

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the Chenango Valley Central School District have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for governments, as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

Essentially, the primary function of the School District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function.

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units."

1. The primary government, which is the Chenango Valley Central School District;
2. Organizations for which the primary government is financially accountable, and;
3. 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 basic financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another reporting entity.

The decision to include a potential component unit in the School 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 Extraclassroom Activity Funds are included in the School District's reporting entity.

The Extraclassroom Activity Funds of the Chenango Valley Central School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School 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 obtained from the School District's business office, located at 221 Chenango Bridge Road, Binghamton, NY 13901.

B. Joint Venture

The Chenango Valley Central School District is one of 15 component school districts in the Broome-Tioga Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

BOCES are organized under Section 1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 1950(4)(b)(7).

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There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the Education Law.

C. Basis of Presentation

1. District-wide Statements

The Statement of Net Assets and the Statement of Activities present financial information about the School 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 nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's Governmental Activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. 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.

2. Fund Financial Statements

The fund statements provide information about the School 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.

The School District reports the following Major Governmental Funds:

- General Fund: This is the School District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- Special Aid Fund: Accounts for the proceeds of specific revenue sources, such as Federal, State and local grants, that are legally restricted to expenditures for specified purposes, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.
- School Lunch Fund: Accounts for revenues and expenditures in connection with the School District's food service program.
- Debt Service Fund: Accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of Governmental Activities.
- Capital Projects Fund: Accounts for the financial resources used for the renovation of the District's educational complex and the purchase of buses.

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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.

The School District reports the following Fiduciary Funds:

- Private-Purpose Trust Fund: Accounts for scholarship funds awarded to individual students. These activities, and those of the Agency Funds described below, are not included in the District-wide financial statements because their resources do not belong to the School District and are not available to be used.
- Agency Funds: Strictly custodial in nature and do not involve 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. Nonexchange transactions, in which the School District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental Fund financial 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 School District considers all revenues reported in the Governmental Funds to be available if the revenues are collected within six months 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. Cash and Investments

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

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F. Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided, as it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

G. Due To/From Other Funds

Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

H. 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, which approximates fair value. 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 School 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 Assets 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.

I. Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2002. For assets acquired prior to June 30, 2002, historical costs have been estimated, if not available, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair value at the time received.

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

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 1,000	40 years
Building improvements	1,000	various
Furniture and equipment	1,000	various

J. 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.



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District employees are granted vacation time 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 No. 16, "Accounting for Compensated Absences," the 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 Governmental Fund financial 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.

K. Other Benefits

School 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 School District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the School 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 or operating transfer to other funds in the General Fund, in the year paid.

L. Deferred Revenue

Deferred revenues arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the School District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

The Governmental Fund financial statements also report deferred revenues when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the liability for deferred 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.

M. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the School District's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

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N. Equity Classifications

1. District-wide Statements

Equity is classified as net assets and displayed in three components:

- Invested in Capital Assets, Net of Related Debt  
Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Assets  
Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets  
Consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

2. Fund Financial Statements

Unreserved fund balance consists of two classifications. A designation of unreserved fund balance indicates the planned use of these resources in the subsequent year's budget. The undesignated portion reports remaining fund balance that has not been designated or reserved. NYS Real Property Tax Law 1318 restricts the unreserved, undesignated fund balance of the General Fund to an amount not greater than 4% of the District's budget for the ensuing fiscal year.

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. The following reserve funds are available to school districts within the State of New York. These reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. Fund balance reserves currently in use by the District include the following:

- Encumbrance Reserve  
The Encumbrance Reserve represents the amount of outstanding encumbrances at the end of the fiscal year.
- Reserve for Inventory  
The Reserve for Inventory is used to restrict that portion of fund balance which is unavailable for appropriation. This reserve is accounted for in the School Lunch Fund.
- Reserve for Debt Service

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

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O. Property Taxes

1. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 16, 2007. Taxes were collected during the period September 5, 2007 to November 3, 2007.

