

**CHERRY VALLEY-SPRINGFIELD CENTRAL
SCHOOL DISTRICT**

**Financial Statements For the Year Ended
June 30, 2019
Together with Independent
Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

October 10, 2019

To the Board of Education
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 (the District) as of and for the year ended June 30, 2019, 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, 2019, and the respective change in financial position

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund, Total OPEB Liability and Related Ratios, Schedule of Proportionate Share of Net Pension Liability (Asset) and Schedule of Contributions-Pension Plans 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 and Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Non-major Governmental Funds; the 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 the 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 Balance Sheet and Combining Statement of Revenue, Expenditures, and Change in Fund Balance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The 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 the 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 10, 2019, 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.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited) June 30, 2019

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, 2019. The section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2019 and 2018 total liabilities (what the District owes) exceeded its total assets (what the District owns) by \$(25,895,699) and \$(26,187,318) (net position), respectively, an increase of \$291,619 from 2018 to 2019.
- Capital assets, net of accumulated depreciation during 2018-2019 amounted to approximately \$16.8 million, which is consistent with the prior year.
- General revenue, which includes State aid, and property taxes, accounted for \$12,743,699 of all revenue. Program specific revenue in the form of Charges for Services and Operating Grants and Contributions accounted for \$762,398 of total revenue.
- Total expenses for the government-wide financial statements totaled \$13,214,478 and \$13,172,629 for 2019 and 2018.
- As of the close of the fiscal year, The District's governmental funds reported combined fund balances of \$3,913,433 and \$3,505,291 in 2019 and 2018, respectively, an increase of \$408,142 from 2018 to 2019.

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:

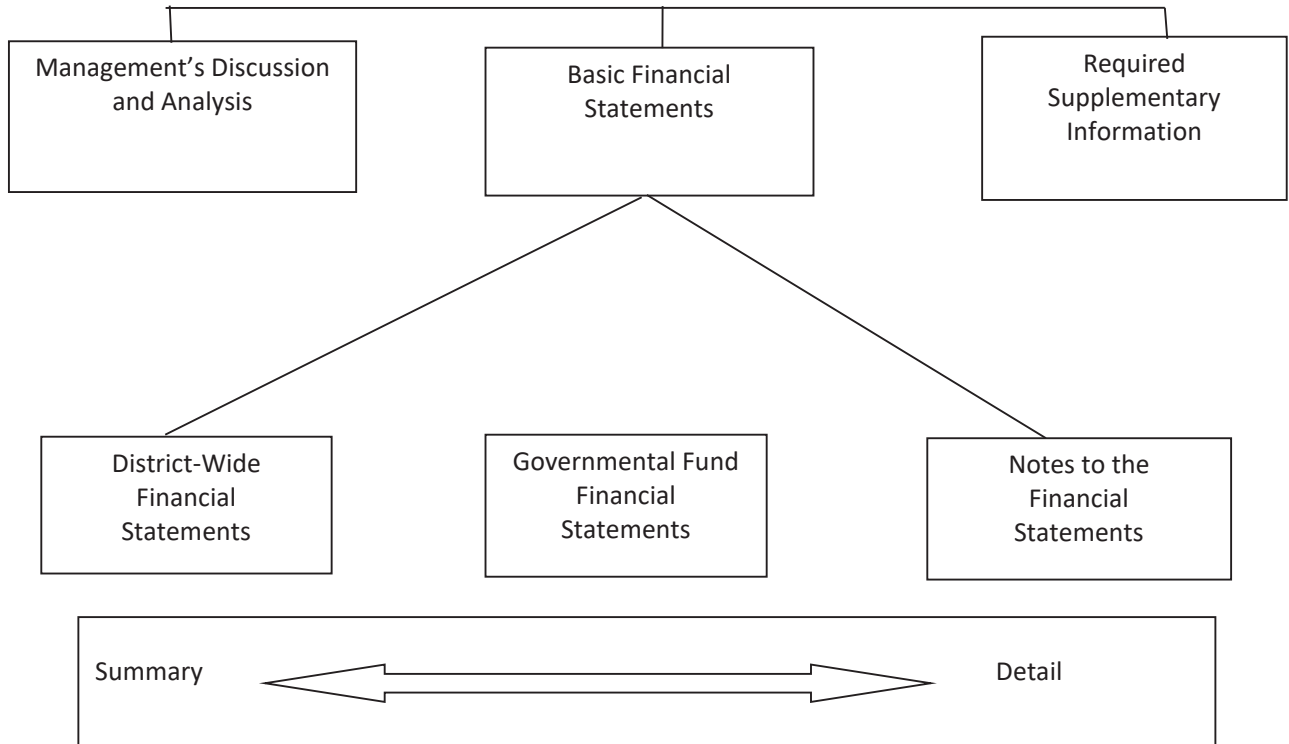
- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are Governmental fund financial statements that focus on individual activities of the District, reporting 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.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**Management’s Discussion and Analysis (Unaudited)
June 30, 2019**

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



CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**Management’s Discussion and Analysis (Unaudited)
June 30, 2019**

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 |

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited) June 30, 2019

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.

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.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**Management’s Discussion and Analysis (Unaudited)
June 30, 2019**

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.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**Management’s Discussion and Analysis (Unaudited)
June 30, 2019**

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 2019 | Fiscal Year 2018 | Percent Change |
|----------------------------------|---------------------|---------------------|-------------------|
| Current assets | \$ 4,949 | \$ 4,348 | 13.8% |
| Non-current assets | <u>17,254</u> | <u>17,309</u> | -0.3% |
| Total assets | <u>22,203</u> | <u>21,657</u> | 2.5% |
| Deferred outflow | <u>3,081</u> | <u>3,423</u> | -10.0% |
| Current liabilities | 1,035 | 842 | 23.0% |
| Long-term liabilities | <u>46,920</u> | <u>49,536</u> | -5.3% |
| Total liabilities | <u>47,955</u> | <u>50,378</u> | -4.8% |
| Deferred inflow | <u>3,224</u> | <u>889</u> | 262.7% |
| Net position: | | | |
| Net investment in capital assets | 11,173 | 10,888 | 2.6% |
| Restricted | 3,110 | 2,628 | 18.3% |
| Unrestricted | <u>(40,179)</u> | <u>(39,703)</u> | 1.2% |
| Total net position | <u>\$ (25,896)</u> | <u>\$ (26,187)</u> | -1.1% |

At June 30, 2019 total assets were \$546 thousand greater than at June 30, 2018. Non-current assets decreased approximately \$55 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 decreased by approximately \$2,400 thousand due primarily to the decrease in Other Postemployment Benefits liability.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**Management’s Discussion and Analysis (Unaudited)
June 30, 2019**

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

| | Fiscal Year 2019 | Fiscal Year 2018 | Percent Change |
|-------------------------------------|---------------------|---------------------|-------------------|
| Revenue: | | | |
| Charges for services | \$ 242 | \$ 204 | 18.8% |
| Operating grants | 520 | 470 | 10.6% |
| General revenue: | | | |
| Real property taxes | 5,264 | 5,178 | 1.7% |
| State sources | 7,107 | 7,454 | -4.7% |
| Use of money and property | 29 | 4 | 632.0% |
| Other | 342 | 301 | 13.7% |
| Total revenue | 13,504 | 13,611 | -0.8% |
| Expenses: | | | |
| General governmental support | 1,841 | 1,811 | 1.7% |
| Instruction | 9,650 | 9,648 | 0.0% |
| Pupil transportation | 1,223 | 1,094 | 11.8% |
| Interest | 211 | 343 | -38.6% |
| Community service | 2 | 2 | -25.0% |
| School lunch program | 289 | 276 | 4.7% |
| Total expenses | 13,216 | 13,174 | 0.3% |
| Increase (decrease) in net position | \$ 288 | \$ 437 | -34.2% |

Changes in Net Position

The District’s total fiscal year 2019 revenues totaled \$13,506,097 (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 \$13,214,478. 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.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)
June 30, 2019

