

**CHENANGO VALLEY
CENTRAL SCHOOL DISTRICT**

Binghamton, NY

FINANCIAL REPORT

June 30, 2010

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chenango Valley Central School District (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2010, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 13, 2010 on our consideration of the School District's internal control over financial reporting and 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 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 important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and the schedule of funding progress on pages 2 through 2g and 27 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

- 1 -

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We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's financial statements as a whole. The supplementary financial information on pages 31 to 34 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary financial information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers". The signature is written in black ink and is positioned above the date and location text.

October 13, 2010
Ithaca, New York

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

The following is a discussion and analysis of the Chenango Valley Central School District's (the School District) financial performance for the fiscal year ended June 30, 2010. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-wide and Governmental Fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- During 2009, the School District adopted Governmental Accounting Standards Board (GASB) Statement Number 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." This statement required the School District to record an expense for a portion of the Actuarial Accrued Liability in the amount of \$3,270,451 for the current year.
- The School District's financial position declined with a decrease in net assets of \$(890,074) in 2010 compared to an increase in net assets of \$2,825,808 in 2009. The 2010 net asset decrease is primarily attributable to a decrease in revenues of \$(2,240,083) including real estate and other tax increases of \$441,245, State and federal aid decreases of \$(998,384) and a prior year asset inventory increase of \$1,577,114 which did not recur. In addition, expenses increased by \$1,475,799 in 2010.
- General Fund budgeted expenditures were underspent by \$1,544,516.
- Capital asset additions during 2010 amounted to \$2,670,650. The School District also reported depreciation expense of \$1,223,739 during 2010.
- The bonded indebtedness of the School District, in the amount of \$26,100,183, was up \$246,825 from 2009. This was the result of payments on outstanding debt, the issuance of \$2,315,000 in Serial Bonds for construction, and the issuance of \$282,461 in Statutory Installment Bonds for the purchase of buses. The School District used the \$2,315,000 Serial Bond to redeem a \$2,636,720 Bond Anticipation Note (BAN) from 2009.
- Unreserved, undesignated fund balance in the General Fund decreased \$(20,309) to \$1,140,440 at June 30, 2010 compared to \$1,160,749 at June 30, 2009. The current year excess of revenues over expenditures is \$566,292 and the total ending fund balance is \$3,905,431 at June 30, 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements and supplementary information, both required and not required. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are Governmental Fund financial statements that focus on individual parts of the School District, reporting the School District's operations in greater detail than the District-wide financial statements. The Governmental Fund financial statements concentrate on the School District's most significant funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year and a Schedule of Funding Progress related to the School District's unfunded actuarial liability for postemployment benefits.

District-wide Financial Statements

The District-wide financial statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the School District's assets and liabilities. 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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

The two District-wide financial statements report the School District's net assets and how they have changed. Net assets - the difference between the School District's assets and liabilities - are one way to measure the School District's financial health or position. Over time, increases or decreases in the School District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the School District's overall health, one needs to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the School District's activities are shown as Governmental Activities. Most of the School District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of these activities.

Governmental Fund Financial Statements

The Governmental Fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "Major" Funds - not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The School District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, additional information following the Governmental Funds financial statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the Scholarship Fund and the Student Activities Funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's combined net assets for fiscal year ended June 30, 2010 decreased by \$(890,074). Our analysis below focuses on the net assets (*Figure 1*) and changes in net assets (*Figure 2*) of the School District's Governmental Activities.

Figure 1

Condensed Statement of Net Assets	Governmental Activities and Total School District		Total Dollar Change
	2009	2010	2009 - 2010
<i>Current assets</i>	\$ 7,511,232	\$ 3,673,261	\$ (3,837,971)
<i>Noncurrent assets</i>	2,117,450	2,514,316	396,866
<i>Capital assets, net</i>	33,177,577	34,625,887	1,448,310
Total assets	42,806,259	40,813,464	(1,992,795)
<i>Current liabilities</i>	9,154,841	4,732,727	(4,422,114)
<i>Noncurrent liabilities</i>	27,869,560	31,188,953	3,319,393
Total liabilities	37,024,401	35,921,680	(1,102,721)
<i>Invested in capital assets</i>	10,255,780	11,762,426	1,506,646
<i>Restricted for debt service</i>	150,794	235,847	85,053
<i>Unrestricted net (deficit)</i>	(4,624,716)	(7,106,489)	(2,481,773)
Total net assets	\$ 5,781,858	\$ 4,891,784	\$ (890,074)

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

The decrease in current assets was primarily due to significantly decreased cash balances, resulting from cash used in the Capital Projects Fund, and not renewing Revenue Anticipation Notes (RANs) in the General Fund. The increase in noncurrent assets is due to restricted cash increases resulting from increases in General Fund reserves. The increase in capital assets was primarily due to the EXCEL construction project. The decrease in current liabilities is primarily due to not renewing the RAN, and redeeming the BAN. The increase in noncurrent liabilities is due primarily to the recording of the other postemployment benefit GASB Statement Number 45 liability of \$3,270,451 and the issuance of serial bonds, offset by debt payments.

The increase of \$1,506,646, in the amount invested in capital assets net of the related debt, was primarily due to the net effect of the EXCEL construction project and equipment expenditures, depreciation expense, and a decrease in long-term debt. The net effect of the School District's activities resulted in a decrease in unrestricted net assets of \$(2,481,773), primarily due to the GASB 45 expense of \$3,270,451.

Our analysis in *Figure 2* considers the operations of the School District's activities.

Figure 2

Changes in Net Assets	Governmental Activities and Total School District		Total Dollar Change
	2009	2010	2009 - 2010
REVENUES			
<i>Program revenues:</i>			
<i>Charges for services</i>	\$ 647,221	\$ 538,610	\$ (108,611)
<i>Operating grants and contributions</i>	1,680,812	2,294,612	613,800
<i>General revenues:</i>			
<i>Property taxes</i>	12,099,028	12,627,655	528,627
<i>Other taxes</i>	3,990,958	3,903,576	(87,382)
<i>Unrestricted State sources</i>	14,454,141	12,592,017	(1,862,124)
<i>Use of money and property</i>	160,607	73,166	(87,441)
<i>Other general revenues</i>	1,121,242	1,461,404	340,162
<i>Reinventory of capital assets</i>	1,577,114	-0-	(1,577,114)
Total revenues	35,731,123	33,491,040	(2,240,083)
PROGRAM EXPENSES			
<i>General support</i>	3,969,981	4,375,269	405,288
<i>Instruction</i>	25,554,497	26,676,409	1,121,912
<i>Pupil transportation</i>	1,435,020	1,504,760	69,740
<i>Community services</i>	7,426	8,781	1,355
<i>School lunch program</i>	693,522	713,101	19,579
<i>Interest on debt</i>	1,244,869	1,102,794	(142,075)
Total expenses	32,905,315	34,381,114	1,475,799
INCREASE (DECREASE) IN NET ASSETS	\$ 2,825,808	\$ (890,074)	\$ (3,715,882)

Total revenues for the School District's Governmental Activities decreased by \$(2,240,083), or 6.3 percent, while total expenses increased \$1,475,799, or 4.5 percent. Expenses increased primarily due to increased contractual salary obligations and related benefits.