2. Enforcement

Uncollected real property taxes are subsequently enforced by Broome County. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the School District no later than the following April 1.

P. Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers, to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds for interfund transfers have been eliminated from the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

Q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the 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.

Note 2 - Stewardship, Compliance, and Accountability

A. Deficit Fund Balances

At June 30, 2008, the General Fund had a deficit fund balance of \$(3,572,068). The Special Aid Fund had a \$(64) deficit. The School Lunch Fund had a deficit fund balance of \$(183,018). The Capital Projects Fund had a deficit fund balance of \$(42,684).

The deficit in the General Fund is the result of significant revenue shortfalls during the current year, and the carryover of the prior year deficit. The deficit in the School Lunch Fund is the result of continued revenue shortfalls compared to expenditures. The deficit in the Capital Projects Fund is the result of expenditures on an upcoming capital project; this deficit will be eliminated with the issuance of bonds.

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B. Expenditures in Excess of Appropriations

During the year ended June 30, 2008, the Chenango Valley Central School District overspent its budget in several functional areas of the General Fund. Overall, the General Fund was overspent by \$816,824.

Functional Area	Final Budget Appropriations	Expenditures/ Encumbrances	Overexpenditure
Finance	\$ 405,004	\$ 411,499	\$ (6,495)
Staff	47,221	61,119	(13,898)
Instruction, administration, and improvement	878,938	884,533	(5,595)
Teaching - Regular school	7,526,744	8,399,345	(872,601)
Programs for children with handicapping conditions	2,505,483	2,790,080	(284,597)
Teaching - Special schools	62,653	435,276	(372,623)
Interfund Transfers out	15,500	34,613	(19,113)

Note 3 - Participation in BOCES

During the year ended June 30, 2008, the School District's share of BOCES income amounted to \$1,106,192. The Chenango Valley Central School District was billed \$3,390,200 for BOCES administration and program costs. Financial statements for the Broome-Tioga BOCES are available from the BOCES administrative office at 435 Upper Glenwood Road, Binghamton, New York, 13905.

Note 4 - Cash and Cash Equivalents - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks

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. Governmental Accounting Standards Board Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District's aggregate bank balances of \$4,081,322 are either insured or collateralized with securities held by the pledging financial institution in the District's name.

Restricted cash consists of the following at June 30, 2008:

General Fund reserves	\$ <u>327</u>
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Note 5 - Other Receivables

Other receivables consisted of the following, which are stated at net realizable value.

	Description	Amount
General Fund	Tuition and other Charges	\$ <u>141,378</u>
Total Governmental Funds and Total District		\$ <u>141,378</u>

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Note 6 - Interfund Balances and Activity

Interfund balances at June 30, 2008, are as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 654,091	\$ 71,018	\$	\$ 34,613
Special Aid Fund	5,693	264,536	22,113	
Capital Projects Fund	1,137,351	1,250,006		
Debt Service Fund	65,847			
School Lunch Fund	26,015	303,437	12,500	
Total	<u>\$ 1,888,997</u>	<u>\$ 1,888,997</u>	<u>\$ 34,613</u>	<u>\$ 34,613</u>

Interfund receivables and payables are eliminated on the Statement of Net Assets.

The District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the District's share of expenditures of a Special Aid Fund project. The School District also transfers funds from the Capital Reserve in the General Fund to Capital Funds, as needed, to fund capital projects. Periodically, the School District transfers funds as excess funds are accumulated from the School Lunch Fund.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

Note 7 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2008, were as follows:

