

*Cherry Valley - Springfield
Central School District*

June 30, 2013

CHERRY VALLEY - SPRINGFIELD CENTRAL SCHOOL DISTRICT

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

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major and non-major fund of Cherry Valley-Springfield Central School District, as of and for the year ended June 30, 2013, which collectively comprise the school'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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities and each major and non-major fund of Cherry Valley-Springfield Central School District, as of June 30, 2013, and the respective changes in

financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2013, on our consideration of the Cherry Valley-Springfield Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Moore & Hart

MOORE & HART
Utica, New York
November 19, 2013

CHERRY VALLEY - SPRINGFIELD CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis

July 01, 2012 - June 30, 2013

INTRODUCTION

This discussion and analysis of Cherry Valley - Springfield Central School District's financial performance provides an overview of the District's financial activities for the fiscal year July 01, 2012 - June 30, 2013. It should be read in conjunction with the basic financial statements immediately following this section.

FINANCIAL HIGHLIGHTS

- New York State Law limits the amount of unassigned fund balance that can be retained by the General Fund to 4% of the ensuing year's budget, exclusive of the amount assigned for the subsequent year's budget. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$5,031. This amount is below the statutory limit.
- On the government-wide financial statements, the assets of the School District exceeded liabilities by \$8,106,823. Of this amount, the unrestricted portion is a deficit of \$4,614,002. The School District's total net assets decreased by \$932,107 for the year ending June 30, 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

BASIC FINANCIAL STATEMENTS

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

District-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Notes

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Figure A - 1

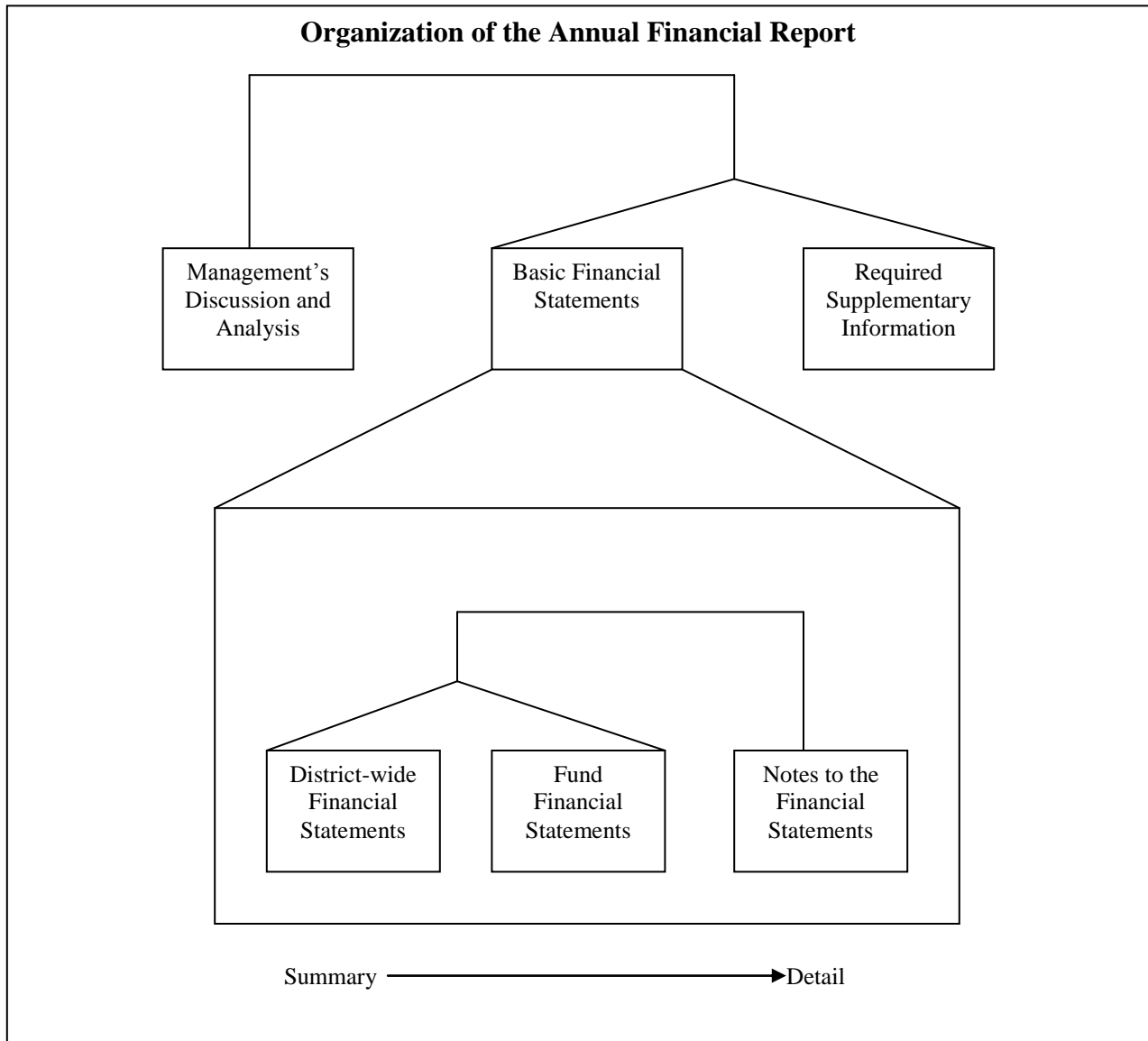


Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2

Major Features of the District-wide and Fund Financial Statements

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

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

Figure A-3

Net Assets				
Governmental and Total School District				
	2013	2012	Difference	% Chg
Assets:				
Current and Other Assets	\$ 3,693,403	\$ 3,520,663	\$ 172,740	4.9%
Capital Assets	<u>20,788,667</u>	<u>21,031,056</u>	<u>(242,389)</u>	-1.2%
Total Assets	<u>24,482,070</u>	<u>24,551,719</u>	<u>(69,649)</u>	-0.3%
Liabilities:				
Long-Term				
Debt Outstanding	15,353,903	14,618,472	735,431	5.0%
Other Liabilities	<u>1,021,344</u>	<u>894,317</u>	<u>127,027</u>	14.2%
Total Liabilities	<u>16,375,247</u>	<u>15,512,789</u>	<u>862,458</u>	5.6%
Net Assets:				
Invested in Capital Assets, Net of Related Debt				
	10,880,882	10,194,355	686,527	6.7%
Restricted	1,839,943	1,880,474	(40,531)	-2.2%
Unrestricted	<u>(4,614,002)</u>	<u>(3,035,899)</u>	<u>(1,578,103)</u>	52.0%
Total Net Assets	<u>\$ 8,106,823</u>	<u>\$ 9,038,930</u>	<u>\$ (932,107)</u>	-10.3%

By far the largest component of the School District's net assets (134.2%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Those assets subject to external restrictions are a surplus of \$1,839,943. The remaining of unrestricted net assets is a deficit of \$4,614,002.