In 2010, total taxes were up for the year by \$528,627, reflecting an increase in the tax levy for 2010. State aid, reported in unrestricted State sources, showed a decrease of \$(1,862,124), largely due to State aid modifications to School Districts and an overpayment of State aid in prior years that will be repaid in 2010-2011. Operating grants and contributions reflect a net increase of \$613,800, which is attributable to increases in special aid program revenues primarily due to federal aid from the stabilization grant funds.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2010

Figures 3 and 4 show the sources of revenue for 2010 and 2009.

Figure 3

Sources of Revenue for 2010

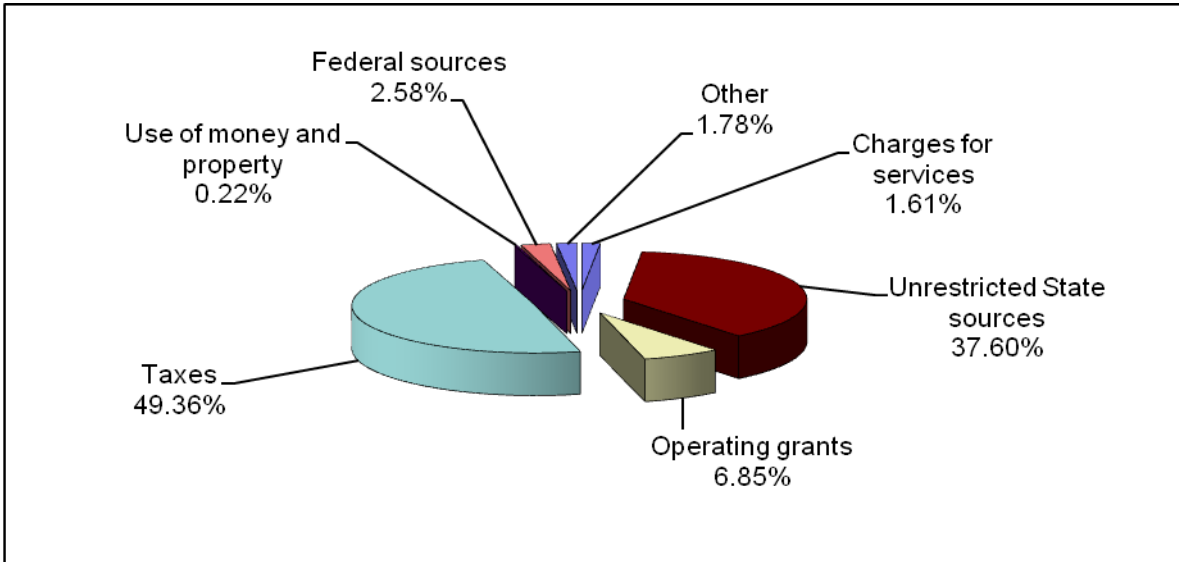
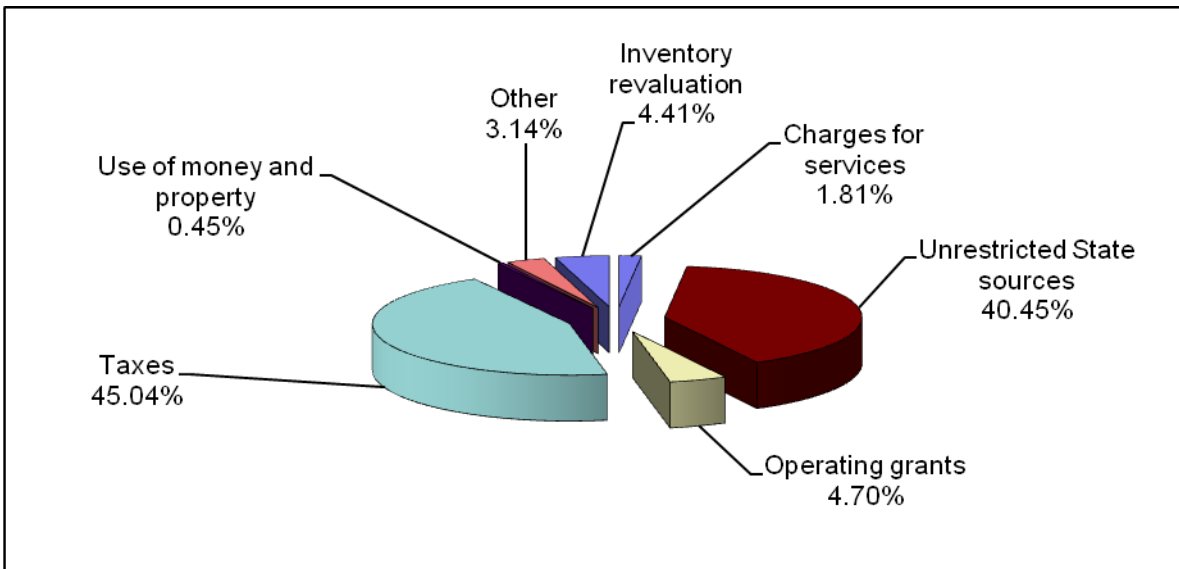


Figure 4

Sources of Revenue for 2009



CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

Figures 5 and 6 present the cost of each of the School District's programs for 2010 and 2009.