	Beginning Balance	Additions	Retirements & Reclass- ifications	Ending Balance
<u>Governmental Activities:</u>				
Capital assets that are not depreciated				
Land	\$ 1,301,615	\$	\$	\$ 1,301,615
Construction in progress	-0-	112,904		112,904
Total Nondepreciable Historical Cost	<u>1,301,615</u>	<u>112,904</u>	<u>-0-</u>	<u>1,414,519</u>
Capital assets that are depreciated				
Buildings and improvements	45,424,023			45,424,023
Furniture and equipment	8,176,786	308,496	(289,584)	8,195,698
Total Depreciable Historical Cost	<u>53,600,809</u>	<u>308,496</u>	<u>(289,584)</u>	<u>53,619,721</u>
Total Historical Cost	<u>54,902,424</u>	<u>421,400</u>	<u>(289,584)</u>	<u>55,034,240</u>
Less accumulated depreciation				
Buildings	(15,316,305)	(973,856)		(16,290,161)
Furniture and equipment	(6,398,966)	(398,622)	283,129	(6,514,459)
Total Accumulated Depreciation	<u>(21,715,271)</u>	<u>(1,372,478)</u>	<u>283,129</u>	<u>(22,804,620)</u>
Total Historical Cost, Net	<u>\$ 33,187,153</u>	<u>(951,078)</u>	<u>\$ (6,455)</u>	<u>\$ 32,229,620</u>

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Depreciation expense was charged to governmental functions as follows:

General support	\$ 12,489
Instruction	1,078,271
Pupil transportation	254,071
School lunch	<u>27,647</u>
Total Depreciation Expense	<u>\$ 1,372,478</u>

Note 8 - Short-term Debt

The School District may issue Revenue Anticipation Notes (RANs), 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 represent a liability that will be extinguished by the use of expendable, available resources of the General Fund. The School District issued \$7,500,000 and redeemed \$4,500,000 in Revenue Anticipation Notes during the year. The proceeds were used for working capital purposes of the General Fund. RANs were issued June 29, 2008 and are due June 29, 2009 with an interest rate of 3.00%. The District received \$65,325 in premiums on the RAN issued in June 2008; on the Statement of Net Assets, this premium is included along with the debt.

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

Interest paid	\$ 171,540
Less interest accrued in the prior year	(459)
Plus interest accrued in the current year	<u>2,466</u>
Total Expense	<u>\$ 173,547</u>

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

	Beginning Balance	Issued	Redeemed	Ending Balance
RANs	\$ <u>4,500,000</u>	\$ <u>7,565,325</u>	\$ <u>4,500,000</u>	\$ <u>7,565,325</u>

Note 9 - Long-term Debt

At June 30, 2008, the total outstanding indebtedness of the School District represented 46.0% of its statutory debt limit, exclusive of building aids. Long-term debt is classified as follows:

- Serial Bonds and Statutory Installment Bonds - The School District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.

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The following is a summary of the School District's notes payable and long-term debt for the year ended June 30, 2008.

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding June 30, 2008
Bonds:				
Refunding Bonds	4/3/2003	6/15/2012	Various	\$ 1,020,000
Serial Bond	4/15/2005	6/15/2023	4%	22,635,000
Statutory Installment Bond	7/24/06	7/24/09	4.52%	340,000
Statutory Installment Bond	8/18/07	8/18/10	4.54%	<u>288,000</u>
Total Bonds				<u>\$ 24,283,000</u>

Interest paid on long-term debt during the year was:

Interest paid	\$ 1,047,701
Less interest accrued in the prior year	(62,398)
Add interest accrued in the current year	<u>52,404</u>
Total Expense	<u>\$ 1,037,707</u>

Interest paid on the Serial Bonds varies from year to year, in accordance with the interest rates specified in the bond agreements.

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Serial Bonds	\$ 25,505,000	\$	\$ 1,850,000	\$ 23,655,000	\$ 1,710,000
Statutory Installment Bonds	<u>510,000</u>	<u>288,000</u>	<u>170,000</u>	<u>628,000</u>	<u>266,000</u>
Total Long-term Liabilities	<u>\$ 26,015,000</u>	<u>\$ 288,000</u>	<u>\$ 2,020,000</u>	<u>\$ 24,283,000</u>	<u>\$ 1,976,000</u>

The following is a summary of the maturity of long-term indebtedness.

