

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2016



Certified Public Accountants | Business Advisors

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 Chenango Valley Central School District (the School District) as of and for the year ended June 30, 2016, 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 from 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, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Chenango Valley Central School District, as of June 30, 2015 were audited by Ciaschi, Dietershagen, Little, Mickelson & Company, LLP who merged with Inero & Co. CPAs, LLP as of January 1, 2016, and whose report dated September 30, 2015 expressed an unmodified opinion on those statements.

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, the Schedule of Funding Progress, the Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans, and the Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability on pages 4-4k, and 46-53 are 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 54-56 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 September 28, 2016 on our consideration of the School District's internal controls 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 controls over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in dark ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 28, 2016

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

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, 2016. 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's records their proportionate share of the net pension (asset) liability along with deferred inflows and outflows related to pensions in accordance with the parameters of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." This statement resulted in a reduction of District wide expenses of \$(1,809,674).
- The School District follows GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." This statement requires the School District to record an expense and liability for a portion of the Actuarial Accrued Liability in the amount of \$2,930,542 for the current year in the District-wide financial statements. The total liability recognized at June 30, 2016 amounted to \$23,891,532.
- The School District's financial position improved with an increase in net position of \$579,675 in 2016 to an increase in net position of \$4,122,588 in 2015. The 2016 net position increase was primarily due an increase in revenues of \$773,205. The increase in revenues was primarily due to additional State aid. The increase in net position in 2015 was primarily due to a decrease in expenses of \$(4,563,523) as a result of the implementation of GASB No. 68 and decreases in compensated absences.
- General Fund budgeted expenditures were underspent by \$428,769 in 2016. The School District incurred lower than anticipated instructional salaries and employee benefits.
- Capital assets increased by \$4,492,819 in 2016, as capital outlay exceeded depreciation and net disposals.
- Bonded indebtedness of the School District, in the amount of \$14,143,248, was down \$(1,844,460) from 2015. This was the result of issuance of \$385,000 of new debt, offset by a \$2,229,460 reduction of outstanding debt.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

- Unassigned fund balance in the General Fund decreased \$(3,612) to \$1,655,664 at June 30, 2016 compared to \$1,659,276 at June 30, 2015, primarily due to revenues exceeding expenditures and transfers to the Capital Projects Fund. The current year excess of revenues and other financing sources over expenditures and other financing uses was \$623,748 with an ending fund balance of \$5,911,719 at June 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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 are an indicator of whether its financial position is improving or deteriorating, respectively.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

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

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

Governmental Fund Financial Statements

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

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's combined net position for fiscal year ended June 30, 2016 increased by \$579,675. Our following analysis focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

Figure 1

Condensed Statement of Net Position	Governmental Activities and Total School District		Total Dollar Change
	2015	2016	2015-2016
<i>Current assets</i>	\$ 6,393,555	\$ 6,795,757	\$ 402,202
<i>Noncurrent assets</i>	10,988,249	11,014,108	25,859
<i>Capital assets, net</i>	30,170,192	34,663,011	4,492,819
Total Assets	47,551,996	52,472,876	4,920,880
<i>Deferred charges on defeased debt</i>	623,574	493,978	(129,596)
<i>Pensions</i>	2,013,450	3,173,309	1,159,859
Total Deferred Outflow of Resources	2,637,024	3,667,287	1,030,263
<i>Current liabilities</i>	4,599,978	10,463,321	5,863,343
<i>Noncurrent liabilities</i>	36,524,528	38,706,179	2,181,651
Total Liabilities	41,124,506	49,169,500	8,044,994
<i>Pensions</i>	5,326,102	2,652,576	(2,673,526)
Total Deferred Inflows of Resources	5,326,102	2,652,576	(2,673,526)
<i>Net Investment in Capital Assets</i>	16,361,058	18,216,527	1,855,469
<i>Restricted</i>	4,847,006	4,178,546	(668,460)
<i>Unrestricted net (deficit)</i>	(17,469,652)	(18,076,986)	(607,334)
Total Net Position	\$ 3,738,412	\$ 4,318,087	\$ 579,675

The increase in current assets was primarily due to increased cash balances. The increase in noncurrent assets was due to an increase in restricted cash offset by a decrease in the proportionate share of net pension (asset). The increase in capital assets is primarily due to capital outlay exceeding depreciation expense. Deferred charges decreased due to the amortization of these charges. Deferred outflows of resources increased as a result of an increase in pension-related deferred outflows of resources, which is determined by the NYSLRS and NYSTRS pension system and the School District's contributions to these systems.

The increase in current liabilities was primarily due to an increase in accounts payable and issuance of a Bond Anticipation Note. The increase in noncurrent liabilities was primarily due to an increase in the proportionate share of net pension (liability) and recording of the other postemployment benefit GASB Statement No. 45 liability of \$2,930,542, offset by scheduled principal payments on long-term debt. The decrease in deferred inflows resulted from a difference between projected and actual earnings on pension plan investments. The increase of \$1,855,469 in net investment in capital assets was due to the increase in capital assets offset by an increase in debt associated with capital assets. The decrease in restricted net position is mainly due to the decrease of capital reserves. The net effect of the School District's activities resulted in an increase in unrestricted net (deficit) of \$(607,334), which is primarily related to the School District's proportionate share of net pension (asset) liability, expenditures under budget of \$428,769, and increases in State revenue of \$491,573, offset by the recognition of GASB Statement No. 45 expense of \$2,930,542.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

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
	2015	2016	2015-2016
REVENUES			
<i>Program revenues:</i>			
<i>Charges for services</i>	\$ 461,609	\$ 412,901	\$ (48,708)
<i>Operating grants and contributions</i>	2,023,419	1,859,195	(164,224)
<i>General revenues:</i>			
<i>Property taxes</i>	14,814,562	14,867,644	53,082
<i>Other taxes</i>	3,829,430	3,879,760	50,330
<i>Unrestricted State sources</i>	14,380,010	14,871,583	491,573
<i>Use of money and property</i>	42,727	108,294	65,567
<i>Other general revenues</i>	805,432	1,131,017	325,585
Total Revenues	36,357,189	37,130,394	773,205
PROGRAM EXPENSES			
<i>General support</i>	4,453,152	4,916,509	463,357
<i>Instruction</i>	25,131,804	28,665,978	3,534,174
<i>Pupil transportation</i>	1,534,895	1,767,000	232,105
<i>Community services</i>	11,324	13,249	1,925
<i>School lunch program</i>	534,542	651,668	117,126
<i>Interest on debt</i>	568,884	536,315	(32,569)
Total Expenses	32,234,601	36,550,719	4,316,118
INCREASE IN NET POSITION	\$ 4,122,588	\$ 579,675	\$ (3,542,913)

Total revenues for the School District's Governmental Activities increased by \$773,205, or 2.1%, while total expenses increased \$4,316,118, or 13.4%.

Total revenues increased primarily due to increases in State aid, reported in unrestricted State sources, of \$491,573, largely due to State aid modifications to School Districts.

Expenses increased primarily due to increases in general support, instruction, pupil transportation, and the school lunch program. General support increased due to increases in contractual expenditures offset by decreases in employee benefits. Instruction increased due to increases in employee benefits and BOCES expenditures. Pupil transportation increased primarily due to an increase in the number of buses purchased as well as increases in employee benefits and instructional salaries. The school lunch program increased primarily due to increases in employee benefits.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

Figures 3 and 4 show the sources of revenue for 2016 and 2015.