Figure 5

Cost of Programs for 2010

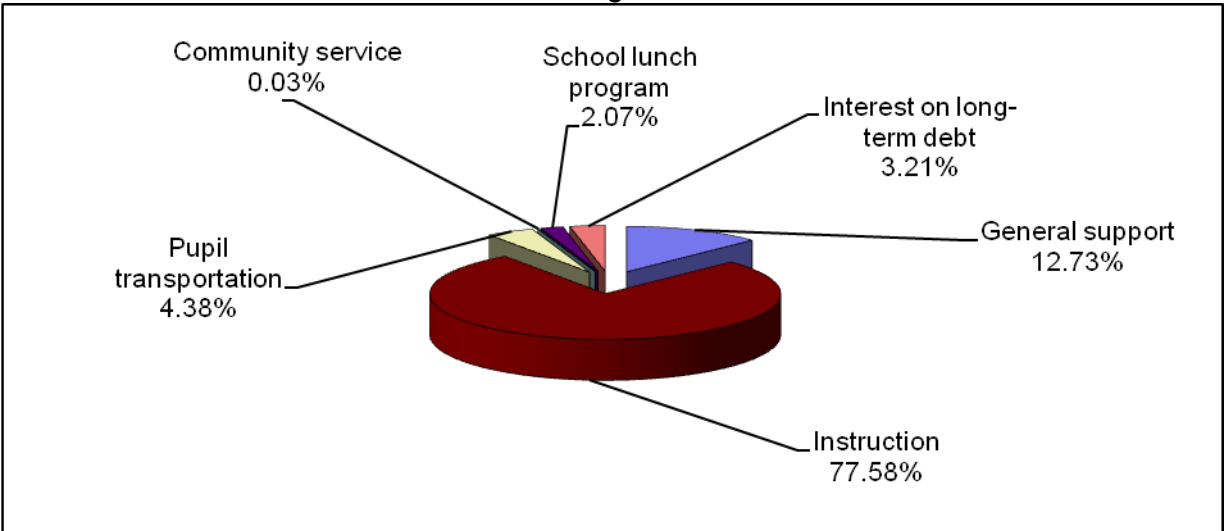
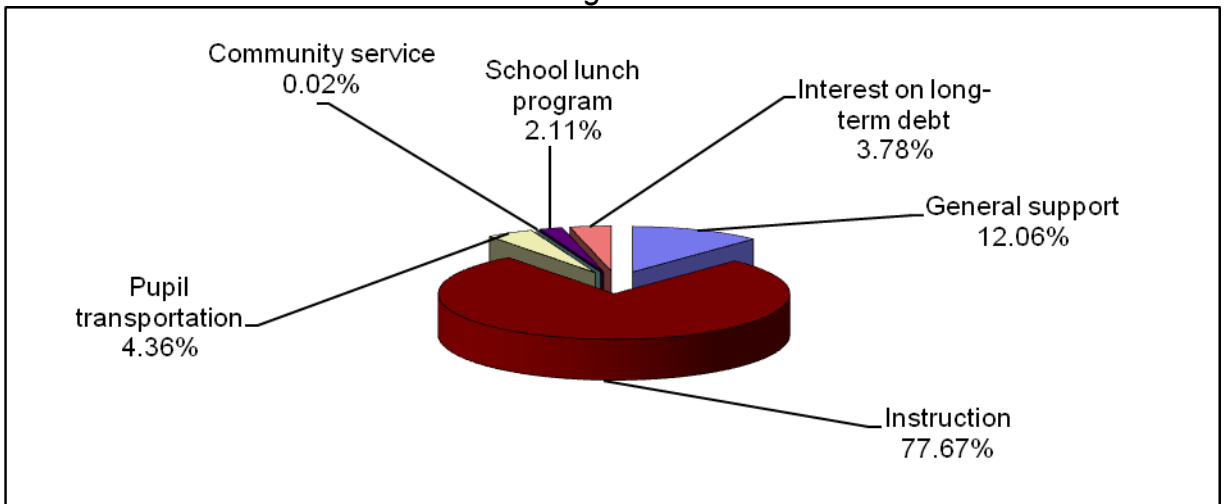


Figure 6

Cost of Programs for 2009



CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2010

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 7 shows the changes in fund balances for the year for the School District's Major Funds.

As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported a combined fund balance of \$3,966,866, compared to last year's total of \$2,985,492. This was largely the result of an increase in the General Fund balance of \$566,292 from the excess of revenues over expenditures during the current year and unspent proceeds of debt in the Capital Projects Fund.

Figure 7

Governmental Fund Balances	2009	2010	Total Dollar Change
			2009 - 2010
General Fund	\$ 3,339,139	\$ 3,905,431	\$ 566,292
School Lunch Fund	110,356	110,356	-0-
Debt Service Fund	150,794	235,847	85,053
Capital Projects Fund	(614,797)	(284,768)	330,029
Totals	\$ 2,985,492	\$ 3,966,866	\$ 981,374

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board approves budgetary transfers that revise the School District budget line items. These budget amendments consist of budget transfers between functions, and budget amendments that increased the overall budget by \$204,333. The actual charges to appropriations (expenditures) were below the final budget amounts by \$(1,544,516) which includes carry-over encumbrances. Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and the variances for the year ending June 30, 2010.

Figure 8

Condensed Budgetary Comparison General Fund - 2010	Original Budget	Revised Budget	Actual w/ Encumbrances	Total Dollar Variance
REVENUES				
Real property taxes	\$ 16,527,770	\$ 12,710,878	\$ 12,627,655	\$ (83,223)
Other tax items	92,828	3,909,720	3,903,576	(6,144)
State sources	14,771,295	14,098,769	12,765,857	(1,332,912)
Other revenues and financing sources	501,200	1,378,059	1,782,379	404,320
Total Revenues and Financing Sources	\$ 31,893,093	\$ 32,097,426	\$ 31,079,467	\$ (1,017,959)
Appropriated Fund Balances	\$ 60,940	\$ 60,940		
EXPENDITURES				
General support	\$ 4,155,454	\$ 3,733,053	\$ 3,522,239	\$ 210,814
Instruction	14,716,568	15,111,637	14,743,156	368,481
Pupil transportation	1,000,685	967,603	866,501	101,102
Community services	8,750	8,750	6,603	2,147
Employee benefits	8,295,491	8,560,238	7,861,129	699,109
Debt service	3,724,585	3,724,585	3,591,509	133,076
Other financing (uses)	52,500	52,500	22,713	29,787
Total Expenditures, and Other Financing Sources and (Uses)	\$ 31,954,033	\$ 32,158,366	\$ 30,613,850	\$ 1,544,516

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2010, the School District had invested in a broad range of capital assets. The cost of capital assets increased by \$2,465,252 during the year ended June 30, 2010.

Figure 9

Changes in Historical Cost of Capital Assets	Governmental Activities and Total School District		Total Dollar Change
	2009	2010	2009 - 2010
<i>Land</i>	\$ 1,301,615	\$ 1,301,615	\$ -0-
<i>Construction in progress</i>	685,017	-0-	(685,017)
<i>Buildings and improvements</i>	44,994,867	47,631,587	2,636,720
<i>Equipment</i>	6,046,896	6,560,445	513,549
Totals	\$ 53,028,395	\$ 55,493,647	\$ 2,465,252

Capital additions for the year ended June 30, 2010 included the following:

Capital projects to renovate educational complexes	\$ 1,951,703
Equipment	718,947
Total additions	<u>2,670,650</u>
Less disposals	<u>(205,398)</u>
 Net Additions	 <u>\$ 2,465,252</u>

Depreciation expense amounted to \$1,223,739; accumulated depreciation increased by \$1,016,942.

Debt Administration

Debt, both short and long-term, considered a liability of Governmental Activities, decreased by \$(4,397,400) in 2010, as shown in *Figure 10*. Total indebtedness represented 37.2% of the constitutional debt limit, exclusive of building aid estimates.

Figure 10

Outstanding Debt	Governmental Activities and Total School District		Total Dollar Change
	2009	2010	2009 - 2010
<i>RANs</i>	\$ 2,000,000	\$ -0-	\$ (2,000,000)
<i>BANs</i>	2,644,225	-0-	(2,644,225)
<i>Serial Bonds</i>	25,853,358	26,100,183	246,825
Totals	\$ 30,497,583	\$ 26,100,183	\$ (4,397,400)

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

Additional information on the maturities and terms of the School District's outstanding obligations can be found in the notes to these financial statements.

