

**CHENANGO VALLEY
CENTRAL SCHOOL DISTRICT**

Binghamton, NY

FINANCIAL REPORT

June 30, 2013

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chenango Valley Central School District (the School District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of a Matter

During the year ended June 30, 2013, the School District implemented Governmental Accounting Standards Board Statement Number 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and the Schedule of Funding Progress on pages 3 through 3h and 29 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The supplementary information on pages 33 through 35 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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-Profit 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. Such 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2013 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.



October 3, 2013
Ithaca, New York

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013. 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 follows 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 and liability for a portion of the Actuarial Accrued Liability in the amount of \$2,941,606 for the current year in the District wide financial statements.
- The School District's financial position declined with a decrease in net position of \$(1,206,433) in 2013 compared to a decrease in net position of \$(1,533,566) in 2012. The 2013 net position decrease was smaller than in 2012, primarily due to a decrease in expenses of \$(802,990). Revenues decreased by \$(475,857), primarily due to reductions in Federal and State aid.
- General Fund budgeted expenditures were underspent by \$1,046,304.
- Capital asset additions during 2013 amounted to \$192,667. The School District also reported depreciation expense of \$1,447,736 and net disposals of \$(59,732) during 2013.
- The bonded indebtedness of the School District, in the amount of \$19,490,709, was down \$(2,422,368) from 2012. This was the result of payments on outstanding debt and the issuance of \$13,405,000 in refunding bonds; payment to the School District's escrow agent of \$13,885,900 is included in payments of debt.
- Unassigned fund balance in the General Fund decreased \$(497,989) to \$1,151,757 at June 30, 2013 compared to \$1,649,746 at June 30, 2012 primarily due to funding of \$700,000 in reserve accounts. The current year excess of revenues over expenditures was \$342,664 and ending fund balance was \$5,657,512 at June 30, 2013.

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, 2013

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 other 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 Position 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 position - the difference between the School District's assets and liabilities - is one way to measure the School District's financial health or position. Over time, increases or decreases in the School District's net position is 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, 2013

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's combined net position for fiscal year ended June 30, 2013 decreased by \$(1,206,433). Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

Figure 1

Condensed Statement of Net Position	Governmental Activities and Total School District		Total Dollar Change
	2012	2013	2012 - 2013
<i>Current assets</i>	\$ 4,086,992	\$ 4,186,691	\$ 99,699
<i>Noncurrent assets</i>	3,414,247	4,259,324	845,077
<i>Capital assets, net</i>	32,708,320	31,393,519	(1,314,801)
Total assets	40,209,559	39,839,534	(370,025)
<i>Current liabilities</i>	4,202,117	4,719,397	517,280
<i>Noncurrent liabilities</i>	35,156,759	35,475,887	319,128
Total liabilities	39,358,876	40,195,284	836,408
<i>Net Investment in capital assets</i>	13,365,243	14,313,055	947,812
<i>Restricted</i>	3,142,817	3,849,068	706,251
<i>Unrestricted net (deficit)</i>	(15,657,377)	(18,517,873)	(2,860,496)
Total net position	\$ 850,683	\$ (355,750)	\$ (1,206,433)

The increase in current assets was primarily due to decreased aid receivables, offset by increased cash balances. The increase in noncurrent assets and restricted net position is mainly due to increases in restricted cash balances resulting from additions to 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 \$2,941,606 and issuance of refunding serial bonds, offset by debt payments and payment to the escrow agent.

The increase of \$947,812, in the amount of net investment in capital assets, 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 position of \$(2,860,496) primarily due to the GASB 45 expense of \$2,941,606.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

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

Figure 2

Changes in Net Position	Governmental Activities and Total School District		Total Dollar Change
	2012	2013	2012 - 2013
REVENUES			
<i>Program revenues:</i>			
<i>Charges for services</i>	\$ 563,551	\$ 524,939	\$ (38,612)
<i>Operating grants and contributions</i>	2,427,077	1,957,694	(469,383)
<i>General revenues:</i>			
<i>Property taxes</i>	14,151,955	14,457,861	305,906
<i>Other taxes</i>	3,758,532	3,821,114	62,582
<i>Unrestricted State sources</i>	12,087,484	12,265,442	177,958
<i>Use of money and property</i>	59,221	58,832	(389)
<i>Other general revenues</i>	999,754	485,835	(513,919)
Total Revenues	34,047,574	33,571,717	(475,857)
PROGRAM EXPENSES			
<i>General support</i>	4,719,411	4,503,412	(215,999)
<i>Instruction</i>	27,625,521	27,439,393	(186,128)
<i>Pupil transportation</i>	1,660,471	1,648,400	(12,071)
<i>Community services</i>	8,887	8,521	(366)
<i>School lunch program</i>	602,796	603,561	765
<i>Interest on debt</i>	964,054	574,863	(389,191)
Total Expenses	35,581,140	34,778,150	(802,990)
(DECREASE) IN NET POSITION	\$ (1,533,566)	\$ (1,206,433)	\$ 327,133

Total revenues for the School District's Governmental Activities decreased by \$(475,857), or 1.4%, while total expenses decreased \$(802,990), or 2.3%.

In 2013, total taxes were up for the year by \$305,906, reflecting an increase in the tax levy for 2013. State aid, reported in unrestricted State sources, showed an increase of \$177,958, largely due to State aid modifications to School Districts. Other general revenues decreased largely due to losses on disposal of capital assets, and decreases in BOCES and other refunds.

Expenses decreased primarily due to budgetary containment initiatives and energy savings. Interest on debt decreased due to the refunding of serial bonds and decreased debt.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2013

Figures 3 and 4 show the sources of revenue for 2013 and 2012.

