

**CHENANGO VALLEY
CENTRAL SCHOOL DISTRICT**

Binghamton, NY

FINANCIAL REPORT

June 30, 2012

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, 2012, 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, 2012, 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 September 17, 2012 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 2h and 28 through 31 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 32 to 35 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profits Organizations*, and is also not a required part of the financial statements. The supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were 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 black ink, reading "Lisa Dietershagen, Little, Ninkovic & Company LLP". The signature is written in a cursive, flowing style.

September 17, 2012
Ithaca, New York

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012. 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

- The School District has previously adopted Governmental Accounting Standards Board Statement Number 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (GASB 45)." This statement required the School District to record an expense for a portion of the Actuarial Accrued Liability in the amount of \$3,181,665 for the current year.
- The School District's financial position declined with a decrease in net assets of \$(1,533,566) in 2012 compared to a decrease in net assets of \$(2,507,535) in 2011. The 2012 net asset decrease was smaller than in 2011, primarily due to a decrease in expenses of \$(1,373,617). Revenues decreased by \$(399,648), primarily due reductions in Federal and State aid.
- General Fund budgeted expenditures were underspent by \$923,646.
- Capital asset additions during 2012 amounted to \$1,033,830. The School District also reported depreciation expense of \$1,459,407 during 2012.
- The bonded indebtedness of the School District, in the amount of \$21,913,077, was down \$(2,132,146) from 2011. This was the result of payments on outstanding debt and the issuance of \$388,416 in Statutory Installment Bonds for the purchase of buses.
- Unassigned fund balance in the General Fund decreased \$(69,129) to \$1,649,746 at June 30, 2012 compared to \$1,718,875 at June 30, 2011. The current year excess of revenues over expenditures is \$91,150 and ending fund balance was \$5,314,848 at June 30, 2012.

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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

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.

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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's combined net assets for fiscal year ended June 30, 2012 decreased by \$(1,533,566). 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
	2011	2012	2011 - 2012
<i>Current assets</i>	\$ 4,554,396	\$ 4,086,992	\$ (467,404)
<i>Noncurrent assets</i>	3,204,517	3,414,247	209,730
<i>Capital assets, net</i>	33,140,175	32,708,320	(431,855)
Total assets	40,899,088	40,209,559	(689,529)
<i>Current liabilities</i>	4,647,058	4,202,117	(444,941)
<i>Noncurrent liabilities</i>	33,867,781	35,156,759	1,288,978
Total liabilities	38,514,839	39,358,876	844,037
<i>Invested in capital assets</i>	11,979,952	13,365,243	1,385,291
<i>Restricted</i>	2,933,819	3,142,817	208,998
<i>Unrestricted net (deficit)</i>	(12,529,522)	(15,657,377)	(3,127,855)
Total net assets	\$ 2,384,249	\$ 850,683	\$ (1,533,566)

The decrease in current assets was primarily due to decreased cash balances and aid receivables. The increase in noncurrent assets is due to restricted cash increases resulting from increases in General Fund reserves. The decrease in capital assets was primarily due to depreciation expense exceeding capital asset additions. The increase in noncurrent liabilities was primarily due to recording the other postemployment benefit GASB 45 liability of \$3,181,665 and issuance of serial bonds, offset by debt payments.

The increase of \$1,385,291, in the amount invested in capital assets net of the related debt, was primarily due to the net effect of 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 \$(3,127,855) primarily due to the GASB 45 expense of \$3,181,665.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

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
	2011	2012	2011 - 2012
REVENUES			
<i>Program revenues:</i>			
Charges for services	\$ 605,027	\$ 563,551	\$ (41,476)
Operating grants and contributions	2,285,983	2,427,077	141,094
Capital grants	282,131		(282,131)
<i>General revenues:</i>			
Property taxes	13,458,473	14,151,955	693,482
Other taxes	3,752,851	3,758,532	5,681
Unrestricted State sources	12,577,197	12,087,484	(489,713)
Use of money and property	62,088	59,221	(2,867)
Other general revenues	1,423,472	999,754	(423,718)
Total revenues	34,447,222	34,047,574	(399,648)
PROGRAM EXPENSES			
General support	4,620,933	4,719,411	98,478
Instruction	28,758,813	27,625,521	(1,133,292)
Pupil transportation	1,764,650	1,660,471	(104,179)
Community services	8,734	8,887	153
School lunch program	781,633	602,796	(178,837)
Interest on debt	1,019,994	964,054	(55,940)
Total expenses	36,954,757	35,581,140	(1,373,617)
(DECREASE) IN NET ASSETS	\$ (2,507,535)	\$ (1,533,566)	\$ 973,969

Total revenues for the School District's Governmental Activities decreased by \$(399,648), or 1.2%, while total expenses decreased \$1,373,617, or 3.7%.

In 2012, total taxes were up for the year by \$693,482, reflecting an increase in the tax levy for 2012. State aid, reported in unrestricted state sources, showed a decrease of \$(489,713), largely due to State aid modifications to School Districts. Other general revenues decreased largely due to federal aid grants in 2011 that did not recur. Capital grants in 2011 represent one-time State funds for construction.

Expenses decreased primarily due to budgetary containment initiatives and energy savings.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

Figures 3 and 4 show the sources of revenue for 2012 and 2011.