The School District's bond rating is A3, which did not change from the prior year.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- The School District will have to continue to utilize a combination of managing tax levy, appropriating Fund Balance and/or Reserves, as well as cutting programs as a direct result of the continued instability of State Aid.
- The School District is currently undergoing a state-mandated five-year Building Condition Survey to evaluate our capital update needs. This may result in the School District's need to address any deficient items identified in the survey in order to properly maintain the School District's capital assets.
- The School District is in the process of finalizing the transfer of ownership for a portion of the former Depot property which neighbors the Middle/High School campus. Once the transfer of ownership is complete, the School District will initiate a plan for the overall development of the area in conjunction with other capital needs and/or updates.
- The Governmental Accounting Standard Board issued Statement Number 45 which changed how school districts report Other Postemployment Benefits (retiree health, dental, vision, and life insurance benefits). The School District has been in compliance with all required actuarial calculations and reporting. There is still no legally acceptable method for funding this long term obligation of the School District. Therefore, the current methodology of "pay-as-you-go" will be continued until such time as statutory or regulatory changes allow the School District to consider other options.
- The School District does not anticipate or have knowledge of proposed state mandates that will significantly impact the School District's financial position for 2010-2011.
- The Bond rating for the School District is improving and will result in more favorable terms for future borrowings.
- The School District has accounted for a reduction in state aid for previous school years as well as the 2010-2011 school year. This was a result of errors made in past BEDS reporting.
- The School District does not currently have, nor anticipate, financial obligations due to litigation.
- The economic health of our community is projected to remain at current levels for the foreseeable future.
- Enrollment projections for our School District indicate a slightly declining enrollment over the next several years.
- The School District will contract with the Broome-Tioga BOCES during the 2010-2011 fiscal year for Food Service Management.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Chenango Valley Central School District, at 221 Chenango Bridge Road, Binghamton, NY 13901.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS

Current assets	
Cash	
Unrestricted	\$ <u>1,003,869</u>
Receivables	
State and Federal aid	<u>1,515,462</u>
Due from other governments	<u>1,058,408</u>
Other	<u>80,094</u>
Inventories	
Total current assets	<u>3,673,261</u>
Noncurrent assets	
Restricted cash	<u>2,514,316</u>
Land and other nondepreciable capital assets	<u>1,301,615</u>
Capital assets, net	
Total noncurrent assets	<u>37,140,203</u>
Total Assets	<u>40,813,464</u>

LIABILITIES

Current liabilities	
Payables	
Accounts payable	<u>541,340</u>
Accrued liabilities	<u>19,847</u>
Due to other governments	<u>868,186</u>
Due to Fiduciary Funds	<u>4,944</u>
Bond interest and matured bonds	<u>64,524</u>
Deferred revenues	
Due to teachers' retirement system	<u>695,066</u>
Due to employees' retirement system	<u>81,787</u>
Current portion of long-term obligations	
Bonds payable	<u>2,447,492</u>
Total current liabilities	<u>4,732,727</u>
Noncurrent liabilities and obligations	
Bonds payable	<u>23,652,691</u>
Compensated absences payable	<u>997,796</u>
Other postemployment benefits liability	<u>6,538,466</u>
Total noncurrent liabilities and obligations	<u>31,188,953</u>
Total Liabilities	<u>35,921,680</u>

NET ASSETS

Investment in capital assets, net of related debt	<u>11,762,426</u>
Restricted for:	
Debt service	<u>235,847</u>
Unrestricted net (deficit)	<u>(7,106,489)</u>
Total Net Assets	<u>\$ 4,891,784</u>

See Independent Auditor's Report and Notes to Basic Financial Statements

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants	
General support	\$ 4,375,269	\$	\$	\$ (4,375,269)
Instruction	<u>26,676,409</u>	<u>251,403</u>	<u>1,954,241</u>	<u>(24,470,765)</u>
Pupil transportation	<u>1,504,760</u>	<u>1,368</u>		<u>(1,503,392)</u>
Community services	<u>8,781</u>			<u>(8,781)</u>
School lunch program	<u>713,101</u>	<u>285,839</u>	<u>340,371</u>	<u>(86,891)</u>
Interest on debt	<u>1,102,794</u>			<u>(1,102,794)</u>
Total Functions and Programs	<u>\$ 34,381,114</u>	<u>\$ 538,610</u>	<u>\$ 2,294,612</u>	<u>\$ -0- (31,547,892)</u>

GENERAL REVENUES

Real property taxes	<u>12,627,655</u>
Real property tax items	<u>3,903,576</u>
Use of money and property	<u>73,166</u>
State sources	<u>12,592,017</u>
Federal sources	<u>863,740</u>
Sale of property and compensation for loss	<u>3,412</u>
Miscellaneous	<u>594,252</u>
Total General Revenues	<u>30,657,818</u>
Change in Net Assets	(890,074)
Total Net Assets - Beginning of Year	<u>5,781,858</u>
Total Net Assets - End of Year	<u>\$ 4,891,784</u>

See Independent Auditor's Report and Notes to Basic Financial Statements

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
ASSETS			
Cash			
Unrestricted	\$ 700,350	\$ 876	\$ 61,543
Restricted	2,514,316		
Receivables			
Due from other funds	719,005		12,054
State and Federal aid	907,284	580,714	27,464
Due from other governments	1,058,408		
Other	78,301		1,793
Inventories			15,428
Total Assets	\$ 5,977,664	\$ 581,590	\$ 118,282
LIABILITIES			
Payables			
Accounts payable	\$ 390,749	\$ 145,338	
Accrued liabilities	19,562	285	
Due to other funds	12,054	434,237	
Due to Fiduciary Funds	4,944		
Due to other governments	868,071		115
Deferred revenues		1,730	7,811
Due to teachers' retirement system	695,066		
Due to employees' retirement system	81,787		
Total Liabilities	2,072,233	581,590	7,926
FUND BALANCES			
Reserved for encumbrances	100,675	57,977	
Reserved for inventory			15,428
Reserved for debt			
Retirement contribution reserve	1,893,741		
Reserved for tax reduction	502,910		
Reserved for employee benefit accrued liability	17,082		
Reserved for unemployment	100,583		
Unreserved - Designated for subsequent year's expenditures	150,000		
Unreserved - Undesignated, Reported in:			
General Fund	1,140,440		
Special Revenue Funds		(57,977)	94,928
Capital Projects Fund			
Total Fund Balances	3,905,431	-0-	110,356
Total Liabilities and Fund Balances	\$ 5,977,664	\$ 581,590	\$ 118,282

