

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2017



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, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the year ended June 30, 2017, the School District adopted Government Accounting Standards Board (GASB) Statement No. 77, "Tax Abatement Disclosures." Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, Schedule of Funding Progress, the Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans, the Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, and related notes on pages 4-4k, and 47-55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit, Schedule of Project Expenditures - Capital Projects Fund, and Net Investment in Capital Assets (supplementary information) on pages 56-58 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2017 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 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 27, 2017

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. 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

- NYSTRS made significant changes in assumptions related to pensions, including changing the valuation rate of interest from 8% to 7.5%. This caused the proportionate share of the TRS net pension asset to decline and become a liability. However, the decline was offset by related changes to outflows of resources and improvements in investment earnings. Overall, the effect these changes in TRS, and the less dramatic changes in ERS had on the School District's proportionate share of pension liabilities and the pension-related deferred inflows and outflows of resources was minimal. Thus, net position showed little impact.
- 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 \$2,743,922 for the current year in the District-wide financial statements. Total liability recognized at June 30, 2017 amounted to \$26,635,454.
- The School District's net position decreased \$(519,002) in 2017 compared to an increase of \$579,675 in 2016. The decrease in the current year's net position resulted from an increase in expenses of \$1,789,114 compared to a lesser increase in revenues of \$690,437. The 2016 net position increase was primarily due to an increase in revenues of \$773,205.
- General Fund budgeted expenditures were underspent by \$1,087,779 in 2017. The School District incurred lower than anticipated instructional salaries and employee benefits.
- Capital assets increased by \$3,040,656 in 2017, as capital outlay exceeded depreciation and net disposals.
- Bonded indebtedness of the School District, in the amount of \$11,867,130, was down \$(2,276,118) from 2016. Bond anticipation notes (BANs) increased \$2,862,387, primarily resulting from issuance of two BANs. In total, outstanding debt increased \$586,269.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

- Unassigned fund balance in the General Fund decreased \$(91,685) to \$1,563,979 at June 30, 2017, primarily due to transfers to the Capital Projects Fund. The current year excess of revenues and other financing sources over expenditures and other financing uses was \$1,013,785; resulted in an ending fund balance of \$7,015,504 at June 30, 2017.

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, a Schedule of Funding Progress related to the School District's unfunded actuarial liability for other postemployment benefits, the 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, deferred outflows of resources, liabilities, and deferred inflows of resources - 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, 2017

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, 2017 decreased by \$(519,002). 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, 2017

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016 - 2017</i>
<i>Current assets</i>	\$ 6,795,757	\$ 4,591,492	\$ (2,204,265)
<i>Noncurrent assets</i>	11,014,108	5,206,281	(5,807,827)
<i>Capital assets, net</i>	34,663,011	37,703,667	3,040,656
<i>Total Assets</i>	52,472,876	47,501,440	(4,971,436)
<i>Pensions</i>	3,173,309	8,058,400	4,885,091
<i>Deferred charges on defeased debt</i>	493,978	381,172	(112,806)
<i>Total Deferred Outflows of Resources</i>	3,667,287	8,439,572	4,772,285
<i>Current liabilities</i>	10,463,321	12,719,930	2,256,609
<i>Noncurrent liabilities</i>	38,706,179	38,892,620	186,441
<i>Total Liabilities</i>	49,169,500	51,612,550	2,443,050
<i>Pensions</i>	2,652,576	529,377	(2,123,199)
<i>Total Deferred Inflows of Resources</i>	2,652,576	529,377	(2,123,199)
<i>Net investment in capital assets</i>	18,216,527	19,263,594	1,047,067
<i>Restricted</i>	4,178,546	5,640,691	1,462,145
<i>Unrestricted</i>	(18,076,986)	(21,105,200)	(3,028,214)
<i>Total Net Position</i>	\$ 4,318,087	\$ 3,799,085	\$ (519,002)

The decrease in current assets was primarily due to a decrease in restricted cash balances resulting from the expenditure of unspent debt proceeds. The decrease in noncurrent assets, deferred inflows of resources and the related increase in deferred outflows of resources is the result of a change in assumptions for the NYSTRS pension plan resulting in the net pension (asset) reducing to a liability in the current year. The increase in capital assets is due to capital outlay exceeding depreciation expense. Deferred charges on defeased debt decreased due to the amortization of these charges.

The increase in current liabilities was primarily due to an increase in BANs payable. The slight increase in noncurrent liabilities stems from the recording of the other postemployment benefits liability of \$2,743,922, offset by scheduled principal payments on long-term debt. The increase 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 increase in restricted net position is mainly due to the increase of capital reserves of \$1,500,000. The net effect of the School District's activities resulted in an increase in unrestricted net (deficit) of \$(3,028,214), primarily related to recognition of other postemployment benefits expense of \$2,743,922.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

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

Figure 2

Condensed Statement of Net Position	Governmental Activities and Total School District		Total Dollar Change
	2016	2017	2016 - 2017
REVENUES			
<i>Program revenues:</i>			
<i>Charges for services</i>	\$ 412,901	\$ 498,518	\$ 85,617
<i>Operating grants and contributions</i>	1,859,195	1,937,159	77,964
<i>General revenues:</i>			
<i>Real property taxes</i>	14,867,644	14,961,193	93,549
<i>Real property tax items</i>	3,879,760	3,818,775	(60,985)
<i>State sources</i>	14,871,583	15,504,964	633,381
<i>Use of money and property</i>	108,294	100,314	(7,980)
<i>Other general revenues</i>	1,131,017	999,908	(131,109)
Total Revenues	\$ 37,130,394	\$ 37,820,831	\$ 690,437
PROGRAM EXPENSES			
<i>General support</i>	\$ 4,916,509	\$ 5,082,522	\$ 166,013
<i>Instruction</i>	28,665,978	30,172,806	1,506,828
<i>Pupil transportation</i>	1,767,000	1,966,468	199,468
<i>Community service</i>	13,249	9,009	(4,240)
<i>School lunch program</i>	651,668	627,227	(24,441)
<i>Interest on debt</i>	536,315	481,801	(54,514)
Total Expenses	\$ 36,550,719	\$ 38,339,833	\$ 1,789,114
INCREASE (DECREASE) IN NET POSITION	\$ 579,675	\$ (519,002)	\$ (1,098,677)

Total revenues for the School District's Governmental Activities increased by \$690,437, or 1.9%, while total expenses increased \$1,789,114, or 4.9%.

Total revenues increased primarily due to increases in state aid, reported in unrestricted state sources, of \$663,381, largely due to state aid modifications and BOCES aid to School Districts.

Expenses increased primarily due to increases in general support, instruction, and transportation. General support, instruction, and transportation increased based on the increase in pension expense of \$1,930,263 due to changes in assumptions for the NYSTRS pension plan. The increase is also attributable to an increase in BOCES expenses of \$324,467.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Figures 3 and 4 show the sources of revenue for 2017 and 2016.

