30/2018 that is expected to be recaptured in 2019.

17. 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.

18. NEW AND UPCOMING PRONOUNCEMENTS

Implemented in the Current Year

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 adopted the provisions of these Statements for the current year ended June 30, 2018. See note 3 for the effect of implementation.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The District adopted the provisions of this Statement for the current year ended June 30, 2018.

In March 2016, the GASB issued Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The District adopted the provisions of this Statement for the current year ended June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during the implementation and application of certain GASB Statements. The Statement addresses a variety of topics including issued related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The District adopted the provisions of this Statement for the current year ended June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt- are placed in an irrevocable trust for the sole purpose of extinguishing debt. The District adopted the provisions of this Statement for the current year ended June 30, 2018.

Not Yet Implemented

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

18. NEW AND UPCOMING PRONOUNCEMENTS (Continued)

Not Yet Implemented (Continued)

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

In June 2017, GASB issued Statement No. 87, *Leases*. The Statement requires recognition of certain lease assets and liabilities for leases previously classified as operating leases. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* This Statement requires that additional essential information related to debt be disclosed in notes to the financial statements, including unused lines of credit, assets pledged as collateral for the debt and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

In June 2018, the GASB issued Statement No. 89 *Accounting for Interest Costs Incurred before the End of a Construction Period.* This Statement establishes accounting requirements for interest incurred before the end of construction period. The Statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest costs incurred before the end of a construction period will not be included in the cost of a capital asset reported in a business-type activity or enterprise fund.

The District is in the process of assessing the impact of these statements on its future financial statements.

19. SUBSEQUENT EVENTS

On July 22, 2018 the board approved the issuance of $175,000 in serial bonds.

On August 17, 2018 the board renewed a Bond Anticipation Note in the amount of $355,000.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance with Budgetary Actual
REVENUE					
Real property taxes	$ 5,173,142	$ 5,173,142	$ 5,178,283	$ -	$ 5,141
Charges for services	88,433	88,433	119,663	-	31,230
Use of money and property	1,000	1,000	3,308	-	2,308
Sale of property and compensation for loss	500	500	-	-	(500)
Miscellaneous	261,000	261,000	159,307	-	(101,693)
State sources	7,654,352	7,654,352	7,454,233	-	(200,119)
Total revenue	13,178,427	13,178,427	12,914,794	-	(263,633)
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	19,200	19,886	17,131	802	1,953
Central administration	172,782	172,862	168,132	-	4,730
Finance	197,844	198,269	189,196	1,673	7,400
Staff	35,723	35,723	32,955	202	2,566
Central services	896,237	903,342	761,000	41,795	100,547
Special items	204,471	204,471	189,203	-	15,268
Total general support	1,526,257	1,534,553	1,357,617	44,472	132,464
INSTRUCTION:					
Instruction, administration, and improvement	210,015	215,015	211,557	801	2,657
Teaching - regular school	2,675,552	2,646,174	2,582,237	4,436	59,501
Programs for special needs children	1,218,117	1,219,043	995,277	10,888	212,878
Occupational education	524,886	512,886	505,271	302	7,313
Teaching - special school	41,150	42,150	40,464	-	1,686
Instructional media	221,958	256,958	244,426	1,022	11,510
Pupil services	460,103	460,503	395,043	6,733	58,727
Total instruction	5,351,781	5,352,729	4,974,275	24,182	354,272
Pupil transportation	721,906	716,936	612,951	14,582	89,403
Community services	1,500	1,500	1,500	-	-
Employee benefits	4,193,373	4,193,373	3,901,771	-	291,602
Total expenditures	11,794,817	11,799,091	10,848,114	83,236	867,741
Excess (deficiency) of revenue over expenditures	1,383,610	1,379,336	2,066,680	(83,236)	604,108
OTHER FINANCING SOURCES (USES):					
Interest	(1,000)	(1,000)	-	-	1,000
Transfers in	-	-	-	-	-
Transfers out	(1,704,891)	(1,704,891)	(2,165,591)	-	(460,700)
Total other financing sources	(1,705,891)	(1,705,891)	(2,165,591)	-	(459,700)
NET CHANGE IN FUND BALANCES	$ (322,281)	$ (326,555)	(98,911)	$ (83,236)	$ 144,408
FUND BALANCE - beginning of year			3,240,395		
FUND BALANCE - end of year			$ 3,141,484		