Figure 3

Sources of Revenue for 2016

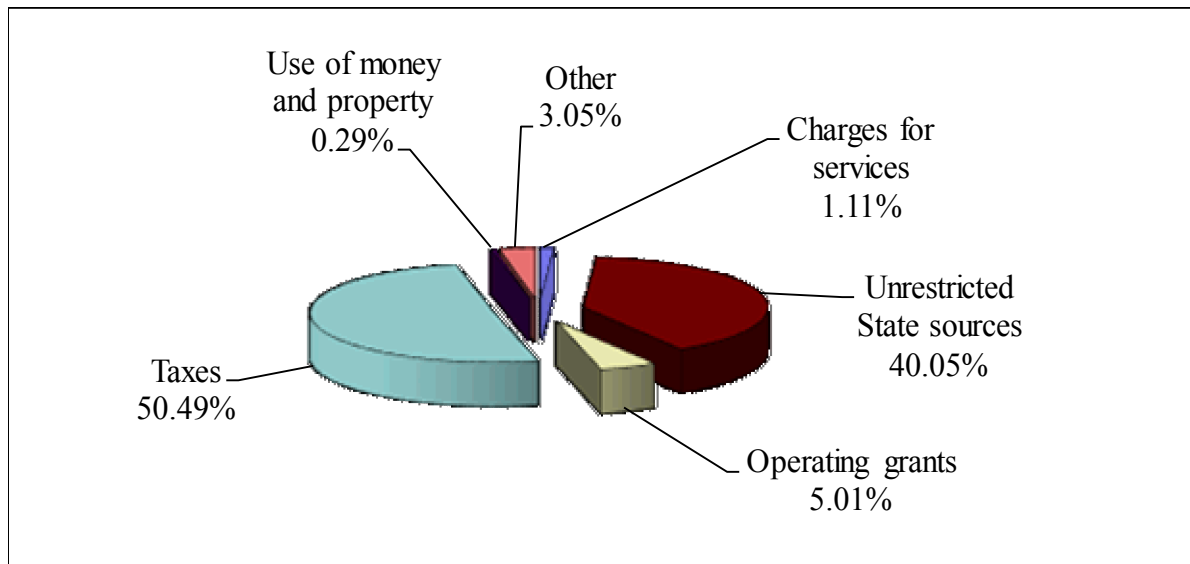
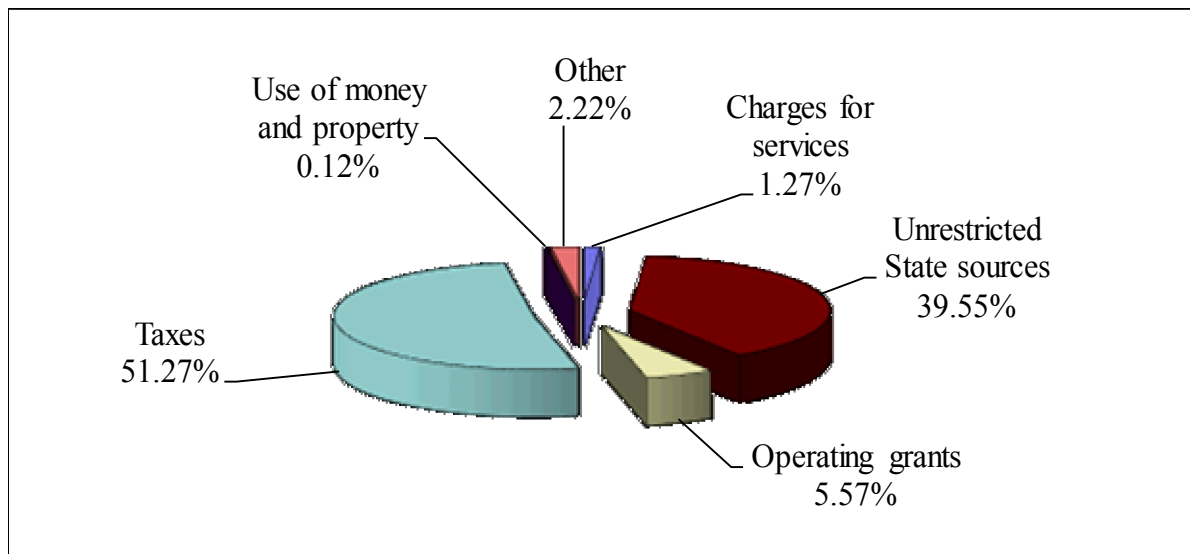


Figure 4

Sources of Revenue for 2015



CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

Figures 5 and 6 present the cost of each of the School District's programs for 2016 and 2015.

Figure 5

Cost of Programs for 2016

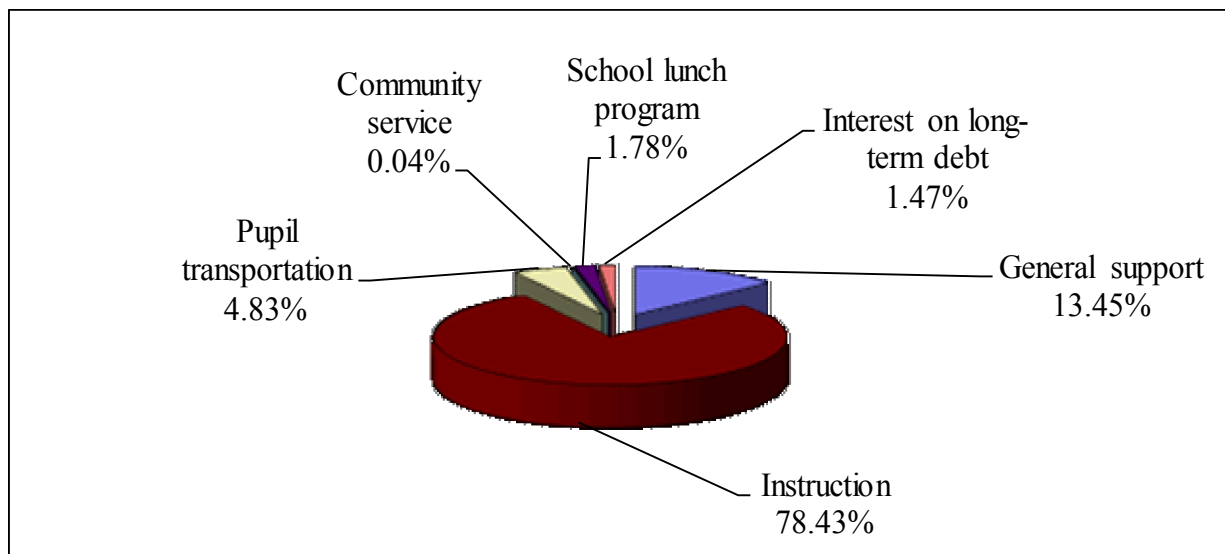
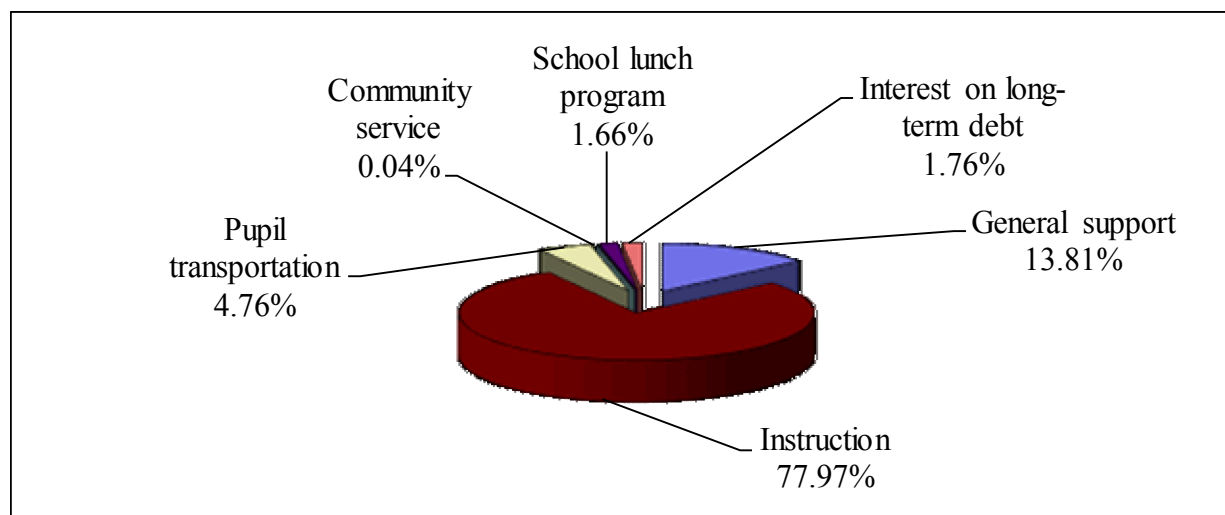


Figure 6

Cost of Programs for 2015



CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

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 \$2,590,160, compared to last year's total of \$7,200,528. The change is primarily attributable to capital project fund expenditures financed by Bond Anticipation Note short-term financing.

Figure 7

<i>Governmental Fund Balances</i>	<i>2015</i>	<i>2016</i>	<i>Total Dollar Change</i>
			<i>2015 - 2016</i>
<i>General Fund</i>	\$ 5,287,971	\$ 5,911,719	\$ 623,748
<i>School Lunch Fund</i>	303,011	278,923	(24,088)
<i>Debt Service Fund</i>	245,122	274,611	29,489
<i>Capital Projects Fund</i>	1,364,424	(3,875,093)	(5,239,517)
<i>Totals</i>	\$ 7,200,528	\$ 2,590,160	\$ (4,610,368)

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 \$97,500. These budget adjustments consisted of appropriated reserves of \$50,000, unanticipated State aid of \$7,183, insurance recoveries of \$35,966, and gifts and donations of \$4,351. The actual charges to appropriations (expenditures) were favorable to final budget amounts by \$428,770 which includes carry-over encumbrances. Even with these adjustments the School District received \$635,819 in more revenues than budgeted; primarily due to State aid and refunds of prior year expenditures. Expenditures were under budget due to lower than expected costs related to general support, instructional salaries, and employee benefits. *Figure 8* summarizes the original and final budgets, actual expenditures (including encumbrances), and variances for the year ending June 30, 2016.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