Year	Principal	Interest	Total
2009	\$ 1,976,000	\$ 981,884	\$ 2,957,884
2010	2,041,000	903,890	2,944,890
2011	1,946,000	823,348	2,769,348
2012	1,925,000	747,264	2,672,264
2013	1,730,000	672,252	2,402,252
2014-2018	7,140,000	2,396,460	9,536,460
2019-2023	<u>7,525,000</u>	<u>984,816</u>	<u>8,509,816</u>
Total	<u>\$ 24,283,000</u>	<u>\$ 7,509,914</u>	<u>\$ 31,792,914</u>

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Note 9 - Other Long-term Obligations

Other Long-term Obligations - In addition to the above long-term debt, the School District had the following noncurrent liabilities:

- **Compensated Absences:** Represents the value of the earned and unused portion of the noncurrent liability for compensated absences. This liability is liquidated from the General and School Lunch Funds.

The 2007-2008 activity consisted of the following:

Balance June 30, 2007	\$ 986,484
Increase in liability	<u>151,904</u>
Balance June 30, 2008	<u>\$ 1,138,388</u>

Note 10 - Pension Plans

The School 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 defined benefit 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.

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

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. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, 110 State Street, Albany, New York 12244.

The Systems are noncontributory, except for employees who joined the Systems after July 27, 1976, who contribute 3% of their salary. Employees in the Systems more than ten years are no longer required to contribute. 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 School District is required to contribute at an actuarially determined rate. The School District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2008	\$ 228,435	\$ 907,731
2007	243,226	914,849
2006	265,989	648,981



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FOR THE YEAR ENDED JUNE 30, 2008

On May 14, 2003, Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes to the Systems:

- Requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible.
- Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1<sup>st</sup> (e.g. billings due February 2008 would be based on the pension value as of March 31, 2007).
- Allows one-time financing of State fiscal year 2004-2005 pension cost by permitting local governments to bond, over five years, any required contribution in excess of 7% of estimated salaries or to amortize required contributions in excess of 7% over a five year period. [Superseded by Chapter 260 of the Laws of 2004. See below.]

On July 30, 2004, Chapter 260 of the Laws of 2004 of the State of New York was enacted that allows local employers to bond or amortize a portion of their retirement bill for up to ten years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7% of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5% of employees' covered pensionable salaries.
- For SFY 2006-07, the amount in excess of 10.5% of employees' covered pensionable salaries.

This law requires participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2007. The District has opted not to amortize.

**Note 11 - Other Postemployment Benefits**

Other postemployment benefits amounted to \$2,084,135 for 242 retired employees for the year ended June 30, 2008.

**Note 12 - Commitments and Contingencies**

**A. Risk Financing and Related Insurance**

**1. General Information**

The Chenango Valley Central School District is exposed to various risks of loss related to, but not limited to, torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**B. Other Items**

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT  
SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 14,324,834	\$ 14,324,834	\$ 10,493,677	\$ (3,831,157)
Other tax items	32,300	32,300	3,860,883	3,828,583
Charges for services	56,883	56,883	212,005	155,122
Use of money and property	86,325	86,325	41,120	(45,205)
Sale of property and compensation for loss	14,250	14,250	34,189	19,939
Miscellaneous	424,000	424,000	468,997	44,997
Total Local Sources	14,938,592	14,938,592	15,110,871	172,279
State sources	13,763,306	13,763,306	14,073,349	310,043
Medicaid reimbursement	276,000	276,000	80,608	(195,392)
Total Revenues	28,977,898	28,977,898	29,264,828	286,930
<b>OTHER FINANCING SOURCES</b>				
Total Revenues and Other Financing Sources	28,977,898	28,977,898	\$ 29,264,828	\$ 286,930
Total Revenues, Appropriated Reserves and Designated Fund Balance	\$ 28,977,898	\$ 28,977,898		