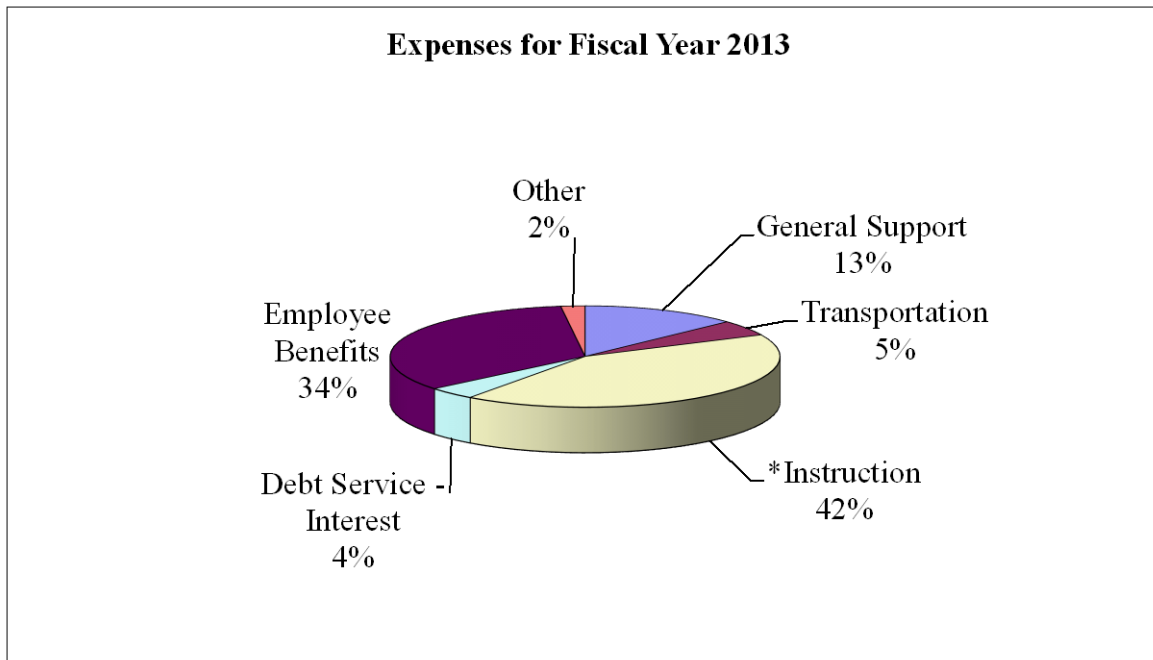
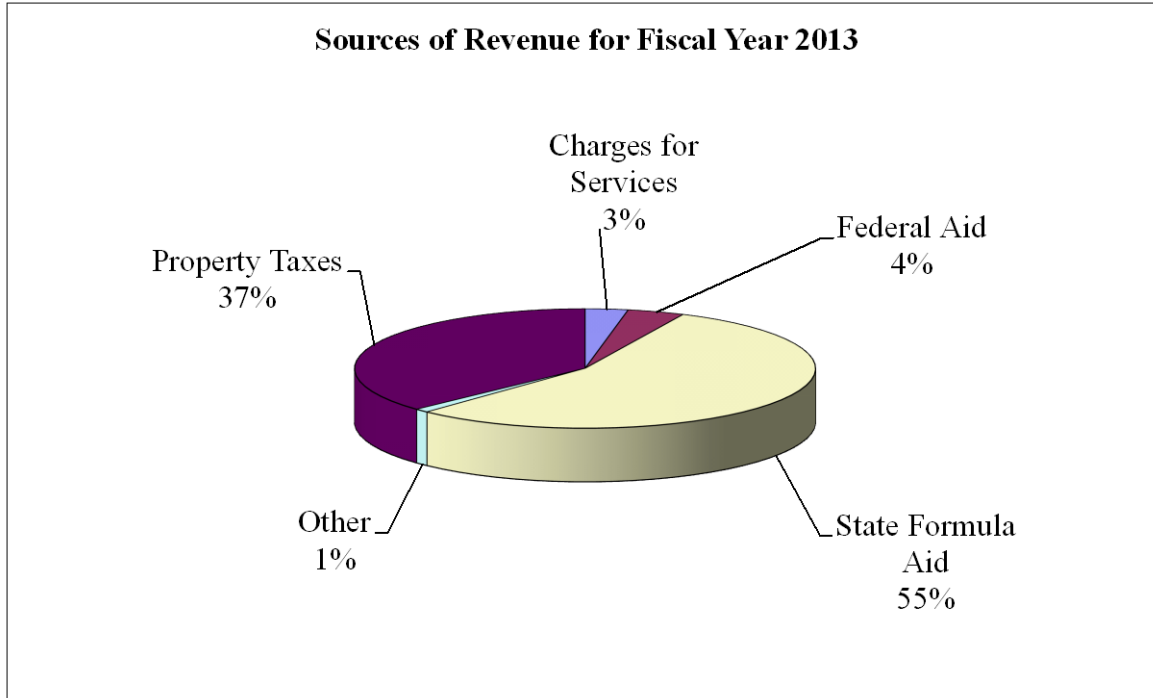
Figure A-4**Changes in Net Assets****Governmental &
Total School District**

	2013	2012	Difference	% Chg
Revenues:				
Program Revenues				
Charges for Services	\$ 332,013	\$ 298,359	\$ 33,654	11.3%
Operating Grants/ Contributions	11,095	7,060	4,035	57.2%
General Revenues				
Property & Other Taxes	4,689,704	4,601,435	88,269	1.9%
State aid	6,897,822	7,240,420	(342,598)	-4.7%
Federal Aid	507,057	695,435	(188,378)	-27.1%
Interest Earnings	5,749	4,139	1,610	38.9%
Miscellaneous	119,618	112,482	7,136	6.3%
Total Revenues	<u>12,563,058</u>	<u>12,959,330</u>	<u>(396,272)</u>	-3.1%
Expenses:				
General Support	1,774,249	2,354,314	(580,065)	-24.6%
Instruction	5,728,989	5,234,432	494,557	9.4%
Transportation	713,621	673,194	40,427	6.0%
Community Service	1,500	1,500	-	
Employee Benefits	4,596,271	4,399,314	196,957	4.5%
Debt Service - Interest	571,099	802,773	(231,674)	-28.9%
Cost of Sales - Food	110,179	111,803	(1,624)	100.0%
Total Expenses	<u>13,495,908</u>	<u>13,577,330</u>	<u>(81,422)</u>	-0.6%
Change In Net Assets	<u>\$ (932,850)</u>	<u>\$ (618,000)</u>	<u>\$ (314,850)</u>	50.9%

Governmental activities decreased the School District's net assets by \$932,850. As indicated on the following pie charts, the School District relies upon New York State formula aid as its primary revenue source, followed by property tax revenue. The School District's program costs account for 82% of its expenses.

Figure A-5

Governmental Activities



Financial Analysis of the School District's Funds

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

Governmental Funds

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

At the end of the current fiscal year, the School District's governmental funds reported combined balances of \$2,438,296. (The governmental funds include the general funds and the reserve funds of the District.) This amount represents a decrease of \$528,647 from the prior year.