Figure 3

Sources of Revenue for 2017

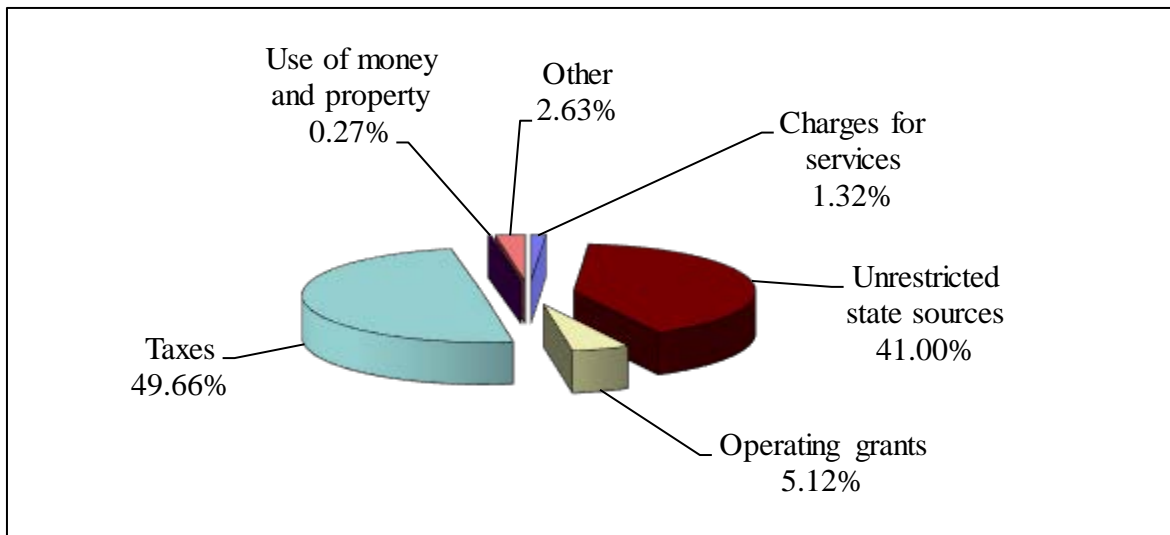
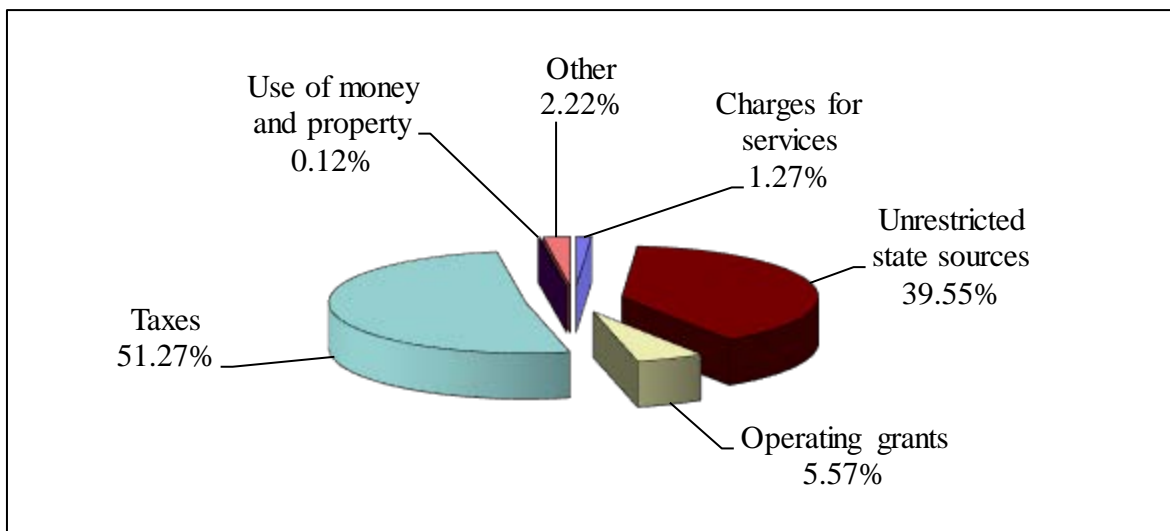


Figure 4

Sources of Revenue for 2016



CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Figures 5 and 6 present the cost of each of the School District's programs for 2017 and 2016.

Figure 5

Cost of Programs for 2017

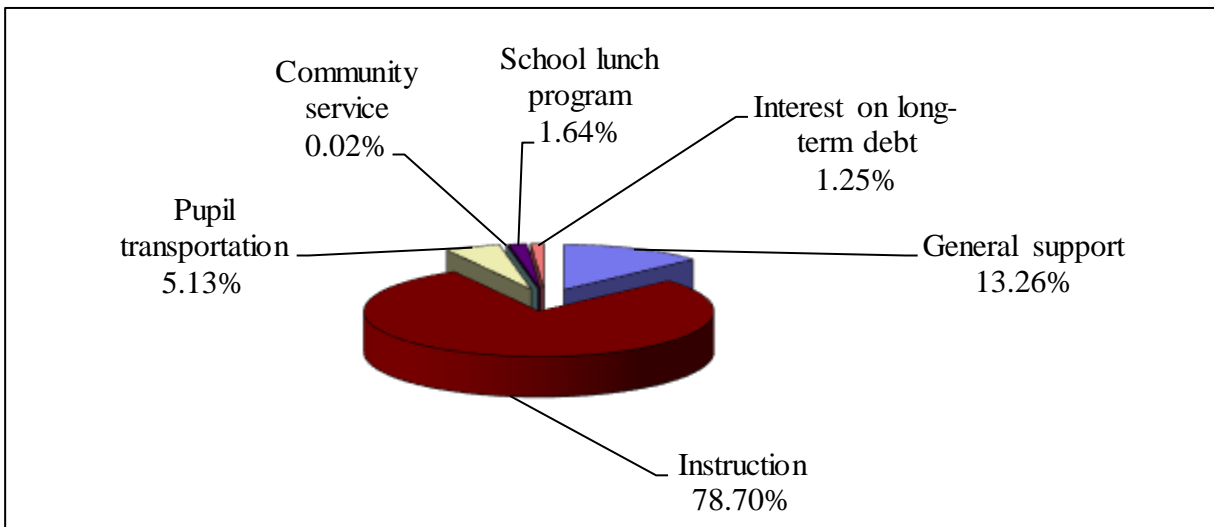
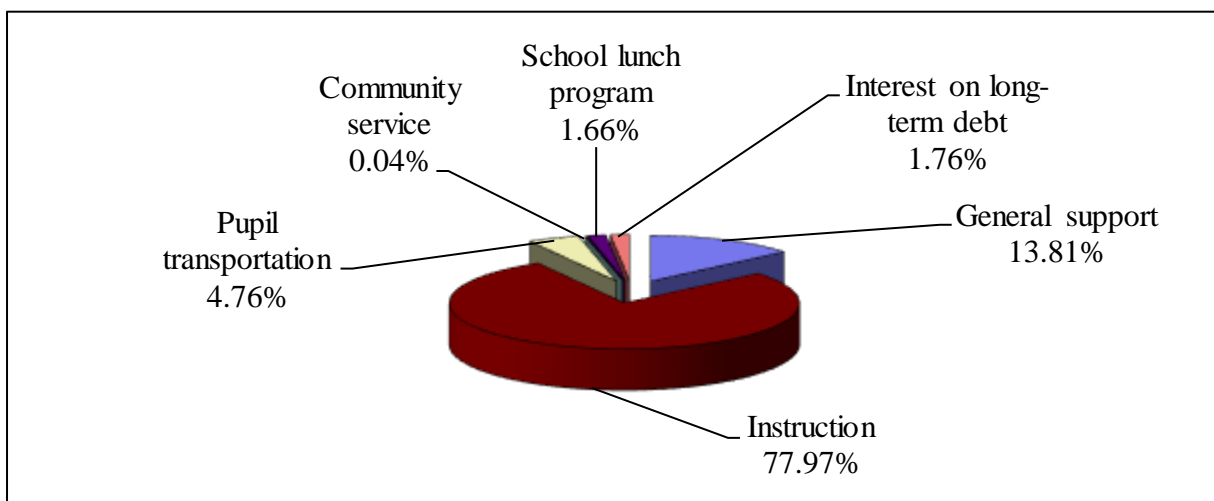


Figure 6

Cost of Programs for 2016



CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

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 (deficit) of \$(581,645), compared to last year's total of \$2,590,160. The change is primarily attributable to capital project fund expenditures financed by BAN short-term financing.