See Independent Auditor's Report and Notes to Required Supplementary Information

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget
<b>EXPENDITURES</b>		
General Support		
Board of Education	\$ 21,875	\$ 17,667
Central administration	318,774	328,299
Finance	417,382	405,004
Staff	38,600	47,221
Central services	2,587,098	2,659,270
Special items	355,410	343,894
Total General Support	3,739,139	3,801,355
Instruction		
Instruction, administration and improvement	853,465	878,938
Teaching - Regular school	8,301,797	7,526,744
Programs for children with handicapping conditions	2,319,197	2,505,483
Occupational education	450,230	436,274
Teaching - Special school	4,500	62,653
Instructional media	616,182	599,182
Pupil services	1,180,522	1,310,960
Total Instruction	13,725,893	13,320,234
Pupil Transportation	902,835	893,584
Community Services	9,089	5,271
Employee Benefits	7,481,741	7,648,714
Debt Service		
Principal	1,965,000	2,020,000
Interest	1,116,701	1,273,240
Total Debt Service	3,081,701	3,293,240
Total Expenditures	28,940,398	28,962,398
<b>OTHER FINANCING USES</b>		
Operating transfers out	37,500	15,500
Total Expenditures and Other Financing Uses	\$ 28,977,898	\$ 28,977,898
Net Change in Fund Balance		
Fund Balance - Beginning of Year, Restated		
Fund Balance - End of Year		

See Independent Auditor's Report and Notes to Required Supplementary Information

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 15,229	\$	\$ 2,438
327,051		1,248
411,499		(6,495)
61,119		(13,898)
2,340,095		319,175
335,321		8,573
3,490,314	-0-	311,041
884,533		(5,595)
8,397,802	1,543	(872,601)
2,790,080		(284,597)
436,273		1
435,276		(372,623)
518,675		80,507
1,294,783		16,177
14,757,422	1,543	(1,438,731)
850,577		43,007
4,354		917
7,416,658		232,056
2,020,000		-0-
1,219,241		53,999
3,239,241	-0-	53,999
29,758,566	1,543	(797,711)
34,613		(19,113)
29,793,179	\$ 1,543	\$ (816,824)
(528,351)		
(3,043,717)		
\$ (3,572,068)		

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2008

Note 1 - Budgetary Procedures and Budgetary Accounting

The District administration prepares a proposed budget for approval by the Board of Education for the General Fund for which a legal (appropriated) budget is adopted. The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which 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. 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 a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

Note 2 - Reconciliation of the Budget Basis to GAAP

No adjustment is necessary to convert the General Fund's excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis. Encumbrances, if present, are presented in a separate column and are not included in the actual results at June 30, 2008.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT  
SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET  
AND USE OF UNRESERVED FUND BALANCE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ <u>28,977,898</u>
Prior year's encumbrances	
Original Budget	<u>28,977,898</u>
 Total Additions	 <u>-0-</u>
 Total Deductions	 <u>-0-</u>
 Final Budget	 <u>\$ 28,977,898</u>

Next year's budget is a contingent budget	\$ <u>31,431,963</u>
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**USE OF UNRESERVED FUND BALANCE**

Unreserved Fund Balance -	
As of the beginning of the year	\$ <u>(3,043,717)</u>
 Undesignated Fund Balance -	
As of the beginning of the year	 <u>\$ (3,043,717)</u>

See Independent Auditor's Report

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT  
SCHEDULE OF PROJECT EXPENDITURES  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2008

PROJECT TITLE	Original Budget	Revised Budget	Expenditures		
			Prior Years	Current Year	Total
Middle /High School Renovation	\$ 28,561,000	\$ 28,561,000	\$ 28,517,298	\$	\$ 28,517,298
EXCEL Capital Project	2,636,720	2,636,720		124,229	124,229
2007-2008 Buses	288,000	288,000		250,157	250,157
Total	\$ 31,485,720	\$ 31,485,720	\$ 28,517,298	\$ 374,386	\$ 28,891,684