Table A-5 Sources of Revenue for Fiscal Year 2019

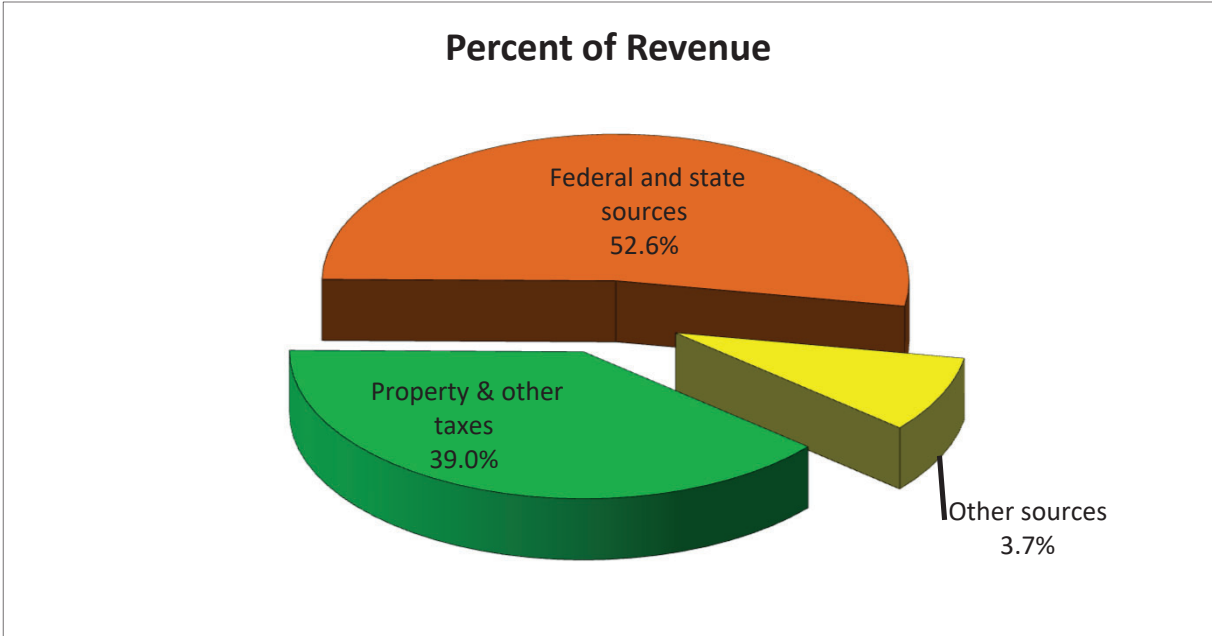
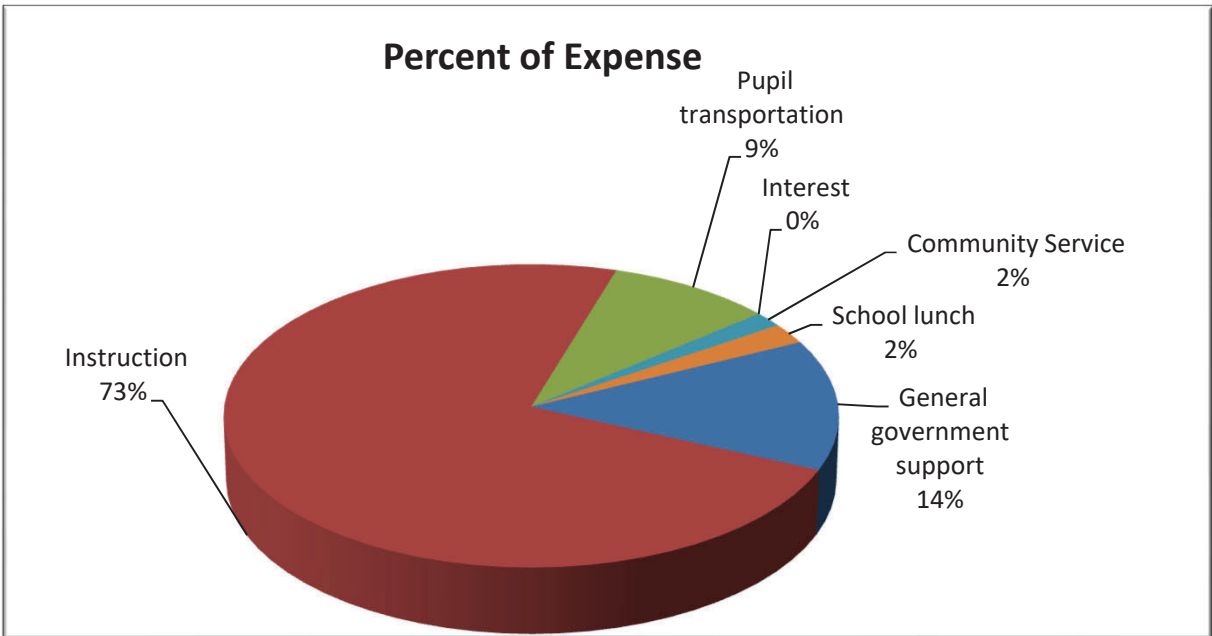


Table A-6 Expenses for Fiscal Year 2019



CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**Management’s Discussion and Analysis (Unaudited)
June 30, 2019**

Financial Analysis of the District’s Funds

Variations between years for the governmental fund financial statements are not the same as variations 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, 2019 , the District, in its governmental funds, reported combined fund balances of \$3.9 million, an increase of \$408 thousand over the prior year. The District’s governmental funds, except for the capital projects fund, operated at a surplus in 2018-2019.

General Fund Budgetary Highlights

This section presents an analysis of significant variations 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 | \$ 5,582 | \$ 5,362 | \$ 5,635 | \$ - | \$ 273 |
| State sources | 7,139 | 7,139 | 7,107 | - | (32) |
| Total | <u>12,721</u> | <u>12,501</u> | <u>12,742</u> | <u>-</u> | <u>241</u> |
| Expenditures: | | | | | |
| General support | 1,512 | 1,557 | 1,426 | 51 | 80 |
| Instruction | 5,516 | 5,540 | 5,137 | 89 | 314 |
| Employee benefits | 4,118 | 4,118 | 3,676 | 93 | 349 |
| Transportation | 692 | 706 | 696 | 17 | (7) |
| Other | 2 | 2 | 2 | - | - |
| Other financing sources (uses) | 1,153 | 1,153 | 1,153 | - | - |
| Total | <u>12,993</u> | <u>13,076</u> | <u>12,090</u> | <u>250</u> | <u>735</u> |
| Revenue over (under) expense | <u>\$ (272)</u> | <u>\$ (575)</u> | <u>\$ 652</u> | <u>\$ (250)</u> | <u>\$ 976</u> |

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

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**Management’s Discussion and Analysis (Unaudited)
June 30, 2019**

The following significant variances between budget and actual occurred during fiscal 2019:

- Revenues from Local sources was approximately \$270 thousand more than budgeted.
- Instruction expenditures were approximately \$298 thousand less than budget.
- Employee benefits was approximately \$349 thousand less than budgeted.

Capital Assets

As of June 30, 2019 , the District had an investment of \$31.8 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 2019 | Fiscal Year 2018 | Percent Change |
|-----------------------------------|----------------------|----------------------|-------------------|
| Category: | | | |
| Land | \$ 150,000 | \$ 150,000 | 0.0% |
| Construction in progress | 381,234 | 316,968 | 100.0% |
| Land improvements | - | - | 0.0% |
| Buildings and improvements | 15,798,157 | 16,161,295 | -2.2% |
| Machinery, equipment and vehicles | 506,817 | 514,942 | -1.6% |
| Total | <u>\$ 16,836,208</u> | <u>\$ 17,143,205</u> | -1.8% |

Long-Term Debt

At year-end, the District had \$5.6 million in general obligation bonds outstanding and \$41.3 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 2019 | Fiscal Year 2018 | Percent Change |
|---|----------------------|----------------------|-------------------|
| Category: | | | |
| General obligation bonds | \$ 5,615,296 | \$ 6,331,493 | -11.3% |
| Net pension liability - ERS | 308,385 | 125,046 | 146.6% |
| Compensated absences | 211,240 | 223,075 | -5.3% |
| Other postemployment benefit obligation | 40,785,058 | 42,856,461 | -4.8% |
| | <u>\$ 46,919,979</u> | <u>\$ 49,536,075</u> | -5.3% |