Figure 7

<i>Governmental Fund Balances</i>	<i>2016</i>	<i>2017</i>	<i>Total Dollar Change 2016-2017</i>
<i>General Fund</i>	\$ 5,911,719	\$ 7,015,504	\$ 1,103,785
<i>School Lunch Fund</i>	278,923	364,706	85,783
<i>Debt Service Fund</i>	274,611	306,402	31,791
<i>Capital Funds</i>	(3,875,093)	(8,268,257)	(4,393,164)
<i>Total Governmental Funds</i>	\$ 2,590,160	\$ (581,645)	\$ (3,171,805)

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board approves budgetary transfers that revise School District budget line items. These budget amendments consist of budget transfers between functions, and budget amendments that increased the overall budget by \$12,647. These budget adjustments consisted of appropriated reserves of \$8,496, unanticipated state aid of \$2,949, insurance recoveries of \$202, and gifts and donations of \$1,000. The actual charges to appropriations (expenditures) were favorable to final budget amounts by \$1,087,779 which includes carry-over encumbrances. Even with these adjustments, the School District received \$471,433 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, 2017.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Figure 8

<i>Condensed Budgetary Comparison General Fund - 2017</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
REVENUES				
Real property taxes	\$ 18,641,797	\$ 14,985,134	\$ 14,961,193	\$ (23,941)
Other tax items	161,126	3,817,789	3,818,775	986
State sources	15,487,409	15,487,409	15,591,313	103,904
Other, including financing sources	901,180	905,331	1,295,815	390,484
Total Revenues and Other Financing Sources	\$ 35,191,512	\$ 35,195,663	\$ 35,667,096	\$ 471,433
Appropriated Fund Balances, Reserves, and Encumbrances	\$ 650,394	\$ 658,890		
EXPENDITURES				
General support	\$ 3,881,387	\$ 4,170,962	\$ 3,987,073	\$ 183,889
Instruction	18,064,308	18,011,754	17,494,379	517,375
Pupil transportation	1,053,490	1,062,695	992,419	70,276
Community service	7,700	7,700	4,916	2,784
Employee benefits	10,063,192	9,824,929	9,512,532	312,397
Debt service	2,651,329	2,651,329	2,651,172	157
Other financing uses	120,500	125,184	124,283	901
Total Expenditures and Other Financing (Uses)	\$ 35,841,906	\$ 35,854,553	\$ 34,766,774	\$ 1,087,779

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2017, the School District had invested in a broad range of capital assets. The net book value of capital assets increased by \$3,040,656 during the year ended June 30, 2017, primarily because capital outlay exceeded depreciation expense during the year.

Figure 9

<i>Changes in Capital Assets</i>	<i>2016</i>	<i>2017</i>	<i>Total Dollar Change 2016-2017</i>
Land	\$ 1,385,715	\$ 1,385,715	\$ -
Construction in progress	5,812,235	9,798,433	3,986,198
Buildings and improvements	25,125,690	24,229,183	(896,507)
Equipment	2,339,371	2,290,336	(49,035)
Total	\$ 34,663,011	\$ 37,703,667	\$ 3,040,656

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Capital asset activity for the year ended June 30, 2017 included the following:

Construction in progress	\$ 4,119,176
Buildings and improvements	12,622
Furniture and equipment	427,904
Total additions	4,559,702
Less net book value of disposed equipment	(11,945)
Less depreciation expense	(1,507,101)
Net Increase in Capital Assets	\$ 3,040,656

Debt Administration

Debt, both short and long-term, considered a liability of Governmental Activities, increased by \$586,269 in 2017, as shown in *Figure 10*. Total indebtedness represented 29.6% 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>2016</i>	<i>2017</i>	<i>2016-2017</i>
<i>Bond anticipation notes</i>	\$ 5,500,000	\$ 8,362,387	\$ 2,862,387
<i>Bonds and installment purchase debt</i>	14,143,248	11,867,130	(2,276,118)
<i>Total</i>	\$ 19,643,248	\$ 20,229,517	\$ 586,269

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 2017-2018 budget of \$37,342,387. 539 voters came to the polls and passed the budget by a margin of 6.5:1. The budget increased by 4.48% from the previous year. The corresponding tax levy was an increase of \$257,091 or 1.38% from the previous year tax levy.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

- 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 has the following amounts in various reserves as of June 30, 2017:

○ Retirement Contribution Reserve	\$2,048,814
○ Capital Reserve	2,336,831
○ Tax Reduction Reserve	208,219
○ Unemployment Insurance Reserve	301,731
○ Tax Certiorari Reserve	293,395
○ Employee Benefit Accrued Liability Reserve	17,291
- Chenango Valley Central School District has completed 2 of 3 phases of our voter-approved project. The final phase will be completed during the summer of 2017 alongside much of our Smart Schools work. These projects addressed safety and security concerns, various maintenance items, and development of the newly acquired Depot Property. The voter-approved project employed a combination of Capital Reserve, Fund Balance, and remaining EXCEL Funds to substantially reduce reliance on local share. The Smart Schools project was financed entirely through the School District's Smart Schools allocation.
- Chenango Valley utilized the 2016-2021 Building Condition Survey to identify the scope and timeline for our next capital project, tentatively scheduled to go out to public vote in December 2017.
- The School District implemented a carbon monoxide detection system in all occupied buildings in the District as a result of a recent mandate.
- Chenango Valley Central 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 Services. 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 has fully implemented the new Annual Professional Performance Review (APPR) under 3012-d. This unfunded mandate has added additional costs to the School District's financial position.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

- The School District continues to remain in compliance with all required actuarial calculations and reporting as it relates 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 that statutory or regulatory changes allow the school district 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.

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, SAP, at 221 Chenango Bridge Road, NY 13901.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2017

ASSETS

Current Assets

Cash - Unrestricted	\$ 1,874,920
Cash - Restricted	<u>1,203,346</u>
Receivables:	
State and federal aid	<u>668,194</u>
Due from other governments	<u>792,240</u>
Other	<u>24,313</u>
Inventories	<u>28,479</u>
Total Current Assets	<u>4,591,492</u>

Noncurrent Assets

Restricted cash	<u>5,206,281</u>
Land and other nondepreciable capital assets	<u>11,184,148</u>
Capital assets, net	<u>26,519,519</u>
Total Noncurrent Assets	<u>42,909,948</u>

Total Assets	<u>47,501,440</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred charges on defeased debt	<u>381,172</u>
Pensions	<u>8,058,400</u>
Total Deferred Outflows of Resources	<u>8,439,572</u>

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

LIABILITIES**Current Liabilities**

Payables:

Accounts payable	\$ 451,253
Accrued liabilities	33,222
Due to other governments	149
Bond interest and matured bonds	159,451
Bond anticipation notes payable	8,362,387
Unearned revenue	18,175
Due to Teachers' Retirement System	1,332,897
Due to Employees' Retirement System	113,127
Current portion of long-term obligations:	
Bonds payable	2,249,269
Total Current Liabilities	12,719,930

Noncurrent Liabilities

Bonds payable	9,617,861
Compensated absences payable	915,337
Other postemployment benefits liability	26,635,454
Net pension liability - Proportionate share	1,723,968
Total Noncurrent Liabilities	38,892,620

Total Liabilities	51,612,550
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DEFERRED INFLOWS OF RESOURCES

Pensions	529,377
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NET POSITION

Net investment in capital assets	19,263,594
Restricted net position	5,640,691
Unrestricted net (deficit)	(21,105,200)

Total Net Position	\$ 3,799,085
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CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
FUNCTIONS/PROGRAMS					
General support	\$ 5,082,522	\$	\$	\$	\$ (5,082,522)
Instruction	30,172,806	159,317	1,467,866		(28,545,623)
Pupil transportation	1,966,468				(1,966,468)
Community services	9,009				(9,009)
School lunch program	627,227	339,201	469,293		181,267
Interest on debt	481,801				(481,801)
Total Functions and Programs	\$ 38,339,833	\$ 498,518	\$ 1,937,159	\$ -	(35,904,156)
GENERAL REVENUES					
Real property taxes					14,961,193
Real property tax items					3,818,775
Use of money and property					100,314
State sources					15,504,964
Sale of property and compensation for loss					(1,227)
Miscellaneous					1,001,135
Total General Revenues					35,385,154
Change in Net Position					(519,002)
Total Net Position - Beginning of Year					4,318,087
Total Net Position - End of Year					\$ 3,799,085