See Independent Auditor's Report

Unexpended Balance	Methods of Financing				Fund Balance June 30, 2008
	Proceeds of Obligations	State Aid	Local Sources	Total	
\$ 43,702	\$ 28,561,000	\$	\$	\$ 28,561,000	\$ 43,702
2,512,491					(124,229)
37,843	288,000			288,000	37,843
\$ 2,594,036	\$ 28,849,000	\$ -0-	\$ -0-	\$ 28,849,000	\$ (42,684)



CHENANGO VALLEY CENTRAL SCHOOL DISTRICT  
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES  
COMPARED TO ST-3 DATA  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
<b>REVENUES</b>			
Real property taxes	A -1001	\$ 10,493,677	\$ 10,493,677
Nonproperty taxes	AT-1199	-0-	-0-
State aid	AT-3999	14,073,349	14,073,349
Federal aid - Medicaid reimbursements	AT-4999	80,608	80,608
Total Revenues and Other Financing Sources	AT-5999	29,264,828	29,264,828
<b>EXPENDITURES</b>			
General support	AT-1999	3,490,314	3,490,314
Pupil transportation	AT-5599	850,577	850,577
Debt service - Principal	AT-9798.6	2,020,000	2,020,000
Debt service - Interest	AT-9798.7	1,219,241	1,219,241
Total Expenditures and Other Uses	AT-9999	29,793,179	29,793,179

See Independent Auditor's Report

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT  
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT  
FOR THE YEAR ENDED JUNE 30, 2008

Capital assets, net	\$ 32,229,620
Add:	
Unamortized bond issuance costs	_____
Discount on bonds payable	_____
Other:	_____
Deduct:	
Bond Anticipation Notes	_____
Premium on bonds payable	_____
Short-term portion of bonds payable	(1,976,000)
Long-term portion of bonds payable	(22,307,000)
Less: unspent bond proceeds	(42,684)
Short-term portion of capital leases	_____
Long-term portion of capital leases	_____
Other short or long-term debt related to capital assets	_____
Other	_____
Investment in Capital Assets, Net of Related Debt	\$ 7,903,936

See Independent Auditor's Report

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Jerry E. Mickelson, C.P.A.  
Thomas K. Van Derzee, C.P.A.  
Debbie Conley Jordan, C.P.A.  
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Frederick J. Ciaschi, C.P.A.

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

Board of Education  
Chenango Valley  
Central School District  
Binghamton, New York

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chenango Valley Central School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Chenango Valley Central School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Chenango Valley Central School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Chenango Valley Central School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Chenango Valley Central School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Chenango Valley Central School District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as items 06-1, 06-2, 07-3, 07-5, and 08-1 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Chenango Valley Central School District's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, of the significant deficiencies described above, we consider items 06-1, 06-2, 07-3, and 07-5 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chenango Valley Central School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 08-1 to be a significant deficiency in internal control over financial reporting.

We noted certain matters that we reported to the management of the Chenango Valley Central School District, in a separate letter dated October 22, 2008.

This report is intended solely for the information and use of the Audit Committee, the Board of Education, management, federal awarding agencies, and pass-through entities including the New York State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Kischi, Dietzenhagen, Little, Milabes & Company, LLP*

October 22, 2008  
Ithaca, New York

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Frederick J. Ciaschi, C.P.A.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Chenango Valley  
Central School District  
Binghamton, New York

Compliance

We have audited the compliance of the Chenango Valley Central School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Chenango Valley Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Chenango Valley Central School District's management. Our responsibility is to express an opinion on the Chenango Valley Central School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Chenango Valley Central School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Chenango Valley Central School District's compliance with those requirements.

In our opinion, the Chenango Valley Central School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Chenango Valley Central School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Chenango Valley Central School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Chenango Valley Central School District's internal control over compliance.