Figure 8

Condensed Budgetary Comparison General Fund - 2016	Original Budget	Revised Budget	Actual w/ Encumbrances	Total Dollar Variance
REVENUES				
Real property taxes	\$ 18,603,734	\$ 14,887,784	\$ 14,867,644	\$ (20,140)
Other tax items	161,806	3,877,756	3,879,760	2,004
State sources	14,842,777	14,849,960	14,977,059	127,099
Other revenues and financing sources	803,000	843,317	1,370,173	526,856
Total Revenues and Financing Sources	\$ 34,411,317	\$ 34,458,817	\$ 35,094,636	\$ 635,819
Appropriated Fund Balances, Reserves and Encumbrances	\$ 491,235	\$ 541,235		
EXPENDITURES				
General support	\$ 4,128,655	\$ 4,125,386	\$ 4,026,451	\$ 98,935
Instruction	16,925,249	17,525,219	17,335,002	190,217
Pupil transportation	1,003,386	962,462	916,884	45,578
Community services	7,300	8,300	7,657	643
Employee benefits	10,122,468	9,607,311	9,515,759	91,552
Debt service	2,594,994	2,594,994	2,594,959	35
Other financing (uses)	120,500	176,380	174,570	1,810
Total Expenditures, and Other Financing Sources and (Uses)	\$ 34,902,552	\$ 35,000,052	\$ 34,571,282	\$ 428,770

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2016, the School District had invested in a broad range of capital assets. The net book value of capital assets increased by \$4,492,819 during the year ended June 30, 2016, primarily because capital outlay exceeded depreciation expense during the year.

Figure 9

Changes in Net Book Value of Capital Assets	Governmental Activities and Total School District		Total Dollar Change
	2015	2016	2015 - 2016
Land	\$ 1,385,715	\$ 1,385,715	\$ -
Construction in progress	535,576	5,812,235	5,276,659
Buildings and improvements	25,991,373	25,125,690	(865,683)
Equipment	2,257,528	2,339,371	81,843
Totals	\$ 30,170,192	\$ 34,663,011	\$ 4,492,819

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

Capital additions for the year ended June 30, 2016 included the following:

Construction in progress	\$ 5,376,659
Buildings and improvements	74,029
Furniture and equipment	536,372
Total additions	5,987,060
Less net value of disposals	(6,028)
Less depreciation	(1,488,213)
Net Change	<u>\$ 4,492,819</u>

Debt Administration

Debt, both short and long-term, considered a liability of Governmental Activities, decreased by \$(1,844,460) in 2016, as shown in *Figure 10*. Total indebtedness represented 28.3% of the constitutional debt limit, exclusive of building aid estimates.

Figure 10

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2015</i>	<i>2016</i>	<i>2015 - 2016</i>
<i>Serial Bonds/Statutory Installment Bonds</i>	\$ 15,987,708	\$ 14,143,248	\$ (1,844,460)
<i>Bond Anticipation Notes</i>	-	5,500,000	5,500,000
<i>Totals</i>	\$ 15,987,708	\$ 19,643,248	\$ 3,655,540

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 A+, which did not change from the prior year.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- Chenango Valley Central School District is pleased with the passage of the 2016-2017 budget of \$35,741,512. 708 voters came to the polls and passed the budget by a margin of 5:1. The budget increased by 2.82% from the previous year. The corresponding tax levy was an increase of \$38,063 or 0.20% from the previous year tax levy.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

- The School District will continue to rely on long term projections and available resources to maintain limited use of fund balance and reserves to support future budgets. The School District currently has the following amounts in the various reserves as of June 30, 2016:

○ Retirement Contribution Reserve	\$ 2,446,254
○ Capital Reserve	836,105
○ Tax Reduction Reserve	307,951
○ Unemployment Insurance Reserve	302,669
○ Tax Certiorari Reserve	301,633
○ Employee Benefit Accrued Liability Reserve	17,274
- Chenango Valley Central School District has completed Phase 1 of our voter approved project. We will be complete Phase 2A this summer and Phase 2B during the summer of 2017. The project addresses safety and security concerns, various maintenance items, and development of the newly acquired Depot Property. The project employs a combination of Capital Reserve, Fund Balance, and remaining EXCEL Funds to substantially reduce reliance on local share.
- The School District will be utilizing the 2016-2021 Building Condition Survey to identify the scope and timeline for a future capital project. School District management will be working closely with Fiscal Advisors to identify the size of the project having little to no impact on local taxpayers.
- The School District was one of the first in the State to receive approval for our Smart Schools Plan. Purchases and construction for this Plan will run concurrently with the Capital Project beginning in the 2016-2017 school year with anticipated completion in the summer of 2017. This plan will expand the safety and security aspects of the Capital Project as well as enhance our technology infrastructure.
- The School District is also in the process of implementing a carbon monoxide detection system in all occupied buildings in the District as a result of a recent mandate.
- The School District intends to continue to identify and support mini capital projects (up to \$100,000) as part of the annual budget process in order to sustain our facilities while maximizing our building aid revenue stream.
- The School District has maintained a bond rating of A+ with a stable outlook as assigned by Standard & Poor's Rating Service. This rating reflects their opinion of the School District's own general creditworthiness including:
 - Good income and strong wealth
 - Significantly improved finances
 - Moderate overall net debt

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

- The School District has fully implemented the new Annual Professional Performance Review (APPR) under 3012-d. This unfunded mandate has required additional costs to the School District's financial position.
- The School District continues to remain in compliance with all required actuarial calculations and reporting as they relate to GASB Statement No. 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 management to consider other options.
- The economic health of our community is projected to remain at current levels for the foreseeable future.
- Enrollment projections for our School District indicate leveling numbers for enrollment over the next several years.
- The School District will continue to monitor and mitigate the expenses that have put a strain on all school budgets including required participation with the NYS Employees Retirement System (ERS), NYS Teachers Retirement System (TRS), and health insurance, especially with the introduction of the Affordable Care Act.

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, 2016

ASSETS

Current Assets

Cash:

Unrestricted	\$ 3,372,722
Restricted	1,787,397

Receivables:

State and Federal aid	788,486
Due from other governments	739,985
Due from Fiduciary Funds	56,804
Other	22,393

Inventories	26,244
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Prepaid items	1,726
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Total Current Assets	6,795,757
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Noncurrent Assets

Restricted cash	3,903,935
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Net pension asset - proportionate share	7,110,173
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Land and other nondepreciable capital assets	7,197,950
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Capital assets, net	27,465,061
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Total Noncurrent Assets	45,677,119
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Total Assets	52,472,876
---------------------	-------------------

DEFERRED OUTFLOWS OF RESOURCES

Deferred charges on defeased debt	493,978
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Pensions	3,173,309
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Total Deferred Outflows of Resources	3,667,287
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CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2016

LIABILITIES

Current Liabilities

Payables:

Accounts payable	\$ 907,466
Accrued liabilities	8,691
Due to other governments	562
Bond interest and matured bonds	123,670
Bond Anticipation Notes payable	5,500,000
Unearned revenue	18,633
Due to teachers' retirement system	1,515,399
Due to employees' retirement system	112,782
Current portion of long-term obligations:	
Bonds payable	2,276,118
Total Current Liabilities	10,463,321

Noncurrent Liabilities and Obligations

Bonds payable	11,867,130
Compensated absences payable	1,242,255
Other postemployment benefits liability	23,891,532
Net pension liability - proportionate share	1,705,262
Total Noncurrent Liabilities and Obligations	38,706,179

Total Liabilities	49,169,500
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DEFERRED INFLOWS OF RESOURCES

Pensions	2,652,576
Total Deferred Inflows of Resources	2,652,576

NET POSITION

Net investment in capital assets	18,216,527
Restricted net position	4,178,546
Unrestricted net (deficit)	(18,076,986)
Total Net Position	\$ 4,318,087

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, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
FUNCTIONS/PROGRAMS	Expenses				
General support	\$ 4,916,509	\$	\$	\$	\$ (4,916,509)
Instruction	28,665,978	113,058	1,422,643		(27,130,277)
Pupil transportation	1,767,000				(1,767,000)
Community services	13,249				(13,249)
School lunch program	651,668	299,843	436,552		84,727
Interest on debt	536,315				(536,315)
Total Functions and Programs	\$ 36,550,719	\$ 412,901	\$ 1,859,195	\$ -	(34,278,623)

GENERAL REVENUES

Real property taxes	14,867,644
Real property tax items	3,879,760
Use of money and property	108,294
State sources	14,871,583
Sale of property and compensation for loss	64,977
Miscellaneous	1,066,040
Total General Revenues	34,858,298
Change in Net Position	579,675
Total Net Position - Beginning of Year	3,738,412
Total Net Position - End of Year	\$ 4,318,087