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
ASSETS			
Cash - Unrestricted	\$ 1,009,661	\$ 38,053	\$ 11,504
Cash - Restricted	5,206,281		298,672
Receivables:			
Due from other funds	1,139,440		2,497
State and federal aid	529,873	105,515	32,806
Due from other governments	792,240		
Other	22,061		2,252
Inventories			28,479
Total Assets	\$ 8,699,556	\$ 143,568	\$ 376,210
LIABILITIES			
Payables:			
Accounts payable	\$ 136,661	\$ 6,349	\$
Accrued liabilities	30,610	890	1,722
Due to other funds	2,497	127,839	
Due to other governments	52		97
Bond anticipation notes payable			
Unearned revenue		8,490	9,685
Due to Teachers' Retirement System	1,332,897		
Due to Employees' Retirement System	113,127		
Total Liabilities	1,615,844	143,568	11,504
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	68,208		
Total Deferred Inflows of Resources	68,208	-	-
FUND BALANCES			
Nonspendable			28,479
Restricted	4,998,062		336,227
Assigned	453,463		
Unassigned	1,563,979		
Total Fund Balances (Deficit)	7,015,504	-	364,706
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,699,556	\$ 143,568	\$ 376,210

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

Major Funds		
Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$	\$	\$
	815,702	1,874,920
306,324	598,350	6,409,627
78		1,142,015
		668,194
		792,240
		24,313
		28,479
\$ 306,402	\$ 1,414,052	\$ 10,939,788

\$	\$	\$
	308,243	451,253
		33,222
	1,011,679	1,142,015
		149
	8,362,387	8,362,387
		18,175
		1,332,897
		113,127
-	9,682,309	11,453,225
		68,208
-	-	68,208
		28,479
306,402		5,640,691
		453,463
	(8,268,257)	(6,704,278)
306,402	(8,268,257)	(581,645)
\$ 306,402	\$ 1,414,052	\$ 10,939,788

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2017

Fund Balances - Total Governmental Funds **\$ (581,645)**

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	\$ 66,964,204	
Less accumulated depreciation	<u>(29,260,537)</u>	37,703,667

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

TRS net pension liability - Proportionate share	\$ (755,464)	
ERS net pension liability - Proportionate share	<u>(968,504)</u>	(1,723,968)

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

Unavailable revenue	\$ 68,208	
Deferred charges on defeased debt	381,172	
TRS deferred inflows - Pension	(369,780)	
ERS deferred inflows - Pension	(159,597)	
TRS deferred outflows - Pension	7,304,233	
ERS deferred outflows - Pension	<u>754,167</u>	7,978,403

Long-term bond payable liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable		(11,867,130)
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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	\$ (915,337)	
Other postemployment benefits liability	(26,635,454)	
Accrued interest on long-term debt	<u>(159,451)</u>	<u>(27,710,242)</u>

Net Position of Governmental Activities **\$ 3,799,085**

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, 2017

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
REVENUES			
Real property taxes	\$ 14,961,193	\$	\$
Other tax items	3,818,775		
Charges for services	122,674		
Use of money and property	98,864		134
Sale of property and compensation for loss	10,718		
Miscellaneous	1,001,135	23,614	514
State sources	15,591,313	322,492	72,801
Medicaid reimbursement	36,643		
Federal sources		956,419	452,923
Sales - School lunch			339,039
Total Revenues	35,641,315	1,302,525	865,411
EXPENDITURES			
General support	3,818,897		
Instruction	17,463,030	1,304,362	368,578
Pupil transportation	989,981	17,482	
Community services	4,916		
Employee benefits	9,511,032	95	86,487
Debt service:			
Principal	2,198,196		
Interest	452,976		
Cost of sales			329,432
Capital outlay			
Total Expenditures	34,439,028	1,321,939	784,497
Excess (Deficiency) of Revenues Over Expenditures	1,202,287	(19,414)	80,914
OTHER FINANCING SOURCES AND (USES)			
Premium on obligations			
Operating transfers in	25,781	19,414	4,869
Operating transfers (out)	(124,283)		-
Total Other (Uses) Sources	(98,502)	19,414	4,869
Net Change in Fund Balance	1,103,785	-	85,783
Fund Balances (Deficit) - Beginning of Year	5,911,719	-	278,923
Fund Balances (Deficit) - End of Year	\$ 7,015,504	\$ -	\$ 364,706

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

Major Funds		
Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$	\$	\$
		14,961,193
		3,818,775
		122,674
1,316		100,314
		10,718
		1,025,263
		15,986,606
		36,643
		1,409,342
		339,039
1,316	-	37,810,567
		3,818,897
		19,135,970
		1,007,463
		4,916
		9,597,614
		2,198,196
		452,976
		329,432
	4,478,748	4,478,748
-	4,478,748	41,024,212
1,316	(4,478,748)	(3,213,645)
41,840		41,840
2,815	100,000	152,879
(14,180)	(14,416)	(152,879)
30,475	85,584	41,840
31,791	(4,393,164)	(3,171,805)
274,611	(3,875,093)	2,590,160
<u>\$ 306,402</u>	<u>\$ (8,268,257)</u>	<u>\$ (581,645)</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, 2017

Net Change in Fund Balances - Total Governmental Funds **\$ (3,171,805)**

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	\$ 4,559,702	
Depreciation expense	(1,507,101)	
Net book value of disposed assets	<u>(11,945)</u>	3,040,656

Certain revenue in the Governmental Funds is deferred because it is not available soon enough after year-end to pay for the current period's expenditures. On the accrual basis, however, this revenue is recognized regardless of when it is collected.

22,209

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.

Principal payment 2,198,196

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	\$ 326,918	
Other postemployment benefits liability	<u>(2,743,922)</u>	(2,417,004)

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 (decreased) from the prior year.

(35,781)

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 77,922

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 (112,806)

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	\$ (139,424)	
TRS	<u>18,835</u>	<u>(120,589)</u>

Net Change in Net Position of Governmental Activities **\$ (519,002)**

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, 2017

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash - Unrestricted	\$	\$ 184,367
Cash - Restricted	6,472	
Investments - Restricted	28,927	
Accounts receivable		342
Total Assets	35,399	\$ 184,709
LIABILITIES		
Extraclassroom Activity balances		\$ 160,608
Other liabilities		24,101
Total Liabilities	-	\$ 184,709
NET POSITION		
Reserved for scholarships	\$ 35,399	

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 JUNE 30, 2017

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	\$ 4,380
Investment earnings	71
Total Additions	4,451
DEDUCTIONS	
Scholarships and awards	10,945
Change in Net Position	(6,494)
Net Position - Beginning of Year	41,893
Net Position - End of Year	\$ 35,399

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, 2017

***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, 2017

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

Joint Venture

The School District is one of 16 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.

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.

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. Indirect expenses relate to the administration and support of the School District's programs, including personnel, overall administration and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense. 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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

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 Revenue Funds: These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:
 - Special Aid Fund: Used to account for proceeds received from State and federal grants that are restricted for special educational programs.
 - School Lunch Fund: Accounts for revenues and expenditures in connection with the School District's food service program.
- Debt Service Fund: Accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of Governmental Activities.
- Capital Projects Fund: Accounts for 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, 2017

***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, 2017

***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, 2017

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

Capital Assets

Capital assets are reported at actual cost. 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, 2017

***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, 2017

***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 "net investment in capital assets."

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, 2017

***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, 2017

***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.
- 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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Legally Adopted Reserves - Continued

- 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 lien on July 20, 2016. Taxes were collected during the period September 1, 2016 to October 31, 2016.

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.

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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

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 (all) current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2017:

- 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 ended June 30, 2017.
- GASB has issued Statement No. 77, "Tax Abatement Disclosures," effective for the year ended June 30, 2017.
- GASB has issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans," effective for the year ended 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 ended June 30, 2017.
- GASB has issued Statement No. 81, "Irrevocable Split-Interest Agreements," effective for the year ended 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 ended 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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Future Changes in Accounting Standards

- 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."
- GASB has issued Statement No. 83, "Certain Asset Retirement Obligations," effective for the year ending June 30, 2019.
- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ending June 30, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 85, "Omnibus 2017," effective for the year ending June 30, 2018.
- GASB has issued Statement No. 86, "Certain Debt Extinguishment Issues," effective for the year ending June 30, 2018.
- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2021.