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A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Audit Committee, the Board of Education, management, federal awarding agencies, and pass-through entities including the New York State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Cuschi, Dietenhager, Little, Minkelman & Company, LLP*

October 22, 2008  
Ithaca, New York

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/Pass -Through Grantor Program Title</u>	<u>Federal CFDA #</u>	<u>Pass -Through Grantor #</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>			
Passed Through NYS Department of Education:			
Title I Grants to Local Educational Agencies	84.010	0021080165	\$ 224,981
Improving Teacher Quality State Grants	84.367	0147080165	16,007
Safe and Drug-Free Schools	84.186	0180080165	7,113
Special Education - Grants to States	84.027	0032080053	467,992
Special Education - Preschool Grants	84.173	0033080053	5,700
Special Education - Preschool Grants	84.173	0232080053	4,467
State Grants for Innovative Programs	84.298	0002080165	758
Education Technology State Grants	84.318	0292080165	944
			<hr/>
Total U.S. Department of Education			727,962
			<hr/>
<u>U.S. Department of Agriculture</u>			
Passed Through NYS Department of Education:			
Child Nutrition Cluster:			
National School Lunch	10.555	03070106	213,962
School Breakfast Program	10.553	03070106	35,445
			<hr/>
Total U.S. Department of Agriculture			249,407
			<hr/>
Total Expenditures of Federal Awards			\$ 977,369
			<hr/> <hr/>

See Independent Auditor's Report and Notes to  
Schedule of Expenditures of Federal Awards

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the Chenango Valley Central School District, an entity as defined in Note 1 to the Chenango Valley Central School District's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Note 2 - Basis of Accounting

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

Note 3 - Indirect Costs

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented.

Note 4 - Matching Costs

Matching costs, i.e., the Chenango Valley Central School District's share of certain program costs, are not included in the reported expenditures.

Note 5 - Non-Monetary Federal Program

The Chenango Valley Central School District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2008, the Chenango Valley Central School District received \$37,517 and used \$33,750 worth of commodities under the National School Lunch Program (CFDA #10.555).

Note 6 - Subrecipients

No amounts were provided to subrecipients.

Note 7 - Other Disclosures

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year end.



CHENANGO VALLEY CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008

**Section I - Summary of Auditor's Results:**

***Financial Statements***

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? √ yes     no

Significant deficiency(ies) identified that are not  
considered to be material weakness(es)? √ yes     none reported

Noncompliance material to financial statements noted? √ yes     no

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified?     yes √ no

Significant deficiency(ies) identified that are not  
considered to be material weakness(es)?     yes √ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported  
in accordance with Section 510(a) of Circular A-133?     yes √ no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027/84.173</u>	<u>Special Education Cluster</u>
<u>84.010</u>	<u>Title I Grants to Local Education Agencies</u>

Dollar threshold used to distinguish between Type A and Type B  
Programs: \$ 300,000

Auditee qualified as low-risk?     yes √ no

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008

**Section II - Financial Statement Findings:**

**06-1 Deficit Fund Balances**

Condition:

At June 30, 2007, the General Fund had a deficit fund balance of \$3,043,717. The School Lunch Fund had a deficit fund balance of \$126,949.

At June 30, 2008, the General Fund deficit grew to \$3,572,068. The School Lunch Fund deficit grew to \$183,018. The Capital Projects Fund balance had a deficit fund balance of \$42,684. The Special Aid Fund had a deficit fund balance of \$64.

Cause/Effect:

The General Fund deficit growth was caused primarily by overexpenditures of instructional expenditures. The School Lunch Fund deficit increase was caused by continued shortfalls in revenue. The Capital Projects Fund deficit was caused by expenditures on the new EXCEL project, that have not yet been offset by revenue. The Special Aid fund deficit was not significant.

Recommendation:

The District has received New York State approval to obtain \$3.5 million in deficit financing to reduce the fund balance deficits. The 2008-09 budget was reviewed by the New York State Comptroller's Office, and is expected to be sufficient for expenditures of the current year. It is critical that budgeting in future years cover all appropriate expenditures. The District also needs to develop a plan to eliminate the School Lunch Fund deficit, either through increases in meal prices, increased transfers from the General Fund, or both. The Capital Fund deficit will be eliminated when long-term debt is secured to finance the District EXCEL capital project.