Of the total combined fund balances, \$586,975 constitutes unrestricted fund balance, or monies that are available for spending at the District's discretion. This total consists of the net of surpluses in the general fund of \$756,349, school lunch fund of \$11,503 and a deficit in Capital Funds of \$(180,877). Of these monies \$751,316 has been assigned for subsequent year's expenditures and represents the amount estimated for use in the 2013-2014 budget. The balance of \$16,536 is the total surplus in the General Fund and School Lunch Fund.

The remainder of the fund balance is restricted and non-spendable to indicate that it is *not* available for new spending as it has already been committed. The restricted funds include a reserve for repairs in the amount \$208,160, a reserve for employee benefits and accrued liabilities of \$39,308, a reserve for Retirement Contributions of \$650,343, an Unemployment Insurance Reserve of \$550,000, Debt Service Funds of \$337,096 and Capital Funds of \$55,036. Non-spendable funds include the School Lunch Fund inventory of \$11,378.

The General Fund is the chief operating fund of the School District. At the end of the current fiscal year, the unrestricted fund balance was \$756,349 of which \$5,033 was unassigned. The difference or \$751,316 includes \$629,959 assigned for the subsequent year's budget and \$121,357 in encumbrances. As noted earlier, the unreserved, undesignated fund balance of \$5,033 falls below the statutory limit of 4% of the ensuing year's budget that can be retained by a school district.

General Fund Budgetary Highlights

The budget was increased by \$136,459 for encumbrances carried over from the 2011-2012 fiscal year.

Capital Asset and Debt Administration

Capital Assets

On June 30, 2013 the School District has \$20,788,667, net of accumulated depreciation invested in a broad range of capital assets, including land, improvements other than buildings, buildings and improvements, and machinery and equipment. The change in capital assets, net of accumulated depreciation, is reflected below.

Capital Assets (Net of Depreciation)

	Governmental Activities & Total School District			
	2013	2012	Difference	% Chg
Land	\$ 150,000	\$ 150,000	\$ -	0.0%
Construction in Progress	8,556,586	8,345,857	210,729	2.5%
Buildings and Improvements	11,414,775	11,834,110	(419,335)	-3.5%
Equipment and Furniture	667,306	704,089	(36,783)	-5.2%
Total	<u>\$20,788,667</u>	<u>\$21,034,056</u>	<u>\$ (245,389)</u>	-1.2%

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

Long Term Debt

On June 30, 2013, the School District had \$14,582,765 in general obligation and other long term debt outstanding as follows:

Outstanding Long-Term Debt

	Governmental Activities & Total School District			%
	2013	2012	Difference	Chg
General Obligation Bonds	\$ 10,080,617	\$ 11,208,271	\$(1,127,654)	-10.1%
Post Employment Benefits	<u>\$ 5,235,416</u>	<u>\$ 4,026,932</u>	<u>\$ 1,208,484</u>	30.0%
	<u><u>\$ 15,316,033</u></u>	<u><u>\$ 15,235,203</u></u>	<u><u>\$ 80,830</u></u>	

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

Factors Bearing on the District's Future

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

Contacting the School District's Financial Management

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

General Purpose Financial Statements

Cherry Valley - Springfield Central School District
Statement of Net Position
Governmental Activities
June 30, 2013

ASSETS

Cash		
Unrestricted	\$	627,269
Restricted		1,878,156
Receivables		
State and Federal aid		213,263
Due from other governments		188,915
Due from fiduciary funds		197,987
Other		32,737
Inventories		11,378
Capital assets, net		<u>20,788,667</u>
Total Assets		<u>23,938,372</u>
DEFERRED OUTFLOWS OF RESOURCES		
Defeasance Loss		<u>543,698</u>
 Total Assets and Deferred Outflows		 <u><u>\$ 24,482,070</u></u>

LIABILITIES

Payables		
Accounts payable	\$	18,783
Accrued liabilities		30,691
Due to other governments		13,833
Due to teachers' retirement system		421,546
Due to employees' retirement system		71,641
Overpayments		732
Premium on bonds		279,244
Notes payable		
Bond anticipation		184,874
Long-term liabilities		
Due and payable within one year		
Bonds payable		1,167,655
Due and payable after one year		
Bonds payable		8,912,962
Compensated absences payable		37,870
Other postemployment benefits payable		<u>5,235,416</u>
Total Liabilities		<u>16,375,247</u>

NET ASSETS

Investment in capital assets, net of related debt		10,880,882
Restricted for:		
General		1,447,811
Debt Service		337,096
Capital		55,036
Unrestricted (deficit)		<u>(4,614,002)</u>
Total Net Position		<u><u>\$ 8,106,823</u></u>

Cherry Valley - Springfield Central School District
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2013

	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS					
General support	\$ (1,774,249)	\$ (582,651)	\$ -	\$ -	\$ (2,356,900)
Instruction	(5,728,989)	(3,625,512)	214,363	-	(9,140,138)
Pupil transportation	(713,621)	(388,108)	-	-	(1,101,729)
Community services	(1,500)	-	-	-	(1,500)
Employee benefits	(4,596,271)	4,596,271	-	-	-
Debt service - interest	(571,099)	-	-	-	(571,099)
School lunch program	(110,179)	-	117,650	11,095	18,566
	<u>(13,495,908)</u>	<u>-</u>	<u>332,013</u>	<u>11,095</u>	<u>(13,152,800)</u>
GENERAL REVENUES					
Real property taxes					4,148,932
Other tax items					540,772
Use of money and property					5,749
Sale of property and compensation for loss					4,438
State sources					6,897,822
Federal sources					507,057
Miscellaneous					<u>115,180</u>
Total General Revenues					<u>12,219,950</u>
Change in Net Position					<u>(932,850)</u>
Adjustments:					
Rounding					1
Prior Year					742
					<u>743</u>
Total Net Position - Beginning of year					<u>9,038,930</u>
Total Net Position - End of year					<u>\$ 8,106,823</u>

Cherry Valley - Springfield Central School District
Balance Sheet - Governmental Funds
June 30, 2013

	General	Special Aid
ASSETS		
Cash		
Unrestricted	\$ 472,281	\$ 59,251
Restricted	1,447,811	-
Receivables		
Due from other funds	356,705	-
Due from fiduciary funds	197,987	-
State and Federal aid	152,962	58,375
Due from other governemnts	188,915	-
Other	32,637	-
Inventories	-	-
Total Assets	\$ 2,849,298	\$ 117,626
LIABILITIES		
Payables		
Accounts payable	\$ 18,783	\$ -
Due to other funds	119,010	117,626
Due to other governments	13,426	-
Due to Teachers' Retirement System	421,546	-
Due to Employees' Retirement System	71,641	-
Overpayments	732	-
Notes payable		
Bond anticipation	-	-
Total Liabilities	645,138	117,626
FUND BALANCES		
Non-spendable	-	-
Restricted	1,447,811	-
Assigned	751,316	-
Unassigned	5,033	-
Total Fund Balances	2,204,160	-
Total Liabilities and Fund Balances	\$ 2,849,298	\$ 117,626