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, 2017, the School District's share of BOCES income amounted to \$1,760,534. The School District was billed \$6,275,906 for BOCES administration and program costs. Financial statements for the Broome-Tioga BOCES are available from the BOCES administrative office at 435 Upper Glenwood Road, Binghamton, New York, 13905.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

The School District's aggregate bank balances of \$8,887,083 are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

The School District has few investments (primarily donated Scholarship Funds) and chooses to disclose its investments by specifically identifying each.

The School District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

- 1) Insured or registered, or investments held by the School District or by the School District's agent in the School District's name, or
- 2) Uninsured and unregistered, with investments held by the financial institution's trust department in the School District's name, or
- 3) Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the School District's name.

The School District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk.

The School District does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

	<u>Cost</u>	<u>Carrying Amount Fair</u>	<u>Type of Investment</u>	<u>Category</u>
Private Purpose Trust Fund	\$ <u>28,927</u>	\$ <u>28,927</u>	Certificate of Deposit	(1)

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Restricted cash and investments consists of the following at June 30, 2017:

Restricted for General Fund reserves	\$	4,998,062
Restricted for tax reduction		208,219
Restricted for debt service		306,402
Restricted for school lunch		298,672
Restricted for capital projects		598,272
Subtotal		<u>6,409,627</u>
Private Purpose Trust Fund		<u>35,399</u>
Total	\$	<u><u>6,445,026</u></u>

Note 4 Other Receivables

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

	Description	Amount
General Fund	Subsidy	\$ 15,540
	Other Charges	6,521
	Total General Fund	<u>22,061</u>
School Lunch Fund	Meal reimbursements	<u>2,252</u>
Total		\$ <u><u>24,313</u></u>

Note 5 Interfund Balances and Activity

Interfund balances at June 30, 2017, are as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 1,139,440	\$ 2,497	\$ 25,781	\$ 124,283
Special Aid Fund		127,839	19,414	
Capital Project Fund		1,011,679	100,000	14,416
School Lunch Fund	2,497		4,869	
Debt Service Fund	<u>78</u>	<u></u>	<u>2,815</u>	<u>14,180</u>
Total	\$ <u><u>1,142,015</u></u>	\$ <u><u>1,142,015</u></u>	\$ <u><u>152,879</u></u>	\$ <u><u>152,879</u></u>

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 5 Interfund Balances and Activity - Continued

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, 2017, were as follows:

Governmental Activities	Beginning Balance	Additions	Reclassifications and Disposals	Ending Balance
Capital assets that are not depreciated:				
Land	\$ 1,385,715	\$	\$	\$ 1,385,715
Construction in progress	5,812,235	4,119,176	(132,978)	9,798,433
Total Nondepreciable Historical Cost	7,197,950	4,119,176	(132,978)	11,184,148
Capital assets that are depreciated:				
Buildings	48,697,534	12,622	132,978	48,843,134
Furniture and equipment	6,834,315	427,904	(325,297)	6,936,922
Total Depreciable Historical Cost	55,531,849	440,526	(192,319)	55,780,056
Total Historical Cost	62,729,799	4,559,702	(325,297)	66,964,204
Less accumulated depreciation:				
Buildings	(23,571,844)	(1,042,107)		(24,613,951)
Furniture and equipment	(4,494,944)	(464,994)	313,352	(4,646,586)
Total Accumulated Depreciation	(28,066,788)	(1,507,101)	313,352	(29,260,537)
Total Historical Cost, Net	\$ 34,663,011	\$ 3,052,601	\$ (11,945)	\$ 37,703,667

Depreciation expense was charged to governmental functions as follows:

General support	\$ 74,595
Instruction	1,115,020
Pupil transportations	308,879
School lunch program	8,607

Total Depreciation Expense **\$ 1,507,101**

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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:

Description of Issue	Interest Rate	Maturity Date	Beginning Balance	Issued	Renewed or Redeemed	Ending Balance
BAN 2015	1.50%	8/19/2016	\$ 2,000,000	\$	\$ (2,000,000)	\$ -
BAN 2016	1.50%	8/19/2016	3,500,000		(3,500,000)	-
BAN 2017 - Construction	1.50%	8/19/2017		8,000,000		8,000,000
BAN 2017 - Buses	1.35%	9/07/2017		362,387		362,387
Total			\$ 5,500,000	\$ 8,362,387	\$ (5,500,000)	\$ 8,362,387

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

Interest paid	\$ 53,187
Less interest accrued in the prior year	(63,677)
Plus interest accrued in the current year	114,315
Less amortization of BAN premium	(41,840)
Total	\$ 61,985

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 8 Long-term Debt

At June 30, 2017, the total outstanding indebtedness of the School District represented 29.6% of its statutory debt limit, exclusive of building aids. Long-term debt is classified as follows:

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

The following is a summary of the School District's notes payable and long-term debt for the year ended June 30, 2017.

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2017</u>
Serial Bonds:				
Serial bond - Deficit financing	4/01/2009	4/01/2019	3.85% - 4.50%	\$ 810,000
Serial bond	6/24/2010	6/15/2024	3.00% - 4.00%	1,290,000
Refunding serial bonds	10/30/2012	6/15/2023	2.00% - 4.50%	8,815,000
Statutory installment bond	7/31/2016	7/31/2018	2.85%	176,626
Statutory installment bond	8/28/2014	8/28/2019	3.00%	210,600
Statutory installment bond	8/03/2015	8/02/2020	3.47%	308,000
Total Bond Principal				<u>11,610,226</u>
Unamortized premium - School District pool revenue bonds				<u>256,904</u>
Total				\$ <u><u>11,867,130</u></u>

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

Interest paid	\$ 399,789
Less interest accrued in the prior year	(59,993)
Less premium recognized in the current year	(77,922)
Plus interest accrued in the current year	45,136
Plus amortization of deferred charges on defeased debt	<u>112,806</u>
Total	\$ <u><u>419,816</u></u>

Interest rates on the serial bonds vary from year to year, in accordance with the interest rates specified in the bond agreements.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 8 Long-term Debt - Continued

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

Governmental Activities	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Serial bonds	\$ 12,800,000	\$	\$ (1,885,000)	\$ 10,915,000	\$ 1,945,000
Statutory installment bonds	1,008,422		(313,196)	695,226	235,513
Total Bonds	13,808,422	-	(2,198,196)	11,610,226	2,180,513
Unamortized premiums	334,826		(77,922)	256,904	68,756
Total	\$ 14,143,248	\$ -	\$ (2,276,118)	\$ 11,867,130	\$ 2,249,269

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:

Governmental Activities	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Deferred charges on defeased debt	\$ (493,978)	\$	\$ 112,806	\$ (381,172)	\$ (98,696)
Total	\$ (493,978)	\$ -	\$ 112,806	\$ (381,172)	\$ (98,696)

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.