Figure 3

Sources of Revenue for 2013

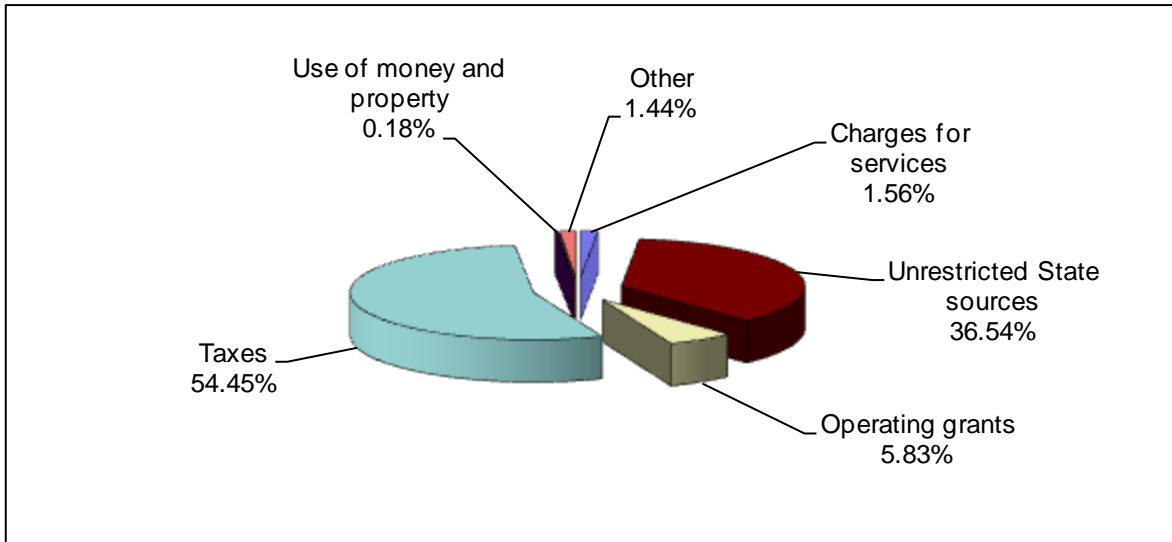
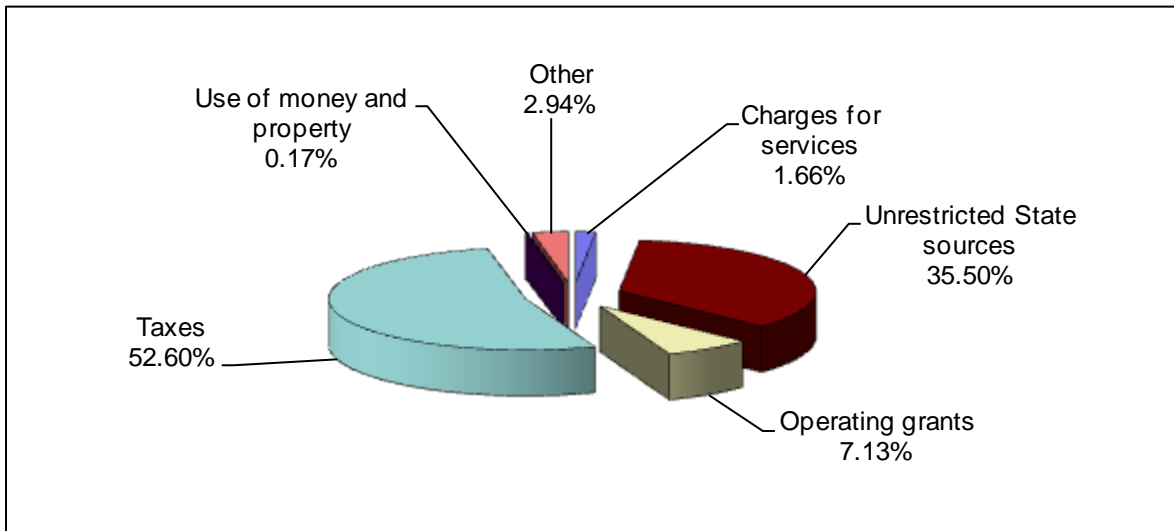


Figure 4

Sources of Revenue for 2012



CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2013

Figures 5 and 6 present the cost of each of the School District's programs for 2013 and 2012.