**Cherry Valley - Springfield Central School District
Balance Sheet - Governmental Funds
June 30, 2013**

<u>School Food Service</u>	<u>Debt Service</u>	<u>Capital Project #1</u>	<u>Capital Projects Non-Major</u>	<u>Total Governmental Funds</u>
\$ 95,737	\$ -	\$ -	\$ -	\$ 627,269
-	337,093	66,599	26,653	1,878,156
-	3	115,013	5,608	477,329
-	-	-	-	197,987
1,926	-	-	-	213,263
-	-	-	-	188,915
100	-	-	-	32,737
11,378	-	-	-	11,378
<u>\$109,141</u>	<u>\$ 337,096</u>	<u>\$ 181,612</u>	<u>\$ 32,261</u>	<u>\$ 3,627,034</u>
\$ -	\$ -	\$ -	\$ -	\$ 18,783
85,853	-	154,840	-	477,329
407	-	-	-	13,833
-	-	-	-	421,546
-	-	-	-	71,641
-	-	-	-	732
-	-	-	184,874	184,874
<u>86,260</u>	<u>-</u>	<u>154,840</u>	<u>184,874</u>	<u>1,188,738</u>
11,378	-	-	-	11,378
-	337,096	26,772	28,264	1,839,943
-	-	-	-	751,316
11,503	-	-	(180,877)	(164,341)
<u>22,881</u>	<u>337,096</u>	<u>26,772</u>	<u>(152,613)</u>	<u>2,438,296</u>
<u>\$109,141</u>	<u>\$ 337,096</u>	<u>\$ 181,612</u>	<u>\$ 32,261</u>	<u>\$ 3,627,034</u>

Cherry Valley - Springfield Central School District
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2013

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Cash				
Unrestricted	\$ 627,269	\$ -	\$ -	\$ 627,269
Restricted	1,878,156	-	-	1,878,156
Receivables				
Due from other funds	477,329	-	(477,329)	-
Due from fiduciary funds	197,987	-	-	197,987
State & federal aid	213,263	-	-	213,263
Due from other governments	188,915	-	-	188,915
Other	32,737	-	-	32,737
Inventories	11,378	-	-	11,378
Land, buildings and equipment (net)	-	20,788,667	-	20,788,667
Total Assets	3,627,034	20,788,667	(477,329)	23,938,372
DEFERRED OUTFLOWS OF RESOURCES				
Defeasance Loss	-	543,698	-	543,698
Total Assets and Deferred Outflows	<u>\$ 3,627,034</u>	<u>\$ 21,332,365</u>	<u>\$ (477,329)</u>	<u>\$ 24,482,070</u>
LIABILITIES				
Payables				
Accounts payable	\$ 18,783	\$ -	\$ -	\$ 18,783
Accrued liabilities	-	30,691	-	30,691
Due to other funds	477,329	-	(477,329)	-
Due to other governments	13,833	-	-	13,833
Due to NYSTRS	421,546	-	-	421,546
Due to NYSERS	71,641	-	-	71,641
Overpayments	732	-	-	732
Premium on Bonds	-	279,244	-	279,244
Notes payable				
Bond anticipation	184,874	-	-	184,874
Bonds payable	-	10,080,617	-	10,080,617
Compensated absences	-	37,870	-	37,870
Post employment benefits payable	-	5,235,416	-	5,235,416
Total Liabilities	1,188,738	15,663,838	(477,329)	16,375,247
FUND BALANCE/NET POSITION				
Total Fund Balance/Net Position	<u>2,438,296</u>	<u>5,668,527</u>	<u>-</u>	<u>8,106,823</u>
Total Liabilities and Fund Balance/Net Position	<u>\$ 3,627,034</u>	<u>\$ 21,332,365</u>	<u>\$ (477,329)</u>	<u>\$ 24,482,070</u>

Cherry Valley - Springfield Central School District
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2013

	General	Special Aid
REVENUES		
Real property taxes	\$ 4,148,932	\$ -
Other tax items	540,772	-
Charges for services	214,363	-
Use of money and property	1,684	-
Sale of property and compensation for loss	4,438	-
State sources	6,792,199	99,043
Federal sources	-	369,743
Surplus food	-	-
Sales - School Lunch	-	-
Miscellaneous	111,183	-
Total Revenues	11,813,571	468,786
EXPENDITURES		
General support	1,568,125	-
Instruction	4,873,675	459,282
Pupil transportation	648,338	9,504
Community services	1,500	-
Employee benefits	3,316,240	-
Debt service		
Principal	-	-
Interest	-	-
Cost of sales	-	-
Capital outlay	-	-
Total Expenditures	10,407,878	468,786
Excess (Deficiency) of Revenues Over Expenditures	1,405,693	-
OTHER FINANCING SOURCES AND USES		
Proceeds from debt	-	-
Operating transfers in (out)	(1,636,000)	-
Total Other Sources (Uses)	(1,636,000)	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	(230,307)	-
Fund Balances - Beginning of year	2,452,638	-
Adjustments		
Prior Year	(18,169)	-
Rounding	(2)	-
Total Adjustments	(18,171)	-
Fund Balances - End of year	\$ 2,204,160	\$ -

Cherry Valley - Springfield Central School District
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2013

<u>School Food Service</u>	<u>Debt Service</u>	<u>Capital Project #1</u>	<u>Capital Projects Non-Major</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,148,932
-	-	-	-	540,772
-	-	-	-	214,363
30	4,035	-	-	5,749
-	-	-	-	4,438
6,580	-	-	-	6,897,822
137,314	-	-	-	507,057
11,095	-	-	-	11,095
117,650	-	-	-	117,650
-	-	-	3,997	115,180
<u>272,669</u>	<u>4,035</u>	<u>-</u>	<u>3,997</u>	<u>12,563,058</u>
97,980	-	-	-	1,666,105
-	-	-	-	5,332,957
-	-	-	-	657,842
-	-	-	-	1,500
71,547	-	-	-	3,387,787
-	1,154,388	-	-	1,154,388
-	492,278	-	-	492,278
110,179	-	-	-	110,179
-	-	121,224	194,179	315,403
<u>279,706</u>	<u>1,646,666</u>	<u>121,224</u>	<u>194,179</u>	<u>13,118,439</u>
<u>(7,037)</u>	<u>(1,642,631)</u>	<u>(121,224)</u>	<u>(190,182)</u>	<u>(555,381)</u>
-	-	-	26,734	26,734
5,000	1,531,000	-	100,000	-
<u>5,000</u>	<u>1,531,000</u>	<u>-</u>	<u>126,734</u>	<u>26,734</u>
(2,037)	(111,631)	(121,224)	(63,448)	(528,647)
24,833	448,726	129,168	(89,165)	2,966,200
85	-	18,826	-	742
-	1	2	-	1
<u>\$ 22,881</u>	<u>\$ 337,096</u>	<u>\$ 26,772</u>	<u>\$ (152,613)</u>	<u>\$ 2,438,296</u>

Cherry Valley - Springfield Central School District
Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in
Fund Balance to the Statement of Activities
For the Year Ended June 30, 2013