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2016

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
ASSETS			
Cash:			
Unrestricted	\$ 2,243,306	\$ 44,632	\$ 199,883
Restricted	3,903,935		
Receivables:			
Due from other funds	250,785	46,290	47,915
State and Federal aid	584,162	178,318	26,006
Due from other governments	739,985		
Due from Fiduciary Funds	56,804		
Other	20,284		2,109
Inventories			26,244
Prepaid items	1,726		
Total Assets	\$ 7,800,987	\$ 269,240	\$ 302,157
LIABILITIES			
Payables:			
Accounts payable	\$ 146,514	\$ 946	\$
Accrued liabilities	8,665		26
Due to other funds	59,871	259,751	12,594
Due to other governments	38		524
Bond Anticipation Notes payable			
Unearned revenue		8,543	10,090
Due to teachers' retirement system	1,515,399		
Due to employees' retirement system	112,782		
Total Liabilities	1,843,269	269,240	23,234
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	45,999		
Total Deferred Inflows of Resources	45,999	-	-
FUND BALANCES			
Nonspendable	1,726		26,244
Restricted	3,903,935		
Assigned	350,394		252,679
Unassigned	1,655,664		
Total Fund Balances (Deficit)	5,911,719	-	278,923
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,800,987	\$ 269,240	\$ 302,157

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

Major Funds		
Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$	\$	\$
<u>274,356</u>	<u>884,901</u>	<u>3,372,722</u>
	<u>1,513,041</u>	<u>5,691,332</u>
<u>255</u>		<u>345,245</u>
		<u>788,486</u>
		<u>739,985</u>
		<u>56,804</u>
		<u>22,393</u>
		<u>26,244</u>
		<u>1,726</u>
\$ <u>274,611</u>	\$ <u>2,397,942</u>	\$ <u>11,044,937</u>

\$	\$	\$
<u></u>	<u>760,006</u>	<u>907,466</u>
		<u>8,691</u>
	<u>13,029</u>	<u>345,245</u>
		<u>562</u>
	<u>5,500,000</u>	<u>5,500,000</u>
		<u>18,633</u>
		<u>1,515,399</u>
		<u>112,782</u>
<u>-</u>	<u>6,273,035</u>	<u>8,408,778</u>
		<u>45,999</u>
<u>-</u>	<u>-</u>	<u>45,999</u>
		<u>27,970</u>
<u>274,611</u>		<u>4,178,546</u>
		<u>603,073</u>
	<u>(3,875,093)</u>	<u>(2,219,429)</u>
<u>274,611</u>	<u>(3,875,093)</u>	<u>2,590,160</u>
\$ <u>274,611</u>	\$ <u>2,397,942</u>	\$ <u>11,044,937</u>

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2016

Fund Balances - Total Governmental Funds	\$	2,590,160
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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Total historical cost	\$	62,729,799	
Less accumulated depreciation		<u>(28,066,788)</u>	34,663,011

The School District's proportion of the collective net pension asset or liability is not reported in the funds.

TRS net pension asset - proportionate share	\$	7,110,173	
ERS net pension liability - proportionate share		<u>(1,705,262)</u>	5,404,911

Deferred outflows of resources, including deferred charges on defeased debt and pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including unavailable revenue and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Unavailable revenue	\$	45,999	
TRS deferred inflows - pension		(2,447,146)	
ERS deferred inflows - pension		(205,430)	
TRS deferred outflows - pension		1,497,127	
ERS deferred outflows - pension		<u>1,676,182</u>	566,732

Deferred inflows of resources, including deferred charges on defeased debt, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Deferred charges on defeased debt			493,978
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Long-term bond payable liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable			(14,143,248)
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Certain accrued obligations and expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in the funds.

Compensated absences	\$	(1,242,255)	
Other postemployment benefits liability		(23,891,532)	
Accrued interest on long-term debt		<u>(123,670)</u>	<u>(25,257,457)</u>

Net Position of Governmental Activities	\$	<u>4,318,087</u>
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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, 2016

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
REVENUES			
Real property taxes	\$ 14,867,644	\$	\$
Other tax items	3,879,760		
Charges for services	87,842		
Use of money and property	107,213		69
Sale of property and compensation for loss	71,005		
Miscellaneous	1,066,040	5,329	40
State sources	14,977,059	330,364	72,594
Medicaid reimbursement	25,216		
Federal sources		924,654	420,778
Sales - School lunch			299,803
Total Revenues	35,081,779	1,260,347	793,284
EXPENDITURES			
General support	3,943,634		
Instruction	17,320,452	1,261,648	421,578
Pupil transportation	913,857	19,927	
Community services	7,657		
Employee benefits	9,515,759	(108)	87,211
Debt service:			
Principal	2,140,630		
Interest	454,329		
Cost of sales			312,033
Capital outlay			
Total Expenditures	34,296,318	1,281,467	820,822
Excess (Deficiency) of Revenues Over Expenditures	785,461	(21,120)	(27,538)
OTHER FINANCING SOURCES AND (USES)			
Long-term debt issued			
Premium on obligations			
Operating transfers in	12,857	21,120	3,450
Operating transfers (out)	(174,570)		
Total Other (Uses) Sources	(161,713)	21,120	3,450
Net Change in Fund Balance	623,748	-	(24,088)
Fund Balances - Beginning of Year	5,287,971	-	303,011
Fund Balances (Deficit) - End of Year	\$ 5,911,719	\$ -	\$ 278,923

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

Major Funds		
Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$	\$	\$
		14,867,644
		3,879,760
		87,842
1,012		108,294
		71,005
		1,071,409
		15,380,017
		25,216
		1,345,432
		299,803
1,012	-	37,136,422
		3,943,634
		19,003,678
		933,784
		7,657
		9,602,862
		2,140,630
		454,329
		312,033
	5,759,403	5,759,403
-	5,759,403	42,158,010
1,012	(5,759,403)	(5,021,588)
	385,000	385,000
26,220		26,220
2,257	150,000	189,684
	(15,114)	(189,684)
28,477	519,886	411,220
29,489	(5,239,517)	(4,610,368)
245,122	1,364,424	7,200,528
<u>\$ 274,611</u>	<u>\$ (3,875,093)</u>	<u>\$ 2,590,160</u>

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, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (4,610,368)

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	\$ 5,987,060	
Depreciation expense	(1,488,213)	
Net book value of disposed assets	<u>(6,028)</u>	4,492,819

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	\$ (385,000)	
Principal payment	<u>2,140,630</u>	1,755,630

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	\$ 170,668	
Other postemployment benefits liability - GASB Statement No. 45	<u>(2,930,542)</u>	(2,759,874)

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. (67,440)

Premiums received on obligations 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 received in previous years, and the adjustment for premiums and costs received in the current year.

Amortization of premiums		88,830
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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.

Amortization of deferred amounts on refunding of debt		(129,596)
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Changes in the School District's proportionate share of net pension (assets) liabilities have no effect on current financial resources and therefore, are not reported in the Governmental Funds. In addition, changes in the School District's deferred outflows and deferred inflows related to pensions do not effect current financial resources and are also not reported in the Governmental Funds.

ERS	\$ (95,187)	
TRS	<u>1,904,861</u>	1,809,674

Net Change in Net Position of Governmental Activities		\$ <u>579,675</u>
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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, 2016

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash:		
Unrestricted	\$ <u> </u>	\$ <u> 216,652 </u>
Restricted	<u> 41,893 </u>	<u> </u>
Total Assets	<u> 41,893 </u>	\$ <u><u> 216,652 </u></u>
 LIABILITIES		
Due to Governmental Funds	<u> </u>	\$ <u> 56,804 </u>
Extraclassroom Activity balances	<u> </u>	<u> 133,974 </u>
Other liabilities		<u> 25,874 </u>
Total Liabilities	<u> </u> -	\$ <u><u> 216,652 </u></u>
 NET POSITION		
Reserved for scholarships	\$ <u><u> 41,893 </u></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, 2016

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	\$ <u>6,577</u>
Investment earnings	<u>50</u>
 Total Additions	 <u>6,627</u>
DEDUCTIONS	
Scholarships and awards	<u>10,277</u>
 Change in Net Position	 (3,650)
 Net Position - Beginning of Year	 <u>45,543</u>
 Net Position - End of Year	 \$ <u><u>41,893</u></u>

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, 2016

***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.

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 No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus."

- The primary government, which is the School District;
- Organizations for which the primary government is financially accountable, and;
- Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's 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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

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 §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).

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.

Separate financial statement of Broome-Tioga BOCES may be obtained by contacting the Business Office, Broome Tioga BOCES, 435 Glenwood Road, Binghamton, NY 13905-1699.

Basis of Presentation - 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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

Basis of Presentation - District-wide Financial Statements - Continued

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.

Basis of Presentation - 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 - 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.

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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

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.

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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

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.

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.

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.

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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

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.

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 No. 16, "Accounting for Compensated Absences," the liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

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 No. 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.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports a deferred charge on defeased debt resulting from the difference in the carrying value of refunded debt and its reacquisition price, which is amortized over the shorter of the life of the refunded or refunding debt. The School District also reports deferred outflows related to pensions in the District-wide Statement of Net Position. The types of deferred outflows related to pensions are described in Note 10.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The School District reports deferred inflows related to pensions which are further described in Note 10.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

Unearned and Unavailable Revenues

Unearned 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 unearned revenues is removed and revenues are recorded.