Figure 3

Sources of Revenue for 2012

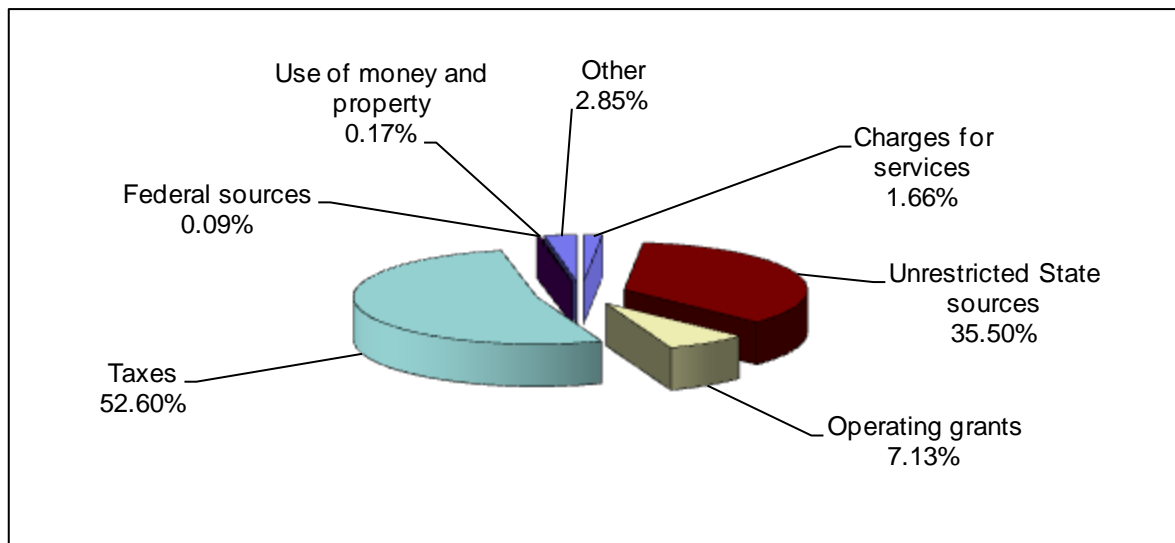
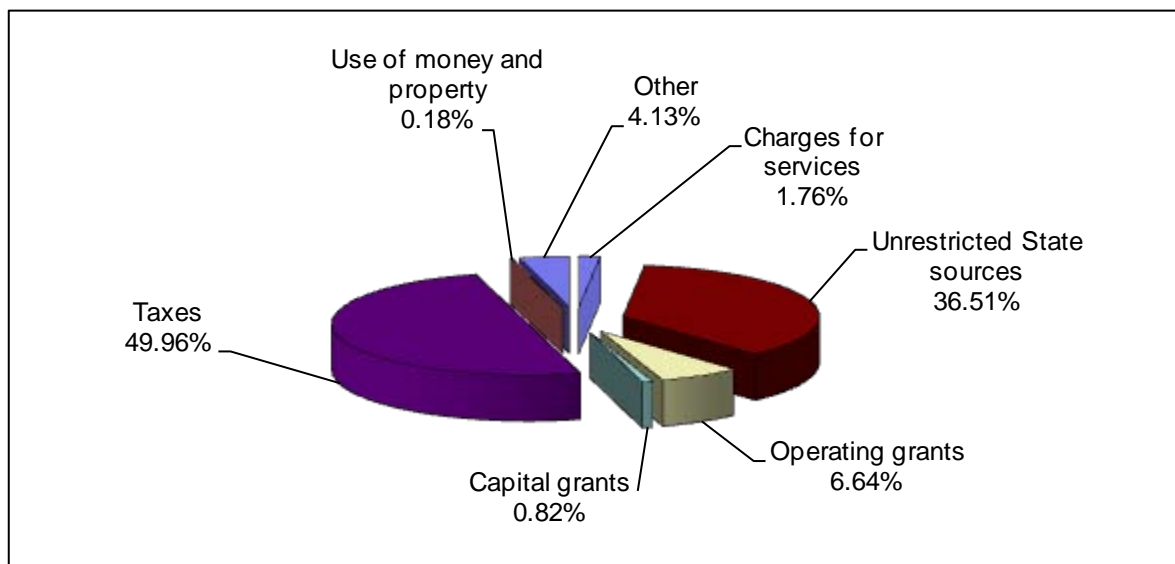


Figure 4

Sources of Revenue for 2011



CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

Figures 5 and 6 present the cost of each of the School District's programs for 2012 and 2011.

Figure 5

Cost of Programs for 2012

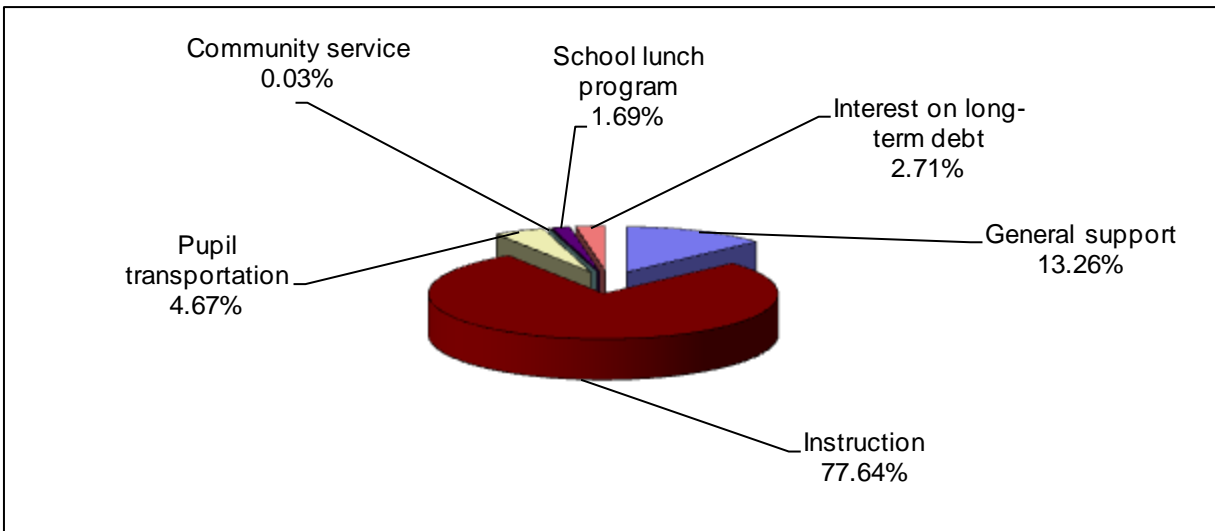
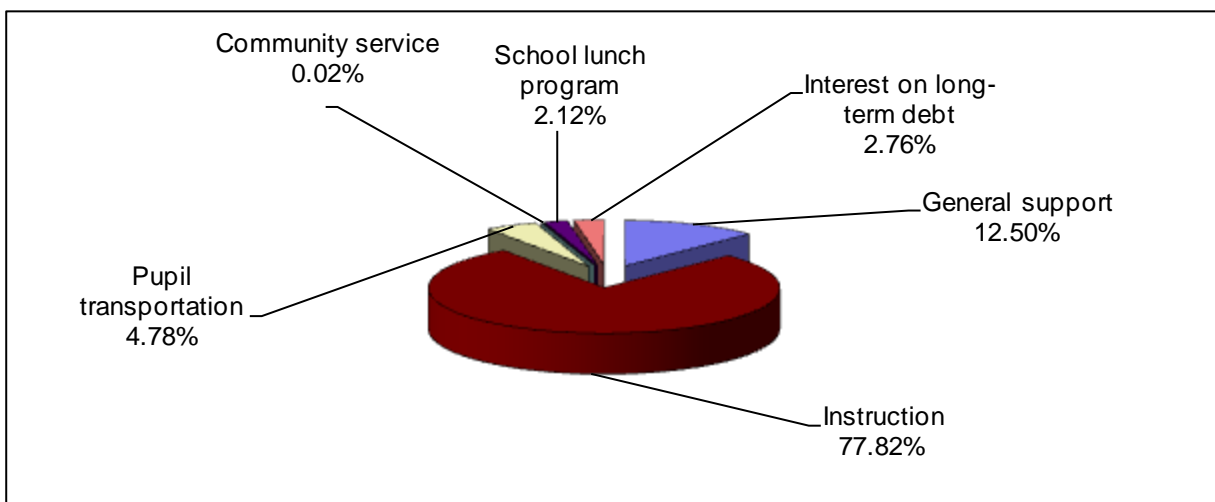