District Response:

As noted above the District is awaiting deficit financing to reduce its deficits, and has prepared more appropriate budgets.

Management plans to monitor the school lunch program revenue opportunities and cost containments in the 2008-2009 fiscal year. The District will develop a plan to eliminate this deficit.

**06-2 Overexpenditures**

Condition:

In the year ended June 30, 2007, several functional areas, including instruction, employee benefits and interfund transfers were overexpended. The total overexpenditure in the year ended June 30, 2007 was \$314,168. It should be noted, however, that the appropriation for bus purchases was used to support the operating budget; had this not occurred, the overexpenditure would have been \$817,528. It was also noted revenues were short of the budget by nearly \$1,800,000.

In the year ended June 30, 2008, instruction and interfund transfers were overexpended. The total overexpenditure in the current year was \$816,824. Revenues exceeded the budget by nearly \$287,000.

Cause/Effect:

It appears the budgets being presented to the District voters do not include all necessary expenditures, as evidenced by continued overexpenditures.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008

Recommendation:

The District's budget must developed to fully include all planned expenditures.

District Response:

The District's 2008-09 budget, as noted above, was examined by the New York State Comptroller's office. The 2008-09 budget provides for greater appropriations and, combined with some spending reductions, is expected to provide the District with sufficient budgetary authority.

**07-3 Monitoring of Program Finances**

Condition:

The District operates, in conjunction with Broome-Tioga BOCES, an incarcerated youth program. The expenditures and revenues associated with this program are not included in the General Fund budget. The program is designed to operate without a net cost to the District, as revenue comes from New York State to cover payments to Broome-Tioga BOCES.

Cause/Effect:

The District, as noted above, has been preparing budgets that do not cover all expenditures. This program is a portion of these unbudgeted expenditures. In the year ended June 30, 2007, the audit determined that billings from Broome-Tioga BOCES exceeded revenue from New York State by approximately \$20,000; had this program been included in the budget, it would be more likely that this overbilling would be discovered.

Recommendation:

We recommend the financial activity associated with the program be included in the District's General Fund budget and recorded as revenues and expenditures. These revenues and expenditures were adjusted by the District as part of its year-end closing process for the year ended June 30, 2008, which caused a portion of the budgetary overexpenditure.

District Response:

The District will include this activity in future budgets.

**07-5 Preparation of Financial Statements**

Condition:

Due to the significant issues noted above, we do not believe current District management has the capability to prepare financial statements under Generally Accepted Accounting Principles (GAAP).

Cause/Effect:

The District's current management structure does not include individuals with the knowledge and training necessary to prepare fairly stated financial statements.

Recommendation:

The District should consider additional staffing allowing the preparation of financial statements in accordance with GAAP.

District Response:

The District has contracted with Broome-Tioga BOCES to operate within a Combined Business Office. It is expected that this contract will significantly improve the quality and accuracy of the District's financial reporting.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008

**08-1 Open Meeting Law**

Condition:

During our review of the minutes of the District's Board of Education meetings we noted several references to committee meetings. We also noted on several occasions with the District's audit committee we could not find evidence that these meetings were held in accordance with New York State Open Meeting Law.

Cause/Effect:

It appears through discussion with management that the Board was not fully aware of the requirements of the law. Taxpayers and citizens of the District do not have full opportunity to participate in meetings of the Board.

Recommendation:

We recommend the Board fully comply with the Open Meeting Law.

Corrective Action:

The District has implemented procedures to be in compliance with the New York State Open Meeting Law.

Contact:

Carmen Ciullo, Superintendent

**Section III - Federal Award Findings and Questioned Costs:** None

**Section IV - Prior Year Audit Findings:** None