Figure 5

Cost of Programs for 2013

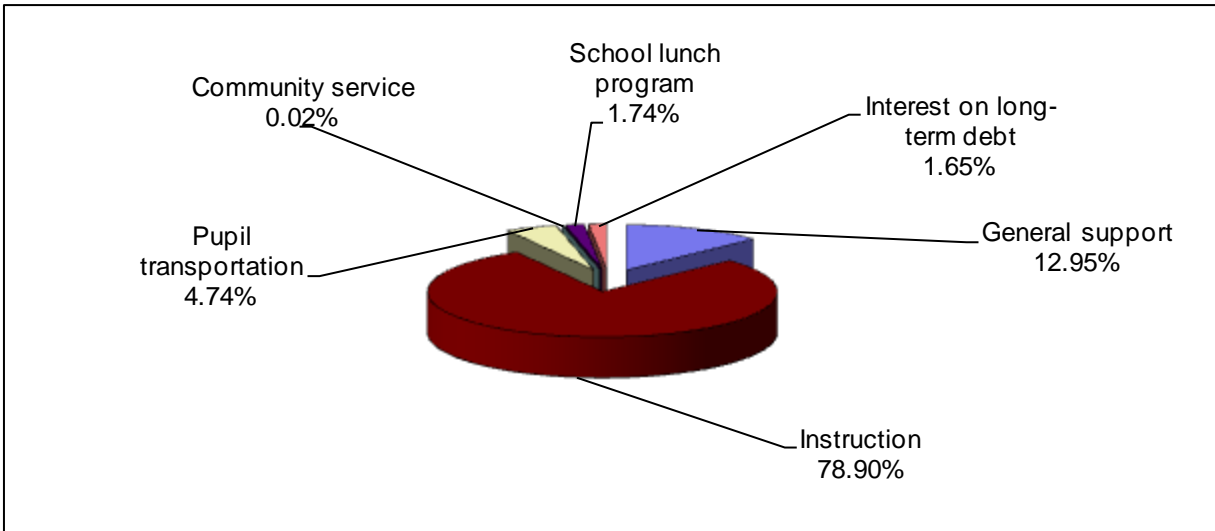
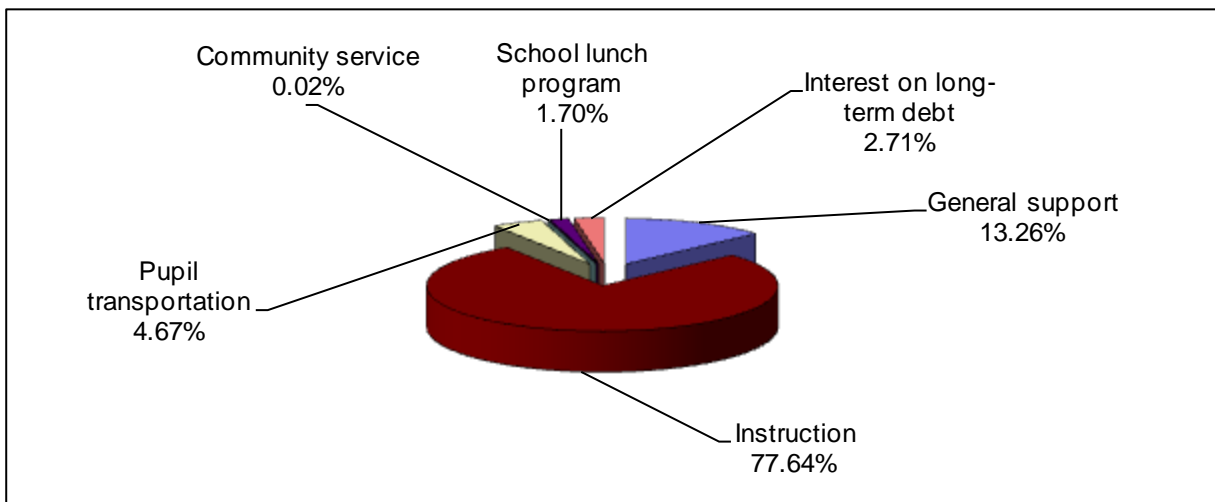


Figure 6

Cost of Programs for 2012



CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

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 \$6,156,708, compared to last year's total of \$5,779,756.

Figure 7

Governmental Fund Balances	2012	2013	Total Dollar Change
			2012 - 2013
General Fund	\$ 5,314,848	\$ 5,657,512	\$ 342,664
School Lunch Fund	203,205	264,589	61,384
Debt Service Fund	234,896	235,335	439
Capital Projects Fund	26,807	(728)	(27,535)
Totals	\$ 5,779,756	\$ 6,156,708	\$ 376,952

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 \$62,967. The actual charges to appropriations (expenditures) were favorable to final budget amounts by \$1,046,304 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, 2013.

Figure 8

Condensed Budgetary Comparison General Fund - 2013	Original Budget	Revised Budget	Actual w/ Encumbrances	Total Dollar Variance
REVENUES				
Real property taxes	\$ 18,187,668	\$ 14,460,847	\$ 14,457,861	\$ (2,986)
Other tax items	92,520	3,819,341	3,821,114	1,773
State sources	12,235,327	12,296,420	12,370,459	74,039
Other revenues and financing sources	783,700	785,574	908,067	122,493
Total Revenues and Financing Sources	\$ 31,299,215	\$ 31,362,182	\$ 31,557,501	\$ 195,319
Appropriated Fund Balances and Reserves	\$ 1,340,981	\$ 1,340,981		
EXPENDITURES				
General support	\$ 3,815,886	\$ 3,825,077	\$ 3,663,335	\$ 161,742
Instruction	15,087,563	15,283,399	15,066,131	217,268
Pupil transportation	1,061,931	1,069,667	921,725	147,942
Community services	7,300	7,300	6,289	1,011
Employee benefits	9,364,258	9,212,978	8,777,841	435,137
Debt service	3,284,758	3,284,758	3,201,891	82,867
Other financing (uses)	18,500	19,984	19,647	337
Total Expenditures, and Other Financing Sources and (Uses)	\$ 32,640,196	\$ 32,703,163	\$ 31,656,859	\$ 1,046,304

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2013, the School District had invested in a broad range of capital assets. The cost of capital assets increased by \$80,867 during the year ended June 30, 2013.

Figure 9

Changes in Historical Cost of Capital Assets	Governmental Activities and Total School District		Total Dollar Change
	2012	2013	2012 - 2013
<i>Land</i>	\$ 1,385,715	\$ 1,385,715	\$ -0-
<i>Construction in progress</i>	228,393	229,072	679
<i>Buildings and improvements</i>	48,049,747	48,090,398	40,651
<i>Equipment</i>	6,502,866	6,542,403	39,537
Totals	\$ 56,166,721	\$ 56,247,588	\$ 80,867

Capital additions for the year ended June 30, 2013 included the following:

Buildings and Improvements	\$ 40,651
Construction in progress	679
Furniture and equipment	151,337
Total additions	192,667
Less disposals	(111,800)
Net Additions	<u>\$ 80,867</u>

Depreciation expense amounted to \$1,447,736 in 2013.

Debt Administration

Debt, both short and long-term, considered a liability of Governmental Activities, decreased by \$(2,422,368) in 2013, as shown in *Figure 10*. Total indebtedness represented 27.4% of the constitutional debt limit, exclusive of building aid estimates.

Figure 10

Outstanding Debt	Governmental Activities and Total School District		Total Dollar Change
	2012	2013	2012 - 2013
<i>Serial Bonds/Statutory Installment Bonds</i>	\$ 21,913,077	\$ 19,490,709	\$ (2,422,368)
Totals	\$ 21,913,077	\$ 19,490,709	\$ (2,422,368)

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

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 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 2% property tax cap.
- The School District continues to remain in compliance with all required actuarial calculations and reporting as they relate 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 statutory or regulatory changes allow the School District to consider other options.
- The School District has fully implemented the new Annual Professional Performance Review (APPR). This mandate has required additional cost to the School District.
- 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 has completed its consolidation feasibility study with Chenango Forks Central School District. The Districts await public information sessions and possible voting results. The results of this study may have implications for our School District either through consolidation or possible shared services.