The Governmental Fund financial statements sometimes report unavailable 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 unavailable revenues is removed and revenues are recorded.

Restricted Resources

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

Equity Classifications - 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 - 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 - Consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Equity Classifications - 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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classifications - Governmental Fund Financial Statements - Continued

- **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, and requires the same level of formal action to remove said constraint.
- **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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

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:

- Tax Reduction Reserve - Used for the gradual use of the proceeds of the sale of school district real property where such proceeds are not required to be placed in a mandatory reserve for debt service. 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 in unassigned fund balance.
- Mandatory Reserve for Debt Service (GML §6-l) - 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. 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.
- Unemployment Insurance Reserve (GML §6-m) - Used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

Legally Adopted Reserves - Continued

- Capital Reserve (Education Law §3651) - Used to pay the cost of any object or purpose for which bonds may be issued. The creation of a Capital Reserve Fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserves only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserves and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. These reserves are accounted for in the General Fund.
- Employee Benefit Accrued Liability Reserve (GML §6-p) - 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 (GML §6-r) - 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.
- Tax Certiorari Reserve (Education Law §3651.1-a) - Used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on July 31, 2015. Taxes were collected during the period September 1, 2015 to October 30, 2015.

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 FOR THE YEAR ENDED JUNE 30, 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

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.

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.

New Accounting Standards

The District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are effective for the year ended June 30, 2016:

- GASB has issued Statement No. 72, "Fair Value Measurement and Application," effective for the year ending June 30, 2016.
- GASB has issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," effective for the year ending June 30, 2016.

Future Changes in Accounting Standards

GASB has issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68," effective for the year ending June 30, 2017.

GASB has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB." Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans," establishes new accounting and financial reporting requirements for OPEB plans.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

Future Changes in Accounting Standards - Continued

GASB has issued Statement No. 77, "Tax Abatement Disclosures," effective for the year ending June 30, 2017.

GASB has issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans," effective for the year ending June 30, 2017.

GASB has issued Statement No. 80, "Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14," effective for the year ending June 30, 2017.

GASB has issued Statement No. 81, "Irrevocable Split-Interest Agreements," effective for the year ending June 30, 2017.

GASB has issued Statement No. 82, "Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73," effective for the year ending June 30, 2017, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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

***Note 2* Participation in BOCES**

During the year ended June 30, 2016, the School District's share of BOCES income amounted to \$1,583,133. The School District was billed \$5,949,168 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 No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 3 Cash and Cash Equivalents - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks - Continued

The School District's aggregate bank balances of \$9,322,599 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, 2016:

Restricted for General Fund reserves	\$ 3,903,935
Restricted for debt service	274,611
Restricted for capital projects	<u>1,512,786</u>
 Total	 <u><u>\$ 5,691,332</u></u>
 Private Purpose Trust Fund	 <u><u>\$ 41,893</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	Subsidy	\$ 17,564
General Fund	Other charges	2,720
School Lunch Fund	Fees and services	<u>2,109</u>
 Total Governmental Funds		 <u><u>\$ 22,393</u></u>

Note 5 Interfund Balances and Activity

Interfund balances at June 30, 2016, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 250,785	\$ 59,871	\$ 12,857	\$ 174,570
Special Aid Fund	46,290	259,751	21,120	
School Lunch Fund	47,915	12,594	3,450	
Debt Service Fund	255		2,257	
Capital Projects Fund		<u>13,029</u>	<u>150,000</u>	<u>15,114</u>
 Total	 <u><u>\$ 345,245</u></u>	 <u><u>\$ 345,245</u></u>	 <u><u>\$ 189,684</u></u>	 <u><u>\$ 189,684</u></u>

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 5 Interfund Balances and Activity - Continued

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, 2016, were as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclass- ifications and Retirements</u>	<u>Ending Balance</u>
Capital assets that are not depreciated:				
Land	\$ 1,385,715	\$	\$	\$ 1,385,715
Construction in progress	535,576	5,376,659	(100,000)	5,812,235
Total Nondepreciable Historical Cost	1,921,291	5,376,659	(100,000)	7,197,950
Capital assets that are depreciated:				
Buildings and improvements	48,523,505	74,029	100,000	48,697,534
Furniture and equipment	6,730,923	536,372	(432,980)	6,834,315
Total Depreciable Historical Cost	55,254,428	610,401	(332,980)	55,531,849
Total Historical Cost	57,175,719	5,987,060	(432,980)	62,729,799
Less accumulated depreciation:				
Buildings	(22,532,132)	(1,039,712)		(23,571,844)
Furniture and equipment	(4,473,395)	(448,501)	426,952	(4,494,944)
Total Accumulated Depreciation	(27,005,527)	(1,488,213)	426,952	(28,066,788)
Total Historical Cost, Net	\$ 30,170,192	\$ 4,498,847	\$ (6,028)	\$ 34,663,011

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 6 Capital Assets - Continued

Depreciation expense was charged to governmental functions as follows:

General support	\$ 71,599
Instruction	1,110,146
Pupil transportation	297,340
School lunch	<u>9,128</u>
Total Depreciation Expense	<u>\$ 1,488,213</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 or redeemed during the year.

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

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

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN 2016	1.50%	8/19/2016	\$	\$ 2,000,000	\$	\$ 2,000,000
BAN 2016	1.50%	8/19/2016	<u></u>	<u>3,500,000</u>	<u></u>	<u>3,500,000</u>
			<u>\$</u>	<u>- \$ 5,500,000</u>	<u>\$</u>	<u>- \$ 5,500,000</u>

Interest expense related to short-term debt during the year was:

Interest paid	\$ -0-
Less interest accrued in the prior year	-0-
Plus interest accrued in the current year	<u>63,677</u>
Total	<u>\$ 63,677</u>

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 8 Long-term Debt

At June 30, 2016, the total outstanding indebtedness of the School District represented 28.3% of its statutory debt limit, exclusive of building aids. Long-term debt is classified as follows:

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

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 \$10,082,078 at June 30, 2016.

The following is a summary of the School District's notes payable and long-term debt for the year ended June 30, 2016.

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding June 30, 2016
Bonds:				
Serial bond - Deficit financing	04/01/2009	04/01/2019	3.85-4.50%	\$ 1,190,000
Serial bond	06/24/2010	06/15/2024	3.00-4.00%	1,450,000
Statutory installment bond	07/26/2011	07/26/2016	3.39%	77,683
Refunding serial bonds	10/30/2012	06/15/2023	2.00-4.50%	10,160,000
Statutory installment bond	07/31/2013	07/31/2018	2.85%	264,939
Statutory installment bond	08/28/2014	08/28/2019	3.00%	280,800
Statutory installment bond	08/03/2015	08/02/2020	3.47%	385,000
Total Bonds				13,808,422
Add unamortized premium on serial bonds				334,826
Total				\$ 14,143,248

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 8 Long-term Debt - Continued

Interest expense related to long-term debt during the year was comprised of:

Interest paid	\$ 454,329
Less interest accrued in the prior year	(56,230)
Less premium recognized in the current year	(88,830)
Add interest accrued in the current year	59,993
Add amortization of deferral of debt change	129,596
Less amortization of BAN premium	<u>(26,220)</u>
Total	<u>\$ 472,638</u>

Interest rates paid on the serial bonds vary 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:

Long-Term Debt	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Serial bonds	\$ 14,625,000	\$	\$ (1,825,000)	\$ 12,800,000	\$ 1,885,000
Statutory installment bonds	939,052	385,000	(315,630)	1,008,422	313,196
Total Bonds	15,564,052	385,000	(2,140,630)	13,808,422	2,198,196
Unamortized premiums	423,656		(88,830)	334,826	77,922
Total	<u>\$ 15,987,708</u>	<u>\$ 385,000</u>	<u>\$ (2,229,460)</u>	<u>\$ 14,143,248</u>	<u>\$ 2,276,118</u>

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges on defeased debt are summarized as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Deferred charges on defeased debt	\$ <u>(623,574)</u>	\$ <u>-</u>	\$ <u>129,596</u>	\$ <u>(493,978)</u>	\$ <u>(112,806)</u>

Unamortized defeased debt related to the 2012 bond refunding is amortized over the life of the bonds and the balance and activity are shown above.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 8 Long-term Debt - Continued

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,198,196	\$ 399,945	\$ 2,598,141
2018	2,180,513	336,146	2,516,659
2019	2,240,513	273,541	2,514,054
2020	1,777,200	209,810	1,987,010
2021	1,742,000	166,779	1,908,779
2022-2024	3,670,000	209,388	3,879,388
Total	\$ 13,808,422	\$ 1,595,609	\$ 15,404,031

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. This liability is liquidated from the General and School Lunch Funds. See Note 11 for further information.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Compensated absences	\$ 1,412,923	\$	\$ (170,668)	\$ 1,242,255
Other postemployment benefits	20,960,990	5,797,490	(2,866,948)	23,891,532
Total	\$ 22,373,913	\$ 5,797,490	\$ (3,037,616)	\$ 25,133,787

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 10* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)**

Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

The School District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer public employee retirement system. The System provides retirement benefits as well as, death and disability 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. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nysstrs.org.