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)
June 30, 2019

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, 2019

| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | |
|--|------------------------|
| CURRENT ASSETS: | |
| Cash and cash equivalents | \$ 1,621,219 |
| Cash and cash equivalents - restricted | 3,065,824 |
| Accounts receivable | 61,124 |
| Due from fiduciary fund | 114,880 |
| Due from Federal and State governments | 85,138 |
| Inventory | 655 |
| Total current assets | <u>4,948,840</u> |
| NON-CURRENT ASSETS: | |
| Net pension asset - TRS | 417,413 |
| Capital assets, net | 16,836,208 |
| Total noncurrent assets | <u>17,253,621</u> |
| Total assets | <u>22,202,461</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pension related - TRS | 2,233,641 |
| Pension related - ERS | 231,472 |
| OPEB Related | 308,989 |
| Amounts deferred in refunding | 307,217 |
| Total deferred outflows of resources | <u>3,081,319</u> |
| LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | |
| CURRENT LIABILITIES: | |
| Accounts payable | 163,911 |
| Unearned revenue | 5,345 |
| Bond anticipation note payable | 355,000 |
| Due to Teachers' Retirement System | 448,220 |
| Due to Employees' Retirement System | 62,931 |
| Total current liabilities | <u>1,035,407</u> |
| LONG-TERM LIABILITIES: | |
| Due and payable within one year - | |
| Bonds payable | <u>645,000</u> |
| Due and payable after one year - | |
| Net pension liability - ERS | 308,385 |
| Other postemployment benefits | 40,785,058 |
| Compensated absences | 211,240 |
| Bonds payable, net of bond premium | 4,970,296 |
| Total long-term liabilities due and payable after one year | <u>46,274,979</u> |
| Total long-term liabilities | <u>46,919,979</u> |
| Total liabilities | <u>47,955,386</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension related - TRS | 619,219 |
| Pension related - ERS | 112,349 |
| OPEB related | 2,492,525 |
| Total deferred inflows of resources | <u>3,224,093</u> |
| NET POSITION | |
| Net investment in capital assets | 11,173,129 |
| Restricted | 3,109,849 |
| Unrestricted | (40,178,677) |
| Total net position | <u>\$ (25,895,699)</u> |

The accompanying notes are an integral part of these financial statements.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Statement of Activities
For the year ended June 30, 2019

| | Program Revenue | | | Net (Expense) |
|--|----------------------|----------------------|----------------------------------|-------------------------|
| | Expenses | Charges for Services | Operating Grants | Revenue and |
| | | | Capital Grants and Contributions | Changes in Net Position |
| FUNCTIONS/PROGRAMS: | | | | |
| General governmental support | \$ 1,840,937 | \$ - | \$ - | \$ (1,840,937) |
| Instruction | 9,650,310 | 132,275 | 338,853 | (9,179,182) |
| Pupil transportation | 1,222,166 | - | - | (1,222,166) |
| Community service | 1,500 | - | - | (1,500) |
| Interest | 210,533 | - | - | (210,533) |
| School lunch program | 289,032 | 110,141 | 181,129 | 2,238 |
| | <u>\$ 13,214,478</u> | <u>\$ 242,416</u> | <u>\$ 519,982</u> | <u>(12,452,080)</u> |
| Total functions/programs | | | | |
| GENERAL REVENUE: | | | | |
| Real property taxes | | | | 5,264,302 |
| Use of money and property | | | | 29,280 |
| Sale of property and compensation for loss | | | | 929 |
| Miscellaneous | | | | 342,232 |
| State sources | | | | 7,106,956 |
| | | | | <u>12,743,699</u> |
| Total general revenue | | | | |
| CHANGE IN NET POSITION | | | | 291,619 |
| NET POSITION - beginning of year | | | | <u>(26,187,318)</u> |
| NET POSITION - end of year | | | | <u>\$ (25,895,699)</u> |

The accompanying notes are an integral part of these financial statements.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**Balance Sheet - Governmental Funds
June 30, 2019**

| | General | Capital Projects | Non-major Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|------------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,331,731 | \$ 215,117 | \$ 74,371 | \$ 1,621,219 |
| Cash and cash equivalents - restricted | 2,718,479 | - | 347,345 | 3,065,824 |
| Accounts receivable | 61,124 | - | - | 61,124 |
| Due from other funds | 208,234 | - | 16 | 208,250 |
| Due from Federal and State governments | - | - | 85,138 | 85,138 |
| Inventory | - | - | 655 | 655 |
| Total assets | <u>\$ 4,319,568</u> | <u>\$ 215,117</u> | <u>\$ 507,525</u> | <u>\$ 5,042,210</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ 32,249 | \$ 131,662 | \$ - | \$ 163,911 |
| Unearned revenue | 5,345 | - | - | 5,345 |
| Due to other funds | - | 16 | 93,354 | 93,370 |
| Due to Teachers' Retirement System | 448,220 | - | - | 448,220 |
| Due to Employees' Retirement System | 62,931 | - | - | 62,931 |
| Bond anticipation note payable | - | 355,000 | - | 355,000 |
| Total liabilities | <u>548,745</u> | <u>486,678</u> | <u>93,354</u> | <u>1,128,777</u> |
| FUND BALANCES: | | | | |
| Nonspendable - Inventory | - | - | 655 | 655 |
| Restricted for - | | | | |
| Vehicle and equipment Capital reserve | 1,135,000 | - | - | 1,135,000 |
| Retirement contribution reserve | 852,600 | - | - | 852,600 |
| Employee benefit accrued liability reserve | 344,335 | - | - | 344,335 |
| Unemployment insurance reserve | 270,255 | - | - | 270,255 |
| Repair reserve | 160,298 | - | - | 160,298 |
| Debt service reserve | - | - | 347,361 | 347,361 |
| Assigned to - | | | | |
| Other | - | - | 66,155 | 66,155 |
| Appropriated for subsequent years' expenditures | 538,214 | - | - | 538,214 |
| Unassigned | 470,121 | (271,561) | - | 198,560 |
| Total fund balances | <u>3,770,823</u> | <u>(271,561)</u> | <u>414,171</u> | <u>3,913,433</u> |
| Total liabilities and fund balance | <u>\$ 4,319,568</u> | <u>\$ 215,117</u> | <u>\$ 507,525</u> | <u>\$ 5,042,210</u> |

The accompanying notes are an integral part of these financial statements.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Reconciliation of the Balance Sheet and Statement of Net Position

June 30, 2019

Amounts reported for governmental activities in the statement of net position are different from amounts reported in the balance sheet because:

| | |
|--|------------------------|
| Fund balance - total governmental funds | \$ 3,913,433 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | 16,836,208 |
| 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 | 308,989 |
| Deferred inflows - OPEB | (2,492,525) |
| Deferred outflows - ERS/TRS | 2,465,113 |
| Deferred inflows - ERS/TRS | (731,568) |
| Deferred outflows - Refunding | 307,217 |
| Net pension obligations are not due and payable in the current period and; therefore, are not reported in the funds. | |
| Net pension asset - TRS | 417,413 |
| Net pension liability - ERS | (308,385) |
| 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 | (5,615,296) |
| Other postemployment benefits | (40,785,058) |
| Compensated absences | <u>(211,240)</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ (25,895,699)</u> |

The accompanying notes are an integral part of these financial statements.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Statement of Revenue, Expenditures, and Change in Fund Balance - Governmental Funds

For the year ended June 30, 2019

| | General | Capital Projects | Non-major Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|------------------------------------|--------------------------------|
| REVENUE: | | | | |
| Real property taxes | \$ 5,264,302 | \$ - | \$ - | \$ 5,264,302 |
| Charges for services | 132,275 | - | - | 132,275 |
| Use of money and property | 17,729 | - | 11,551 | 29,280 |
| Sale of property and compensation for | 929 | - | - | 929 |
| Miscellaneous | 195,966 | - | 146,266 | 342,232 |
| State sources | 7,106,956 | - | 115,346 | 7,222,302 |
| Federal sources | - | - | 404,636 | 404,636 |
| Sales | - | - | 110,141 | 110,141 |
| Total revenue | <u>12,718,157</u> | <u>-</u> | <u>787,940</u> | <u>13,506,097</u> |
| EXPENDITURES: | | | | |
| General support | 1,425,895 | - | - | 1,425,895 |
| Instruction | 5,137,099 | - | 465,907 | 5,603,006 |
| Pupil transportation | 695,603 | - | 8,351 | 703,954 |
| Employee benefits | 3,676,174 | - | 65,239 | 3,741,413 |
| Community service | 1,500 | - | - | 1,500 |
| Cost of sales | - | - | 214,156 | 214,156 |
| Capital outlays | - | 525,189 | - | 525,189 |
| Debt service - | | | | |
| Principal | - | - | 774,760 | 774,760 |
| Interest | 688 | - | 262,154 | 262,842 |
| Total expenditures | <u>10,936,959</u> | <u>525,189</u> | <u>1,790,567</u> | <u>13,252,715</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES | <u>1,781,198</u> | <u>(525,189)</u> | <u>(1,002,627)</u> | <u>253,382</u> |
| OTHER FINANCING SOURCES AND (USES): | | | | |
| BAN's redeemed from appropriations | - | 154,760 | - | 154,760 |
| Transfers in | - | 100,000 | 1,051,859 | 1,151,859 |
| Transfers (out) | (1,151,859) | - | - | (1,151,859) |
| Total other financing sources (uses) | <u>(1,151,859)</u> | <u>254,760</u> | <u>1,051,859</u> | <u>154,760</u> |
| CHANGE IN FUND BALANCE | <u>629,339</u> | <u>(270,429)</u> | <u>49,232</u> | <u>408,142</u> |
| FUND BALANCES - beginning of year | <u>3,141,484</u> | <u>(1,132)</u> | <u>364,939</u> | <u>3,505,291</u> |
| FUND BALANCES - end of year | <u>\$ 3,770,823</u> | <u>\$ (271,561)</u> | <u>\$ 414,171</u> | <u>\$ 3,913,433</u> |