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 POSITION
JUNE 30, 2013

ASSETS

Current assets

Cash:

Unrestricted	\$ 2,290,854
Restricted	<u>528,830</u>

Receivables:

State and Federal aid	<u>540,490</u>
Due from other governments	<u>742,267</u>
Due from Fiduciary Funds	<u>2,806</u>
Other	<u>41,142</u>

Inventories	<u>13,291</u>
Bond issue costs, current	<u>27,011</u>
Total current assets	<u>4,186,691</u>

Noncurrent assets

Restricted cash	<u>4,121,090</u>
Bond issue costs, noncurrent	<u>138,234</u>
Land and other nondepreciable capital assets	<u>1,614,787</u>
Capital assets, net	<u>29,778,732</u>
Total noncurrent assets	<u>35,652,843</u>

Total Assets	<u>39,839,534</u>
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LIABILITIES

Current liabilities

Payables:

Accounts payable	<u>175,017</u>
Accrued liabilities	<u>49,771</u>
Due to other governments	<u>140,185</u>
Bond interest and matured bonds	<u>45,071</u>

Deferred revenues	<u>309,723</u>
Due to teachers' retirement system	<u>1,270,206</u>
Due to employees' retirement system	<u>152,572</u>

Current portion of long-term obligations:

Bonds payable	<u>2,550,264</u>
Compensated absences payable	<u>26,588</u>
Total current liabilities	<u>4,719,397</u>

Noncurrent liabilities and obligations

Bonds payable	<u>16,940,445</u>
Compensated absences payable	<u>2,920,069</u>
Other postemployment benefits liability	<u>15,615,373</u>
Total noncurrent liabilities and obligations	<u>35,475,887</u>

Total Liabilities	<u>40,195,284</u>
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NET POSITION

Net investment in capital assets	<u>14,313,055</u>
Restricted net position	<u>3,849,068</u>
Unrestricted net (deficit)	<u>(18,517,873)</u>
Total Net Position	<u>\$ (355,750)</u>

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
General support	\$ 4,503,412	\$	\$	\$	\$ (4,503,412)
Instruction	27,439,393	235,185	1,605,168		(25,599,040)
Pupil transportation	1,648,400	2,953			(1,645,447)
Community services	8,521				(8,521)
School lunch program	603,561	286,801	352,526		35,766
Interest on debt	574,863				(574,863)
Total Functions and Programs	\$ 34,778,150	\$ 524,939	\$ 1,957,694	\$ -0-	(32,295,517)

GENERAL REVENUES

Real property taxes	14,457,861
Real property tax items	3,821,114
Use of money and property	58,832
State sources	12,265,442
Federal sources	(18,752)
Sale of property and compensation for loss	(52,966)
Miscellaneous	557,553
Total General Revenues	31,089,084
Change in Net Position	(1,206,433)
Total Net Position - Beginning of Year	850,683
Total Net Position - End of Year	\$ (355,750)

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
ASSETS			
Cash:			
Unrestricted	\$ 1,974,769	\$ 49,357	\$ 266,728
Restricted	4,414,594		
Receivables			
Due from other funds	194,676		
State and Federal aid	383,083	154,784	2,623
Due from other governments	742,267		
Due from Fiduciary Funds	2,806		
Other	39,277		1,865
Inventories			13,291
 Total Assets	 \$ 7,751,472	 \$ 204,141	 \$ 284,507
LIABILITIES			
Payables:			
Accounts payable	\$ 162,869	\$ 2,897	\$ 9,251
Accrued liabilities	47,949	57	1,765
Due to other funds	136	193,197	624
Due to other governments	140,136		49
Deferred revenues			
Due to teachers' retirement system	293,504	7,990	8,229
Due to employees' retirement system	1,270,206		
Compensated absences payable	152,572		
	26,588		
 Total Liabilities	 2,093,960	 204,141	 19,918
FUND BALANCES			
Nonspendable			13,291
Restricted	3,613,733		
Assigned	892,022		251,298
Unassigned	1,151,757		
 Total Fund Balances (Deficit)	 5,657,512	 -0-	 264,589
 Total Liabilities and Fund Balances	 \$ 7,751,472	 \$ 204,141	 \$ 284,507

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

Major Funds

Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$	\$	\$ 2,290,854
235,326		4,649,920
9		194,685
		540,490
		742,267
		2,806
		41,142
		13,291
\$ 235,335	\$ -0-	\$ 8,475,455
\$	\$	\$ 175,017
		49,771
	728	194,685
		140,185
		309,723
		1,270,206
		152,572
		26,588
-0-	728	2,318,747
		13,291
235,335		3,849,068
		1,143,320
	(728)	1,151,029
235,335	(728)	6,156,708
\$ 235,335	\$ -0-	\$ 8,475,455

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Fund Balances - Total Governmental Funds		\$ 6,156,708
<p>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.</p>		
Total historical cost	\$ 56,247,588	
Less accumulated depreciation	<u>(24,854,069)</u>	31,393,519
<p>Long-term liabilities, including bonds payable, other postemployment benefits liability and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Bonds payable	\$ (19,490,709)	
Less: Bond issue costs	165,245	
Other postemployment benefits liability - GASB Statement Number 45	(15,615,373)	
Compensated absences	<u>(2,920,069)</u>	(37,860,906)
<p>Other</p>		
Accrued interest on long-term debt		<u>(45,071)</u>
Net Position of Governmental Activities		<u>\$ (355,750)</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, 2013