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	\$ 4,148,932	\$ -	\$ -	\$ -	\$ 4,148,932
Other tax items	540,772	-	-	-	540,772
Charges for services	214,363	-	-	-	214,363
Use of money and property	5,749	-	-	-	5,749
Sale of property and compensation for loss	4,438	-	-	-	4,438
State sources	6,897,822	-	-	-	6,897,822
Federal sources	507,057	-	-	-	507,057
Surplus food	11,095	-	-	-	11,095
Sales - school lunch	117,650	-	-	-	117,650
Miscellaneous	115,180	-	-	-	115,180
Total Revenues	12,563,058	-	-	-	12,563,058
EXPENDITURES/EXPENSES					
General support	1,666,105	2,163	105,981	-	1,774,249
Instruction	5,332,957	-	396,032	-	5,728,989
Pupil transportation	657,842	-	55,779	-	713,621
Community services	1,500	-	-	-	1,500
Employee benefits	3,387,787	-	-	1,208,484	4,596,271
Debt service					
Principal	1,154,388	-	-	(1,154,388)	-
Interest	492,278	-	-	78,821	571,099
Cost of sales	110,179	-	-	-	110,179
Capital outlay	315,403	-	(315,403)	-	-
Total Expenditures	13,118,439	2,163	242,389	132,917	13,495,908
Excess (Deficiency) of Revenues Over Expenditures	(555,381)	(2,163)	(242,389)	(132,917)	(932,850)
OTHER SOURCES AND USES					
Proceeds from debt	26,734	-	-	(26,734)	-
Net Change for the Year	\$ (528,647)	\$ (2,163)	\$ (242,389)	\$ (159,651)	\$ (932,850)

**Cherry Valley - Springfield Central School District
Statement of Fiduciary Net Position
June 30, 2013**

	<u>Private Purpose Trusts</u>	<u>Agency</u>
ASSETS		
Cash	\$ 277,244	\$ 236,296
Securities	2,004	-
Accounts Receivable	-	3,522
Total Assets	<u>\$ 279,248</u>	<u>\$ 239,818</u>
LIABILITIES		
Due to governmental funds	\$ -	\$ 197,987
Extraclassroom activity balances	-	40,622
Other liabilities	-	1,209
Total Liabilities	<u>-</u>	<u>\$ 239,818</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 279,248</u>	

**Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2013**

	<u>Private Purpose Trusts</u>
ADDITIONS	
Gifts and contributions	\$ 1,491
Investment earnings	744
Total Additions	<u>2,235</u>
DEDUCTIONS	
Scholarships and awards	<u>11,850</u>
Change in Net Position	(9,615)
Net Position - Beginning of year	<u>288,863</u>
Net Position - End of Year	<u>\$ 279,248</u>

Cherry Valley-Springfield Central School District
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 1 – Summary of accounting policies:

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

A) Reporting entity:

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

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

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

i) Extraclassroom Activity Funds

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

ii) Public Library

The Public Library jointly shares the services of the District treasurer, appoints trustees for library purposes, and has title to real property used by the Library.

iii) Other Entities

B) Joint venture:

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

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

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

During the year, the District was billed \$1,436,104 for BOCES administrative and program costs.

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

The District's share of BOCES aid amounted to \$417,911.

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

C) Basis of presentation:

i) 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 revenues, and other exchange and non-exchange transactions.

Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ii) Funds statements:

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

The District reports the following major governmental funds:

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

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

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

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

The District reports the following fiduciary funds:

Fiduciary Funds

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

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

Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

D) Measurement focus and basis of accounting:

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

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

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

E) Property taxes:

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

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

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, deferred revenues offset real property taxes receivable.

F) Restricted resources:

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

G) Interfund transactions:

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

In the district-wide statements, the amounts reported on the Statement of Net 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 11 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) Estimates:

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

I) Cash (and cash equivalents)/Investments

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

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the

State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

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

Investments are stated at fair value.

J) Receivables (or Accounts receivable):

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

K) Inventories and prepaid items:

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the statement of net 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.

A reserve for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

L) Other assets/restricted assets (if applicable):

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

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

M) Capital assets:

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land/site improvements	\$1,000	Straight Line	20 Years
Buildings & improvements	\$1,000	Straight Line	20-50 Years
Furniture & equipment	\$1,000	Straight Line	5-20 Years

N) Deferred revenues:

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

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

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

O) Vested employee benefits:

Compensated absences

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

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

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

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

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

P) Other benefits:

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement.

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

Q) Short-term debt:

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

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

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

R) Accrued liabilities and long-term obligations:

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

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

S) Equity classifications

District-wide statements:

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.

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 the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

Funds statements:

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

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$11,378.

Restricted - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General fund are classified as restricted fund balance. The School District has established the following restricted fund balances:

Capital

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

Debt Service

According to General Municipal Law §6-1 , the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement.

Employee Benefit Accrued Liability

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

Repairs

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

Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

Unemployment Insurance

According to General Municipal Law §6-m, must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer 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 School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund.

Encumbrances

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

Restricted fund balance includes the following:

General Fund:	
Employee Benefit Accrued Liability	\$ 39,308
Repairs	208,160
Retirement Contributions	650,343
Unemployment Insurance	550,000
Capital Fund	55,036
Debt Service Fund	<u>337,096</u>
Total Restricted Funds	<u>\$ 1,839,943</u>

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2013.

Assigned - Includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$121,357.

Unassigned - 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 School District.

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

Order of Use of Fund Balance:

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

T) New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2013, the District implemented the following new standard issued by GASB:

GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources*,

Deferred Inflows of Resources, and Net Position.

GASB 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, and amends the net asset reporting provisions of GASB 34 by incorporating deferred inflows and outflows into the definitions of the residual measure and by renaming that measure as net position, rather than net assets.

U) Future Changes in Accounting Standards

GASB has issued Statement 65, *Items Previously Reported as Assets and Liabilities*, effective for the year ending June 30, 2014.

GASB has issued Statement 66, *GASB Technical Corrections – 2012 – an Amendment of Statements 10 and 62*, effective for the year ending June 30, 2014.

GASB has issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*, effective for the year ending June 30, 2015.

GASB has issued Statement 69, *Government Combinations and Disposals of Government Operations*, effective for the year ending June 30, 2015.

GASB has issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the year ending June 30, 2015.

The school district will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

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

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

A) 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 primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

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

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

i) Long-term revenue differences:

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

ii) Capital related differences:

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

iii) Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Note 3 – Stewardship, compliance and accountability:

Budgets

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

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

Appropriations are adopted at the program line item level.

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

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

Budgets are established and used for individual capital project funds expenditures

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

Encumbrances

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

The Capital Projects had a deficit fund balance of \$125,841. This will be funded when the District obtains permanent financing for its bus purchase project.

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

Cash

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

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

Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	<u>\$2,588,620</u>
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Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$1,447,811 within the governmental funds and \$277,244 in the fiduciary funds.