Figure 6

Cost of Programs for 2011



CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

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 \$5,779,756, compared to last year's total of \$5,686,943.

Figure 7

Governmental Fund Balances	2011	2012	Total Dollar Change
			2011 - 2012
General Fund	\$ 5,223,698	\$ 5,314,848	\$ 91,150
School Lunch Fund	168,987	203,205	34,218
Debt Service Fund	234,258	234,896	638
Capital Projects Fund	60,000	26,807	(33,193)
Totals	\$ 5,686,943	\$ 5,779,756	\$ 92,813

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 \$209,327. The actual charges to appropriations (expenditures) were favorable to final budget amounts by \$923,646 which includes carry-over encumbrances. Figure 8 summarizes the original and final budgets, actual expenditures (including encumbrances), and variances for the year ending June 30, 2012.

Figure 8

Condensed Budgetary Comparison General Fund - 2012	Original Budget	Revised Budget	Actual w/ Encumbrances	Total Dollar Variance
REVENUES				
Real property taxes	\$ 17,832,711	\$ 14,160,869	\$ 14,151,955	\$ (8,914)
Other tax items	88,844	3,760,686	3,758,532	(2,154)
State sources	12,194,400	12,389,720	12,210,752	(178,968)
Other revenues and financing sources	718,700	732,707	1,145,328	412,621
Total Revenues and Financing Sources	\$ 30,834,655	\$ 31,043,982	\$ 31,266,567	\$ 222,585
Appropriated Fund Balances and Reserves	\$ 1,362,262	\$ 1,362,262		
EXPENDITURES				
General support	\$ 3,912,759	\$ 3,918,972	\$ 3,601,901	\$ 317,071
Instruction	14,557,329	15,022,881	14,773,555	249,326
Pupil transportation	1,151,541	1,160,593	1,040,464	120,129
Community services	7,300	7,300	6,439	861
Employee benefits	9,037,778	8,766,244	8,571,203	195,041
Debt service	3,471,710	3,471,754	3,471,754	
Other financing (uses)	58,500	58,500	17,282	41,218
Total Expenditures, and Other Financing Sources and (Uses)	\$ 32,196,917	\$ 32,406,244	\$ 31,482,598	\$ 923,646

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2012, the School District had invested in a broad range of capital assets. The cost of capital assets increased by \$696,212 during the year ended June 30, 2012.

Figure 9

Changes in Historical Cost of Capital Assets	Governmental Activities and Total School District		Total Dollar Change
	2011	2012	2011 - 2012
<i>Land</i>	\$ 1,385,715	\$ 1,385,715	\$ -0-
<i>Construction in progress</i>	-0-	228,393	228,393
<i>Buildings and improvements</i>	48,038,522	48,049,747	11,225
<i>Equipment</i>	6,046,272	6,502,866	456,594
Totals	\$ 55,470,509	\$ 56,166,721	\$ 696,212

Capital additions for the year ended June 30, 2012 included the following:

Buildings and Improvements	\$ 11,225
Construction in progress	228,393
Furniture and Equipment	794,212
Total additions	1,033,830
Less disposals	(337,618)
Net Additions	<u>\$ 696,212</u>

Depreciation expense amounted to \$1,459,407; accumulated depreciation increased by \$1,128,067.

Debt Administration

Debt, both short and long-term, considered a liability of Governmental Activities, decreased by \$(2,132,146) in 2012, as shown in *Figure 10*. Total indebtedness represented 31.3% of the constitutional debt limit, exclusive of building aid estimates.

Figure 10

Outstanding Debt	Governmental Activities and Total School District		Total Dollar Change
	2011	2012	2011 - 2012
<i>Serial Bonds/Statutory Installment Bonds</i>	\$ 24,045,223	\$ 21,913,077	\$ (2,132,146)
Totals	\$ 24,045,223	\$ 21,913,077	\$ (2,132,146)

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

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 appropriating Fund Balance and/or Reserves as well as cutting programs in order to manage the tax levy as a direct result of continued reductions in State Aid and the newly imposed 2% Property Tax Cap.
- The School District continues to remain in compliance with all required actuarial calculations and reporting as it relates to GASB 45. 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 that statutory or regulatory changes allow the School District to consider other options.
- The School District anticipates the implementation of the new Annual Professional Performance Review (APPR) may have potential cost implications associated with this new mandate. This mandate may impact the School District's financial position for 2012-2014.
- The economic health of our community is projected to remain at current levels for the foreseeable future.
- Enrollment projections for our School District indicate leveling numbers for enrollment over the next several years.
- The School District will be working collectively with the Chenango Forks Central School District to conduct a consolidation feasibility study. The results of this study may have implications for our district either through consolidation or possible shared services.
- The Dignity for All Students Act implementation will begin in the 2012-2013 school year. Necessary policies have been reviewed and updated.
- The School District is currently in negotiations with both the administrative and teacher unions regarding APPR language. With the plan comes the development of Student Learning Objectives and professional development needs.