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
REVENUES			
Real property taxes	\$ 14,457,861	\$	\$
Other tax items	3,821,114		
Charges for services	218,233		
Use of money and property	58,041		352
Sale of property and compensation for loss	6,766		
Miscellaneous	605,122	849	2,101
State sources	12,370,459	318,535	80,023
Medicaid reimbursement	19,905		
Federal sources		1,068,153	337,548
Sales - School lunch			284,700
Total Revenues	<u>31,557,501</u>	<u>1,387,537</u>	<u>704,724</u>
EXPENDITURES			
General support	3,304,044		
Instruction	15,029,581	1,393,345	315,608
Pupil transportation	877,865	11,673	
Community services	6,289		
Employee benefits	8,775,520	682	77,454
Debt service:			
Principal	2,633,609		
Interest	568,282		
Cost of sales			251,762
Capital outlay			
Total Expenditures	<u>31,195,190</u>	<u>1,405,700</u>	<u>644,824</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>362,311</u>	<u>(18,163)</u>	<u>59,900</u>
OTHER FINANCING SOURCES AND (USES)			
Premium on obligations			
Proceeds of obligations			
Operating transfers in		18,163	1,484
Operating transfers (out)	(19,647)		
Payment to escrow agent			
Total Other (Uses) Sources	<u>(19,647)</u>	<u>18,163</u>	<u>1,484</u>
Net Change in Fund Balance	342,664	-0-	61,384
Fund Balances - Beginning of Year	5,314,848	-0-	203,205
Fund Balances (Deficit) - End of Year	<u>\$ 5,657,512</u>	<u>\$ -0-</u>	<u>\$ 264,589</u>

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

Major Funds		
Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$	\$	\$ 14,457,861
		3,821,114
		218,233
439		58,832
		6,766
		608,072
		12,769,017
		19,905
	(18,752)	1,386,949
		284,700
439	(18,752)	33,631,449
182,343		3,486,387
		16,738,534
		889,538
		6,289
		8,853,656
		2,633,609
		568,282
		251,762
	8,783	8,783
182,343	8,783	33,436,840
(181,904)	(27,535)	194,609
663,243		663,243
13,405,000		13,405,000
		19,647
		(19,647)
(13,885,900)		(13,885,900)
182,343	-0-	182,343
439	(27,535)	376,952
234,896	26,807	5,779,756
\$ 235,335	\$ (728)	\$ 6,156,708

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, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 376,952

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 asset additions	\$	192,667	
Depreciation expense		(1,447,736)	
Net book value of disposed assets		<u>(59,732)</u>	(1,314,801)

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

Proceeds of debt	\$	(13,405,000)	
Payment to escrow agent		13,885,900	
Principal payment		<u>2,633,609</u>	3,114,509

Long-term obligations, such as those associated with employee benefits, are reported in the Statement of Net Position. 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	\$	63,092	
Other postemployment benefits liability - GASB Statement Number 45		<u>(2,941,606)</u>	(2,878,514)

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. 22,318

Premiums received on obligations and bond issue costs are recorded as revenues and expenditures in the Governmental Funds when received, but are deferred and amortized in the Governmental Activities. This is the amortization of premiums and bond issue costs received in previous years, and the adjustment for premiums and costs received in the current year.

Bond issue costs received		182,343	
Amortization of bond issue costs		(17,098)	
Premiums received		(663,243)	
Amortization of premiums		<u>66,825</u>	(431,173)

The issuance of refunding bonds results in a deferral of the change in the amount of debt. The deferred amount is amortized annually. This is the current amortization. (95,724)

Net Change in Net Position of Governmental Activities \$ (1,206,433)

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash:		
Unrestricted	\$ <u>63,000</u>	\$ <u>164,397</u>
Due from Governmental Funds	<u> </u>	<u>136</u>
Total Assets	<u>63,000</u>	<u>\$ 164,533</u>
 LIABILITIES		
Due to Governmental Funds	<u> </u>	\$ <u>2,942</u>
Extraclassroom Activity balances	<u> </u>	<u>152,179</u>
Other liabilities	<u> </u>	<u>9,412</u>
Total Liabilities	<u>-0-</u>	<u>\$ 164,533</u>
 NET POSITION		
Reserved for scholarships	\$ <u>63,000</u>	

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	\$ 5,148
Investment earnings	140
Total Additions	5,288
DEDUCTIONS	
Scholarships and awards	17,953
Change in Net Position	(12,665)
Net Position - Beginning of Year	75,665
Net Position - End of Year	\$ 63,000

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, 2013

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," and GASB Statement Number 61, "The Financial Reporting Entity: Omnibus."

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, 2013

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 Position 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 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, 2013

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, 2013

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 Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

Nonspendable fund balances associated with these non-liquid assets (inventories and prepaid items) have been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

I. Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 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, 2013

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 postretirement 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.

The School District follows 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 Position, 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, 2013

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:

- **Net Investment in Capital Assets**
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 Position**
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 Position**
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: nonspendable, 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.

- **Nonspendable**
Consists of assets inherently nonspendable 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, 2013

- **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 nonspendable 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, except as noted. Reserves currently in use by the School District include the following:

- **Mandatory 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.
- **Reserve for Tax Reduction**
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 Unassigned Fund Balance.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

- **Unemployment Insurance Reserve**
Used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method (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 Reserve**
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.

- **Reserve for Employee Benefit Accrued Liability**
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.

- **Retirement Contributions Reserve**
The 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 18, 2012. Taxes were collected during the period September 1, 2012 to October 31, 2012.

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, 2013

P. Interfund Transfers

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

Q. Use of Estimates

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

Note 2 - Participation in BOCES

During the year ended June 30, 2013, the School District's share of BOCES income amounted to \$1,487,567. The School District was billed \$4,756,874 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 \$7,374,529 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, 2013:

General Fund Reserves	\$	4,121,090
General Fund Deferred Tax Revenue		293,504
Debt Service Fund Reserve		<u>235,326</u>
Total	\$	<u><u>4,649,920</u></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	\$ 39,277
School Lunch Fund	Fees and services	<u>1,865</u>
Total Governmental Funds and Total School District		<u><u>\$ 41,142</u></u>

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Note 5 - Interfund Balances and Activity

Interfund balances at June 30, 2013, are as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 194,676	\$ 136	\$	\$ 19,647
Special Aid Fund		193,197	18,163	
Capital Projects Fund		728		
Debt Service Fund	9			
School Lunch Fund		624	1,484	
Total	<u>\$ 194,685</u>	<u>\$ 194,685</u>	<u>\$ 19,647</u>	<u>\$ 19,647</u>