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

Year	Principal	Interest	Total
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	1,710,000	121,494	1,831,494
2023-2024	1,960,000	87,894	2,047,894
Total	\$ 11,610,226	\$ 1,195,664	\$ 12,805,890

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

	Beginning			Ending
	Balance	Additions	Deletions	Balance
Compensated Absences	\$ 1,242,255	\$	\$ (326,918)	\$ 915,337
Other postemployment benefits liability	23,891,532	5,841,472	(3,097,550)	26,635,454
Total	\$ 25,133,787	\$ 5,841,472	\$ (3,424,468)	\$ 27,550,791

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, 2017

***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 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, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.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, NY 12244.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued
Employees' Retirement System (ERS) - 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
2017 \$	<u>439,804</u>	<u>\$ 1,461,950</u>
2016	543,201	1,826,206
2015	475,731	1,670,185

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

At June 30, 2017, 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, 2017 for ERS and June 30, 2016 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, 2017

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

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	4/1/2016	6/30/2015
Net pension (asset) liability	\$ 9,396,223,126	\$ 1,071,041,940
School District's proportionate share of the		
Plan's total net pension (asset) liability	968,504	755,464
School District's share of the		
Plan's net pension (asset) liability	0.01031%	0.070535%

For the year ended June 30, 2017, the School District recognized pension expense of \$579,573 for ERS and \$1,233,728 for TRS in the District-wide financial statements. At June 30, 2017 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 24,270	\$	\$ 147,073	\$ 245,417
Changes of assumptions	330,877	4,303,602		
Net differences between projected and actual earnings on pension plan investments	193,450	1,698,679		
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	92,443	30,989	12,524	124,363
School District's contributions subsequent to the measurement date	113,127	1,270,963		
Total	\$ 754,167	\$ 7,304,233	\$ 159,597	\$ 369,780

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2018. 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>
2018	\$ 208,111	\$ 509,560
2019	208,111	509,560
2020	191,305	1,828,802
2021	(126,084)	1,418,347
2022		641,897
Thereafter		755,324

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, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Investment rate of return	7.0%	7.5%
Salary increases	3.8%	1.90% - 4.72%
Cost of living adjustment	1.3%	1.5%
Inflation rate	2.5%	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2016 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, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 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:

For TRS, the long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

	ERS	TRS
Measurement date	March 31, 2017	June 30, 2016
Asset Type:		
Domestic equities	4.55%	6.1%
International equities	6.35%	7.3%
Real estate	5.80%	5.4%
Private equity/Alternative investments	7.75%	9.2%
Absolute return strategies	4.00%	
Opportunistic portfolio	5.89%	
Real assets	5.54%	
Cash	-0.25%	
Inflation-indexed bonds	1.50%	
Domestic fixed income securities		1.0%
Global fixed income securities		0.8%
Mortgages and bonds	1.31%	3.1%
Short-term		0.1%

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 (asset) liability was 7.0% for ERS and 7.5% 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 (asset) 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 7.5% 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	\$	3,093,211	\$ 968,504	\$ (827,931)
TRS				
		1% Decrease (6.50%)	Current Assumption (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension (asset) liability	\$	9,856,740	\$ 755,464	\$ (6,878,210)

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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
Measurement date	March 31, 2017	June 30, 2016
Employers' total pension (asset)	\$ 177,400,586	\$ 108,577,184
Plan net position	(168,004,363)	(107,506,142)
Employers' net pension (asset)	<u><u>\$ 9,396,223</u></u>	<u><u>\$ 1,071,042</u></u>
Ratio of Plan Net Position to the Employers' Total Pension (Asset) Liability	94.7%	99.0%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Employee contributions are remitted monthly. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$113,127.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October, and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 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, 2017 amounted to \$1,332,897.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017 resulted in the following (increase) decrease on net position:

	Beginning Balance	Change	Ending Balance
ERS:			
Net pension (asset) liability	\$ 1,705,262	\$ (736,758)	\$ 968,504
Deferred outflows of resources	(1,676,182)	922,015	(754,167)
Deferred inflows of resources	205,430	(45,833)	159,597
Subtotal	<u>234,510</u>	<u>139,424</u>	<u>373,934</u>
TRS:			
Net pension (asset) liability	(7,110,173)	\$ 7,865,637	\$ 755,464
Deferred outflows of resources	(1,497,127)	(5,807,106)	(7,304,233)
Deferred inflows of resources	2,447,146	(2,077,366)	369,780
Subtotal	<u>(6,160,154)</u>	<u>(18,835)</u>	<u>(6,178,989)</u>
Total	<u>\$ (5,925,644)</u>	<u>\$ 120,589</u>	<u>\$ (5,805,055)</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, 2016 for the fiscal year ending June 30, 2017.

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, 2017

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	\$ 2,287,728
Supplemental cost	3,805,012
Interest	<u>121,855</u>
Total Annual Required Contribution	6,214,595
Interest on net OPEB obligation	955,661
Adjustment to annual required contribution	<u>(1,328,784)</u>
Annual OPEB Cost (Expense)	5,841,472
Contributions made on behalf of 241 employees	<u>(3,097,550)</u>
Increase in Net OPEB Obligation	2,743,922
Net OPEB Obligation - July 1, 2016	<u>23,891,532</u>
Net OPEB Obligation - June 30, 2017	<u><u>\$ 26,635,454</u></u>

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 2017, 2016, and 2015 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 5,841,472	53.0%	\$ 26,635,454
6/30/2016	5,797,490	49.5%	23,891,532
6/30/2015	5,917,583	54.6%	20,960,990

Funded Status and Funding Progress - As of June 30, 2017, the Plan was not funded. The actuarial accrued liability for benefits was \$87,178,846; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$13,744,644 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 634.0%.

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, 2016, 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 3%. Additional actuarial assumptions included an annual medical cost trend rate of 7.5% initially, reduced by decrements to an ultimate rate of 4.5% in 2022.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***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. 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, 2017, the School District incurred premiums or contribution expenditures totaling \$6,592,679.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***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, 2017, the School District incurred premiums or contribution expenditures of \$140,682.

Other Items

The School District has received grants which are subject to audit by agencies of 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, 2017

Note 13 Fund Balance Detail

At June 30, 2017, non-spendable, restricted, assigned, and unassigned fund balances in the Governmental Funds were as follows:

	<u>General Fund</u>	<u>School Lunch Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
Nonspendable				
Inventory	\$ -	\$ 28,479	\$ -	\$ -
Total Nonspendable Fund Balance	<u><u>\$ -</u></u>	<u><u>\$ 28,479</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Restricted				
Retirement contribution reserve	2,048,814			
Tax certiorari reserve	293,395			
Unemployment insurance reserve	301,731			
Employee benefit accrued liability reserve	17,291			
Capital reserve	2,336,831			
School lunch		336,227		
Debt			306,402	
Total Restricted Fund Balance	<u><u>\$ 4,998,062</u></u>	<u><u>\$ 336,227</u></u>	<u><u>\$ 306,402</u></u>	<u><u>\$ -</u></u>
Assigned				
Appropriated for next year's budget	\$ 250,000	\$ -	\$ -	\$ -
Encumbered for:				
General support	168,176			
Instruction	31,349			
Pupil transportation	2,438			
Employee benefits	1,500			
Total Assigned Fund Balance	<u><u>\$ 453,463</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Unassigned				
Unreserved, undesignated	\$ 1,355,760	\$ -	\$ -	\$ (8,268,257)
Reserve for tax reduction	208,219			
Total Unassigned Fund Balance (Deficit)	<u><u>\$ 1,563,979</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (8,268,257)</u></u>

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017 of the General Fund reserves were as follows:

General Fund	Beginning Balance	Additions	Interest Earned	Appropriated	Ending Balance
Restricted					
Unemployment insurance reserve	\$ 302,669	\$	\$ 263	\$ (1,201)	\$ 301,731
Retirement contribution reserve	2,446,254		2,560	(400,000)	2,048,814
Tax certiorari reserve	301,633		258	(8,496)	293,395
Employee benefit	17,274		17		17,291
Capital reserve	836,105	1,500,000	726		2,336,831
Total	\$ 3,903,935	\$ 1,500,000	\$ 3,824	\$ (409,697)	\$ 4,998,062
Unassigned					
Tax reduction reserve	\$ 307,951	\$ -	\$ 268	\$ (100,000)	\$ 208,219

Note 15 Tax Abatements

For the year ended June 30, 2017 the School District was subject to tax abatements negotiated by the Broome County Industrial Development Agency (BCIDA).

BCIDA enters into various property tax abatement programs for the purpose of economic development. School District property tax revenue was reduced by \$133,674, and the School District subsequently received payment in lieu of taxes (PILOT) payments totaling \$133,674.