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, 2012

ASSETS

Current assets

Cash

Unrestricted	\$ 2,077,553
Restricted	234,896

Receivables

State and Federal aid	1,001,723
Due from other governments	736,030
Other	27,625

Inventories

Total current assets	4,086,992
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Noncurrent assets

Restricted cash	3,414,247
Land and other nondepreciable capital assets	1,614,108
Capital assets, net	31,094,212
Total noncurrent assets	36,122,567

Total Assets	40,209,559
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LIABILITIES

Current liabilities

Payables

Accounts payable	159,700
Accrued liabilities	23,417
Due to other governments	125,225
Due to Fiduciary Funds	15,000
Bond interest and matured bonds	67,388
Retainage payable	7,971

Deferred revenues	27,475
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Due to teachers' retirement system	1,196,549
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Due to employees' retirement system	127,551
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Current portion of long-term obligations

Bonds payable	2,413,246
Compensated absences payable	38,595
Total current liabilities	4,202,117

Noncurrent liabilities and obligations

Bonds payable	19,499,831
Compensated absences payable	2,983,161
Other postemployment benefits liability	12,673,767
Total noncurrent liabilities and obligations	35,156,759

Total Liabilities	39,358,876
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NET ASSETS

Investment in capital assets, net of related debt	13,365,243
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Restricted net assets	3,142,817
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Unrestricted net (deficit)	(15,657,377)
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Total Net Assets	\$ 850,683
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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, 2012

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants	Capital Grants	
General support	\$ 4,719,411	\$	\$	\$	\$ (4,719,411)
Instruction	27,625,521	276,184	2,093,883		(25,255,454)
Pupil transportation	1,660,471				(1,660,471)
Community services	8,887				(8,887)
School lunch program	602,796	287,367	333,194		17,765
Interest on debt	964,054				(964,054)
Total Functions and Programs	\$ 35,581,140	\$ 563,551	\$ 2,427,077	\$ -0-	(32,590,512)

GENERAL REVENUES

Real property taxes	14,151,955
Real property tax items	3,758,532
Use of money and property	59,221
State sources	12,087,484
Federal sources	30,201
Sale of property and compensation for loss	169,763
Miscellaneous	799,790
Total General Revenues	31,056,946
Change in Net Assets	(1,533,566)
Total Net Assets - Beginning of Year	2,384,249
Total Net Assets - End of Year	\$ 850,683

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
ASSETS			
Cash			
Unrestricted	\$ 1,805,413	\$ 36,261	\$ 197,042
Restricted	3,414,247		
Receivables			
Due from other funds	586,563		
State and Federal aid	433,741	280,083	5,768
Due from other governments	736,030		
Due from Fiduciary Funds			
Other	27,547		78
Inventories			9,165
Total Assets	\$ 7,003,541	\$ 316,344	\$ 212,053
LIABILITIES			
Payables			
Accounts payable	\$ 147,647	\$ 8,044	\$ 12
Accrued liabilities	23,417		
Due to other funds		304,370	
Due to Fiduciary Funds	15,000		
Due to other governments	125,159		66
Retainage payable			
Deferred revenues	14,775	3,930	8,770
Due to teachers' retirement system	1,196,549		
Due to employees' retirement system	127,551		
Compensated absences payable	38,595		
Total Liabilities	1,688,693	316,344	8,848
FUND BALANCES			
Nonspendable			9,165
Restricted	2,907,921		
Assigned	757,181		194,040
Unassigned	1,649,746		
Total Fund Balances	5,314,848	-0-	203,205
Total Liabilities and Fund Balances	\$ 7,003,541	\$ 316,344	\$ 212,053

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

Major Funds		
Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$	\$ 38,837	\$ 2,077,553
234,896		3,649,143
		586,563
	282,131	1,001,723
		736,030
		-0-
		27,625
		9,165
\$ 234,896	\$ 320,968	\$ 8,087,802
\$	\$ 3,997	\$ 159,700
		23,417
	282,193	586,563
		15,000
		125,225
	7,971	7,971
		27,475
		1,196,549
		127,551
		38,595
-0-	294,161	2,308,046
		9,165
234,896		3,142,817
	26,807	978,028
		1,649,746
234,896	26,807	5,779,756
\$ 234,896	\$ 320,968	\$ 8,087,802

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Fund Balances - Total Governmental Funds		\$ 5,779,756
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.		
Total historical cost	\$ 56,166,721	
Less accumulated depreciation	<u>(23,458,401)</u>	32,708,320
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.		
Bonds payable	\$ (21,913,077)	
Other postemployment benefit liability - GASB Statement Number 45	(12,673,767)	
Compensated absences	<u>(2,983,161)</u>	(37,570,005)
Other		
Accrued interest on long-term debt		<u>(67,388)</u>
Net Assets of Governmental Activities		\$ <u><u>850,683</u></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, 2012