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

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 Projects 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, 2013, 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	679		229,072
Total Nondepreciable Historical Cost	<u>1,614,108</u>	<u>679</u>	<u>-0-</u>	<u>1,614,787</u>
Capital assets that are depreciated:				
Buildings and improvements	48,049,747	40,651		48,090,398
Furniture and equipment	6,502,866	151,337	(111,800)	6,542,403
Total Depreciable Historical Cost	<u>54,552,613</u>	<u>191,988</u>	<u>(111,800)</u>	<u>54,632,801</u>
Total Historical Cost	<u>56,166,721</u>	<u>192,667</u>	<u>(111,800)</u>	<u>56,247,588</u>
Less accumulated depreciation:				
Buildings	(19,452,531)	(1,025,053)		(20,477,584)
Furniture and equipment	(4,005,870)	(422,683)	52,068	(4,376,485)
Total Accumulated Depreciation	<u>(23,458,401)</u>	<u>(1,447,736)</u>	<u>52,068</u>	<u>(24,854,069)</u>
Total Historical Cost, Net	<u>\$ 32,708,320</u>	<u>\$ (1,255,069)</u>	<u>\$ (59,732)</u>	<u>\$ 31,393,519</u>

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Depreciation expense was charged to governmental functions as follows:

General support	\$	42,084
Instruction		1,154,561
Pupil transportation		238,882
School lunch		<u>12,209</u>
 Total Depreciation Expense	 \$	 <u>1,447,736</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 2012 or 2013.

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 2012 or 2013.

Note 8 - Long-term Debt

At June 30, 2013, the total outstanding indebtedness of the School District represented 27.4% 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.
- On October 30, 2012 the School District issued \$13,405,000 of general obligation bonds, with interest rates ranging between 2.00% and 4.50%, pursuant to a Refunding Bond Resolution duly adopted by the Board of Education on October 17, 2012. The School District issued the bonds to advance refund \$12,865,000 of the \$14,465,000 outstanding balance of the 2005 serial bonds with interest rates of 4%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$12,865,000 in bonds is considered defeased and the liability has been removed from the School District's financial statements. The present value of the total debt service savings to the School District was \$836,225 at the date of issuance. The outstanding principal of the defeased bonds was \$12,865,000 at June 30, 2013.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

The following is a summary of the School District's notes payable and long-term debt for the year ended June 30, 2013.

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2013</u>
Bonds:				
Serial bond	4/15/2005	6/15/2023	4%	\$ 1,800,000
Serial bond - Deficit financing	4/01/2009	4/01/2019	3.85-4.50%	2,245,000
Statutory installment bond	10/22/2009	10/22/2014	3.56%	112,985
Serial bond	6/24/2010	6/15/2024	3.00-4.00%	1,900,000
Statutory installment bond	8/24/2010	8/24/2015	2.68%	238,300
Statutory installment bond	7/26/2011	7/26/2016	3.39%	310,732
Refunding serial bonds	10/30/2012	06/15/2023	2.00-4.50%	13,180,000
Add unamortized premium received on serial bond				628,868
Less deferred bond amount on refunding				<u>(925,176)</u>
Total Bonds				<u>\$ 19,490,709</u>

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

Interest paid	\$ 568,282
Less interest accrued in the prior year	(67,389)
Less premium recognized in the current year	(66,825)
Add interest accrued in the current year	45,071
Add amortization of deferral of debt change	<u>95,724</u>
Total Expense	<u>\$ 574,863</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:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
Serial bonds	\$ 21,005,000	\$ 13,405,000	\$ (15,285,000)	\$ 19,125,000	\$ 2,385,000
Premiums and amortization	32,450	663,243	(992,001)	(296,308)	(48,345)
Statutory installment bonds	<u>875,627</u>		<u>(213,610)</u>	<u>662,017</u>	<u>213,609</u>
Total Long-term Liabilities	<u>\$ 21,913,077</u>	<u>\$ 14,068,243</u>	<u>\$ (16,490,611)</u>	<u>\$ 19,490,709</u>	<u>\$ 2,550,264</u>

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,550,264	\$ 606,198	\$ 3,156,462
2015	2,280,565	507,475	2,788,040
2016	1,941,349	433,752	2,375,101
2017	1,927,799	370,589	2,298,388
2018	1,915,060	314,106	2,229,166
2019-2023	8,670,672	826,401	9,497,073
2024	205,000	8,200	213,200
Total	<u>\$ 19,490,709</u>	<u>\$ 3,066,721</u>	<u>\$ 22,557,430</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.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 3,021,756	\$	\$ 75,099	\$ 2,946,657	\$ 26,588
Other postemployment benefits	12,673,767	2,941,606		15,615,373	
Total Long-term Obligations	<u>\$ 15,695,523</u>	<u>\$ 2,941,606</u>	<u>\$ 75,099</u>	<u>\$ 18,562,030</u>	<u>\$ 26,588</u>

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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

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:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2013	\$ 533,516	\$ 1,182,204
2012	441,246	926,306
2011	327,147	685,354

Note 11 - Other Postemployment Benefits

A. Postemployment Benefits Other than Pensions

The School District follows 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, 2012 for the fiscal year ending June 30, 2013.

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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

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	\$	2,238,769
Supplemental cost		3,598,362
Interest		115,598
Total Annual Required Contribution		5,952,729
Interest on net OPEB obligation		506,951
Adjustment to annual required contribution		(718,692)
Annual OPEB Cost (Expense)		5,740,988
Contributions made on behalf of 230 employees		(2,799,382)
Increase in Net OPEB Obligation		2,941,606
Net OPEB Obligation - July 1, 2012		12,673,767
Net OPEB Obligation - June 30, 2013	\$	15,615,373

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013, 2012, and 2011 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/13	\$ 5,740,988	48.8%	\$ 15,615,373
06/30/12	\$ 5,437,676	41.5%	\$ 12,673,767
06/30/11	\$ 5,826,814	46.9%	\$ 9,492,102

Funded Status and Funding Progress - As of June 30, 2013, the Plan was not funded. The actuarial accrued liability for benefits was \$64,711,924; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$12,942,342 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 500%.