Note 16 Stewardship, Compliance and Accountability

Deficit Fund Balance

The Capital Project Fund has a deficit fund balance of \$(8,268,257) 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, 2017, the District-wide Statement of Net Position had an unrestricted deficit net position of \$(21,105,200). This is primarily the result of the requirement to record other postemployment benefits 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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Local Sources				
Real property taxes	\$ 18,641,797	\$ 14,985,134	\$ 14,961,193	\$ (23,941)
Other tax items	<u>161,126</u>	<u>3,817,789</u>	<u>3,818,775</u>	<u>986</u>
Charges for services	<u>111,000</u>	<u>111,000</u>	<u>122,674</u>	<u>11,674</u>
Use of money and property	<u>69,000</u>	<u>69,000</u>	<u>98,864</u>	<u>29,864</u>
Sale of property and compensation for loss			<u>10,718</u>	<u>10,718</u>
Miscellaneous	<u>685,000</u>	<u>689,151</u>	<u>1,001,135</u>	<u>311,984</u>
Total Local Sources	<u>19,667,923</u>	<u>19,672,074</u>	<u>20,013,359</u>	<u>341,285</u>
State sources	<u>15,487,409</u>	<u>15,487,409</u>	<u>15,591,313</u>	<u>103,904</u>
Medicaid reimbursement	<u>22,000</u>	<u>22,000</u>	<u>36,643</u>	<u>14,643</u>
Total Revenues	<u>35,177,332</u>	<u>35,181,483</u>	<u>35,641,315</u>	<u>459,832</u>
OTHER FINANCING SOURCES				
Operating transfers in	<u>14,180</u>	<u>14,180</u>	<u>25,781</u>	<u>11,601</u>
Total Revenues and Other Financing Sources	<u>35,191,512</u>	<u>35,195,663</u>	<u>\$ 35,667,096</u>	<u>\$ 471,433</u>
Appropriated Fund Balance	<u>250,000</u>	<u>250,000</u>		
Appropriated Reserves	<u>300,000</u>	<u>308,496</u>		
Designated Fund Balance				
Encumbrances Carried				
Forward from Prior Year	<u>100,394</u>	<u>100,394</u>		
Total Revenues, Appropriated Reserves and Designated Fund Balance	<u>\$ 35,841,906</u>	<u>\$ 35,854,553</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, 2017

	Original Budget	Final Budget
EXPENDITURES		
General Support		
Board of Education	\$ 39,196	\$ 39,648
Central administration	351,648	359,802
Finance	521,621	538,993
Staff	275,549	347,736
Central services	2,305,688	2,490,502
Special items	387,685	394,281
Total General Support	3,881,387	4,170,962
Instruction		
Instruction, administration, and improvement	1,020,175	1,038,633
Teaching - Regular school	8,005,813	8,036,789
Programs for children with handicapping conditions	4,845,056	4,690,712
Occupational education	558,243	558,243
Teaching - Special school	225,000	225,000
Instructional media	1,781,726	1,814,627
Pupil services	1,628,295	1,647,750
Total Instruction	18,064,308	18,011,754
Pupil Transportation	1,053,490	1,062,695
Community Services	7,700	7,700
Employee Benefits	10,063,192	9,824,929
Debt Service		
Principal	2,198,196	2,198,196
Interest	453,133	453,133
Total Debt Service	2,651,329	2,651,329
Total Expenditures	35,721,406	35,729,369
OTHER FINANCING USES		
Operating transfers out	120,500	125,184
Total Expenditures and Other Financing Uses	\$ 35,841,906	\$ 35,854,553
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>
\$ 39,021	\$	\$ 627
350,581		9,221
529,400	691	8,902
283,854	50,000	13,882
2,226,804	117,485	146,213
389,237		5,044
3,818,897	168,176	183,889
1,011,067	271	27,295
7,894,650	6,171	135,968
4,424,035	910	265,767
558,243		-
180,739		44,261
1,794,818		19,809
1,599,478	23,997	24,275
17,463,030	31,349	517,375
989,981	2,438	70,276
4,916		2,784
9,511,032	1,500	312,397
2,198,196		-
452,976		157
2,651,172	-	157
34,439,028	203,463	1,086,878
124,283		901
34,563,311	\$ 203,463	\$ 1,087,779
1,103,785		
5,911,719		
\$ 7,015,504		

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2017

<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>
06/30/2017	7/1/2016	\$ -	\$ 87,178,846	\$ 87,178,846	0.0%	\$ 13,744,644	634.0%
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%

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

	2017	2016	2015
Contractually required contribution	\$ 439,804	\$ 543,201	\$ 475,731
Contributions in relation to the contractually required contribution	(439,804)	(543,201)	(475,731)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll	3,097,134	2,970,158	2,790,507
Contributions as a percentage of covered - employee payroll	14.2%	18.3%	17.0%

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

	2017	2016	2015
Contractually required contribution	\$ 1,270,963	\$ 1,461,950	\$ 1,826,206
Contributions in relation to the contractually required contribution	(1,270,963)	(1,461,950)	(1,826,206)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll	10,844,394	11,025,264	10,417,604
Contributions as a percentage of covered - employee payroll	11.7%	13.3%	17.5%

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

2014	2013	2012	2011	2010	2009	2008
\$ 544,064	\$ 533,516	\$ 455,836	\$ 310,035	\$ 187,603	\$ 236,054	\$ 228,436
(544,064)	(533,516)	(455,836)	(310,035)	(187,603)	(236,054)	(228,436)
-	-	-	-	-	-	-
2,792,567	2,869,191	2,790,625	2,654,572	2,611,748	2,631,278	2,526,516
19.5%	18.6%	16.3%	11.7%	7.2%	9.0%	9.0%

2014	2013	2012	2011	2010	2009	2008
\$ 1,670,185	\$ 1,220,417	\$ 1,145,226	\$ 876,685	\$ 638,267	\$ 788,127	\$ 828,858
(1,670,185)	(1,220,417)	(1,145,226)	(876,685)	(638,267)	(788,127)	(828,858)
-	-	-	-	-	-	-
10,278,062	10,307,576	10,308,065	10,170,360	10,311,260	10,329,318	9,494,364
16.3%	11.8%	11.1%	8.6%	6.2%	7.6%	8.7%

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>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension (asset) liability	0.01031%	0.01062%	0.00954%
School District's proportionate share of the net pension (asset) liability	\$ 968,504	\$ 1,705,262	\$ 322,167
School District's covered-employee payroll during the measurement period	3,131,810	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	30.9%	58.5%	11.7%
Plan fiduciary net position as a percentage of the total pension (asset) liability	94.7%	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>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension (asset) liability	0.070535%	0.068454%	0.069580%
School District's proportionate share of the net pension (asset) liability	\$ 755,464	\$ (7,110,173)	\$ (7,750,789)
School District's covered-employee payroll during the measurement period	11,025,264	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	3.35%	-68.25%	-75.41%
Plan fiduciary net position as a percentage of the total pension (asset) liability	99.0%	-110.5%	111.5%

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

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

Note 1 Budgetary Procedures and Budgetary Accounting

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

Appropriations are adopted at the program line level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The original adopted budget and changes are as follows:

Original adopted budget	\$ 35,741,512
Prior year encumbrances	100,394
Appropriated capital reserves	8,496
State aid	2,949
Gifts and donations	1,000
Insurance recoveries	<u>202</u>
Final Budget	\$ <u>35,854,553</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, 2017.

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.

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.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

***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 for the April 1, 2015 actuarial valuation.

Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2015 actuarial valuation.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2015 actuarial valuation determines the employer rates for contributions payable in fiscal year 2017. 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	2.5%
Salary scale	3.8% in ERS, indexed by service.
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.3% annually

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

***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

Chapter 504 of the Laws of 2009 created a new tier of membership (Tier 5) for members with a date of membership on or after January 1, 2010. The Tier 5 benefit structure represents a reduction in benefits from those of prior tiers and an increase in the required employee contribution rate. The Tier 5 benefit changes were first included in the 2010 actuarial valuation. Chapter 18 of the Laws of 2012 created a new tier of membership (Tier 6) for members who join on or after April 1, 2012. The Tier 6 benefit formula is slightly less generous than that of Tier 5, and the required employee contribution rate was increased further. Tier 6 benefit changes were first included in the 2012 actuarial valuation.