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
REVENUES			
Real property taxes	\$ 14,151,955	\$	\$
Other tax items	3,758,532		
Charges for services	263,715		
Use of money and property	58,313		270
Sale of property and compensation for loss	11,041		
Miscellaneous	799,790	712	92
State sources	12,210,752	313,698	63,221
Medicaid reimbursement	12,469		
Federal sources		1,608,060	318,118
Sales - School lunch			287,275
Total Revenues	31,266,567	1,922,470	668,976
EXPENDITURES			
General support	3,374,656	12,468	
Instruction	14,742,058	1,725,243	304,139
Pupil transportation	992,025	14,983	
Community services	6,439		
Employee benefits	8,571,203	185,800	83,814
Debt service			
Principal	2,515,926		
Interest	955,828		
Cost of sales			248,063
Capital outlay			
Total Expenditures	31,158,135	1,938,494	636,016
Excess (Deficiency) of Revenues Over Expenditures	108,432	(16,024)	32,960
OTHER FINANCING SOURCES AND (USES)			
Long-term debt issued			
Operating transfers in		16,024	1,258
Operating transfers (out)	(17,282)		
Total Other (Uses) Sources	(17,282)	16,024	1,258
Net Change in Fund Balance	91,150	-0-	34,218
Fund Balances - Beginning of Year	5,223,698	-0-	168,987
Fund Balances - End of Year	\$ 5,314,848	\$ -0-	\$ 203,205

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

Major Funds		
Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$	\$	\$ 14,151,955
		3,758,532
		263,715
638		59,221
	165,000	176,041
		800,594
		12,587,671
		12,469
	30,201	1,956,379
		287,275
638	195,201	34,053,852
		3,387,124
		16,771,440
		1,007,008
		6,439
		8,840,817
		2,515,926
		955,828
		248,063
	616,810	616,810
-0-	616,810	34,349,455
638	(421,609)	(295,603)
	388,416	388,416
		17,282
		(17,282)
-0-	388,416	388,416
638	(33,193)	92,813
234,258	60,000	5,686,943
\$ 234,896	\$ 26,807	\$ 5,779,756

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, 2012

Net Change in Fund Balances - Total Governmental Funds \$ 92,813

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	\$ 1,033,830	
Depreciation expense	(1,459,407)	
Net book value of disposed assets	<u>(6,278)</u>	(431,855)

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 repayments exceeded proceeds.

Proceeds of debt	\$ (388,416)	
Principal payment	<u>2,515,926</u>	2,127,510

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 and other postemployment benefit liability reported in the Statement of Activities.

Compensated Absences	\$ (132,143)	
Other Postemployment Benefits Liability - GASB Statement Number 45	<u>(3,181,665)</u>	(3,313,808)

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 interest payable (increased) from the prior year. (12,862)

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. 4,636

Net Change in Net Assets of Governmental Activities \$ (1,533,566)

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, 2012

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash		
Unrestricted	\$ 75,665	\$ 159,549
Due from Governmental Funds		15,000
Total Assets	75,665	\$ 174,549
LIABILITIES		
Accounts payable		\$ 15,000
Extraclassroom Activity balances		122,536
Other liabilities		37,013
Total Liabilities	-0-	\$ 174,549
NET ASSETS		
Reserved for scholarships	\$ 75,665	

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, 2012

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	\$ 4,725
Investment earnings	218
Total Additions	4,943
DEDUCTIONS	
Scholarships and awards	15,523
Change in Net Assets	(10,580)
Net Assets - Beginning of Year	86,245
Net Assets - End of Year	\$ 75,665

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, 2012

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, 2012

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 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 accumulation of resources and payment of principal and interest on long-term general obligation debt of Governmental Activities.
- Capital Projects Fund: Accounts for financial resources used for renovation of the School District's educational complex and purchase of buses.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012

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.

Fund balances associated with these non-liquid assets (inventories and prepaid items) have been recognized as non-spendable 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, 2010. For assets acquired prior to June 30, 2010, 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, 2012

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 11 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.

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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

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

Fund balance is broken into five classifications: non-spendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- **Non-spendable**
Consists of assets inherently non-spendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- **Restricted**
Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the School District's legally adopted reserves are reported here.
- **Committed**
Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority, the Board of Education, prior to the end of the fiscal year, which requires the same level of formal action to remove said constraint.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

- Assigned

Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

- Unassigned

Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year's budgetary appropriations. Funds properly retained under other sections of law (i.e., reserve funds established pursuant to Education Law or GML) are excluded from the 4% limitation. The 4% limitation is applied to unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

The Board of Education of the School District has not adopted any resolutions to commit fund balance. The Board of Education has not authorized anyone to assign fund balance. The School District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

3. Legally Adopted Reserves

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. These reserves are reported in the fund financial statements as Restricted Fund Balance. Reserves currently in use by the School District include the following:

- Reserve for Debt Service

Used to establish a reserve for the purpose of retiring outstanding obligations upon the sale of School District property or capital improvement 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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

- **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 60 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.
- **Capital Reserves**
Capital Reserves (Education Law §3651) are used to pay the cost of any object or purpose for which bonds may be issued. The creation of a Capital Reserve Fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserves only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserves and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. These reserves are accounted for in the General Fund.
- **Employee Benefit Accrued Liability Reserve**
The Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefits due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.
- **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.

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 July 27, 2011. Taxes were collected during the period September 1, 2011 to October 31, 2011.

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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

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.

Note 2 - Participation in BOCES

During the year ended June 30, 2012, the School District's share of BOCES income amounted to \$1,352,369. The School District was billed \$4,787,337 for BOCES administration and program costs. Financial statements for the Broome-Tioga BOCES are available from the BOCES administrative office at 435 Upper Glenwood Road, Binghamton, New York, 13905.

Note 3 - 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 \$6,183,617 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, 2012:

General Fund reserves	\$ 3,414,247
Debt Service Fund Reserve	<u>234,896</u>
Total	<u>\$ 3,649,143</u>

Note 4 - Other Receivables

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

	<u>Description</u>	<u>Amount</u>
General Fund	Tuition and other charges	\$ 27,547
School Lunch Fund	Fees and services	<u>78</u>
Total Governmental Funds and Total School District		<u>\$ 27,625</u>

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

Note 5 - Interfund Balances and Activity

Interfund balances at June 30, 2012, are as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 586,563	\$	\$	\$ 17,282
Special Aid Fund		304,370	16,024	
Capital Projects Fund		282,193		
Debt Service Fund				
School Lunch Fund			1,258	
Total	<u>\$ 586,563</u>	<u>\$ 586,563</u>	<u>\$ 17,282</u>	<u>\$ 17,282</u>

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.