Note 5 – Investments:

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

- (A) Insured or registered, or investments held by the District or by the District's agent in the District's name, or
- (B) Uninsured and unregistered, with the investments held by the financial

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

Investment Fund	RVS Mutual Fund Private Purpose Trust
Carrying amount (fair value)	\$ 2,004
Unrealized investment gain/loss	\$ 690
Type of investment	Mutual Fund
Category	A

Note 6 – Receivables:

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

Description	Governmental Activities			Total
	General	Special Aid	School Food Service	
Accounts receivable	\$ 32,637	\$ -	\$ 100	\$ 32,737
Due from State and Federal	152,962	58,375	1,926	213,263
Due from other governments	188,915	-	-	188,915
Total	<u>\$ 374,514</u>	<u>\$ 58,375</u>	<u>\$ 2,026</u>	<u>\$ 434,915</u>

District management has deemed the amounts to be fully collectible.

Note 7 – Capital assets:

Capital asset balances and activity were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 150,000	\$ -	\$ -	\$ 150,000
Construction in progress	<u>8,345,857</u>	<u>210,729</u>	-	<u>8,556,586</u>
Total nondepreciable	<u>8,495,857</u>	<u>210,729</u>	-	<u>8,706,586</u>
Capital assets that are depreciated:				
Buildings	20,691,366	-	-	20,691,366
Furniture and equipment	<u>2,353,490</u>	<u>104,674</u>	<u>(66,953)</u>	<u>2,391,211</u>
Total depreciated assets	<u>23,044,856</u>	<u>104,674</u>	<u>(66,953)</u>	<u>23,082,577</u>
Less accumulated depreciation:				
Buildings	8,860,256	416,335	-	9,276,591
Furniture and equipment	<u>1,649,401</u>	<u>141,457</u>	<u>(66,953)</u>	<u>1,723,905</u>
Total accumulated depreciation	<u>10,509,657</u>	<u>557,792</u>	<u>(66,953)</u>	<u>11,000,496</u>
Total depreciated assets, net	<u>\$ 12,535,199</u>	<u>\$ (453,118)</u>	<u>\$ -</u>	<u>\$ 12,082,081</u>

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 105,980
Instruction	396,032
Pupil Transportation	<u>55,780</u>
	<u>\$ 557,792</u>

Note 8 – Short-term debt:

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN	03/15/13	2.50%	\$ 106,934	\$ -	\$ 106,934	\$ -
BAN	03/14/14	2.10%	\$ -	\$ 184,874	\$ -	\$ 184,874

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

Interest paid	\$ 2,666
Less interest accrued in the prior year	<u>633</u>
	2,033
Plus interest accrued in the current year	<u>1,035</u>
Total expense	<u>\$ 3,068</u>

Note 9 – Long-term debt obligations:

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

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

The following is a summary of debt service requirements:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Government activities:					
Bonds and notes payable:					
General obligation debt:					
Serial bonds	\$ 3,185,000	\$ -	\$ 480,000	\$ 2,705,000	\$ 500,000
Serial bonds	390,000	-	190,000	200,000	200,000
Serial bonds	270,000	-	25,000	245,000	25,000
Serial bonds	7,275,000	-	415,000	6,860,000	425,000
Serial bonds	<u>88,271</u>	<u>-</u>	<u>17,654</u>	<u>70,617</u>	<u>17,655</u>
Total bonds & notes payable	<u>11,208,271</u>	<u>-</u>	<u>1,127,654</u>	<u>10,080,617</u>	<u>\$ 1,167,655</u>
Other liabilities:					
Compensated absences	<u>35,707</u>	<u>2,163</u>	<u>-</u>	<u>37,870</u>	
Total long-term liabilities	<u>\$ 11,243,978</u>	<u>\$ 2,163</u>	<u>\$ 1,127,654</u>	<u>\$ 10,118,487</u>	

Description	Issue Date	Final Maturity	Interest Rate	Balance
Serial bonds	10/03/02	06/15/18	3.68%	\$ 2,705,000
Serial bonds	10/03/02	06/15/14	3.28%	200,000
Serial bonds	03/15/06	03/15/21	4.42%	245,000
Serial bonds	06/08/11	06/15/26	4.22%	6,860,000
Serial bonds	01/31/12	01/31/17	3.25%	70,617
				<u>\$ 10,080,617</u>

Fiscal year ending June 30,	Serial Bonds		Other Debt	
	Principal	Interest	Principal	Interest
2014	\$ 1,167,655	\$ 450,375	\$ 184,874	\$ 3,872
2015	1,002,654	403,689	-	-
2016	1,047,654	363,578	-	-
2017	1,087,654	317,009	-	-
2018	1,120,000	268,610	-	-
5 subsequent years	2,960,000	881,065	-	-
5 subsequent years	<u>1,695,000</u>	<u>156,262</u>	-	-
Totals	<u>\$10,080,617</u>	<u>\$ 2,840,588</u>	<u>\$ 184,874</u>	<u>\$ 3,872</u>

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$2,174,000 of bonds outstanding are considered defeased.

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

Interest paid	\$ 489,612
Less interest accrued in the prior year	<u>36,119</u>
	453,493
Plus interest accrued in the current year	<u>29,656</u>
Total expense	<u>\$ 483,149</u>

Note 10 – Pension plans:

General information:

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

Provisions and administration:

The New York State Teachers' Retirement Board administers NYSTRS. 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. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute, and benefits to employees. NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244.

Funding policies:

The Systems are noncontributory for the employee who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% to 3.5% of their salary. With the exception of ERS tier V and VI employees, employees in the system more than ten years are no longer required to contribute. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

	<u>NYSTRS</u>	<u>NYSERS</u>
2012-2013	\$ 391,334	\$ 166,617
2011-2012	\$ 364,179	\$ 152,056
2010-2011	\$ 341,581	\$ 126,137

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

Note 11 – Interfund transactions – governmental funds:

Fund:	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General	\$ 356,705	\$ 119,010	\$ -	\$ 1,636,000
Special Aid	-	117,626	-	-
School Food Service	-	85,853	5,000	-
Debt Service	3	-	1,531,000	-
Capital Projects	<u>120,621</u>	<u>154,840</u>	<u>100,000</u>	<u>-</u>
Total government activities	477,329	477,329	1,636,000	1,636,000
Fiduciary	<u>197,987</u>	<u>197,987</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 675,316</u>	<u>\$ 675,316</u>	<u>\$ 1,636,000</u>	<u>\$ 1,636,000</u>

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

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

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

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2013 the District recognized \$1,093,187 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2012 which indicates that the total liability for other post-employment benefits is \$5,235,416 which is reflected in the Statement of Net Position.

Annual OPEB Cost and Net OPEB Obligation: The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to HP:

Annual required contribution	\$2,368,950
Interest on net OPEB obligation	161,077
Adjustment to annual required contribution	<u>(228,356)</u>
Annual OPEB cost (expense)	2,301,671
Contributions estimated	<u>1,093,187</u>
Increase in net OPEB obligation	1,208,484
Net OPEB obligation - beginning of year	<u>4,026,932</u>
Net OPEB obligation - end of year	<u>\$5,235,416</u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 20 and the two preceding years were as follows (dollar amounts in thousands):

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2013	\$2,301,671	47.5%	\$5,235,416
6/30/2012	\$2,236,793	45.2%	\$4,026,932
6/30/2011	\$2,218,403	40.6%	\$2,801,853

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$28,016,965, and the actuarial value of assets was \$0, resulting in an unfunded actuarial

accrued liability (UAAL) of \$28,016,965. The covered payroll (annual payroll of active employees covered by the plan) was \$3,964,316, and the ratio of the UAAL to the covered payroll was 706.73%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2012 actuarial valuation, the Projected Unit Credit cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 0.31% initially, 9.0% in the second year, and then reduced by decrements to an ultimate rate of 5.0% after 5 years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013, was 29 years.