The accompanying notes are an integral part of these financial statements.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**Reconciliation of the Statement of Revenue, Expenditures, and Change in Fund Balance to the Statement of Activities
For the year ended June 30, 2019**

Amounts reported for governmental activities in the Statement of Net Activities are different from amounts reported in the Statement of Revenue, Expenditures, and Change In Fund Balances because:

| | |
|--|-------------------|
| Net changes in fund balance - total governmental funds | \$ 408,142 |
| Capital outlays, net of disposals, are expenditures in governmental funds, but are capitalized in the statement of net position. | 525,189 |
| Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities. | (832,186) |
| 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. | 620,000 |
| 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. | 52,309 |
| 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 | (183,339) |
| Deferred outflows of resources | (155,323) |
| Deferred inflows of resources | 296,781 |
| 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 are not reported in the funds. | |
| Net pension liability/asset | 251,796 |
| Deferred outflows of resources | (77,186) |
| Deferred inflows of resources | (139,535) |
| 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 | 2,071,403 |
| Deferred outflows of resources | (65,742) |
| Deferred inflows of resources | (2,492,525) |
| 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: | |
| Change in compensated absences | <u>11,835</u> |
| Change in net position - governmental activities | <u>\$ 291,619</u> |

The accompanying notes are an integral part of these financial statements.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Statement of Net Position - Fiduciary Funds

June 30, 2019

| | Private Purpose Trusts | Agency |
|---|---------------------------|--------------------------|
| ASSETS: | | |
| Cash and cash equivalents - restricted | \$ 247,117 | \$ 172,546 |
| Accounts receivable | - | 6,880 |
| Investments | <u>2,743</u> | <u>-</u> |
| Total assets | <u><u>249,860</u></u> | <u><u>179,426</u></u> |
| LIABILITIES: | | |
| Extraclassroom activity balances | - | 62,510 |
| Due to other funds | - | 114,880 |
| Other liabilities | <u>-</u> | <u>2,036</u> |
| Total liabilities | <u><u>\$ -</u></u> | <u><u>\$ 179,426</u></u> |
| NET POSITION: | | |
| Restricted for scholarships | <u>249,860</u> | |
| Total net position | <u><u>249,860</u></u> | |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 249,860</u></u> | |

The accompanying notes are an integral part of these financial statements.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**Statement of Change in Fiduciary Net Position - Fiduciary Funds
For the year ended June 30, 2019**

ADDITIONS:

| | | |
|-------------------------|----|------------|
| Gifts and contributions | \$ | 3,500 |
| Investment earnings | | <u>126</u> |

| | | |
|-----------------|--|--------------|
| Total additions | | <u>3,626</u> |
|-----------------|--|--------------|

DEDUCTIONS:

| | | |
|-------------------------|--|--------------|
| Scholarships and awards | | <u>5,700</u> |
|-------------------------|--|--------------|

| | | |
|------------------------|--|---------|
| CHANGE IN NET POSITION | | (2,074) |
|------------------------|--|---------|

| | | |
|----------------------------------|--|----------------|
| NET POSITION - beginning of year | | <u>251,934</u> |
|----------------------------------|--|----------------|

| | | |
|----------------------------|----|-----------------------|
| NET POSITION - end of year | \$ | <u><u>249,860</u></u> |
|----------------------------|----|-----------------------|

The accompanying notes are an integral part of these financial statements.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

1. NATURE OF OPERATIONS

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

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) consisting of 7 members. The President of the Board serves as chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management and primary accountability for all fiscal matters.

The 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. Based on the application of these criteria, there are no component units included in the District's financial statements.

Net position is reported as restricted when constraints placed on its use are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted net position of the District is restricted as a result of externally imposed conditions and include amounts restricted for debt service.

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.

Joint Venture

The District is a component school district in the Otsego Northern Catskills Board of Cooperative Education Services (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.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

During the year, the District was billed \$1,160,873 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$340,883.

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

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:

Basis of Presentation

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

District-Wide Statements

The statement of net position and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. 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. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

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.

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.

Debt Service Fund - This fund is used to account for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of the governmental activities.

Fiduciary Funds

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

There are two classes of fiduciary funds:

- Private purpose trust funds - These funds are used to account for trust arrangements in which principal and income are used to fund annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.
- Agency funds - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District solely as an agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The district considers all revenues reported in the governmental funds to be available if the revenues are collected within 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. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Property Taxes

Real property taxes are levied annually by the BOE 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. Uncollected real property taxes are subsequently enforced by the County(ies) in which the District is located. The County(ies) pay an amount representing uncollected real property taxes transmitted to the County(ies) for enforcement to the District no later than the following April 1.

Uncollected real property taxes are subsequently enforced by the County(ies) in which the District is located. The County(ies) pay(s) an amount representing uncollected real property taxes transmitted to the County(ies) for enforcement to the District no later than the following April 1.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

The City and Counties in which the District is located enforce uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City to the District within two years from the return of unpaid taxes to the City. Real property taxes receivable expected to be collected within 60 days of year-end, less similar amounts collected during this period in the preceding year are recognized as revenue. Otherwise, a deferred inflow of resources offset real property taxes receivable.

Inventory and Prepaid Items

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.

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

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.

Refer to Note 8 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

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.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

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

| | Capitalization Threshold | Depreciation Method | Estimated Useful Life |
|----------------------------|-----------------------------|------------------------|--------------------------|
| Land improvements | \$ 1,000 | SL | 20 - 50 years |
| Buildings and improvements | \$ 1,000 | SL | 20 - 50 years |
| Machinery and equipment | \$ 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. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

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

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.

Other Benefits

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. (If applicable "The cost of providing post-retirement benefits is shared between the District and the retired employee.") The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

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.

Unearned Revenue

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

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 resource 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.

Accrued Liabilities and Long-Term Obligations

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

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

Restricted Resources

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

District-wide Statements - Equity Classifications

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

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

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

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

Unrestricted net 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.

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:

Capital Reserve

According to Education Law §3651, this reserve must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for 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. The Reserve is accounted for in the General Fund under restricted fund balance.

Reserve for Debt Service

According to General Municipal Law §6-l, the Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of the sale. Also, earnings on project monies invested together with unused proceeds are reported here.

Repair Reserve

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

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

Employee Benefit Accrued Liability Reserve

According to General Municipal Law §6-p, this reserve must be used for the payment of accrued employee benefits due to 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.

Retirement Contribution Reserve

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

Unemployment Insurance Reserve

This reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the District has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to the tax (contribution) basis, excess resources in the fund may be transferred to any other reserve fund. The reserve is accounted for in the General fund under restricted fund balance.

Encumbrances

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

Committed fund balance - Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, the BOE. The District has no committed fund balances as of June 30, 2019.

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 in the General fund. Encumbrances represent purchase commitments made by the District's purchasing agent through their authorization of a purchase order prior to year-end. The District assignment is based on the functional level of expenditures.

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

New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds the District can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year's budget and encumbrances are also excluded from the 4% limitation.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

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 restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

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.

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

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

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

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

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

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

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

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial 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.
- **Pension Differences**
Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.
- **OPEB Differences**
OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the District is subject to various federal, state and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows.

Budgets

The District administration prepares a proposed budget for approval by the Board Of Education for the General Fund.

The voters of the District approved the proposed appropriation budget.

Appropriations are adopted at the program line item level.