Note 6 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2012, were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<u>Governmental Activities:</u>				
Capital assets that are not depreciated				
Land	\$ 1,385,715	\$	\$	\$ 1,385,715
Construction in progress		228,393		228,393
Total Nondepreciable Historical Cost	<u>1,385,715</u>	<u>228,393</u>	<u>-0-</u>	<u>1,614,108</u>
Capital assets that are depreciated				
Buildings and improvements	48,038,522	11,225		48,049,747
Furniture and equipment	6,046,272	794,212	(337,618)	6,502,866
Total Depreciable Historical Cost	<u>54,084,794</u>	<u>805,437</u>	<u>(337,618)</u>	<u>54,552,613</u>
Total Historical Cost	<u>55,470,509</u>	<u>1,033,830</u>	<u>(337,618)</u>	<u>56,166,721</u>
Less accumulated depreciation				
Buildings	(18,428,558)	(1,023,973)		(19,452,531)
Furniture and equipment	(3,901,776)	(435,434)	331,340	(4,005,870)
Total Accumulated Depreciation	<u>(22,330,334)</u>	<u>(1,459,407)</u>	<u>331,340</u>	<u>(23,458,401)</u>
Total Historical Cost, Net	<u>\$ 33,140,175</u>	<u>\$ (425,577)</u>	<u>\$ (6,278)</u>	<u>\$ 32,708,320</u>

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

Depreciation expense was charged to governmental functions as follows:

General support	\$ 38,763
Instruction	1,159,148
Pupil transportation	245,466
School lunch	<u>16,030</u>
Total Depreciation Expense	<u>\$ 1,459,407</u>

Note 7 - 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 RAN's represent a liability that will be extinguished by the use of expendable, available resources of the General Fund. There were no RAN's issued in fiscal years 2011 or 2012.

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. There were no BANs issued in fiscal years 2011 or 2012.

Note 8 - Long-term Debt

At June 30, 2012, the total outstanding indebtedness of the School District represented 31.3% 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, 2012.

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding June 30, 2012
Bonds:				
Serial bond	4/15/2005	6/15/2023	4%	\$ 16,395,000
Serial bond - Deficit financing	4/01/2009	4/01/2019	3.85-4.50%	2,570,000
Statutory installment bond	10/22/2009	10/22/2014	3.56%	169,477
Serial bond	6/24/2010	6/15/2024	3.00-4.00%	2,040,000
Statutory installment bond	8/24/2010	8/24/2015	2.68%	317,734
Statutory installment bond	7/26/2011	7/26/2016	3.39%	388,416
Add unamortized premium received on serial bond				<u>32,450</u>
Total Bonds				<u>\$ 21,913,077</u>

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

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

Interest paid	\$ 955,828
Less interest accrued in the prior year	(54,526)
Less premium recognized in the current year	(4,636)
Add interest accrued in the current year	<u>67,388</u>
 Total Expense	 <u><u>\$ 964,054</u></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	\$ 23,422,086	\$	\$ (2,384,636)	\$ 21,037,450	\$ 2,199,636
Statutory installment bonds	<u>623,137</u>	<u>388,416</u>	<u>(135,926)</u>	<u>875,627</u>	<u>213,610</u>
 Total Long-term Liabilities	 <u><u>\$ 24,045,223</u></u>	 <u><u>\$ 388,416</u></u>	 <u><u>\$ (2,520,562)</u></u>	 <u><u>\$ 21,913,077</u></u>	 <u><u>\$ 2,413,246</u></u>

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

Year	Principal	Interest	Total
2013	\$ 2,408,610	\$ 876,148	\$ 3,284,758
2014	2,498,609	784,600	3,283,209
2015	2,233,610	687,877	2,921,487
2016	1,897,115	601,804	2,498,919
2017	1,887,683	528,991	2,416,674
2018-2022	8,920,000	1,520,835	10,440,835
2023-2024	<u>2,035,000</u>	<u>94,490</u>	<u>2,129,490</u>
 Total	 <u><u>\$ 21,880,627</u></u>	 <u><u>\$ 5,094,745</u></u>	 <u><u>\$ 26,975,372</u></u>

Note 9 - Other Long-term Obligations

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

- **Compensated Absences:** Represents the value of the earned and unused portion of the 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 11 for further information.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

	Beginning Balance	Additions	Deletions	Ending Balance
Compensated absences	\$ 2,898,378	\$ 123,378	\$	\$ 3,021,756
Other postemployment benefits	9,492,102	3,181,665		12,673,767
Total Long-term Obligations	\$ 12,390,480	\$ 3,305,043	\$ -0-	\$ 15,695,523

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

Note 10 - 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
2012	\$ 441,246	\$ 926,306
2011	327,147	685,354
2010	209,831	843,920

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

Note 11 - 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, 2010 for the fiscal year ending June 30, 2011.

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. 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	\$ 2,013,512
Supplemental cost	3,474,073
Interest	108,676
Total Annual Required Contribution	5,596,261
Interest on net OPEB obligation	379,684
Adjustment to annual required contribution	(538,269)
Annual OPEB Cost (Expense)	5,437,676
Contributions made on behalf of 230 employees	(2,256,011)
Increase in Net OPEB Obligation	3,181,665
Net OPEB Obligation - July 1, 2011	9,492,102
Net OPEB Obligation - June 30, 2012	<u>\$ 12,673,767</u>

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012, 2011, and 2010 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>
06/30/12	\$ 5,437,676	41.5%	\$ 12,673,767
06/30/11	\$ 5,826,814	46.9%	\$ 9,492,102
06/30/10	\$ 5,904,251	44.6%	\$ 6,538,466

Funded Status and Funding Progress - As of June 30, 2012, the Plan was not funded. The actuarial accrued liability for benefits was \$62,476,731; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$13,692,762 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 456.3%.

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, 2010, 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 10% initially, adjusting to an ultimate rate of 5% after five years.