Notes to Required Supplementary Information - Schedule of Revenue, Expenditure, and Changes in Fund Balance - Budget and Actual - General Fund

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund, the only fund with a legally adopted budget. The Budget is adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

Last 10 Fiscal Years (Dollar amounts displayed in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB Liability										
Service cost	$ 1,235,068									
Interest	1,263,729									
Changes of benefit terms	-									
Differences between expected and actual experience	440,473									
Changes in assumptions	-									
Benefit payments	(1,929,852)									
Total change in total OPEB liability	1,009,418									
Total OPEB liability - beginning	41,847,043									
Total OPEB liability - ending	$ 42,856,461									
Covered-employee payroll	4,997,259									
Total OPEB liability as a percentage of covered-employee payroll	857.60%									

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Notes to schedule:

Changes of assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following reflects the discount rate used each period:

Discount rate	3.00%	4.00%

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Plan assets. No assets are accumulated in a trust that meets all of the criteria of GASB No. 75, paragraph 4, to pay benefits.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2018

Last 10 Fiscal Years (Dollar amounts displayed in thousands)

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of the net pension liability (asset)	0.0038745%	0.0037589%	0.0036275%	0.0039767%	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.					
Proportionate share of the net pension liability (asset)	$ 125	$ 353	$ 582	$ 134						
Covered-employee payroll	$ 1,024	$ 1,010	$ 938	$ 938						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.21%	34.95%	62.05%	14.29%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.24%	94.70%	90.70%	97.90%						

Last 10 Fiscal Years (Dollar amounts displayed in thousands)

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of the net pension liability (asset)	0.0217890%	0.0218750%	0.0220330%	0.0298100%	Information for the periods prior t implementation of GASB 68 is unavailable and will be completed for each year going forward as they become availabe.					
Proportionate share of the net pension liability (asset)	$ (166)	$ 234	$ (2,288)	$ (2,337)						
Covered-employee payroll	$ 4,866	$ 3,453	$ 2,122	$ 2,122						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-3.41%	6.78%	-107.82%	-110.13%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.66%	99.01%	110.46%	111.48%						

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CONTRIBUTIONS - PENSION PLANS
FOR THE YEAR ENDED JUNE 30, 2018

Last 10 Fiscal Years (Dollar amounts displayed in thousands)

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 150	$ 146	$ 138	$ 155						
Contributions in relation to the contractually required contribution	150	146	138	155						
Contribution deficiency (excess)	$ -	$ -	$ -	$ -						
Covered-employee payroll	$ 1,024	$ 1,010	$ 938	$ 938						
Contributions as a percentage of covered-employee payroll	14.65%	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	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 404	$ 405	$ 580	$ 580						
Contributions in relation to the contractually required contribution	404	405	580	580						
Contribution deficiency (excess)	$ -	$ -	$ -	$ -						
Covered-employee payroll	$ 4,866	$ 3,453	$ 2,122	$ 2,122						
Contributions as a percentage of covered-employee payroll	8.30%	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

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	School Lunch	Special Aid Aid	Total Non-Major Governmental Funds
ASSETS			
Cash and cash equivalents	$ 20,723	$ 24,678	$ 45,401
Due from Federal and State governments	10,857	50,736	61,593
Inventory	3,044	-	3,044
Total assets	$ 34,624	$ 75,414	$ 110,038
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	$ 56	$ 75,916	$ 75,972
Total liabilities	56	75,916	75,972
FUND BALANCES:			
Nonspendable	3,044	-	3,044
Assigned to -			
Other	31,524	-	31,524
Unassigned	-	(502)	(502)
Total fund balances	34,568	(502)	34,066
Total liabilities and fund balance	$ 34,624	$ 75,414	$ 110,038