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, 2012, 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 9% initially, adjusting to an ultimate rate of 7% after one year.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

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.

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, 2013, nonspendable, restricted, assigned, and unassigned fund balance in the Governmental Funds was as follows:

	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>School Lunch Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
<u>Nonspendable:</u>					
Inventory	\$ -0-	\$ -0-	\$ 13,291	\$ -0-	\$ -0-
<u>Restricted:</u>					
Retirement contribution reserve	\$ 3,093,689		\$	\$	\$
Unemployment insurance reserve	302,361				
Capital reserve	200,457				
Reserve for employee benefit accrued liability	17,226				
Debt				235,335	
Total Restricted Fund Balance	<u>\$ 3,613,733</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 235,335</u>	<u>\$ -0-</u>
<u>Assigned:</u>					
Appropriated for next year's budget	\$ 450,000		\$	\$	\$
<u>Encumbered for:</u>					
General support	359,291				
Instruction	36,550				
Pupil transportation	43,860				
Employee benefits	2,321				
School lunch			251,298		
Capital projects					
Total Assigned Fund Balance	<u>\$ 892,022</u>	<u>\$ -0-</u>	<u>\$ 251,298</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>Unassigned:</u>					
Unreserved, undesignated	\$ 644,400		\$	\$	\$ (728)
Reserve for tax reduction	507,357				
Total Unassigned Fund Balance (Deficit)	<u>\$ 1,151,757</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (728)</u>

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

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.

The balances and activity for the year ended June 30, 2013 of the General Fund reserves were as follows:

<u>General Fund Reserved Fund Balance</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Interest Earned</u>	<u>Appropriated</u>	<u>Ending Balance</u>
<u>Restricted:</u>					
Retirement contribution reserve	\$ 2,488,639	\$ 600,000	\$ 5,050	\$	\$ 3,093,689
Reserve for employee benefit accrued liability	17,194		32		17,226
Capital reserve	100,274	100,000	183		200,457
Unemployment insurance reserve	301,814		547		302,361
 Total Reserved Fund Balance	 <u>\$ 2,907,921</u>	 <u>\$ 700,000</u>	 <u>\$ 5,812</u>	 <u>\$ -0-</u>	 <u>\$ 3,613,733</u>
<u>Unassigned:</u>					
Reserve for tax reduction	<u>\$ 506,326</u>	<u>\$ -0-</u>	<u>\$ 1,031</u>	<u>\$ -0-</u>	<u>\$ 507,357</u>

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Local Sources:				
Real property taxes	\$ 18,187,668	\$ 14,460,847	\$ 14,457,861	\$ (2,986)
Other tax items	<u>92,520</u>	<u>3,819,341</u>	<u>3,821,114</u>	<u>1,773</u>
Charges for services	<u>182,200</u>	<u>182,200</u>	<u>218,233</u>	<u>36,033</u>
Use of money and property	<u>35,500</u>	<u>35,500</u>	<u>58,041</u>	<u>22,541</u>
Sale of property and compensation for loss			<u>6,766</u>	<u>6,766</u>
Miscellaneous	<u>546,000</u>	<u>547,874</u>	<u>605,122</u>	<u>57,248</u>
 Total Local Sources	 <u>19,043,888</u>	 <u>19,045,762</u>	 <u>19,167,137</u>	 <u>121,375</u>
 State sources	 <u>12,235,327</u>	 <u>12,296,420</u>	 <u>12,370,459</u>	 <u>74,039</u>
Medicaid reimbursement	<u>20,000</u>	<u>20,000</u>	<u>19,905</u>	<u>(95)</u>
 Total Revenues	 <u>31,299,215</u>	 <u>31,362,182</u>	 <u>31,557,501</u>	 <u>195,319</u>
 Total Revenues and Other Financing Sources	 <u>31,299,215</u>	 <u>31,362,182</u>	 <u>\$ 31,557,501</u>	 <u>\$ 195,319</u>
 Appropriated Fund Balance	 <u>450,000</u>	 <u>450,000</u>		
 Appropriated Reserves	 <u>890,981</u>	 <u>890,981</u>		
 Total Revenues, Appropriated Reserves and Designated Fund Balance	 <u>\$ 32,640,196</u>	 <u>\$ 32,703,163</u>		