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

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

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.

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2019.

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

Encumbrances

Encumbrance accounting is used for 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 assignments of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

Fund Balance Deficit

The Capital Projects had a deficit fund balance of \$(271,561) This will be funded when the District obtains permanent financing for its current construction project.

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

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, as discussed previously in these Notes.

The District's aggregate bank balance of \$5,211,317, not covered by depository insurance at year-end, were fully collateralized.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$3,065,824 within the governmental funds and \$419,663 in the fiduciary funds.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------|---------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets that are not depreciated: | | | | |
| Land | \$ 150,000 | \$ - | \$ - | \$ 150,000 |
| Construction in progress | <u>316,968</u> | <u>336,252</u> | <u>(271,986)</u> | <u>381,234</u> |
| Total nondepreciable cost | <u>466,968</u> | <u>336,252</u> | <u>(271,986)</u> | <u>531,234</u> |
| Capital assets that are depreciated: | | | | |
| Land improvements | 794,001 | - | - | 794,001 |
| Buildings and improvements | 28,069,630 | 271,986 | - | 28,341,616 |
| Machinery, equipment and vehicles | <u>2,136,852</u> | <u>188,937</u> | <u>(181,373)</u> | <u>2,144,416</u> |
| Total depreciable historical cost | <u>31,000,483</u> | <u>460,923</u> | <u>(181,373)</u> | <u>31,280,033</u> |
| Less accumulated depreciation: | | | | |
| Land improvements | 794,001 | - | - | 794,001 |
| Buildings and improvements | 11,908,335 | 635,124 | - | 12,543,459 |
| Machinery, equipment and vehicles | <u>1,621,910</u> | <u>197,062</u> | <u>(181,373)</u> | <u>1,637,599</u> |
| Total accumulated depreciation | <u>14,324,246</u> | <u>832,186</u> | <u>(181,373)</u> | <u>14,975,059</u> |
| Total depreciable cost - net | <u>16,676,237</u> | <u>(371,263)</u> | <u>-</u> | <u>16,304,974</u> |
| Total capital assets, net | <u>\$ 17,143,205</u> | <u>\$ (35,011)</u> | <u>\$ (271,986)</u> | <u>\$ 16,836,208</u> |

Depreciation expense for the year ended June 30, 2019 , was allocated to specific functions as follows:

| | |
|----------------------|-------------------|
| General support | \$ 595,053 |
| Instruction | 78,405 |
| Pupil transportation | <u>158,728</u> |
| Total depreciation | <u>\$ 832,186</u> |

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

7. SHORT-TERM DEBT

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

| | Maturity | Stated Interest Rate | Beginning Balance | Issued | Redeemed | Ending Balance |
|-------------------|-----------|----------------------|-------------------|-------------------|---------------------|-------------------|
| 2018/19 BAN | 8/16/2019 | 2.26% | \$ 274,760 | \$ 175,000 | \$ (94,760) | \$ 355,000 |
| 2019 BAN Series A | 6/28/2019 | 0.00% | - | 60,000 | (60,000) | - |
| | | | <u>\$ 274,760</u> | <u>\$ 235,000</u> | <u>\$ (154,760)</u> | <u>\$ 355,000</u> |

8. INTERFUND BALANCES AND ACTIVITY

| | Interfund | | Transfers | |
|------------------|-------------------|-------------------|---------------------|---------------------|
| | Receivable | Payable | In | Out |
| General | \$ 208,234 | \$ - | \$ - | \$ 1,151,859 |
| Capital Projects | - | 16 | 100,000 | - |
| School Lunch | - | 64 | 10,000 | - |
| Special Aid | - | 93,290 | - | - |
| Debt service | 16 | - | 1,041,859 | - |
| Fiduciary | - | 114,880 | - | - |
| Total | <u>\$ 208,250</u> | <u>\$ 208,250</u> | <u>\$ 1,151,859</u> | <u>\$ 1,151,859</u> |

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

Transfers are used to finance certain special aid programs, support capital project expenditures, school lunch programs and debt service expenditures.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

9. LONG-TERM OBLIGATIONS

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions {a}</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--------------------------|------------------------------|------------------|----------------------|---------------------------|--------------------------------|
| Bonds: | | | | | |
| Serial bonds payable | \$ 5,560,000 | \$ - | \$ 620,000 | \$ 4,940,000 | \$ 645,000 |
| Unamortized bond premium | <u>771,493</u> | <u>-</u> | <u>96,197</u> | <u>675,296</u> | <u>-</u> |
| Total bonds | <u>\$ 6,331,493</u> | <u>\$ -</u> | <u>\$ 716,197</u> | <u>\$ 5,615,296</u> | <u>\$ 645,000</u> |
| Other liabilities: | | | | | |
| Compensated absences | <u>\$ 223,075</u> | <u>\$ -</u> | <u>\$ 11,835</u> | <u>\$ 211,240</u> | <u>\$ -</u> |

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

Interest on all debt for the year was composed of:

| | |
|---|-------------------|
| Interest paid | 262,842 |
| Less: Amortization of bond premium | (96,197) |
| Plus: Amortization of deferred outflow on refunding | <u>43,888</u> |
| Total interest expense | <u>\$ 210,533</u> |

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

| <u>Bond Issue</u> | <u>Issued</u> | <u>Maturity</u> | <u>Interest Rate</u> | <u>6/30/19 Balance</u> |
|------------------------|---------------|-----------------|----------------------|----------------------------|
| Serial Bonds | 3/15/2006 | 3/15/2021 | 4.42% | \$ 70,000 |
| Serial Bonds | 6/8/2011 | 6/15/2026 | 4.22% | 1,110,000 |
| Serial Bonds | 7/29/2016 | 7/30/2031 | 2.00% | 895,000 |
| Serial Bonds Refunding | 11/9/2017 | 6/15/2026 | 2.38% | <u>2,865,000</u> |
| Total bond issue | | | | <u>\$ 4,940,000</u> |

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

The following is a summary of the maturity of long-term indebtedness as of June 30, 2019:

| | Principal | Interest | Total |
|-----------|---------------------|---------------------|---------------------|
| 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 | 715,000 | 115,200 | 830,200 |
| 2025-2029 | 1,410,000 | 176,650 | 1,586,650 |
| 2030-2032 | 170,000 | 14,750 | 184,750 |
| Totals | <u>\$ 4,940,000</u> | <u>\$ 1,081,198</u> | <u>\$ 6,021,198</u> |

10. PENSION PLANS

New York State Employees' Retirement System

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides 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), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public 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, and the Report on the Schedule of Employer Allocations and Schedules of Pension Amounts by Employer may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The system is noncontributory except for employees who joined the System after July 27th, 1976, who contribute 3.0% percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier 6 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:

| | ERS |
|------|------------|
| 2019 | \$ 162,962 |
| 2018 | 150,407 |
| 2017 | 146,353 |

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

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

At June 30, 2019, the District reported a net pension liability of \$308,385 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2018. 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, 2019, the District’s proportionate share was .0043525% percent, which was an increase of .0004780% from its proportionate share measured at June 30, 2018.

For the year ended June 30, 2019, the District recognized pension expense of \$204,399. At June 30, 2019, the District reported deferred outflows/inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 60,727 | \$ 20,701 |
| Changes of assumptions | 77,515 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 79,149 |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 30,299 | 12,499 |
| Contributions subsequent to the measurement date | <u>62,931</u> | - |
| Total | <u>\$ 231,472</u> | <u>\$ 112,349</u> |

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

Plan's Year Ended March 31:

| | |
|------|------------------|
| 2020 | \$ 65,512 |
| 2021 | (53,343) |
| 2022 | (1,249) |
| 2023 | <u>45,272</u> |
| | <u>\$ 56,192</u> |

The District recognized \$62,931 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2019 which will be recognized on a reduction of the net pension liability in the year ended June 30, 2020.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

Actuarial Assumptions

The total pension liability at March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019.