Note 12 - 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, 2012

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 13 - Fund Balance Detail

At June 30, 2011, non-spendable, restricted, assigned, and unassigned fund balance in the Governmental Funds was as follows:

	General Fund	Special Aid Fund	School Lunch Fund	Debt Service Fund	Capital Projects Fund
<u>Non-spendable:</u>					
Inventory	\$ -0-	\$ -0-	\$ 9,165	\$ -0-	\$ -0-
<u>Restricted:</u>					
Employees' retirement system reserve	\$ 2,488,639	\$	\$	\$	\$
Unemployment insurance reserve	301,814				
Capital reserve	100,274				
Reserve for employee benefit accrued liability	17,194				
Debt				234,896	
Total Restricted Fund Balance	\$ 2,907,921	\$ -0-	\$ -0-	\$ 234,896	\$ -0-
<u>Assigned:</u>					
Appropriated for next year's budget	\$ 450,000	\$	\$	\$	\$
Encumbered for:					
General support	227,245				
Instruction	31,497				
Pupil transportation	48,439				
School lunch			194,040		
Capital projects					26,807
Total Assigned Fund Balance	\$ 757,181	\$ -0-	\$ 194,040	\$ -0-	\$ 26,807
<u>Unassigned:</u>					
Unreserved, undesignated	\$ 1,143,420	\$	\$	\$	\$
Reserve for tax reduction	506,326				
Total Unassigned Fund Balance	\$ 1,649,746	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Note 14 - Restricted Fund Balances

Portions of restricted fund balance are restricted and are not available for current expenditures as reported in the Governmental Funds Balance Sheet.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

The balances and activity for the year ended June 30, 2012 of the General Fund reserves were as follows:

General Fund Reserved Fund Balance	Beginning Balance	Additions	Interest Earned	Appropriated	Ending Balance
<u>Restricted:</u>					
Retirement contribution reserve	\$ 2,281,416	\$ 200,000	\$ 7,223	\$	\$ 2,488,639
Reserved for employee benefit accrued liability	17,149		45		17,194
Capital reserve	100,001		273		100,274
Unemployment reserve	300,995		819		301,814
 Total Reserved Fund Balance	 \$ 2,699,561	 \$ 200,000	 \$ 8,360	 \$ -0-	 \$ 2,907,921
<u>Unassigned:</u>					
Reserve for tax reduction	\$ 504,952	\$ -0-	\$ 1,374	\$ -0-	\$ 506,326

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property taxes	\$ 17,832,711	\$ 14,160,869	\$ 14,151,955	\$ (8,914)
Other tax items	88,844	3,760,686	3,758,532	(2,154)
Charges for services	152,200	152,200	263,715	111,515
Use of money and property	40,500	40,500	58,313	17,813
Sale of property and compensation for loss		8,911	11,041	2,130
Miscellaneous	526,000	531,096	799,790	268,694
Total Local Sources	18,640,255	18,654,262	19,043,346	389,084
State sources	12,194,400	12,389,720	12,210,752	(178,968)
Medicaid reimbursement			12,469	12,469
Federal sources				-0-
Total Revenues	30,834,655	31,043,982	31,266,567	222,585
OTHER FINANCING SOURCES	-0-	-0-	-0-	-0-
Total Revenues and Other Financing Sources	30,834,655	31,043,982	\$ 31,266,567	\$ 222,585
Appropriated Fund Balance	450,000	450,000		
Appropriated Reserves	912,262	912,262		
Designated Fund Balance and Encumbrances Carried Forward from Prior Year				
Total Revenues, Appropriated Reserves and Designated Fund Balance	\$ 32,196,917	\$ 32,406,244		

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, 2012

	Original Budget	Final Budget
EXPENDITURES		
General Support		
Board of Education	\$ 43,235	\$ 39,135
Central administration	337,341	300,596
Finance	471,844	480,887
Staff	175,681	173,397
Central services	2,540,586	2,584,104
Special items	344,072	340,853
Total General Support	3,912,759	3,918,972
Instruction		
Instruction, administration and improvement	707,267	803,366
Teaching - Regular school	7,314,745	7,337,401
Programs for children with handicapping conditions	2,885,783	2,997,653
Occupational education	743,340	742,440
Teaching - Special school		198,488
Instructional media	1,372,324	1,383,805
Pupil services	1,533,870	1,559,728
Total Instruction	14,557,329	15,022,881
Pupil Transportation	1,151,541	1,160,593
Community Services	7,300	7,300
Employee Benefits	9,037,778	8,766,244
Debt Service		
Principal	2,515,926	2,515,926
Interest	955,784	955,828
Total Debt Service	3,471,710	3,471,754
Total Expenditures	32,138,417	32,347,744
OTHER FINANCING USES		
Operating transfers out	58,500	58,500
Total Expenditures and Other Financing Uses	\$ 32,196,917	\$ 32,406,244
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

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 26,758	\$	\$ 12,377
290,433	1,619	8,544
468,596	150	12,141
166,440	1,558	5,399
2,095,000	223,918	265,186
327,429		13,424
3,374,656	227,245	317,071
774,802	3,141	25,423
7,273,378	11,030	52,993
2,909,774	11,569	76,310
742,432		8
198,488		-0-
1,374,895		8,910
1,468,289	5,757	85,682
14,742,058	31,497	249,326
992,025	48,439	120,129
6,439		861
8,571,203		195,041
2,515,926		-0-
955,828		-0-
3,471,754	-0-	-0-
31,158,135	307,181	882,428
17,282		41,218
31,175,417	\$ 307,181	\$ 923,646
91,150		
5,223,698		
\$ 5,314,848		

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>
06/30/12	7/1/2010	\$ <u>-0-</u>	\$ <u>62,476,731</u>	\$ <u>62,476,731</u>	0.0%	\$ <u>13,692,762</u>	456.3%
06/30/11	7/1/2010	\$ <u>-0-</u>	\$ <u>62,381,800</u>	\$ <u>62,381,800</u>	0.0%	\$ <u>13,426,000</u>	464.6%
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%
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%

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, 2012

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. The Special Aid and School Lunch funds do not have legally required budgets.