See Independent Auditor's Report and Notes to Basic Financial Statements

Major Funds		
Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$ 233,319	\$ 7,781	\$ 1,003,869
		2,514,316
2,529	1	733,589
		1,515,462
		1,058,408
		80,094
		15,428
<u>\$ 235,848</u>	<u>\$ 7,782</u>	<u>\$ 6,921,166</u>
\$	\$ 5,253	\$ 541,340
		19,847
1	287,297	733,589
		4,944
		868,186
		9,541
		695,066
		81,787
1	292,550	2,954,300
		158,652
		15,428
235,847		235,847
		1,893,741
		502,910
		17,082
		100,583
		150,000
		1,140,440
		36,951
	(284,768)	(284,768)
235,847	(284,768)	3,966,866
<u>\$ 235,848</u>	<u>\$ 7,782</u>	<u>\$ 6,921,166</u>

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Fund Balances - Total Governmental Funds		\$ 3,966,866
<p>Amounts reported for Governmental Activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.</p>		
Total historical cost	\$ 55,493,647	
Less accumulated depreciation	<u>(20,867,760)</u>	34,625,887
<p>Long-term liabilities, including bonds payable, other postemployment benefits liability and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Bonds payable	\$ (26,100,183)	
Other postemployment benefit liability - GASB Statement Number 45	(6,538,466)	
Compensated absences	<u>(997,796)</u>	(33,636,445)
<p>Other</p>		
Accrued interest on long-term debt		<u>(64,524)</u>
Net Assets of Governmental Activities		<u>\$ 4,891,784</u>

See Independent Auditor's Report and Notes to Basic Financial Statements

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
REVENUES			
Real property taxes	\$ 12,627,655	\$	\$
Other tax items	3,903,576		
Charges for services	169,321		
Use of money and property	69,602		55
Sale of property and compensation for loss	2,014		
Miscellaneous	594,252	3,953	223
State sources	12,765,857	313,761	27,393
Medicaid reimbursement	83,450		
Federal sources	863,740	1,452,139	323,526
Sales - School lunch			285,616
Total Revenues	<u>31,079,467</u>	<u>1,769,853</u>	<u>636,813</u>
EXPENDITURES			
General support	3,457,359		
Instruction	14,707,361	1,649,544	276,026
Pupil transportation	866,501		
Community services	6,603		
Employee benefits	7,861,129	130,968	115,871
Debt service			
Principal	2,382,952		
Interest	1,208,557		
Cost of sales			256,970
Capital outlay			
Total Expenditures	<u>30,490,462</u>	<u>1,780,512</u>	<u>648,867</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>589,005</u>	<u>(10,659)</u>	<u>(12,054)</u>
OTHER FINANCING SOURCES AND (USES)			
Long-term debt issued			
BAN's redeemed from appropriations			
Operating transfers in		10,659	12,054
Operating transfers (out)	(22,713)		
Total Other Sources (Uses)	<u>(22,713)</u>	<u>10,659</u>	<u>12,054</u>
Net Change in Fund Balance	566,292	-0-	-0-
Fund Balances - Beginning of Year	3,339,139	-0-	110,356
Fund Balances - End of Year	<u>\$ 3,905,431</u>	<u>\$ -0-</u>	<u>\$ 110,356</u>

See Independent Auditor's Report and Notes to Basic Financial Statements

Major Funds		
Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$	\$	\$ 12,627,655
		3,903,576
		169,321
3,509		73,166
		2,014
		598,428
		13,107,011
		83,450
		2,639,405
		285,616
3,509	-0-	33,489,642
		3,457,359
		16,632,931
		866,501
		6,603
		8,107,968
		2,382,952
		1,208,557
		256,970
	2,222,840	2,222,840
-0-	2,222,840	35,142,681
3,509	(2,222,840)	(1,653,039)
	2,597,461	2,597,461
	36,952	36,952
81,544		104,257
	(81,544)	(104,257)
81,544	2,552,869	2,634,413
85,053	330,029	981,374
150,794	(614,797)	2,985,492
\$ 235,847	\$ (284,768)	\$ 3,966,866

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$ 981,374

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the net change in capital assets.

Capital outlay	\$ 2,670,650	
Depreciation expense	(1,223,739)	
Net book value of disposed assets	<u>1,399</u>	1,448,310

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term debt in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments.

Proceeds of debt	\$ (2,597,461)	
Redemption of BANs	(36,952)	
Principal payment	<u>2,382,952</u>	(251,461)

Long-term obligations, such as those associated with employee benefits, are reported in the Statement of Net Assets. Therefore, expenses which result in an (increase) or decrease in these long-term obligations are not reflected in the Governmental Fund financial statements. This is the change in the amount of compensated absences, other postemployment benefit liability, and expenses that is reported in the Statement of Activities.

Compensated Absences	\$ 96,391	
Other Postemployment Benefits Liability - GASB Statement Number 45	<u>(3,270,451)</u>	(3,174,060)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds. This is the amount that interest payable decreased from the prior year.

93,622

Premiums received on obligations are recorded as revenue in the Governmental Funds when received, but are deferred and amortized in the Governmental Activities. This is the amortization of premiums received in previous years.

12,141

Net Change in Net Assets of Governmental Activities \$ (890,074)

See Independent Auditor's Report and Notes to Basic Financial Statements

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash		
Unrestricted	\$ <u>93,590</u>	\$ <u>151,034</u>
Due from Governmental Funds	<u> </u>	<u>4,944</u>
Total Assets	<u>93,590</u>	<u>\$ 155,978</u>
 LIABILITIES		
Extraclassroom Activity balances	<u> </u>	\$ <u>118,397</u>
Other liabilities	<u> </u>	<u>37,581</u>
Total Liabilities	<u>-0-</u>	<u>\$ 155,978</u>
 NET ASSETS		
Reserved for scholarships	\$ <u>93,590</u>	

See Independent Auditor's Report and Notes to Basic Financial Statements

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	\$ 17,024
Investment earnings	560
Total Additions	17,584
 DEDUCTIONS	
Scholarships and awards	24,469
Change in Net Assets	(6,885)
Net Assets - Beginning of Year	100,475
Net Assets - End of Year	\$ 93,590

See Independent Auditor's Report and Notes to Basic Financial Statements

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the Chenango Valley Central School District (the 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 GASB Statement Number 14, "The Financial Reporting Entity," as amended by GASB Statement Number 39, "Determining Whether Certain Organizations are Component Units."

1. The primary government, which is the 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 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 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).

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

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 Financial 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. Governmental Fund Financial Statements

The Governmental Fund financial 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 Governmental 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 School District's educational complex and the purchase of buses.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

Fiduciary Activities are those in which the School 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 School 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 School 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 Federal Deposit Insurance Corporation (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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

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 Governmental 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) and estimated useful lives of capital assets reported in the District-wide financial 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

Capital assets are depreciated using the straight line method.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

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.

School 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 Number 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. Postemployment 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 School 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 School District and the retired employee. The School 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.

During 2009, the School District adopted GASB Statement Number 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Assets, in accordance with the statement. See Note 12 for additional information.

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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

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 School 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.