The actuarial valuation used the following actuarial assumptions:

| | |
|---------------------------|--|
| Actuarial cost method | Entry age normal |
| Inflation | 2.50% |
| Salary scale | 4.2% 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 returns, 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Type</u> | <u>Target Allocations in %</u> | <u>Long-term expected real rate of return in %</u> |
|-------------------------|--------------------------------|--|
| Domestic Equity | 36.0 | 4.55 |
| International Equity | 14.0 | 6.35 |
| Private Equity | 10.0 | 7.50 |
| Real Estate | 10.0 | 5.55 |
| Absolute Return | 2.0 | 3.75 |
| Opportunistic Portfolio | 3.0 | 5.68 |
| Real Asset | 3.0 | 5.29 |
| Bonds, Cash & Mortgages | 17.0 | 1.31 |
| Cash | 1.0 | -0.25 |
| Inflation Indexed Bonds | <u>4.0</u> | 1.25 |
| | <u>100%</u> | |

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

Discount Rate

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

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

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

| | 1% Lower <u>6.00%</u> | Current Discount <u>7.00%</u> | 1% Higher <u>8.00%</u> |
|--|--------------------------|-------------------------------------|---------------------------|
| Proportionate Share of Net Pension liability (asset) | <u>\$ 1,348,306</u> | <u>\$ 308,385</u> | <u>\$ (565,224)</u> |

Pension Plan Fiduciary Net Position (000’s)

The components of the collective net pension liability of the participating employers as of March 31, 2019, were as follows:

| | |
|---|---------------------|
| Total pension liability | \$189,803,429 |
| Net position | <u>182,718,124</u> |
| Net pension liability (asset) | <u>\$ 7,085,305</u> |
| ERS net position as a percentage of total pension liability | 96.27% |

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

New York State Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability 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. The System is governed by a 10-member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public 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. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report and/or the Report on the Schedule of Employer Allocations and Schedules of Pension Amounts by Employer, which can be found on the System's website at www.nystrs.org.

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

Contributions

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

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

| | <u>TRS</u> |
|------|------------|
| 2019 | \$ 368,486 |
| 2018 | \$ 404,671 |
| 2017 | \$ 440,869 |

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

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

At June, 30, 2019, the District reported net pension asset of \$417,413 for its proportionate share of the NYSTRS net pension asset. The net pension asset was measured as of June 30, 2018, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of June 30, 2017. The District’s proportion of the net pension asset was based on a projection of the Districts’ long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2019 the District’s proportionate share was 0.023084%, which was a increase of 0.001295% from its proportionate share measured at June 30, 2018.

For the year ended June 30, 2019, the District recognized pension expense of \$313,115. At June 30, 2019 the District reported deferred outflows/inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 311,929 | \$ 56,503 |
| Changes of assumptions | 1,459,133 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 463,360 |
| Changes in proportion | 14,359 | 99,356 |
| Contributions subsequent to the measurement date | <u>448,220</u> | <u>-</u> |
| Total | <u>\$ 2,233,641</u> | <u>\$ 619,219</u> |

The District recognized \$448,220 as a deferred outflows of resources related to pensions resulting from the District’s contributions subsequent to the measurement date June 30, 2018 which will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

| | |
|----------------------------|---------------------|
| Plan's Year Ended June 30: | |
| 2019 | \$ 404,398 |
| 2020 | 270,071 |
| 2021 | 15,968 |
| 2022 | 269,088 |
| 2023 | 177,090 |
| Thereafter | <u>29,587</u> |
| | <u>\$ 1,166,202</u> |

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

Actuarial Assumptions

The total pension liability at the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. These actuarial valuations used the following actuarial assumptions:

| | |
|----------------------------|---|
| Actuarial Cost Method | Entry Normal Age |
| Inflation | 2.25% |
| Projected Salary Increases | Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience. |

| <u>Service</u> | <u>Rate</u> |
|----------------|-------------|
| 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 mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis. Active member mortality rates are based on plan member experience.

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

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

Best estimates of arithmetic real rates of return for each major asset class included in the System's 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 Equity | 33 | 5.8 |
| International Equity | 16 | 7.3 |
| Global Equity | 4 | 6.7 |
| Real Estate | 11 | 4.9 |
| Private equities | 8 | 8.9 |
| Domestic fixed income securities | 16 | 1.3 |
| Global Fixed Income Securities | 2 | 0.9 |
| Private debt | 1 | 6.8 |
| Real estate debt | 7 | 2.8 |
| High-yield fixed income securities | 1 | 3.5 |
| Short-term | 1 | 0.3 |
| | <u>100</u> | |

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2018 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

The following presents the net pension liability (asset) of the school districts calculated using the discount rate of 7.25 percent, as well as what the school districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.25 percent) or 1% higher (8.25 percent) than the current rate:

| | Current | | |
|--|---------------------|---------------------|-----------------------|
| | 1% Lower 6.25% | Discount 7.25% | 1% Higher 8.25% |
| Proportionate Share of Net Pension Liability (asset) | <u>\$ 2,867,696</u> | <u>\$ (417,413)</u> | <u>\$ (3,169,422)</u> |

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

Pension Plan Fiduciary Net Position

The components of the current year net pension liability (asset) (in 000's) of the participating school district employers at June 30, 2018, were as follows:

| | |
|--|-----------------------|
| Total pension liability | \$ 118,107,253 |
| Net position | <u>119,915,518</u> |
| Net pension liability (asset) | <u>\$ (1,808,265)</u> |
| NYSTRS net position as a percentage of total pension liability | 101.53% |

11. OTHER POSTEMPLOYMENT BENEFITS

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 plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The District provides healthcare benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request

Employees Covered by Benefit Terms

At July 1, 2017 the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 163 |
| Active employees | <u>92</u> |
| Total participants | <u>255</u> |

Total OPEB Liability

The District's total OPEB liability of \$40,785,058 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019 actuarial measurement was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--------------------------------------|---|
| Salary increases including inflation | 3.00 percent |
| Discount Rate | 3.00 percent as of June 30, 2018; 3.50 percent as of June 30, 2019 |
| Medical Trend Rate | 7.5 percent for 2018, decreasing 4.5 percent for 7 years |
| Cost Method | Entry Age Normal |
| Mortality | RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2017 |

The discount rate was based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in the Total OPEB Liability

| | |
|--|----------------------|
| Balance at June 30, 2018 | <u>\$ 42,856,461</u> |
| Changes for the Year- | |
| Service cost | 1,272,120 |
| Interest | 1,301,091 |
| Changes in assumptions or other inputs | (3,115,656) |
| Benefit payments | <u>(1,528,958)</u> |
| Net changes | <u>(2,071,403)</u> |
| Balance at June 30, 2019 | <u>\$ 40,785,058</u> |

Changes of assumptions and other inputs reflect a change in the discount rate from 3.00% in 2018 to 3.50% in 2019.

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 (2.50%) or 1 percentage point higher (4.50%) than the current discount rate:

| | 1% Decrease <u>2.50%</u> | Current Discount <u>3.50%</u> | 1% Increase <u>4.50%</u> |
|----------------------|-----------------------------|-------------------------------------|-----------------------------|
| Total OPEB Liability | <u>\$ 47,383,951</u> | <u>\$ 40,785,058</u> | <u>\$ 35,478,954</u> |

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

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 (6.50%) or 1 percentage point higher (8.50%) than the current healthcare cost trend rate:

| | Healthcare | | |
|----------------------|----------------------|----------------------|----------------------|
| | Decrease | Current | Increase |
| | <u>6.50%</u> | <u>7.50%</u> | <u>8.50%</u> |
| Total OPEB Liability | <u>\$ 35,472,892</u> | <u>\$ 40,785,058</u> | <u>\$ 48,326,858</u> |

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

For the year ended June 30, 2019 the District recognized OPEB expense of \$2,015,822. At June 30, 2019, 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 expected and actual experience | \$ 308,989 | \$ - |
| Changes of assumptions | <u>-</u> | <u>2,492,525</u> |
| Total | <u>\$ 308,989</u> | <u>\$ 2,492,525</u> |

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

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

| <u>Fiscal Year Ending June 30:</u> | <u>Amount</u> |
|------------------------------------|-----------------------|
| 2020 | \$ (557,389) |
| 2021 | (557,389) |
| 2022 | (557,389) |
| 2023 | (557,390) |
| 2024 | 46,021 |
| Thereafter | <u>-</u> |
| | <u>\$ (2,183,536)</u> |

12. RISK MANAGEMENT

General

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

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.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

Worker's Compensation

The District incurs costs related to the a workers' compensation Plan (the Insurance Plan) sponsored by Otsego North Catskills 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 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 (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 expenses in the periods in which they are made. During the year ended June 30, 2019 the District incurred premiums or contribution expenditures totaling \$52,475.

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 2018-2019 fiscal year totaled zero. The balance of the reserve at June 30, 2019 is \$270,255 and is recorded in the General fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2019 no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

13. CONTINGENCIES AND COMMITMENTS

Litigation

There is no litigation pending against the District as of the balance sheet date.