Employees' Retirement System (ERS)

The School District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

Summary of Significant Accounting Policies

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

Contributions

Contributions for the current year and two preceding Plan years were equal to 100% of the contributions required, and were as follows:

	ERS	TRS
2016	\$ 543,201	\$ 1,826,206
2015	547,238	1,670,185
2014	529,440	1,198,309

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the School District reported the following (asset) liability for its proportionate share of the net pension (asset) liability for each of the Systems. The net pension (asset) liability was measured as of March 31, 2016 for ERS and June 30, 2015 for TRS. The total pension (asset) liability used to calculate the net pension (asset) liability was determined by an actuarial valuation. The School District's proportionate share of the net pension (asset) liability was based on a projection of the School District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was derived from reports provided to the School District by the ERS and TRS Systems.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

	ERS	TRS
Actuarial valuation date	04/01/2015	06/30/2014
Net pension (asset) liability	\$ 16,050,279,000	\$ (10,386,812,916)
School District's proportionate share of the Plan's total net pension (asset) liability	1,705,262	(7,110,173)

For the year ended June 30, 2016, the School District recognized pension expense of \$630,195 for ERS and \$(466,503) for TRS in the District-wide financial statements. At June 30, 2016 the School District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 8,617	\$	\$ 202,130	\$ 197,053
Changes in assumptions	454,742			
Net differences between projected and actual earnings on pension plan investments	1,011,655			2,247,563
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	88,386	35,177	3,300	2,530
School District's contributions subsequent to the measurement date	112,782	1,461,950		
Total	\$ 1,676,182	\$ 1,497,127	\$ 205,430	\$ 2,447,146

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

School District contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension (asset) liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>ERS</u>	<u>TRS</u>
2017	\$ 341,942	\$ (902,807)
2018	341,942	(902,807)
2019	341,942	(902,807)
2020	332,144	377,503
2021		(20,839)
Thereafter		(60,662)

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2016	June 30, 2015
Actuarial valuation date	April 1, 2015	June 30, 2014
Interest rate	7.0%	8.0%
Salary scale	5.1%	4.01%-10.91%
	April 1, 2005 - March 31, 2010	July 1, 2005 - June 30, 2010
Decrement tables	System's Experience	System's Experience
Inflation rate	2.5%	3.0%

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Actuarial Assumptions - Continued

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on July 1, 2005 - June 30, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale A.

For ERS, the actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	ERS	TRS
Measurement date	March 31, 2016	June 30, 2015
Asset Type:		
Domestic equities	7.30%	6.5%
International equities	8.55%	7.7%
Real estate	8.25%	4.6%
Private equity/Alternative investments	11.00%	9.9%
Absolute return strategies	6.75%	
Opportunistic portfolio	8.60%	
Real assets	8.65%	
Cash	2.25%	
Inflation-indexed bonds	4.00%	
Domestic fixed income securities		2.1%
Global fixed income securities		1.9%
Mortgages and bonds		3.4%
Short-term		1.2%

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 8.0% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension (Asset) Liability to the Discount Rate Assumption

The following presents the School District's proportionate share of the net pension (asset) liability calculated using the discount rate of 7.0% for ERS and 8.0% for TRS, as well as what the School District's proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage point lower or higher than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
ERS			
School District's proportionate share of the net pension (asset) liability	\$ 3,845,242	\$ 1,705,262	\$ (102,930)
TRS			
School District's proportionate share of the net pension (asset) liability	\$ 485,006	(7,110,173)	\$ (13,587,266)

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) liability of the employers as of the respective valuation dates were as follows:

	Dollars in Thousands	
	ERS	TRS
Valuation date	April 1, 2015	June 30, 2014
Employers' total pension (asset) liability	\$ 172,303,544	\$ 99,332,104
Plan net position	(156,253,265)	(109,718,917)
Employers' net pension (asset) liability	\$ 16,050,279	\$ (10,386,813)
Ratio of Plan Net Position to the Employers' Total Pension (Asset) Liability	90.7%	(110.5%)

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$112,782.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October, and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer's contribution rate by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$1,515,399.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Effect on Net Position

Changes in the net pension (asset) liability and deferred outflows and inflows of resources for the year ended June 30, 2016 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
ERS:			
Net pension liability	\$ (322,167)	\$ (1,383,095)	\$ (1,705,262)
Deferred outflows of resources	187,244	1,488,938	1,676,182
Deferred inflows of resources	(4,400)	(201,030)	(205,430)
Subtotal	<u>(139,323)</u>	<u>(95,187)</u>	<u>(234,510)</u>
TRS:			
Net pension (asset)	7,750,789	(640,616)	7,110,173
Deferred outflows of resources	1,826,206	(329,079)	1,497,127
Deferred inflows of resources	<u>(5,321,702)</u>	<u>2,874,556</u>	<u>(2,447,146)</u>
Subtotal	<u>4,255,293</u>	<u>1,904,861</u>	<u>6,160,154</u>
Total Effect on Net Position	\$ <u>4,115,970</u>	\$ <u>1,809,674</u>	\$ <u>5,925,644</u>

Note 11 Other Postemployment Benefits

Postemployment Benefits Other than Pensions

The School District follows GASB Statement No. 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, 2014 for the fiscal year ending June 30, 2016.

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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 11* Other Postemployment Benefits**

Postemployment Benefits Other than Pensions - Continued

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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and accumulate sufficient total accruals for all postretirement benefits when due.

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

Normal cost	\$ 2,199,738
Supplemental cost	3,805,012
Interest	<u>120,095</u>
Total Annual Required Contribution	6,124,845
Interest on net OPEB obligation	838,440
Adjustment to annual required contribution	<u>(1,165,795)</u>
Annual OPEB Cost (Expense)	5,797,490
Contributions made on behalf of 246 employees	<u>(2,866,948)</u>
Increase in Net OPEB Obligation	2,930,542
 Net OPEB Obligation - July 1, 2015	 <u>20,960,990</u>
 Net OPEB Obligation - June 30, 2016	 <u>\$ 23,891,532</u>

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 11* Other Postemployment Benefits**

Postemployment Benefits Other than Pensions - Continued

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2016, 2015, and 2014 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2016	\$ 5,797,490	49.5%	\$ 23,891,532
06/30/2015	5,917,583	54.6%	20,960,990
06/30/2014	5,801,525	54.2%	18,272,539

Funded Status and Funding Progress - As of June 30, 2016, the Plan was not funded. The actuarial accrued liability for benefits was \$68,428,254; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$13,765,635 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 497.0%.

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, 2014, 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 of 4%. Additional actuarial assumptions included an annual medical cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 5% in 2022.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 12* Commitments and Contingencies**

Risk Financing and Related Insurance - 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.

Health Insurance

The School District incurs costs related to an employee health insurance plan (Plan) sponsored by BOCES and its component districts. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Districts joining the Plan must remain members for a minimum of one year; a member district may withdraw from the Plan after that time by providing notice to the consortium prior to May 1, immediately preceding the commencement of the next school year. Plan members include eight districts, with the School District bearing a proportionate share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

During the year ended June 30, 2016, the School District incurred premiums or contribution expenditures totaling \$6,351,877.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 12* Commitments and Contingencies - Continued**

Workers' Compensation

The School District incurs costs related to a workers' compensation insurance plan (Plan). The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Plan members include 11 school districts, with the School District bearing a proportionate share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities. Plan financial statements may be obtained from the BOCES administrative office at 435 Glenwood Rd., Binghamton NY 13760.

The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

During the year ended June 30, 2016, the School District incurred premiums or contribution expenditures of \$130,223.