N. Equity Classifications

1. District-wide Financial 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. Governmental 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 School 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 School District include the following:

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

- **Encumbrance Reserve**
Represents amount of outstanding encumbrances at the end of the fiscal year. This reserve is accounted for in the General and Special Aid Funds.
- **Reserve for Inventory**
Used to restrict that portion of fund balance unavailable for appropriation. This reserve is accounted for in the School Lunch Fund.
- **Reserve for Debt Service**
Used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations that remain outstanding at the time of sale (GML §6-l). Funding of the reserve is from proceeds of sale of School District property or capital improvement. The reserve is accounted for in the Debt Service Fund.
- **Tax Reduction Reserve**
Used for the gradual use of the proceeds of the sale of School District real property where such proceeds are not required to be placed in a mandatory reserve for debt service (Education Law §1604(36) and §1709(37)). Specifically, the School District is permitted to retain the proceeds of the sale for a period not to exceed ten years, and to use them during that period for tax reduction. This reserve is accounted for in the General Fund.
- **Unemployment Insurance Reserve**
Used to pay the cost of reimbursement to the State Employment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method (GML §6-m). 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. This reserve is accounted for in the General Fund.
- **Employee Benefit Accrued Liability Reserve**
Used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service (GML §6-p). 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. The reserve is accounted for in the General Fund.
- **NYS Retirement Contributions Reserve**
The NYS Retirement Contributions Reserve is used to reserve funds for the payment of retirement contributions, due to volatility in the economic marketplace. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

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 19, 2009. Taxes were collected during the period September 3, 2009 to November 2, 2009

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, 2010, the Capital Projects Fund had a deficit fund balance of \$(284,768).

The deficit in the Capital Projects Fund is the result of expenditures on the current capital project; this deficit will be eliminated when expected EXCEL Aid is received and reported as revenue.

Note 3 - Participation in BOCES

During the year ended June 30, 2010, the School District's share of BOCES income amounted to \$1,182,028. The School District was billed \$3,961,738 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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

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 School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these notes. GASB Statement Number 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 School District's name.

The School District's aggregate bank balances of \$3,762,804 are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

Restricted cash consists of the following at June 30, 2010:

General Fund reserves	\$ <u>2,514,316</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	\$ 78,301
School Lunch Fund	Fees and services	1,793
Total Governmental Funds and Total School District		\$ <u>80,094</u>

Note 6 - Interfund Balances and Activity

Interfund balances at June 30, 2010, are as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 719,005	\$ 12,054	\$ 10,659	\$ 22,713
Special Aid Fund		434,237		
Capital Projects Fund	1	287,297		81,544
Debt Service Fund	2,529	1	81,544	
School Lunch Fund	12,054		12,054	
Total	\$ 733,589	\$ 733,589	\$ 104,257	\$ 104,257

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

The School 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 School 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 School 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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

Note 7 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2010, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements & Reclass- ifications</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital assets that are not depreciated				
Land	\$ 1,301,615	\$	\$	\$ 1,301,615
Construction in progress	685,017	1,951,703	(2,636,720)	-0-
Total Nondepreciable Historical Cost	<u>1,986,632</u>	<u>1,951,703</u>	<u>(2,636,720)</u>	<u>1,301,615</u>
Capital assets that are depreciated				
Buildings and improvements	44,994,867	2,636,720		47,631,587
Furniture and equipment	6,046,896	718,947	(205,398)	6,560,445
Total Depreciable Historical Cost	<u>51,041,763</u>	<u>3,355,667</u>	<u>(205,398)</u>	<u>54,192,032</u>
Total Historical Cost	<u>53,028,395</u>	<u>5,307,370</u>	<u>(2,842,118)</u>	<u>55,493,647</u>
Less accumulated depreciation				
Buildings	(14,987,600)	(964,731)		(15,952,331)
Furniture and equipment	(4,863,218)	(259,008)	(206,797)	(4,915,429)
Total Accumulated Depreciation	<u>(19,850,818)</u>	<u>(1,223,739)</u>	<u>(206,797)</u>	<u>(20,867,760)</u>
Total Historical Cost, Net	<u>\$ 33,177,577</u>	<u>\$ 4,083,631</u>	<u>\$ (2,635,321)</u>	<u>\$ 34,625,887</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 14,521
Instruction	1,014,070
Pupil transportation	180,998
School lunch	<u>14,150</u>
Total Depreciation Expense	<u>\$ 1,223,739</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 redeemed \$2,000,000 in RANs during the year.

The School District may issue Bond Anticipation Notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. BANs of \$2,636,720 were converted to long-term debt of \$2,315,000 in July of 2009.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

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

Interest paid	\$ 175,830
Less interest accrued in the prior year	(86,097)
Less premium recognized in the current year	(7,505)
Plus interest accrued in the current year	-0-
 Total Expense	 \$ 82,228

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

	Beginning Balance	Issued	Redeemed	Ending Balance
RANs	\$ 2,000,000	\$	\$ (2,000,000)	\$ -0-
BANs	2,636,720		(2,636,720)	-0-
Add premium received on BAN	7,505		(7,505)	-0-
 Total Short-term Debt	 \$ 4,644,225	 \$ -0-	 \$ (4,644,225)	 \$ -0-

Note 9 - Long-term Debt

At June 30, 2010, the total outstanding indebtedness of the School District represented 37.2% 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.

The following is a summary of the School District's notes payable and long-term debt for the year ended June 30, 2010.

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding June 30, 2010
Bonds:				
Refunding bonds	4/3/2003	6/15/2012	Various \$	525,000
Serial bond	4/15/2005	6/15/2023	4%	19,645,000
Statutory installment Bond	8/18/2007	8/18/2010	4.54%	96,000
Serial bond - Deficit financing	4/1/2009	4/1/2019	3.85 - 4.50%	3,195,000
Statutory installment bond	10/22/2009	10/22/2014	3.56%	282,461
Serial bond	6/24/2010	6/15/2024	3.00 - 4.00%	2,315,000
Add unamortized premium received on serial bond				41,722
 Total Bonds				 \$ 26,100,183

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

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

Interest paid	\$ 1,032,727
Less interest accrued in the prior year	(72,049)
Less premium recognized in the current year	(4,636)
Add interest accrued in the current year	<u>64,524</u>
 Total Expense	 <u>\$ 1,020,566</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	\$ 25,491,358	\$ 2,315,000	\$ (2,084,636)	\$ 25,721,722	\$ 2,295,000
Statutory installment bonds	<u>362,000</u>	<u>282,461</u>	<u>(266,000)</u>	<u>378,461</u>	<u>152,492</u>
 Total Long-term Liabilities	 <u>\$ 25,853,358</u>	 <u>\$ 2,597,461</u>	 <u>\$ (2,350,636)</u>	 <u>\$ 26,100,183</u>	 <u>\$ 2,447,492</u>

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

Year	Principal	Interest	Total
2011	\$ 2,447,492	\$ 1,034,629	\$ 3,482,121
2012	2,436,492	945,140	3,381,632
2013	2,251,492	854,466	3,105,958
2014	2,341,492	767,680	3,109,172
2015	2,076,493	675,719	2,752,212
2016-2020	9,030,000	2,250,571	11,280,571
2021-2024	<u>5,475,000</u>	<u>485,520</u>	<u>5,960,520</u>
 Total	 <u>\$ 26,058,461</u>	 <u>\$ 7,013,725</u>	 <u>\$ 33,072,186</u>

Note 10 - 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 liability of compensated absences. This liability is liquidated from the General and School Lunch Funds.
- **Other Postemployment Benefits Liabilities:** Represents the expected obligation for the postretirement health care benefits program. See Note 10 for further information.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

	Beginning Balance	Additions	Deletions	Ending Balance
Compensated absences	\$ 1,094,187		\$ (96,391)	\$ 997,796
Other postemployment benefits	3,268,015	3,270,451		6,538,466
Total Long-term Obligations	\$ 4,362,202	\$ 3,270,451	\$ (96,391)	\$ 7,536,262

Changes to long-term compensated absences are reported net, as it is impractical to individually determine the amount of additions and deletions during the fiscal year.