Changes of Assumptions

Actuarial assumptions are revised periodically to more closely reflect actual, as well as anticipated future experience. The actuarial assumptions used in the actuarial valuations prior to 2011 were adopted by the Retirement Board on October 26, 2006. Revised assumptions were adopted by the Retirement Board on October 27, 2011 and first used in the 2011 actuarial valuation. The actuarial assumptions were revised again in 2015. These assumptions were adopted by the Retirement Board on October 29, 2015 and first used in the 2015 actuarial valuation.

The System's valuation rate of interest of 7.5% is effective with the 2015 actuarial valuation. Prior to the 2015 actuarial valuation, the System's valuation rate of interest assumption was 8.0%.

Prior to the 2007 actuarial valuation, the asset valuation method used was a five-year market smoothing for equities, real estate, and alternative investments, based upon book values. The asset valuation method was changed effective with the 2007 actuarial valuation to use a five-year phased in deferred recognition of each year's realized and unrealized appreciation in excess of (or less than) an assumed inflationary gain of 3.0%. The asset valuation method was changed again effective with the 2015 actuarial valuation to recognize each year's net investment income/ loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is recognized at a rate of 20% per year, until fully recognized after five years.

Prior to the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.75% annually. Effective with the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually. Effective with the 2015 actuarial valuation, COLAs are projected to increase at a rate of 1.50% annually.

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

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

The actuarially determined contribution rates in the Schedule of School District's 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 District's 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 13 years.

Asset valuation method

Five-year phased in deferred recognition of each year's net investment income/loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is subject to the five-year phase in.

Inflation

2.5%

Projected salary increases

Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Investment rate of return

7.5% compounded annually, net of investment expenses, including inflation.

Projected cost of living adjustments

1.5% 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, 2017

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 35,741,512
Prior year's encumbrances	<u>100,394</u>
Original Budget	<u>35,841,906</u>
Appropriated capital reserve	<u>8,496</u>
Insurance recoveries	<u>202</u>
Gifts and donations	<u>1,000</u>
Additional state aid for incarcerated youth	<u>2,949</u>
Total Additions	<u>12,647</u>
Final Budget	\$ <u><u>35,854,553</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

Next year's budget is a voter approved budget	\$ <u><u>37,342,387</u></u>
Maximum allowed (4% of the 2017-2018 budget)	\$ <u><u>1,493,695</u></u>

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

Unrestricted fund balance:	
Assigned fund balance	\$ 453,463
Unassigned fund balance	<u>1,563,979</u>
Total Unrestricted Fund Balance	<u>2,017,442</u>

Less:	
Appropriated fund balance	\$ 250,000
Tax reduction reserve	208,219
Encumbrances included in assigned fund balance	<u>203,463</u>
Total Adjustments	<u>661,682</u>

General Fund Fund Balance Subject to §1318 of Real Property Tax Law	\$ <u><u>1,355,760</u></u>
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Actual Percentage	3.6%
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See Independent Auditor's Report

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Revised Budget	Expenditures			
			Prior Years	Current Year	Transfers	Total
Port Dickinson Elementary Reconstruction 0001-006	\$ 3,717,000	\$ 3,637,000	\$ 435,328	\$	\$	\$ 435,328
Port Dickinson Elementary Reconstruction 0001-008	357,924	396,382		146,957		146,957
Port Dickinson Elementary Reconstruction 0001-009	664,000	2,574,017	195,376	1,235,268		1,430,644
Port Dickinson Elementary Reconstruction 0001-010	11,000	11,000	1,066		9,934	11,000
Junior/Senior High School Reconstruction 0002-010	4,614,800	4,614,800	2,618,935	8,433	(8,434)	2,618,934
Middle/High School Reconstruction 0002-016	100,000	95,044		95,044	4,956	100,000
Middle/High School Reconstruction 0002-013	599,967	511,518		393,094		393,094
Middle/High School Reconstruction 0002-014	2,511,000	3,546,618	1,782,751	871,020		2,653,771
Middle/High School Reconstruction 0002-015	21,000	21,000	2,611	15,867	2,522	21,000
Chenango Bridge Elementary Reconstruction 0004-009	2,420,600	2,420,600	253,137			253,137
Chenango Bridge Elementary Reconstruction 0004-011	285,844	374,298		125,281		125,281
Chenango Bridge Elementary Reconstruction 0004-012	390,000	1,302,253	111,834	804,558		916,392
Chenango Bridge Elementary Reconstruction 0004-013	8,000	8,000	775	6,062	1,163	8,000
Bus Garage Reconstruction 5006-004	1,727,600	1,727,600	238,606			238,606
Bus Garage Reconstruction 5006-006	55,104	13,488		9,581		9,581
Bus Garage Reconstruction 5006-007	891,000	949,185	83,705	400,440		484,145
Bus Garage Reconstruction 5006-008	6,000	6,000	581	4,543	876	6,000
New Concession/Storage Building 7010-002	4,000	4,000	388	3,028	584	4,000
2015-2016 Buses	400,000	359,572		359,572	2,815	362,387
Unredeemed BANs						
Total	\$ 18,784,839	\$ 22,572,375	\$ 5,725,093	\$ 4,478,748	\$ 14,416	\$ 10,218,257

*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			Total	Fund Balance (Deficit) June 30, 2017
	Proceeds of Obligations	State Aid	Local Sources		
\$ 3,201,672	\$ 418,609	\$	\$ 514,760	\$ 933,369	\$ 498,041 *
249,425					(146,957) *
1,143,373	1,120,492		622,468	1,742,960	312,316 *
			11,000	11,000	-
1,995,866	2,519,454		99,480	2,618,934	-
(4,956)			100,000	100,000	-
118,424					(393,094) *
892,847	2,371,897			2,371,897	(281,874) *
			21,000	21,000	-
2,167,463	243,415		324,061	567,476	314,339 *
249,017					(125,281) *
385,861	107,539			107,539	(808,853) *
			8,000	8,000	-
1,488,994	836,878		239,231	1,076,109	837,503 *
3,907					(9,581) *
465,040	381,716			381,716	(102,429) *
			6,000	6,000	-
			4,000	4,000	-
(2,815)	362,387			362,387	-
	(8,362,387)			(8,362,387)	(8,362,387)
<u>\$ 12,354,118</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,950,000</u>	<u>\$ 1,950,000</u>	<u>\$ (8,268,257)</u>

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR ENDED JUNE 30, 2017

Capital assets, net	\$ <u>37,703,667</u>
Add:	
Deferred charges on defeased debt	<u>381,172</u>
Unspent debt proceeds	<u>598,272</u>
Deduct:	
Bond anticipation notes	<u>(8,362,387)</u>
Unamortized premium on bonds payable	<u>(256,904)</u>
Short-term portion of bonds payable, excluding deficit elimination bond	<u>(1,785,513)</u>
Long-term portion of bonds payable, excluding deficit elimination bond	<u>(9,014,713)</u>
Net Investment in Capital Assets	\$ <u><u>19,263,594</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 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 the Chenango Valley Central School District (the School District), as of and for the year ended June 30, 2017, 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 27, 2017.

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 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 27, 2017

**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, 2017. 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, 2017.

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 27, 2017

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

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	0021170165	\$	\$ 391,150
Title I Grants to Local Educational Agencies	84.010	0021160165		7,435
		Subtotal		398,585
School Improvement Grants	84.377	0011162534		364
		Subtotal		398,949
Special Education Cluster:				
Special Education - Grants to States	84.027	0032170053		498,432
Special Education - Preschool Grants	84.173	0033170053		11,809
Total Special Education Cluster				510,241
Improving Teacher Quality State Grants	84.367	0147170165		46,531
Improving Teacher Quality State Grants	84.367	0147160165		698
		Subtotal		47,229
Total U.S. Department of Education				956,419
U.S. Department of Agriculture				
Passed Through NYS Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	03070106		358,872
School Breakfast Program	10.553	03070106		94,051
Total Child Nutrition Cluster				452,923
Total U.S. Department of Agriculture				452,923
Total Expenditures of Federal Awards			\$	- \$ 1,409,342

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, 2017

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, 2017, the School District received \$59,870 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, 2017

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>
<u>10.553 and 10.555</u>	<u>Child Nutrition Cluster</u>

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