Note 13 – Risk management:

General

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

Note 14 – Commitments and contingencies:

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

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

Note 15 – Donor-restricted endowments:

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

Donor-restricted endowments are reported at fair value.

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

Note 16 - Overpayments

The District received an overpayment of \$732 from Otsego County of real property taxes. This is recorded in the General Fund as a liability in the amount owed back to the County.

Note 17 – Prior Period Adjustments

Prior period adjustments on the Statement of Activities are \$85 in the School Food Service, \$179 refund of a prior year payment and \$478 old check cashed in the General Fund. There is a prior period adjustment between the Capital Fund and the General Fund of \$18,826 due to preconstruction costs on a defeated proposition being expenses in the Capital Fund which should have been charged to the General Fund.

Note 18 – Subsequent Events:

The District has evaluated subsequent events through November 19, 2013, which is the date the financial statements were available to be issued.

Supplemental Schedules

**School District
Required Supplementary Information
Schedule of Funding Progress
Other Post Employment Benefits Plan
For the Year Ended June 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (in thousands)	Actuarial Accrued Liability (AAL) (in thousands)	Unfunded AAL (UAAL) (in thousands)	Funded Ratio	Covered Payroll (in thousands)	UAAL as a Percentage of Covered Payroll
July 1, 2009	\$ -	\$ 25,229	\$ 25,229	0.00%	\$ 4,922	512.58%
July 1, 2010	\$ -	\$ 26,551	\$ 26,551	0.00%	\$ 4,737	560.50%
July 1, 2011	\$ -	\$ 27,067	\$ 27,067	0.00%	\$ 3,887	696.35%
July 1, 2012	\$ -	\$ 28,017	\$ 28,017	0.00%	\$ 3,964	706.79%

Cherry Valley - Springfield Central School District
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
For the Year Ended June 30, 2013

	Adopted Budget	Final Budget	Actual (Budgetary Basis)		Final Budget Variance With Budgetary Actual
REVENUES					
Local Sources					
Real property taxes	\$ 4,153,239	\$ 4,153,239	\$ 4,148,932		\$ (4,307)
Other tax items	533,970	533,970	540,772		6,802
Charges for services	61,000	61,000	214,363		153,363
Use of money and property	3,309	3,309	1,684		(1,625)
Sale of property & compensation for loss	500	500	4,438		3,938
Miscellaneous	121,700	121,700	111,183		(10,517)
Total Local Sources	<u>4,873,718</u>	<u>4,873,718</u>	<u>5,021,372</u>		<u>147,654</u>
State Sources	6,859,991	6,859,991	6,792,199		(67,792)
Total Revenues	<u>11,733,709</u>	<u>11,733,709</u>	<u>11,813,571</u>		<u>79,862</u>
OTHER FINANCING SOURCES					
Appropriated reserves	850,000	986,459	-		(986,459)
Total Revenues and other financing sources	<u>\$ 12,583,709</u>	<u>\$ 12,720,168</u>	<u>\$ 11,813,571</u>		<u>\$ (906,597)</u>
	Adopted Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encum- brances	Final Budget Variance with Budgetary Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 20,600	\$ 36,812	\$ 23,525	\$ -	\$ 13,287
Central administration	166,941	203,726	187,648	-	16,078
Finance	173,595	182,290	178,189	-	4,101
Staff	34,922	39,971	31,211	-	8,760
Central services	1,100,780	1,021,509	972,012	17,740	31,757
Special items	176,439	176,639	175,540	-	1,099
Total General Support	<u>1,673,277</u>	<u>1,660,947</u>	<u>1,568,125</u>	<u>17,740</u>	<u>75,082</u>
Instruction					
Instruction, administration and improvement	120,200	133,922	109,911	-	24,011
Teaching - regular school Programs for children	2,531,000	2,510,749	2,420,383	62,697	27,669
with handicapping conditions	1,379,500	1,317,021	1,102,250	29,784	184,987
Occupational education	497,336	501,712	497,991	-	3,721
Teaching - special school	43,500	57,618	57,427	-	191
Instructional media	264,540	359,644	317,116	2,173	40,355
Pupil services	426,224	404,666	368,598	2,110	33,958
Total Instruction	<u>\$ 5,262,300</u>	<u>\$ 5,285,332</u>	<u>\$ 4,873,676</u>	<u>\$ 96,764</u>	<u>\$ 314,892</u>

Cherry Valley - Springfield Central School District
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
For the Year Ended June 30, 2013

	Adopted Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encum- brances	Final Budget Variance with Budgetary Actual & Encumbrances
EXPENDITURES (continued)					
Pupil Transportation	\$ 736,082	\$ 747,993	\$ 648,338	\$ 6,853	\$ 92,802
Community Services	1,500	1,500	1,500	-	-
Employee Benefits	3,373,550	3,387,396	3,316,240	-	71,156
Debt Service	1,000	1,000	-	-	1,000
Total Expenditures	<u>11,047,709</u>	<u>11,084,168</u>	<u>10,407,879</u>	<u>121,357</u>	<u>554,932</u>
OTHER FINANCING USES					
Transfers (to) other funds	<u>1,536,000</u>	<u>1,636,000</u>	<u>1,636,000</u>	<u>-</u>	<u>-</u>
Total Expenditures and Other Uses	<u>\$ 12,583,709</u>	<u>\$ 12,720,168</u>	<u>12,043,879</u>	<u>\$ 121,357</u>	<u>\$ 554,932</u>
Net Change in Fund Balances		-	(230,308)		
Fund Balance - Beginning			2,452,638		
Adjustments					
Prior Year Pre Construction Expenditures			(18,826)		
Prior Year Reversal of Expenditures			657		
Rounding			<u>(1)</u>		
Fund Balance - Ending			<u>\$ 2,204,160</u>		

**Cherry Valley - Springfield Central School District
 Supplementary Information
 Schedules of Change from Adopted Budget to Final Budget
 and Use of Unreserved Fund Balance - General Fund
 For the Year Ended June 30, 2013**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 12,583,709
Add: Prior year's encumbrances	136,459
Final budget	\$ 12,720,168
Next year's budget is a voter approved budget of	\$ 12,842,121

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2013-14 voter-approved expenditure budget	\$ 12,842,121
Maximum allowed (4% of 2013-14 budget)	\$ 513,685

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:

Unrestricted fund balance:	
Assigned fund balance	\$ 751,316
Unassigned fund balance	5,031
Total unrestricted fund balance	756,347
Less:	
Appropriated fund balance	629,959
Encumbrances included in committed and assigned fund balance	121,357
Total adjustments	751,316

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	\$ 5,031
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Actual percentage	0.04%
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**Cherry Valley - Springfield Central School District
 Supplementary Information
 Schedule of Project Expenditures -
 Capital Projects Fund
 For the Year Ended June 30, 2013**