Note 11 - Pension Plans

A. General Information

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.

B. Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 and have fewer than ten years of credited service. These members contribute 3% of their salary. Prior to October 2000, all School District employees who joined after July 27, 1976 were required to contribute 3%, but the laws were modified to forgive the 3% contribution for those with ten or more years of service time. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members which shall be used in computing the contributions required to be made by the employer to the Pension Accumulation Fund.

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:

Year	ERS	TRS
2010	\$ 327,147	\$ 843,920
2009	209,831	788,127
2008	228,435	907,731

The 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 School District has opted not to amortize.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

Note 12 - Other Postemployment Benefits

A. Postemployment Benefits Other than Pensions

In 2009, the School District adopted GASB Statement Number 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." In the past, the School District reported the cost of its retiree health care postretirement benefits on a "pay-as-you-go" basis. An actuarial valuation of the School District Postretirement Health Care Plan (Plan) was performed as of July 1, 2008 for the fiscal years ending June 30, 2010 and 2009.

Plan Description - The Plan is a single-employer, defined benefit healthcare plan administered by the School District. The Plan provides medical, dental, and vision benefits to eligible retirees and their spouses. Benefit provisions are established through negotiations between the School District and bargaining units and are renegotiated each three-year period.

The School District assigns the authority to establish and amend benefit provisions to the Board of Education for non-bargaining unit employees. The Plan does not issue a stand-alone financial report.

The contribution requirements of Plan members and the School District are established and may be amended by the Board of Education. The School District has negotiated several collective bargaining agreements, which include obligations of Plan members and the School District. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2010, the School District contributed \$2,633,800 to the Plan for current premiums. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit.

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement Number 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and accumulate sufficient total accruals for all postretirement benefits when due.

The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the School District's net OPEB obligation to the School District's Plan:

Normal cost	\$	2,153,881
Supplemental cost		3,689,252
Interest		115,717
Total Annual Required Contribution		5,958,850
Interest on net OPEB obligation		130,721
Adjustment to annual required contribution		(185,320)
Annual OPEB Cost (Expense)		5,904,251
Contributions made on behalf of 230 employees		2,633,800
Increase in Net OPEB Obligation		3,270,451
Net OPEB Obligation - July 1, 2009		3,268,015
Net OPEB Obligation - June 30, 2010	\$	6,538,466

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 and 2009 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/10	\$ 5,904,251	44.6%	\$ 6,538,466
06/30/09	\$ 5,391,876	39.4%	\$ 3,268,015

The year ended June 30, 2010 is the second year that the OPEB obligation has been actuarially determined.

Funded Status and Funding Progress - As of June 30, 2010, the Plan was not funded. The actuarial accrued liability for benefits was \$66,346,452; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$13,657,000 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 485.81 percent.

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 healthcare cost trends. Amounts determined regarding funded status of the Plan and 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.

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, 2009, Actuarial Valuation Report, the projected unit credit cost method was used. The actuarial value of assets was determined as the accumulation of prior accruals, less benefits paid. Actuarial assumptions included annual discount and salary increase rates of 4% and 4%, respectively. Additional actuarial assumptions included an annual medical cost trend rate of 6.5% initially, adjusting to an ultimate rate of 5% after five years.

Note 13 - Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

The 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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

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.

Note 14 - Reserved Fund Balances

Portions of fund balance are reserved and are not available for current expenditures as reported in the Governmental Funds Balance Sheet. The balances and activity for the year ended June 30, 2010 of the General Fund reserves were as follows:

General Fund Reserved Fund Balance	Beginning Balance	Additions	Interest Earned	Appropriated	Ending Balance
Reserved for encumbrances	\$ 60,940	\$ 100,675	\$	\$ 60,940	\$ 100,675
Retirement contribution reserve	1,500,321	385,000	8,420		1,893,741
Reserved for tax reduction	500,107		2,803		502,910
Reserved for employee benefit accrued liability	17,001		81		17,082
Unemployment reserve	100,021		562		100,583
Total Reserved Fund Balance	\$ 2,178,390	\$ 485,675	\$ 11,866	\$ 60,940	\$ 2,614,991

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Local Sources				
Real property taxes	\$ 16,527,770	\$ 12,710,878	\$ 12,627,655	\$ (83,223)
Other tax items	<u>92,828</u>	<u>3,909,720</u>	<u>3,903,576</u>	<u>(6,144)</u>
Charges for services	<u>88,200</u>	<u>88,200</u>	<u>169,321</u>	<u>81,121</u>
Use of money and property	<u>38,000</u>	<u>38,000</u>	<u>69,602</u>	<u>31,602</u>
Sale of property and compensation for loss	<u></u>	<u></u>	<u>2,014</u>	<u>2,014</u>
Miscellaneous	<u>375,000</u>	<u>388,119</u>	<u>594,252</u>	<u>206,133</u>
 Total Local Sources	 <u>17,121,798</u>	 <u>17,134,917</u>	 <u>17,366,420</u>	 <u>231,503</u>
 State sources	 <u>14,771,295</u>	 <u>14,098,769</u>	 <u>12,765,857</u>	 <u>(1,332,912)</u>
Medicaid reimbursement	<u></u>	<u></u>	<u>83,450</u>	<u>83,450</u>
Federal sources	<u></u>	<u>863,740</u>	<u>863,740</u>	<u>-0-</u>
 Total Revenues	 <u>31,893,093</u>	 <u>32,097,426</u>	 <u>31,079,467</u>	 <u>(1,017,959)</u>
 OTHER FINANCING SOURCES	 <u>-0-</u>	 <u>-0-</u>	 <u>-0-</u>	 <u>-0-</u>
 Total Revenues and Other Financing Sources	 <u>31,893,093</u>	 <u>32,097,426</u>	 <u>\$ 31,079,467</u>	 <u>\$ (1,017,959)</u>
 Appropriated Fund Balance	 <u>60,940</u>	 <u>60,940</u>		
 Total Revenues, Appropriated Reserves and Designated Fund Balance	 <u>\$ 31,954,033</u>	 <u>\$ 32,158,366</u>		