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>
EXPENDITURES		
General Support:		
Board of Education	\$ 41,167	\$ 40,642
Central administration	<u>346,145</u>	<u>328,273</u>
Finance	<u>459,590</u>	<u>463,640</u>
Staff	<u>173,730</u>	<u>198,631</u>
Central services	<u>2,464,916</u>	<u>2,466,153</u>
Special items	<u>330,338</u>	<u>327,738</u>
Total General Support	<u>3,815,886</u>	<u>3,825,077</u>
Instruction:		
Instruction, administration and improvement	<u>706,287</u>	<u>739,257</u>
Teaching - Regular school	<u>7,630,313</u>	<u>7,769,872</u>
Programs for children with handicapping conditions	<u>3,108,317</u>	<u>2,928,316</u>
Occupational education	<u>757,508</u>	<u>757,508</u>
Teaching - Special school	<u> </u>	<u>110,383</u>
Instructional media	<u>1,378,451</u>	<u>1,383,087</u>
Pupil services	<u>1,506,687</u>	<u>1,594,976</u>
Total Instruction	<u>15,087,563</u>	<u>15,283,399</u>
Pupil Transportation	<u>1,061,931</u>	<u>1,069,667</u>
Community Services	<u>7,300</u>	<u>7,300</u>
Employee Benefits	<u>9,364,258</u>	<u>9,212,978</u>
Debt Service:		
Principal	<u>2,408,609</u>	<u>2,633,609</u>
Interest	<u>876,149</u>	<u>651,149</u>
Total Debt Service	<u>3,284,758</u>	<u>3,284,758</u>
Total Expenditures	<u>32,621,696</u>	<u>32,683,179</u>
OTHER FINANCING USES		
Operating transfers out	<u>18,500</u>	<u>19,984</u>
Total Expenditures and Other Financing Uses	<u>\$ 32,640,196</u>	<u>\$ 32,703,163</u>
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>
\$ 36,862	\$ 206	\$ 3,574
<u>324,399</u>	<u>1,996</u>	<u>1,878</u>
<u>454,249</u>	<u>1,648</u>	<u>7,743</u>
<u>184,646</u>	<u>13</u>	<u>13,972</u>
<u>1,987,387</u>	<u>354,975</u>	<u>123,791</u>
<u>316,501</u>	<u>453</u>	<u>10,784</u>
<u>3,304,044</u>	<u>359,291</u>	<u>161,742</u>
<u>714,153</u>	<u>974</u>	<u>24,130</u>
<u>7,717,592</u>	<u>20,095</u>	<u>32,185</u>
<u>2,855,042</u>	<u>421</u>	<u>72,853</u>
<u>749,084</u>		<u>8,424</u>
<u>110,379</u>		<u>4</u>
<u>1,364,597</u>		<u>18,490</u>
<u>1,518,734</u>	<u>15,060</u>	<u>61,182</u>
<u>15,029,581</u>	<u>36,550</u>	<u>217,268</u>
<u>877,865</u>	<u>43,860</u>	<u>147,942</u>
<u>6,289</u>		<u>1,011</u>
<u>8,775,520</u>	<u>2,321</u>	<u>435,137</u>
<u>2,633,609</u>		<u>-0-</u>
<u>568,282</u>		<u>82,867</u>
<u>3,201,891</u>	<u>-0-</u>	<u>82,867</u>
<u>31,195,190</u>	<u>442,022</u>	<u>1,045,967</u>
<u>19,647</u>		<u>337</u>
<u>31,214,837</u>	<u>\$ 442,022</u>	<u>\$ 1,046,304</u>
<u>342,664</u>		
<u>5,314,848</u>		
<u>\$ 5,657,512</u>		

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2013

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
06/30/13	7/1/2012	\$ -0-	\$ 64,711,924	\$ 64,711,924	0.0%	\$ 12,942,342	500.0%
06/30/12	7/1/2010	\$ -0-	\$ 62,476,731	\$ 62,476,731	0.0%	\$ 13,692,762	456.3%
06/30/11	7/1/2010	\$ -0-	\$ 62,381,800	\$ 62,381,800	0.0%	\$ 13,426,000	464.6%
06/30/10	7/1/2008	\$ -0-	\$ 66,346,452	\$ 66,346,452	0.0%	\$ 13,657,000	485.8%
06/30/09	7/1/2008	\$ -0-	\$ 59,133,638	\$ 59,133,638	0.0%	\$ 13,566,013	435.9%

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
 SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
 AND THE REAL PROPERTY TAX LIMIT
FOR THE YEAR ENDED JUNE 30, 2013

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 32,333,015
Prior year's encumbrances		<u>307,181</u>
Original Budget		<u>32,640,196</u>
Budget Revision (see Page 32, Note 1)		
Total Additions		<u>62,967</u>
Total Deductions		<u> </u>
Final Budget		<u>\$ 32,703,163</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

Next year's budget is a voter approved budget		\$ <u>33,308,655</u>
Maximum allowed (4% of the 2013-2014 budget)		\$ <u>1,332,346</u>
General Fund fund balance subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Committed fund balance	\$ -0-	
Assigned fund balance	892,022	
Unassigned fund balance	<u>1,151,757</u>	
Total Unrestricted Fund Balance		<u>2,043,779</u>
Less:		
Appropriated fund balance	450,000	
Tax reduction reserve	507,357	
Encumbrances included in assigned fund balance	<u>442,022</u>	
Total Adjustments	<u>\$ 1,399,379</u>	
General Fund Fund Balance Subject to §1318 of Real Property Tax Law		<u>\$ 644,400</u>
Actual Percentage		<u>1.9%</u>

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2013

Capital assets, net	\$ <u>31,393,519</u>
Add:	
Unamortized bond issuance costs	<u>165,245</u>
Deduct:	
Premium on bonds payable	<u>(628,868)</u>
Short-term portion of bonds payable, excluding deficit elimination bond	<u>(2,107,380)</u>
Long-term portion of bonds payable, excluding deficit elimination bond	<u>(14,509,461)</u>
Net Investment in Capital Assets	\$ <u><u>14,313,055</u></u>

See Independent Auditor's Report

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass - Through Program Title	Federal CFDA #	Pass - Through Grantor #	Expenditures
<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	0021120165	\$ 23,288
Title I Grants to Local Educational Agencies	84.010	0021130165	432,528
		Subtotal	455,816
Special Education Cluster:			
Special Education - Grants to States	84.027	0032130053	501,367
Special Education - Preschool Grants	84.173	0033130053	4,701
		Subtotal	506,068
Education JOBS Fund	84.410	5400120165	9,086
Improving Teacher Quality State Grants	84.367	0147130165	43,332
Improving Teacher Quality State Grants	84.367	0147120165	2,617
Race to the Top Fund - ARRA	84.395	5500130165	37,381
Title I School Improvement Grant	84.377	0011122104	13,853
Total U.S. Department of Education			1,068,153
<u>U.S. Department of Agriculture</u>			
Passed Through NYS Department of Education:			
Child Nutrition Cluster:			
National School Lunch	10.555	03070106	277,179
School Breakfast Program	10.553	03070106	60,369
Total U.S. Department of Agriculture			337,548
Total Expenditures of Federal Awards			\$ 1,405,701

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

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:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I Cluster
10.555/10.553	Child Nutrition Cluster

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

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 \$62,967 occurred during the year; \$61,093 for the incarcerated youth program and \$1,874 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, 2013.

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
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, the School District received \$43,739 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.