Grants

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.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

14. SUBSEQUENT EVENTS

On July 18, 2019, the District issued a Bond Anticipation Note in the amount of \$1,500,000 with an interest rate of 2.00%.

On August 6, 2019, the District issued a Bond Anticipation Note in the amount of \$270,000 with an interest rate of 1.68%.

On August 22, 2019, the District renewed a Bond Anticipation Note in the amount of \$221,890 with an interest rate of 1.51%.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund (Unaudited)

For the year ended June 30, 2019

| | Original Budget | Final Budget | Actual | Encumbrances | Final Budget Variance with Budgetary Actual |
|--|-----------------|--------------|--------------|--------------|--|
| REVENUE | | | | | |
| Real property taxes | \$ 5,271,610 | \$ 5,271,610 | \$ 5,264,302 | \$ - | \$ (7,308) |
| Charges for services | 88,433 | 88,433 | 132,275 | - | 43,842 |
| Use of money and property | 1,000 | 1,000 | 17,729 | - | 16,729 |
| Sale of property and compensation for loss | 500 | 500 | 929 | - | 429 |
| Miscellaneous | 220,000 | 220,000 | 195,966 | - | (24,034) |
| State sources | 7,138,721 | 7,138,721 | 7,106,956 | - | (31,765) |
| Total revenue | 12,720,264 | 12,720,264 | 12,718,157 | - | (2,107) |
| EXPENDITURES | | | | | |
| GENERAL SUPPORT: | | | | | |
| Board of education | 19,200 | 20,002 | 17,283 | 632 | 2,087 |
| Central administration | 175,000 | 175,000 | 166,175 | - | 8,825 |
| Finance | 202,489 | 204,162 | 190,772 | 7,982 | 5,408 |
| Staff | 37,473 | 37,675 | 31,963 | 1,100 | 4,612 |
| Central services | 870,330 | 912,125 | 833,773 | 41,536 | 36,816 |
| Special items | 207,647 | 207,647 | 185,929 | - | 21,718 |
| Total general support | 1,512,139 | 1,556,611 | 1,425,895 | 51,250 | 79,466 |
| INSTRUCTION: | | | | | |
| Instruction, administration, and improvement | | | | | |
| | 218,651 | 219,452 | 203,769 | - | 15,683 |
| Teaching - regular school | 2,701,078 | 2,705,514 | 2,538,781 | 15,872 | 150,861 |
| Programs for special needs children | 1,388,099 | 1,398,987 | 1,260,754 | 69,795 | 68,438 |
| Occupational education | 473,706 | 474,008 | 470,488 | - | 3,520 |
| Teaching - special school | 45,626 | 45,626 | 37,961 | - | 7,665 |
| Instructional media | 244,270 | 245,292 | 228,790 | 1,327 | 15,175 |
| Pupil services | 444,616 | 451,349 | 396,556 | 2,206 | 52,587 |
| Total instruction | 5,516,046 | 5,540,228 | 5,137,099 | 89,200 | 313,929 |
| Pupil transportation | 691,551 | 706,133 | 695,603 | 17,195 | (6,665) |
| Community services | 1,500 | 1,500 | 1,500 | - | - |
| Employee benefits | 4,118,169 | 4,118,169 | 3,676,174 | 92,569 | 349,426 |
| Total expenditures | 11,839,405 | 11,922,641 | 10,936,271 | 250,214 | 736,156 |
| Excess (deficiency) of revenue over expenditures | 880,859 | 797,623 | 1,781,886 | (250,214) | 734,049 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Interest | (1,000) | (1,000) | (688) | - | 312 |
| Transfers in | - | - | - | - | - |
| Transfers out | (1,151,859) | (1,151,859) | (1,151,859) | - | - |
| Total other financing sources | (1,152,859) | (1,152,859) | (1,152,547) | - | 312 |
| NET CHANGE IN FUND BALANCES | \$ (272,000) | \$ (355,236) | 629,339 | \$ (250,214) | \$ 734,361 |
| FUND BALANCE - beginning of year | | | 3,141,484 | | |
| FUND BALANCE - end of year | | | \$ 3,770,823 | | |

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
Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)
For the year ended June 30, 2019**

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--|----------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Last 10 Fiscal Years (Dollar amounts displayed in thousands) | | | | | | | | | | |
| Total OPEB Liability | | | | | | | | | | |
| Service cost | \$ 1,272,120 | \$ 1,235,068 | | | | | | | | |
| Interest | 1,301,091 | 1,263,729 | | | | | | | | |
| Changes of benefit terms | - | - | | | | | | | | |
| Differences between expected and actual experience | - | 440,473 | | | | | | | | |
| Changes in assumptions | (3,115,656) | - | | | | | | | | |
| Benefit payments | (1,528,958) | (1,929,852) | | | | | | | | |
| Total change in total OPEB liability | (2,071,403) | 1,009,418 | | | | | | | | |
| Total OPEB liability - beginning | 42,856,461 | 41,847,043 | | | | | | | | |
| Total OPEB liability - ending | \$ 40,785,058 | \$ 42,856,461 | | | | | | | | |
| Covered-employee payroll | 4,997,259 | 4,997,259 | | | | | | | | |
| Total OPEB liability as a percentage of covered- employee payroll | 816.15% | 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 | 3.50% | 3.00% |
|---------------|-------|-------|

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 Position Liability (Asset)
For the year ended June 30, 2019**

| | Last 10 Fiscal Years (Dollar amounts displayed in thousands) | | | | | | | | | |
|--|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN | | | | | | | | | | |
| Proportion of the net pension liability (asset) | 0.0043525% | 0.0038745% | 0.0037589% | 0.0036275% | 0.0039767% | | | | | |
| Proportionate share of the net pension liability (asset) | \$ 308 | \$ 125 | \$ 353 | \$ 582 | \$ 134 | | | | | |
| Covered-employee payroll | \$ 1,163 | \$ 1,024 | \$ 1,010 | \$ 938 | \$ 938 | | | | | |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 26.49% | 12.21% | 34.95% | 62.05% | 14.29% | | | | | |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 96.27% | 98.24% | 94.70% | 90.70% | 97.90% | | | | | |
| <div style="border: 1px solid black; padding: 10px; background-color: #e0e0e0;"> <p>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.</p> </div> | | | | | | | | | | |
| NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN | | | | | | | | | | |
| Proportion of the net pension liability (asset) | 0.0230840% | 0.0217890% | 0.0218750% | 0.0220330% | 0.0298100% | | | | | |
| Proportionate share of the net pension liability (asset) | \$ (417) | \$ (166) | \$ 234 | \$ (2,288) | \$ (2,337) | | | | | |
| Covered-employee payroll | \$ 3,690 | \$ 4,866 | \$ 3,453 | \$ 2,122 | \$ 2,122 | | | | | |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | -11.30% | -3.41% | 6.78% | -107.82% | -110.13% | | | | | |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 101.53% | 100.66% | 99.01% | 110.46% | 111.48% | | | | | |
| <div style="border: 1px solid black; padding: 10px; background-color: #e0e0e0;"> <p>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.</p> </div> | | | | | | | | | | |

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

**Required Supplementary Information
Schedule of Contributions - Pension Plans (Unaudited)
For the year ended June 30, 2019**

| | Last 10 Fiscal Years (Dollar amounts displayed in thousands) | | | | | | | | | |
|--|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |

**NEW YORK STATE EMPLOYEES'
RETIREMENT SYSTEM PLAN**

| | | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|--|--|--|--|--|
| Contractually required contribution | \$ 163 | \$ 150 | \$ 146 | \$ 138 | \$ 155 | | | | | |
| Contributions in relation to the contractually required contribution | <u>163</u> | <u>150</u> | <u>146</u> | <u>138</u> | <u>155</u> | | | | | |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | | | | |
| Covered-employee payroll | \$ 1,163 | \$ 1,024 | \$ 1,010 | \$ 938 | \$ 938 | | | | | |
| Contributions as a percentage of covered-employee payroll | 14.65% | 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) | | | | | | | | | |
|--|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |