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, 2010

	Original Budget	Final Budget
EXPENDITURES		
General Support		
Board of Education	\$ 20,328	\$ 35,428
Central administration	347,986	364,306
Finance	444,978	452,191
Staff	118,103	146,180
Central services	2,870,651	2,379,498
Special items	353,408	355,450
Total General Support	4,155,454	3,733,053
Instruction		
Instruction, administration and improvement	829,911	774,806
Teaching - Regular school	7,715,140	7,680,566
Programs for children with handicapping conditions	2,872,977	2,844,323
Occupational education	488,200	497,501
Teaching - Special school	191,213	191,213
Instructional media	1,249,217	1,517,029
Pupil services	1,561,123	1,606,199
Total Instruction	14,716,568	15,111,637
Pupil Transportation	1,000,685	967,603
Community Services	8,750	8,750
Employee Benefits	8,295,491	8,560,238
Debt Service		
Principal	2,374,742	2,384,742
Interest	1,349,843	1,339,843
Total Debt Service	3,724,585	3,724,585
Total Expenditures	31,901,533	32,105,866
OTHER FINANCING USES		
Operating transfers out	52,500	52,500
Total Expenditures and Other Financing Uses	\$ 31,954,033	\$ 32,158,366
Net Change in Fund Balance		
Fund Balance - Beginning of Year		
Fund Balance - End of Year		

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

Actual	Encumbrances	Variance Favorable (Unfavorable)
\$ 29,482	\$	\$ 5,946
354,066		10,240
430,816	55	21,320
137,113	(404)	9,471
2,154,992	65,229	159,277
350,890		4,560
3,457,359	64,880	210,814
739,613	236	34,957
7,558,633	9,804	112,129
2,709,275	16	135,032
497,501		-0-
191,213		-0-
1,481,496	5,111	30,422
1,529,630	20,628	55,941
14,707,361	35,795	368,481
866,501		101,102
6,603		2,147
7,861,129		699,109
2,382,952		1,790
1,208,557		131,286
3,591,509	-0-	133,076
30,490,462	100,675	1,514,729
22,713		29,787
30,513,175	\$ 100,675	\$ 1,544,516
566,292		
3,339,139		
\$ 3,905,431		

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2010

<u>Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
06/30/09	7/1/2008	\$ <u>-0-</u>	\$ <u>59,133,638</u>	\$ <u>59,133,638</u>	0.0%	\$ <u>13,566,013</u>	435.9%
06/30/10	7/1/2008	\$ <u>-0-</u>	\$ <u>66,346,452</u>	\$ <u>66,346,452</u>	0.0%	\$ <u>13,657,000</u>	485.8%

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

Note 1 - Budgetary Procedures and Budgetary Accounting

The School 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 School 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.

Supplemental appropriations of \$204,333 occurred during the year; \$191,213 for the incarcerated youth program, and \$13,120 is donations.

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, 2010.

Note 3 - Schedule of Funding Progress

The Schedule of Funding Progress, presented as required supplementary information presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Because this is the second year of implementation, only two years of information are presented for the year ending June 30, 2010.

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, 2010

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ <u>31,893,093</u>
Prior year's encumbrances		<u>60,940</u>
Original Budget		<u>31,954,033</u>
Budget Revision (see Page 30, Note 1)		204,333
Total Additions		<u>204,333</u>
Total Deductions		<u>-0-</u>
Final Budget		<u><u>\$ 32,158,366</u></u>
Next year's budget is a voter approved budget	\$ <u><u>31,871,119</u></u>	

USE OF UNRESERVED FUND BALANCE

Unreserved Fund Balance -		
As of the beginning of the year		\$ <u>1,160,749</u>
Undesignated Fund Balance -		
As of the beginning of the year		<u><u>\$ 1,160,749</u></u>

See Independent Auditor's Report

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
 SCHEDULE OF PROJECT EXPENDITURES
 CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Revised Budget	Expenditures		
			Prior Years	Current Year	Total
EXCEL Capital Project	\$ 2,636,720	\$ 2,636,720	\$ 696,341	\$ 1,940,379	\$ 2,636,720
2009-2010 Buses	293,628	293,628		282,461	282,461
Less: EXCEL Aid not received and unavailable					
Total	\$ 2,930,348	\$ 2,930,348	\$ 696,341	\$ 2,222,840	\$ 2,919,181

See Independent Auditor's Report

Unexpended Balance	Methods of Financing			Total	Fund Balance June 30, 2010
	Proceeds of Obligations	State Aid	Local Sources		
\$ -0-	\$ 2,351,952	\$ 284,768	\$ -	\$ 2,636,720	\$ -0-
11,167	282,461			282,461	-0-
					(284,768)
\$ 11,167	\$ 2,634,413	\$ 284,768	\$ -0-	\$ 2,919,181	\$ (284,768)

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES
COMPARED TO ST-3 DATA
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
REVENUES			
Real property taxes	A -1001	\$ 12,627,655	\$ 12,627,655
Nonproperty taxes	AT-1199	-0-	-0-
State aid	AT-3999	12,765,857	12,765,857
Federal aid	AT-4999	947,190	947,190
Total Revenues and Other Financing Sources	AT-5999	31,079,467	31,079,467
 EXPENDITURES			
General support	AT-1999	3,457,359	3,457,359
Pupil transportation	AT-5599	866,501	866,501
Debt service - Principal	AT-9798.6	2,382,952	2,382,952
Debt service - Interest	AT-9798.7	1,208,557	1,208,557
Total Expenditures and Other Uses	AT-9999	30,513,175	30,513,175

See Independent Auditor's Report

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
 INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2010

Capital assets, net		\$ <u>34,625,887</u>
Add:		
Unamortized bond issuance costs		<u> </u>
Discount on bonds payable		<u> </u>
Other:		<u> </u>
Deduct:		
Bond Anticipation Notes		
Premium on bonds payable		<u>41,722</u>
Short-term portion of bonds payable, excluding deficit elimination bond		<u>(2,137,492)</u>
Long-term portion of bonds payable, excluding deficit elimination bond		<u>(20,767,691)</u>
Less: unspent bond proceeds		<u> </u>
Short-term portion of capital leases		<u> </u>
Long-term portion of capital leases		<u> </u>
Other short or long-term debt related to capital assets		<u> </u>
Other		<u> </u>
Investment in Capital Assets, Net of Related Debt		\$ <u><u>11,762,426</u></u>

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.
Patrick S. Jordan, C.P.A.
Duane R. Shoen, C.P.A.
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D. Leslie Spurgin, C.P.A.



**Ciaschi • Dietershagen • Little • Mickelson
& Company, LLP**

Certified Public Accountants and Consultants

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 (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 13, 2010. 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 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 School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Audit Committee, the Board of Education, management, others within Chenango Valley Central School District, 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.

A handwritten signature in black ink that reads "Lisa Chi, Dietershagen, Little, Finkler & Company, CPA". The signature is written in a cursive, flowing style.

October 13, 2010
Ithaca, New York