Other Items

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 13 Fund Balance Detail

At June 30, 2016, non-spendable, restricted, assigned, and unassigned fund balances in the Governmental Funds were 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>
Non-Spendable					
Inventory	\$ 1,726	\$ -	\$ 26,244	\$ -	\$ -
Total Non-Spendable Fund Balance	<u>\$ 1,726</u>	<u>\$ -</u>	<u>\$ 26,244</u>	<u>\$ -</u>	<u>\$ -</u>
Restricted					
Retirement contribution reserve	\$ 2,446,254	\$	\$	\$	\$
Unemployment insurance reserve	302,669				
Capital reserve	836,105				
Tax certiorari reserve	301,633				
Employee benefit accrued liability reserve	17,274				
Debt				274,611	
Capital projects					
Total Restricted Fund Balance	<u>\$ 3,903,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,611</u>	<u>\$ -</u>
Assigned					
Appropriated for next year's budget	\$ 250,000	\$	\$	\$	\$
Encumbered for:					
General support	82,817				
Instruction	14,550				
Pupil transportation	3,027				
Employee benefits					
School lunch			252,679		
Capital projects					
Total Assigned Fund Balance	<u>\$ 350,394</u>	<u>\$ -</u>	<u>\$ 252,679</u>	<u>\$ -</u>	<u>\$ -</u>
Unassigned					
Unreserved, undesignated	\$ 1,347,713	\$	\$	\$	\$ (3,875,093)
Reserve for tax reduction	307,951				
Total Unassigned Fund Balance	<u>\$ 1,655,664</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,875,093)</u>

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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, 2016 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>
Restricted					
Retirement contribution reserve	\$ 2,644,956	\$	\$ 1,298	\$ (200,000)	\$ 2,446,254
Reserve for employee benefit accrued liability	17,261		13		17,274
Capital reserve	171,055	665,000	50		836,105
Tax certiorari reserve	101,604	200,000	29		301,633
Unemployment insurance reserve	302,584		85		302,669
Total Reserved Fund Balance	\$ 3,237,460	\$ 865,000	\$ 1,475	\$ (200,000)	\$ 3,903,935
Unassigned:					
Reserve for tax reduction	\$ 407,836	\$ -	\$ 115	\$ (100,000)	\$ 307,951

Note 15 Stewardship, Compliance and Accountability

Deficit Net Balance

The Capital Project Fund has a deficit fund balance of \$(3,875,093) at year end. This deficit will be eliminated as short-term financing is repaid or converted into long-term financing and additional long-term financing is obtained for the renovation project.

Deficit Net Position

At June 30, 2016, the District-wide Statement of Net Position had an unrestricted deficit net position of \$(18,076,986). This is primarily the result of the requirement to record other postemployment benefit liability with no requirement or mechanism to fund this liability. (See Note 11.) The deficit is not expected to be eliminated during the normal course of operations.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Local Sources:				
Real property taxes	\$ 18,603,734	\$ 14,887,784	\$ 14,867,644	\$ (20,140)
Other tax items	<u>161,806</u>	<u>3,877,756</u>	<u>3,879,760</u>	<u>2,004</u>
Charges for services	<u>191,000</u>	<u>191,000</u>	<u>87,842</u>	<u>(103,158)</u>
Use of money and property	<u>32,000</u>	<u>32,000</u>	<u>107,213</u>	<u>75,213</u>
Sale of property and compensation for loss		<u>35,966</u>	<u>71,005</u>	<u>35,039</u>
Miscellaneous	<u>560,000</u>	<u>564,351</u>	<u>1,066,040</u>	<u>501,689</u>
Total Local Sources	<u>19,548,540</u>	<u>19,588,857</u>	<u>20,079,504</u>	<u>490,647</u>
State sources	<u>14,842,777</u>	<u>14,849,960</u>	<u>14,977,059</u>	<u>127,099</u>
Medicaid reimbursement	<u>20,000</u>	<u>20,000</u>	<u>25,216</u>	<u>5,216</u>
Total Revenues	<u>34,411,317</u>	<u>34,458,817</u>	<u>35,081,779</u>	<u>622,962</u>
Operating transfers in	<u>-</u>	<u>-</u>	<u>12,857</u>	<u>12,857</u>
Total Revenues and Other Financing Sources	<u>34,411,317</u>	<u>34,458,817</u>	<u>\$ 35,094,636</u>	<u>\$ 635,819</u>
Appropriated Fund Balance	<u>250,000</u>	<u>250,000</u>		
Appropriated Reserves	<u>100,000</u>	<u>150,000</u>		
Designated Fund Balance				
Encumbrances Carried				
Forward from Prior Year	<u>141,235</u>	<u>141,235</u>		
Total Revenues, Appropriated Reserves and Designated Fund Balance	<u>\$ 34,902,552</u>	<u>\$ 35,000,052</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, 2016

	Original Budget	Final Budget
EXPENDITURES		
General Support:		
Board of Education	\$ 28,367	\$ 31,786
Central administration	335,198	333,152
Finance	502,399	491,721
Staff	269,518	250,417
Central services	2,618,148	2,654,285
Special items	375,025	364,025
Total General Support	4,128,655	4,125,386
Instruction:		
Instruction, administration, and improvement	895,390	992,695
Teaching - Regular school	8,216,477	8,128,396
Programs for children with handicapping conditions	3,771,030	4,348,558
Occupational education	551,800	543,800
Teaching - Special school	215,000	221,914
Instructional media	1,698,244	1,661,871
Pupil services	1,577,308	1,627,985
Total Instruction	16,925,249	17,525,219
Pupil Transportation	1,003,386	962,462
Community Services	7,300	8,300
Employee Benefits	10,122,468	9,607,311
Debt Service:		
Principal	2,140,630	2,140,630
Interest	454,364	454,364
Total Debt Service	2,594,994	2,594,994
Total Expenditures	34,782,052	34,823,672
OTHER FINANCING USES		
Operating transfers out	120,500	176,380
Total Expenditures and Other Financing Uses	\$ 34,902,552	\$ 35,000,052

Net Change in Fund Balance

Fund Balance - Beginning of Year

Fund Balance - End of Year

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

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 26,632	\$	\$ 5,154
325,184	241	7,727
471,659		20,062
231,299	485	18,633
2,532,221	82,091	39,973
356,639		7,386
3,943,634	82,817	98,935
969,857	344	22,494
8,056,474	2,428	69,494
4,250,102	10,807	87,649
543,800		-
221,914		-
1,658,144	971	2,756
1,620,161		7,824
17,320,452	14,550	190,217
913,857	3,027	45,578
7,657		643
9,515,759		91,552
2,140,630		-
454,329		35
2,594,959	-	35
34,296,318	100,394	426,960
174,570		1,810
34,470,888	\$ <u>100,394</u>	\$ <u>428,770</u>
623,748		
5,287,971		
\$ <u><u>5,911,719</u></u>		

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2015

<u>Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
06/30/2016	7/1/2014	\$ -	\$ 68,428,254	\$ 68,428,254	0.0%	\$ 13,765,635	497.0%
06/30/2015	7/1/2014	-	68,428,254	68,428,254	0.0%	13,765,635	497.0%
06/30/2014	7/1/2012	-	64,711,924	64,711,924	0.0%	12,942,342	500.0%
06/30/2013	7/1/2012	-	64,711,924	64,711,924	0.0%	12,942,342	500.0%
06/30/2012	7/1/2010	-	62,476,731	62,476,731	0.0%	13,692,762	456.3%

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
NYSLRS PENSION PLAN
FOR THE LAST 10 FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 543,201	\$ 475,731	\$ 544,064
Contributions in relation to the contractually required contribution	(543,201)	(475,731)	(544,064)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll	2,970,158	2,790,507	2,792,567
Contributions as a percentage of covered - employee payroll	18.3%	17.0%	19.5%

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
NYSLRS PENSION PLAN
FOR THE LAST 10 FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,461,950	\$ 1,826,206	\$ 1,670,185
Contributions in relation to the contractually required contribution	(1,461,950)	(1,826,206)	(1,670,185)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll	11,025,264	10,417,604	10,278,062
Contributions as a percentage of covered - employee payroll	13.3%	17.5%	16.3%

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

2013	2012	2011	2010	2009	2008	2007
\$ 533,516	\$ 455,836	\$ 310,035	\$ 187,603	\$ 236,054	\$ 228,436	\$ 263,226
(533,516)	(455,836)	(310,035)	(187,603)	(236,054)	(228,436)	(263,226)
-	-	-	-	-	-	-
2,869,191	2,790,625	2,654,572	2,611,748	2,631,278	2,526,516	2,481,677
18.6%	16.3%	11.7%	7.2%	9.0%	9.0%	10.6%

2013	2012	2011	2010	2009	2008	2007
\$ 1,220,417	\$ 1,145,226	\$ 876,685	\$ 638,267	\$ 788,127	\$ 828,858	\$ 867,192
(1,220,417)	(1,145,226)	(876,685)	(638,267)	(788,127)	(828,858)	(867,192)
-	-	-	-	-	-	-
10,307,576	10,308,065	10,170,360	10,311,260	10,329,318	9,494,364	10,083,628
11.8%	11.1%	8.6%	6.2%	7.6%	8.7%	8.6%

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY NYSLRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension (asset) liability	0.01062%	0.00954%
School District's proportionate share of the net pension (asset) liability	\$ 1,705,262	\$ 322,167
School District's covered-employee payroll during the measurement period	2,916,274	2,748,584
School District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	58.5%	11.7%
Plan fiduciary net position as a percentage of the total pension (asset) liability	90.7%	97.9%

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY NYSTRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension (asset) liability	0.068454%	0.069580%
School District's proportionate share of the net pension (asset) liability	\$ (7,110,173)	\$ (7,750,789)
School District's covered-employee payroll during the measurement period	10,417,604	10,278,061
School District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	-68.25%	-75.41%
Plan fiduciary net position as a percentage of the total pension (asset) liability	110.5%	111.5%

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

***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.

The following supplemental appropriations occurred during the year:

Original Adopted Budget	\$ 34,761,317
Prior year encumbrances	141,235
Appropriated capital reserves	50,000
State aid	7,183
Gifts and donations	4,351
Insurance recoveries	<u>35,966</u>
Final Budget	<u>\$ 35,000,052</u>

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 General Fund Budget Basis to GAAP**

No adjustment is necessary to convert 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, 2016.