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	School Lunch	Special Aid Aid	Total Non-Major Governmental Funds
REVENUE:			
Use of money and property	$ 6	$ -	$ 6
Miscellaneous	-	141,723	141,723
State sources	5,533	93,121	98,654
Federal sources	170,585	200,476	371,061
Sales	84,717	-	84,717
Total revenue	260,841	435,320	696,161
EXPENDITURES:			
Instruction	-	427,394	427,394
Pupil transportation	-	4,000	4,000
Employee benefits	40,182	-	40,182
Cost of sales	191,171	-	191,171
Total expenditures	231,353	431,394	662,747
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	29,488	3,926	33,414
OTHER FINANCING SOURCES AND (USES):			
Transfers in	10,000	-	10,000
Total other financing sources (uses)	10,000	-	10,000
CHANGE IN FUND BALANCE	39,488	3,926	43,414
FUND BALANCES - beginning of year	(4,920)	(4,428)	(9,348)
FUND BALANCES - end of year	$ 34,568	$ (502)	$ 34,066

OTHER INFORMATION (UNAUDITED)

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

OTHER INFORMATION
SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2018

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget		$ 13,500,708
Add: Prior year's encumbrances		4,274
Original and final budget		$ 13,504,982

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 voter-approved expenditure budget	$ 12,992,264	
Maximum allowed (4% of 2018-19 budget)		$ 519,691
General Fund Balance Subject to Section 1318 of Real Property Tax Law :		
Unrestricted fund balance		
Assigned fund balance	$ 355,236	
Unassigned fund balance	488,760	
Total unrestricted fund balance	843,996	
Less:		
Assigned fund balance	272,000	
Encumbrances included in assigned fund balance	83,236	
Total adjustments	$ 355,236	
General Fund Balance Subject to Section 1318 of Real Property Tax Law		$ 488,760
Actual percentage		3.76%

CHERRY VALLEY - SPRINGFIELD CENTRAL SCHOOL DISTRICT

OTHER INFORMATION
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

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 6/30/2018
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	1,149,648	-	1,149,648	49,352	-	-	-	-	-	(1,149,648)
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 Building	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
100K Project 2017/2018	100,000	100,000	-	100,498	100,498	(498)	-	-	100,000	100,000	-	(498)
Fuel Tank Project	3,100,000	3,100,000	-	309,880	309,880	2,790,120	-	-	460,700	460,700	-	150,820
100K Project 2018/2019	100,000	100,000	-	7,088	7,088	92,912	-	-	-	-	-	(7,088)
2018 Bus	-	-	-	96,343	96,343	(96,343)	-	-	100,747	100,747	-	4,404
	$ 14,029,187	$ 14,029,187	$ 10,930,180	$ 513,809	$ 11,443,989	$ 2,585,198	$ 9,567,762	$ 811,922	$ 1,224,177	$ 11,603,861	$ 161,004	$ (1,132)

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

OTHER INFORMATION
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED)
JUNE 30, 2018

Capital assets, net	$ 17,143,205
Addition:	
Deferred amounts on refunding	351,105
Deduct:	
Premiums on bonds payable	(771,493)
Bond anticipation notes payable	(274,760)
Short-term portion of bonds payable	(620,000)
Long-term portion of bonds payable	(4,940,000)
Net investment in capital assets	$ 10,888,057

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 11, 2018

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

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, 2018, 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 11, 2018.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as finding 2018-001 to be a material weakness.

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

www.bonadio.com

(Continued)

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

Bonadio & Co., LLP

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018

Reference Number: 2018-001

Criteria:

The District is required to report all long-term liabilities in the District-wide financial statements in accordance with generally accepted accounting principles.

Condition/Cause:

The District calculated the compensated absences liability based upon the salary rate in effect at year-end for the eligible employees. However, per the District's various employment contracts, the cash value at the time of retirement for unused sick days is limited to a daily rate ranging from $10 to $40 per day, depending on contract.

Effect:

The District's calculation of the compensated absences liability was overstated. A prior period adjustment was made during the current year to reduce the compensated absences liability and increase net position by $2,126,695.

Recommendation:

We recommend that the District ensure that the calculation of compensated absences is based upon the employment contracts in effect at year end, and in accordance with generally accepted accounting principles.

Management's Response:

The District's Compensated Absences liability was overstated due to calculating the liability based on salary data rather than a fixed dollar amount per day. Moving forward the District will be providing the data and assisting to calculate based on terms within the contract. The current contract payment to a member upon retirement of all unused sick days in 2018-2019 is now $35 per day and increases to $40 per day in 2019-2020.