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures		
			Prior Years	Current Year	Total
Capital Project #1					
District wide renovations	\$ 8,050,180	\$ 8,050,180	\$ 7,951,012	\$ 102,398	\$ 8,053,410
Non-major Capital Projects					
Bus garage/tanks	389,000	389,000	394,845	-	394,845
Door Replacement	100,000	100,000	-	89,505	89,505
Buses	<u>326,612</u>	<u>326,612</u>	<u>221,938</u>	<u>104,674</u>	<u>326,612</u>
Totals	<u>\$ 8,865,792</u>	<u>\$ 8,865,792</u>	<u>\$ 8,567,795</u>	<u>\$ 296,577</u>	<u>\$ 8,864,372</u>

**Cherry Valley - Springfield Central School District
 Supplementary Information
 Schedule of Project Expenditures -
 Capital Projects Fund
 For the Year Ended June 30, 2013**

<u>Unexpended Balance</u>	<u>Methods of Financing</u>			<u>Total</u>	<u>Fund Balance June 30, 2013</u>
	<u>Proceeds of Obligations</u>	<u>State Aid</u>	<u>Local Sources</u>		
\$ (3,230)	\$ 7,889,176	\$ 191,006	\$ -	\$ 8,080,182	\$ 26,772
(5,845)	389,000	-	23,614	412,614	17,769
10,495	-	-	100,000	100,000	10,495
<u>-</u>	<u>115,005</u>	<u>-</u>	<u>30,730</u>	<u>145,735</u>	<u>(180,877)</u>
<u>\$ 1,420</u>	<u>\$ 8,393,181</u>	<u>\$ 191,006</u>	<u>\$ 154,344</u>	<u>\$ 8,738,531</u>	<u>\$ (125,841)</u>

Cherry Valley - Springfield Central School District
Supplementary Information
Combined Balance Sheet - Non-Major Governmental Funds
June 30, 2013

	<u>Non-Major Fund #1</u>	<u>Non-Major Fund #2</u>	<u>Non-Major Fund #3</u>	<u>Total Non-Major Funds</u>
ASSETS				
Cash				
Restricted	\$ 16,158	\$ -	\$ 10,495	\$ 26,653
Receivables				
Due from other funds	<u>1,611</u>	<u>3,997</u>	<u>-</u>	<u>5,608</u>
Total Assets	<u><u>\$ 17,769</u></u>	<u><u>\$ 3,997</u></u>	<u><u>\$ 10,495</u></u>	<u><u>\$ 32,261</u></u>
LIABILITIES				
Notes payable				
Bond anticipation	\$ -	\$ 184,874	\$ -	\$ 184,874
FUND BALANCES				
Restricted	17,769	-	10,495	28,264
Unassigned	<u>-</u>	<u>(180,877)</u>	<u>-</u>	<u>(180,877)</u>
Total Liabilities and Fund Balances	<u><u>\$ 17,769</u></u>	<u><u>\$ 3,997</u></u>	<u><u>\$ 10,495</u></u>	<u><u>\$ 32,261</u></u>

Cherry Valley - Springfield Central School District
Supplementary Information
Combined Statement of Revenues, Expenditures & Changes in Fund Balances -
Non-Major Governmental Funds
For the Year Ended June 30, 2013

	<u>Non-Major Fund #1</u>	<u>Non-Major Fund #2</u>	<u>Non-Major Fund #3</u>	<u>Total Non-Major Funds</u>
REVENUES				
Miscellaneous	\$ -	\$ 3,997	\$ -	\$ 3,997
Bans redeemed from Appropriations	<u>-</u>	<u>26,734</u>	<u>-</u>	<u>26,734</u>
		30,731	-	30,731
EXPENDITURES				
Capital outlay	<u>-</u>	<u>104,674</u>	<u>89,505</u>	<u>194,179</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(73,943)	(89,505)	(163,448)
OTHER FINANCING SOURCES AND USES				
Operating Transfers In	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	-	(73,943)	10,495	(63,448)
Fund balances - beginning of year	<u>17,769</u>	<u>(106,934)</u>	<u>-</u>	<u>(89,165)</u>
Fund balances - end of year	<u><u>\$ 17,769</u></u>	<u><u>\$ (180,877)</u></u>	<u><u>\$ 10,495</u></u>	<u><u>\$ (152,613)</u></u>

**Cherry Valley - Springfield Central School District
Supplementary Information
Investment in Capital Assets, Net of Related Debt
For the Year Ended June 30, 2013**

Capital assets, net	<u>\$ 20,788,667</u>
Deduct:	
Bond anticipation notes	184,874
Premium on bonds	279,244
Short-term portion of bonds payable	1,058,915
Long-term portion of bonds payable	8,478,004
Less: Unspent bond proceeds	<u>93,252</u>
	<u>9,907,785</u>
Investment in capital assets, net of related debt	<u>\$ 10,880,882</u>

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the statement of cash receipts and disbursements of the Extraclassroom Activity Funds and the related supporting schedule of the Cherry Valley-Springfield Central School District for the year ended June 30, 2013.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting; 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.

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

Opinion

In our opinion, the aforementioned statements present fairly the cash and fund balance of the Extraclassroom Activity Funds of the Cherry Valley-Springfield Central School District as at June 30, 2013 arising from the cash transactions, cash collected and disbursements made and changes in fund balance during the year then ended, on a basis consistent with that of the preceding year.

Moore & Hart

MOORE & HART
Utica, New York
November 19, 2013

Cherry Valley - Springfield Central School District
Extracurricular Activity Funds
June 30, 2013

Name	Beginning Balance	Receipts	Disbursements	Ending Balance
Cheerleaders	\$ 308	\$ -	\$ -	\$ 308
Class of 2013	7,770	14,679	22,449	-
Class of 2014	3,230	7,545	7,883	2,892
Class of 2015	2,185	1,266	313	3,138
Class of 2016	-	5,328	2,240	3,088
Drama Club -				
High School	2,226	3,254	3,968	1,512
Foreign Language Club	2,757	6,340	7,041	2,056
Iridescence	1,182	-	-	1,182
Marching Units	2,589	860	1,039	2,410
Math Honor Society	760	-	-	760
Music Club	9,322	16,876	15,029	11,169
National English Honor Society	188	65	65	188
Nature Club	100	-	-	100
SADD	567	682	549	700
Sales Tax Holding Account	6	216	147	75
Safety Patrol	324	5,703	5,866	161
Ski Club	2,975	6,627	6,787	2,815
Sr. Honor Society	174	-	-	174
Student Council	4,479	1,467	2,622	3,324
Technology	350	-	194	156
Varsity Club	3,662	4,953	5,223	3,392
Yearbook Club	990	15,593	15,561	1,022
	<u>990</u>	<u>15,593</u>	<u>15,561</u>	<u>1,022</u>
Total	<u>\$ 46,144</u>	<u>\$ 91,454</u>	<u>\$ 96,976</u>	<u>\$ 40,622</u>

Cherry Valley - Springfield Central School District
Note to Financial Statement
Extraclassroom Activity Funds
June 30, 2013

Note 1- Summary of Significant Accounting Policies

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

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