***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 REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

***Note 4* Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability**

The Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, required supplementary information, present three years of information. These schedules will present ten years of information as it becomes available from the pension plans.

***Note 5* Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability**

NYSLRS:

Changes in Benefit Terms

There were no significant legislative changes in benefits.

Changes of Assumptions

There was a change in assumption for the pensioner mortality improvement in the April 1, 2014 actuarial valuation from the Society of Actuaries' Scale AA to Scale MP - 2014.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2014 actuarial valuation determines the employer rates for contributions payable in fiscal year 2016. The following actuarial methods and assumptions were used:

Actuarial cost method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset valuation period	5 year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.7%
Salary scale	4.9% in ERS, 6.0% in OFRS, indexed by service.
Investment rate of return	7.5% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.4% annually

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

***Note 5* Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability - Continued**

NYSTRS:

Changes in Benefit Terms

There were no significant legislative changes in benefits.

Changes of Assumptions

There were no changes in assumptions.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of School Districts' Contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the School Districts' Contributions.

Actuarial cost method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 15 years.		
Asset valuation method	5 year phased in deferred recognition of each year's actual gain or loss above (or below) an assumed inflationary gain of 3.0%.		
Inflation	3.0%		
Salary scale	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.		
	<u>Age</u>	<u>Female</u>	<u>Male</u>
	25	10.35%	10.91%
	35	6.26%	6.27%
	45	5.39%	5.04%
	55	4.42%	4.01%
Investment rate of return	8.0% compounded annually, net of investment expenses, including inflation.		
Cost of living adjustments	1.625% compounded annually		

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, 2016

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 34,761,317
Prior year's encumbrances	<u>141,235</u>
Original Budget	<u>34,902,552</u>
Appropriated capital reserve	<u>50,000</u>
Insurance recoveries	<u>35,966</u>
Gifts and donations	<u>4,351</u>
Additional state aid for incarcerated youth	<u>7,183</u>
Total Additions	<u>97,500</u>
Total Deductions	<u>-</u>
Final Budget	\$ <u>35,000,052</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

Next year's budget is a voter approved budget	\$ <u>35,741,512</u>
Maximum allowed (4% of the 2015-2016 budget)	\$ <u>1,429,660</u>

General Fund fund balance subject to §1318 of Real Property Tax Law:

Unrestricted fund balance:	
Assigned fund balance	\$ 350,394
Unassigned fund balance	<u>1,655,664</u>
Total Unrestricted Fund Balance	<u>2,006,058</u>

Less:

Appropriated fund balance	\$ 250,000
Tax reduction reserve	307,951
Encumbrances included in assigned fund balance	<u>100,394</u>
Total Adjustments	<u>658,345</u>

General Fund Fund Balance Subject to §1318 of Real Property Tax Law	\$ <u>1,347,713</u>
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Actual Percentage	3.8%
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CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Revised Budget	Expenditures			
			Prior Years	Current Year	Transfers	Total
Port Dickinson Elementary Reconstruction 0001-006	\$ 3,717,000	\$ 3,637,000	\$ 121,964	\$ 313,364	\$	\$ 435,328
Port Dickinson Elementary Reconstruction 0001-009	664,000	2,574,017		195,376		195,376
Port Dickinson Elementary Reconstruction 0001-010	11,000	11,000		1,066		1,066
Junior/Senior High School Reconstruction 0002-010	4,614,800	4,614,800	171,054	2,449,028		2,620,082
Middle/High School Reconstruction 0002-011	100,000	100,000	9,095	78,048	12,857	100,000
Middle/High School Reconstruction 0002-014	2,511,000	3,546,618		1,782,751		1,782,751
Middle/High School Reconstruction 0002-015	21,000	21,000		2,611		2,611
Chenango Bridge Elementary Reconstruction 0004-009	2,420,600	2,420,600	76,781	176,356		253,137
Chenango Bridge Elementary Reconstruction 0004-012	390,000	1,302,253		111,834		111,834
Chenango Bridge Elementary Reconstruction 0004-013	8,000	8,000		775		775
Bus Garage Reconstruction 5006-004	1,727,600	1,727,600	56,682	181,924		238,606
Bus Garage Reconstruction 5006-007	891,000	949,185		82,558		82,558
Bus Garage Reconstruction 5006-008	6,000	6,000		581		581
New Concession/Storage Building 7010-002	4,000	4,000		388		388
2015-2016 Buses	403,836	782,743		382,743	2,257	385,000
Unredeemed BANs						
Total	\$ 17,489,836	\$ 21,704,816	\$ 435,576	\$ 5,759,403	\$ 15,114	\$ 6,210,093

*Architectural and State approved budget modifications for subproject reallocations not yet finalized and available at this report date.

See Independent Auditor's Report

Unexpended Balance	Methods of Financing				Fund Balance (Deficit) June 30, 2016
	Proceeds of Obligations	State Aid	Local Sources	Total	
\$ 3,201,672	\$ 418,609	\$	\$ 514,760	\$ 933,369	\$ 498,041 *
2,378,641	187,872			187,872	(7,504) *
9,934			11,000	11,000	9,934 *
1,994,718	2,519,454		721,948	3,241,402	621,320 *
			100,000	100,000	-
1,763,867	1,714,282			1,714,282	(68,469) *
18,389			21,000	21,000	18,389 *
2,167,463	243,415		324,061	567,476	314,339 *
1,190,419	107,539			107,539	(4,295) *
7,225			8,000	8,000	7,225 *
1,488,994	229,442		239,231	468,673	230,067 *
866,627	79,387			79,387	(3,171) *
5,419			6,000	6,000	5,419 *
3,612			4,000	4,000	3,612 *
397,743	385,000			385,000	-
	(5,500,000)			(5,500,000)	(5,500,000)
<u>\$ 15,494,723</u>	<u>\$ 385,000</u>	<u>\$ -</u>	<u>\$ 1,950,000</u>	<u>\$ 2,335,000</u>	<u>\$ (3,875,093)</u>

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR ENDED JUNE 30, 2016

Capital assets, net	\$ <u>34,663,011</u>
Add:	
Deferred charges on defeased debt	<u>493,978</u>
Unspent debt	<u>1,512,786</u>
Deduct:	
Bond Anticipation Notes	<u>(5,500,000)</u>
Unamortized premium on bonds payable	<u>(334,826)</u>
Short-term portion of bonds payable, excluding deficit elimination bond	<u>(1,818,196)</u>
Long-term portion of bonds payable, excluding deficit elimination bond	<u>(10,800,226)</u>
Net Investment in Capital Assets	\$ <u><u>18,216,527</u></u>

See Independent Auditor's Report

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chenango Valley Central School District (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated September 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in dark ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 28, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Chenango Valley Central School District's (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2016. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 28, 2016

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass - Through Grantor Program Title	Federal CFDA #	Pass - Through Grantor #	Pass - Through to Subrecipients	Expenditures
U.S. Department of Education				
Passed Through NYS Department of Education:				
Title I Grants to Local Educational Agencies	84.010	0021160165	\$	\$ 410,890
Title I Grants to Local Educational Agencies	84.010	0021150165		17,064
Title I School Improvement Grant	84.377	0011162534		<u>19,635</u>
		Subtotal		<u>447,589</u>
Special Education Cluster:				
Special Education - Grants to States	84.027	0032160053		417,543
Special Education - Preschool Grants	84.173	0033160053		<u>13,185</u>
Special Education Cluster		Subtotal		<u>430,728</u>
Improving Teacher Quality State Grants	84.367	0147160165		45,286
Improving Teacher Quality State Grants	84.367	0147150165		260
Race to the Top Fund	84.395	5500150165		<u>791</u>
Total U.S. Department of Education				<u>924,654</u>
U.S. Department of Agriculture				
Passed Through NYS Department of Education:				
Child Nutrition Cluster:				
National School Lunch	10.555	03070106		327,128
School Breakfast Program	10.553	03070106		<u>93,650</u>
Child Nutrition Cluster		Subtotal		<u>420,778</u>
Total U.S. Department of Agriculture				<u>420,778</u>
Total Expenditures of Federal Awards			\$ <u> - </u>	\$ <u><u>1,345,432</u></u>

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

***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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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. The district has elected not to use the 10% de minimus indirect cost rate.

***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, 2016, the School District received \$42,494 worth of commodities under the National School Lunch Program (CFDA #10.555).

***Note 6* Subrecipients**

No amounts were provided to subrecipients.

***Note 7* Other Disclosures**

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

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

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

Noncompliance material to financial statements noted? yes X none reported

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

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

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

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027 and 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B
Programs: \$ 750,000

Auditee qualified as low-risk? X yes no

Section II - Financial Statement Findings: None

Section III - Federal Award Findings and Questioned Costs: None