**NEW YORK STATE TEACHERS'
RETIREMENT SYSTEM PLAN**

| | | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|--|--|--|--|--|
| Contractually required contribution | \$ 368 | \$ 404 | \$ 405 | \$ 580 | \$ 580 | | | | | |
| Contributions in relation to the contractually required contribution | <u>368</u> | <u>404</u> | <u>405</u> | <u>580</u> | <u>580</u> | | | | | |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | | | | |
| Covered-employee payroll | \$ 3,690 | \$ 4,866 | \$ 3,453 | \$ 2,122 | \$ 2,122 | | | | | |
| Contributions as a percentage of covered-employee payroll | 9.97% | 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, 2019**

| | School Lunch | Special Aid | Debt Service | Total Non-Major Governmental Funds |
|--|------------------|-------------------|-------------------|--|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 41,437 | \$ 32,934 | \$ - | \$ 74,371 |
| Cash and cash equivalents - restricted | - | - | 347,345 | 347,345 |
| Due from other funds | - | - | 16 | 16 |
| Due from Federal and State governments | 14,423 | 70,715 | - | 85,138 |
| Inventory | 655 | - | - | 655 |
| Total assets | <u>56,515</u> | <u>103,649</u> | <u>347,361</u> | <u>507,525</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES: | | | | |
| Due to other funds | 64 | 93,290 | - | 93,354 |
| Total liabilities | <u>64</u> | <u>93,290</u> | <u>-</u> | <u>93,354</u> |
| FUND BALANCES: | | | | |
| Nonspendable | 655 | - | - | 655 |
| Restricted | - | - | 347,361 | 347,361 |
| Assigned to - Other | 55,796 | 10,359 | - | 66,155 |
| Unassigned | - | - | - | - |
| Total fund balances | <u>56,451</u> | <u>10,359</u> | <u>347,361</u> | <u>414,171</u> |
| Total liabilities and fund balance | <u>\$ 56,515</u> | <u>\$ 103,649</u> | <u>\$ 347,361</u> | <u>\$ 507,525</u> |

The accompanying notes are an integral part of these financial statements.

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, 2019**

| | School Lunch | Special Aid | Debt Service | Total Non-Major Governmental Funds |
|--|------------------|------------------|--------------------|--|
| REVENUE: | | | | |
| Use of money and property | \$ 8 | \$ - | \$ 11,543 | \$ 11,551 |
| Miscellaneous | - | 146,266 | - | 146,266 |
| State sources | 5,687 | 109,659 | - | 115,346 |
| Federal sources | 175,442 | 229,194 | - | 404,636 |
| Sales | 110,141 | - | - | 110,141 |
| | <u>291,278</u> | <u>485,119</u> | <u>11,543</u> | <u>787,940</u> |
| Total revenue | | | | |
| EXPENDITURES: | | | | |
| Instruction | - | 465,907 | - | 465,907 |
| Pupil transportation | - | 8,351 | - | 8,351 |
| Employee benefits | 65,239 | - | - | 65,239 |
| Cost of sales | 214,156 | - | - | 214,156 |
| Debt service - | | | | |
| Principal | - | - | 774,760 | 774,760 |
| Interest | - | - | 262,154 | 262,154 |
| | <u>279,395</u> | <u>474,258</u> | <u>1,036,914</u> | <u>1,790,567</u> |
| Total expenditures | | | | |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES | <u>11,883</u> | <u>10,861</u> | <u>(1,025,371)</u> | <u>(1,002,627)</u> |
| OTHER FINANCING SOURCES AND (USES): | | | | |
| Transfers in | <u>10,000</u> | <u>-</u> | <u>1,041,859</u> | <u>1,051,859</u> |
| Total other financing sources (uses) | <u>10,000</u> | <u>-</u> | <u>1,041,859</u> | <u>1,051,859</u> |
| CHANGE IN FUND BALANCE | 21,883 | 10,861 | 16,488 | 49,232 |
| FUND BALANCES - beginning of year | <u>34,568</u> | <u>(502)</u> | <u>330,873</u> | <u>364,939</u> |
| FUND BALANCES - end of year | <u>\$ 56,451</u> | <u>\$ 10,359</u> | <u>\$ 347,361</u> | <u>\$ 414,171</u> |

The accompanying notes are an integral part of these financial statements.

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, 2019

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

| | | |
|--------------------------------|--|----------------------|
| Adopted budget | | \$ 12,992,264 |
| Add: Prior year's encumbrances | | <u>83,236</u> |
| Original and final budget | | <u>\$ 13,075,500</u> |

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 :

| | |
|-------------------------|----------------|
| Committed fund balance | - |
| Assigned fund balance | 538,214 |
| Unassigned fund balance | <u>470,121</u> |

Total unrestricted fund balance 1,008,335

Less:

| | |
|--|----------------|
| Appropriated fund balance | 288,000 |
| Encumbrances included in assigned fund balance | <u>250,214</u> |

Total adjustments \$ 538,214

General Fund Balance Subject to Section 1318 of Real Property Tax Law \$ 470,121

Actual percentage 3.62%

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Other Information
 Schedule of Project Expenditures - Capital Projects Fund (Unaudited)
 For the year ended June 30, 2019

| Project Title | Original Appropriation | Revised Appropriation | Prior Years' Expenditures | Current Year Expenditures | Total Expenditures | Unexpended Balance | Serial bonds | State Sources | Federal and Local Sources | Total Financing | Residual Equity Transfer | Fund Balance as of 6/30/19 |
|-----------------------------------|---------------------------|--------------------------|------------------------------|------------------------------|-----------------------|-----------------------|---------------------|-------------------|------------------------------|----------------------|--------------------------------|-------------------------------|
| | | | | | | | | | | | | |
| 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 Capital Project | 100,000 | 100,000 | 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) |
| 2018 Bus | 105,000 | 105,000 | 96,343 | - | 96,343 | 8,657 | - | - | 100,747 | 100,747 | - | 4,404 |
| Fuel Tank Project | 3,100,000 | 3,100,000 | 309,880 | 118,423 | 428,303 | 2,671,697 | - | - | 460,700 | 460,700 | - | 32,397 |
| 100K Project 2018/2019 | 100,000 | 100,000 | 7,088 | 90,804 | 97,892 | 2,108 | - | - | 100,000 | 100,000 | - | 2,108 |
| Smart Schools | | | | 127,024 | 127,024 | (127,024) | - | - | - | - | - | (127,024) |
| Equipment | 25,000 | 25,000 | - | 22,092 | 22,092 | 2,908 | - | - | - | - | - | (22,092) |
| 2019 Bus | 170,000 | 170,000 | - | 166,846 | 166,846 | 3,154 | 154,760 | - | - | 154,760 | - | (12,086) |
| | <u>\$ 14,429,187</u> | <u>\$ 14,429,187</u> | <u>\$ 11,287,703</u> | <u>\$ 525,189</u> | <u>\$ 11,812,892</u> | <u>\$ 2,516,295</u> | <u>\$ 9,722,522</u> | <u>\$ 811,922</u> | <u>\$ 1,167,891</u> | <u>\$ 11,702,335</u> | <u>\$ 161,004</u> | <u>\$ (271,561)</u> |

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Other Information

Schedule of Net Investment in Capital Assets (Unaudited)

June 30, 2019

| | | |
|-------------------------------------|----|--------------------|
| Capital assets, net | \$ | 16,836,208 |
| Addition: | | |
| Deferred amounts on refunding | | 307,217 |
| Deduct: | | |
| Premiums on bonds payable | | (675,296) |
| Bond anticipation notes payable | | (355,000) |
| Short-term portion of bonds payable | | (645,000) |
| Long-term portion of bonds payable | | <u>(4,295,000)</u> |
| Net investment in capital assets | \$ | <u>11,173,129</u> |

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 10, 2019

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cherry Valley – Springfield Central School District (District), as of and for the year ended June 30, 2019, 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 10, 2019.

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 did identify certain deficiencies 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. We considered the deficiency in the accompanying schedule of findings and responses as item 2019-001 to be a material weakness.

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.

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.

Cherry Valley - Springfield Central School 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.

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2019

Reference Number: 2019-001

Criteria:

The District is required to report all transactions within the District's accounting system in the proper fund, in the proper period, and in accordance with generally accepted accounting principles (GAAP).

Condition/Cause:

The District does not regularly reconcile accounts payable in the funds.

Effect:

There was a material audit adjustment to the capital projects fund related to expenditures and accounts payable as a result of our audit.

Recommendation:

We recommend that the District ensure that all transactions are recorded within the District's accounting system in the proper fund, in the proper period, and in the proper year in accordance with GAAP.

Management's Response:

Several parties review and sign off on Capital project items from our Project Manager, to the Architects and Engineers. This invoice happened to cross months when it was received.