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 \$209,327 occurred during the year; \$195,320 for the incarcerated youth program, \$8,911 for insurance recoveries, and \$5,096 for 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, 2012.

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.

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, 2012

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 31,841,655
Prior year's encumbrances	<u>355,262</u>
Original Budget	<u>32,196,917</u>

Budget Revision (see Page 31, Note 1)

Total Additions	<u>209,327</u>
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Total Deductions	<u> </u>
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Final Budget	<u><u>\$ 32,406,244</u></u>
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Next year's budget is a voter approved budget	<u><u>\$ 32,333,016</u></u>
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USE OF UNRESERVED FUND BALANCE

Unreserved Fund Balance - As of the beginning of the year	<u>\$ 1,663,923</u>
--	---------------------

Less:

Designated fund balance used for the levy of taxes - Adopted budget	<u>450,000</u>
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Undesignated Fund Balance - As of the beginning of the year	<u><u>\$ 1,213,923</u></u>
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CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2012

			Expenditures		
	Original Budget	Revised Budget	Prior Years	Current Year	Total
EXCEL Capital Project	\$ 2,636,720	\$ 2,636,720	\$ 2,636,720	\$	\$ 2,636,720
2009-2010 Buses	293,628	293,628	282,461		282,461
2010-2011 Buses	397,168	397,168	397,168		397,168
2011 Emergency Bus Lifts		60,000		51,895	51,895
2011-2012 Buses	388,416	388,416		388,416	388,416
September 2011 Flood Emergency		195,201		176,499	176,499
Total	\$ 3,715,932	\$ 3,971,133	\$ 3,316,349	\$ 616,810	\$ 3,933,159

See Independent Auditor's Report

Unexpended Balance	Methods of Financing			Fund Balance June 30, 2012	
	Proceeds of Obligations	State Aid	Local Sources		
\$ _____	\$ 2,351,952	\$ 284,768	\$ _____	\$ 2,636,720	\$ _____ -0-
11,167	282,461			282,461	-0-
	397,168			397,168	-0-
8,105			60,000	60,000	8,105
	388,416			388,416	-0-
18,702			195,201	195,201	18,702
\$ 37,974	\$ 3,419,997	\$ 284,768	\$ 255,201	\$ 3,959,966	\$ 26,807

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES
COMPARED TO ST-3 DATA
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
REVENUES			
Real property taxes	A -1001	\$ 14,151,955	\$ 14,151,955
Nonproperty taxes	AT-1199	-0-	-0-
State aid	AT-3999	12,210,752	12,210,752
Federal aid	AT-4999	12,469	12,469
Total Revenues and Other Financing Sources	AT-5999	31,266,567	31,266,567
EXPENDITURES			
General support	AT-1999	3,374,656	3,374,656
Pupil transportation	AT-5599	992,025	992,025
Debt service - Principal	AT-9798.6	2,515,926	2,515,926
Debt service - Interest	AT-9798.7	955,828	955,828
Total Expenditures and Other Uses	AT-9999	31,175,417	31,175,417

See Independent Auditor's Report

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2012

Capital assets, net	\$ <u>32,708,320</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>(32,450)</u>
Short-term portion of bonds payable, excluding deficit elimination bond	<u>(2,083,610)</u>
Long-term portion of bonds payable, excluding deficit elimination bond	<u>(17,227,017)</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>13,365,243</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.
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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, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 17, 2012. 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 cursive script that reads "Lisa Chi, Dietrich, Little, Minkler & Company, CPA".

September 17, 2012
Ithaca, New York

John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
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Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Chenango Valley Central School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

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Internal Control over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the School District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Audit Committee, the Board of Education, management, and 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.



September 17, 2012
Ithaca, New York

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

<u>Federal Grantor/Pass - Through Program Title</u>	<u>Federal CFDA #</u>	<u>Pass - Through Grantor #</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>			
Passed Through NYS Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	0021110165	\$ 4,138
Title I Grants to Local Educational Agencies	84.010	0021120165	393,468
Title I Grants to Local Educational Agencies - ARRA	84.389	5021110165	29,282
		Subtotal	<u>426,888</u>
Special Education Cluster:			
Special Education - Grants to States	84.027	0032120053	465,914
Special Education - Grants to States - ARRA	84.391	5032110053	21,556
Special Education - Preschool Grants	84.173	0033120053	9,173
		Subtotal	<u>496,643</u>
Education JOBS Fund	84.410	5400120165	615,019
Improving Teacher Quality State Grants	84.367	0147120165	46,073
Improving Teacher Quality State Grants	84.367	0147110165	8,602
Race to the Top Fund - ARRA	84.395	5500120165	14,835
			<u>1,608,060</u>
Total U.S. Department of Education			
<u>U.S. Department of Homeland Security</u>			
Passed Through New York State Energy Management Office:			
Disaster Grants - Public Assistance	97.036	4031DRNY	<u>30,201</u>
<u>U.S. Department of Agriculture</u>			
Passed Through NYS Department of Education:			
Child Nutrition Cluster:			
National School Lunch	10.555	03070106	265,297
School Breakfast Program	10.553	03070106	<u>52,821</u>
			<u>318,118</u>
Total U.S. Department of Agriculture			
Total Expenditures of Federal Awards			<u>\$ 1,956,379</u>

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Note 1 - Basis of Presentation

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

Note 2 - Basis of Accounting

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

Note 3 - Indirect Costs

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

Note 4 - Matching Costs

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

Note 5 - Non-Monetary Federal Program

The School District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2012, the School District received \$38,505 worth of commodities under the National School Lunch Program (CFDA #10.555).

Note 6 - Other Disclosures

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

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes √ no

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

Noncompliance material to financial statements noted? _____ yes √ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes √ no

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.410</u>	<u>Education JOBS Fund</u>

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

Auditee qualified as low-risk? √ yes _____ no

Section II - Financial Statement Findings: None

Section III - Federal Award Findings and Questioned Costs: None

Section IV - Prior Year Audit Findings: None